Annual Financial Report 2011

Condensed Version

I trust in Leifheit

LEIFHEIT

Aktiengesellschaft

Group data 2007 to 2011

			2007	2008	2009	2010 [1]	2011
Turnover	– Group	€ m	276	280	273	211	**222**
	– Brand Business	€ m	–	–	–	164	**170**
	– Volume Business	€ m	–	–	–	47	**52**
Change		%	–	1	-3	–	**5**
Foreign share		%	58	60	58	58	**57**
Key return figures							
Cash flow from operating activities		€ m	14.3	1.7	43.8	12.0	**12.8**
EBIT		€ m	2.4	5.2	8.1	8.8	**13.9**
EBIT adjusted		€ m	–	–	–	–	**11.4** [4]
EBIT margin		%	0.9	1.9	3.0	4.2	**5.1** [4]
Earnings before income taxes (EBT)		€ m	0.5	2.6	5.5	6.0	**12.2**
Result for the period		€ m	-3.2	0.4	3.1	5.5	**12.1**
Net return on sales		%	-1.2	0.1	1.1	2.6	**5.5**
Return on equity		%	-3.1	0.4	3.1	5.3	**12.2**
Return on total capital		%	-1.6	0.2	1.4	2.6	**6.1**
Key figures per share							
Result for the period [2]		€	-0.67	0.09	0.66	1.15	**2.55**
Cash flow [2]		€	3.00	0.35	9.23	2.52	**2.71**
Dividend per share		€	–	0.60	0.60	1.00	**1.30** [3]
Special dividend		€	–	–	2.40	2.00	**–**
Employees							
Annual average			1,404	1,521	1,468	1,137	**1,085**
At year-end	– Group		1,411	1,530	1,471	1,141	**1,032**
	– Brand Business		–	–	–	751	**726**
	– Volume Business		–	–	–	390	**306**
Personnel expenditure per employee		k€	40	37	40	38	**38**
Investment in tangible assets		€ m	7	5	6	4	**5**
Investment ratio		%	3.7	4.1	4.8	3.0	**41**
Depreciation on tangible assets		€ m	7	7	9	5	**5**
Total assets, equity and liabilities		€ m	207	221	223	207	**199**
Equity		€ m	99	101	101	102	**99**
Equity ratio		%	48	45	45	49	**50**

[1] without the disposal of Bathroom Furnishings and with the reorganisation into Brand Business and Volume Business
[2] not including repurchased treasury shares
[3] proposal to the Annual General Meeting
[4] adjusted for the one-off positive special effect of € 2.5 million from the acquisition of a controlling interest in Leifheit CZ a. s.

Leifheit 2011

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Dr. Claus-O. Zacharias (CFO)

Georg Thaller (CEO)

Dialogue
with the Board of Management

Mr Thaller, Dr. Zacharias: How do you assess the development of the Leifheit Group in 2011?

— **Georg Thaller:** After spending some time restructuring and focussing, we are pleased that our measures have begun to bear fruit in the past financial year. In concrete terms, turnover has increased by over 5% to € 222.1 million. We therefore met the objectives we set for ourselves and accelerated our growth rate further. Both the Brand Business and the Volume Business contributed actively to these pleasing earnings.

— **Dr. Claus-O. Zacharias:** At the same time, our almost 30% increase in operating earnings has proven that Leifheit can generate strong rises in earnings. In addition, the pleasing one-off effect of € 2.5 million due to the takeover of additional shares of our Czech subsidiary had a positive effect on earnings, although it is a one-time effect for financial year 2011. Overall, we generated EBIT of € 13.9 million in 2011. Earnings thus increased more strongly than

turnover. The figure at the end of 2011 was significantly higher than that of 2010.

In the past year, which business areas performed especially well and which performed less well?

— **Georg Thaller:** In terms of Group turnover, the Brand Business continues to be the cornerstone of our company. We generate approximately three-quarters of Group earnings there. Within our product categories, cleaning and laundry care showed extremely solid development. They generated significant growth again at an already high turnover level. The wellbeing category with the Soehnle brand shone as well with a year-on-year increase of almost nine percent. This is a remarkable performance in a fiercely competitive market environment. Kitchen goods is the only area that requires more action on our part. Turnover was down year-on-year in this category. With the help of strategic repositioning, we began to counter this trend last year.

We increased turnover in the Volume Business by a good 10%. As before, the product categories of laundry care and kitchen goods are key turnover drivers.

The "Leifheit GO!" strategy begins its second year in 2012. What measures were implemented already?

— **Georg Thaller:** At the current time, Leifheit is on a profitable growth path and our "Leifheit GO!" strategy has determined its main direction for more than one year. We are proud to be at home in over 25 million households – this is more than every second household in Germany. But we are not satisfied with this. After establishing an international management structure last year, we then established focus countries as part of our international distribution strategy for this reason. Our more systematic approach supports our distribution activities there.

In 2011, we also implemented an umbrella brand strategy for the Leifheit brand. Its three strategies are to increase the brand exposure within the umbrella brand, achieve a positive image transfer, and to strengthen the brand image as a whole and raise its emotional impact.

The visible result is a new umbrella brand campaign with the maxim: "I trust in Leifheit". The campaign demonstrates our end consumers' trust with people supporting the brand and its products. Activities centre on TV commercials, PR measures, and online measures. As previously mentioned, we have also started realigning our kitchen goods product category.

— **Dr. Claus-O. Zacharias:** We are also expanding and optimising our production and logistics at an orderly pace. I would like to briefly mention two projects in this context: Our Zuzenhausen location is the central hub of our global logistics. We are investing in expanded warehouses there, coupled with the newest storage technology and IT systems. This is how we are increasing our clout and creating the necessary flexibility with a view to future challenges. We are also investing more in our plant in Blantá, Czech Republic. Capacities are being expanded there as well. This gives us the option of manufacturing selected products, such as large items with correspondingly high logistic costs, just outside our main sales markets instead of in the Far East. As a whole, "Leifheit GO!" is therefore 100% on track.

"Leifheit is on a profitable growth path."
Georg Thaller

"We are extremely pleased with the performance of Leifheit's shares last year."

Dr. Claus-O. Zacharias

In Germany and Europe, both your brands Leifheit and Soehnle are market leaders in many product segments already. Where do you see more growth potential?

— **Georg Thaller:** Our growth and our success, especially in the European focus markets, were indeed very pleasing in 2011. However, we expect additional potential for turnover increases due to the continuing good consumer mood, especially in our home market of Germany. We have strategically positioned ourselves well in recent years, especially in Eastern Europe, and now we are planning to significantly expand our market position in the future. Leifheit products are now available in more than 80 countries around the world as well. This figure demonstrates our potential in a notable way, as well as our international orientation. We will continue to develop active growth markets and obtain new customers with our intelligent innovations.

At the product category level, we see room for improvement in the kitchen goods area for sure in 2012. We will convince with a number of innovations in this area and focus more on using our brand ambassador Christian Henze in the future.

— **Dr. Claus-O. Zacharias:** Of course we are proud of the solid growth we achieved under our own steam. Regardless of this, we will continue – as we have in the past – to review acquisition opportunities. We have the corresponding means and expertise to efficiently implement such transactions.

As you say, Leifheit is advancing the quality and innovation of its products on the one hand, while committing itself to strict cost discipline on the other. Does that fit together?

— **Georg Thaller:** Absolutely. First of all, the topic of quality and innovation is not only part of international competition, but is also part of the way we see ourselves. We are pleased that many national and international awards for quality and design highlight these efforts again and again. We are benefiting from the trend towards high-quality and durable products in connection with perceived sustainability – especially in the target group of younger con-sumers. Nevertheless, we endeavour to consistently examine our product portfolio and adjust it if necessary in order to replace items with low turnover and thus ease the burden on the cost side.

— Dr. Claus-O. Zacharias: Our cost discipline is also primarily aimed at costs that are not necessarily required to create value. This is in addition to targeted investments in our distribution, marketing measures, and communication, in the development of innovations and of course in motivating and further developing our employees, on whose high level of commitment and skills we depend.

Expenses for regular monitoring and increases in productivity are also reflected in better earnings. In the past year, we placed a strong focus on overhauling accumulated processes. In the area of production in particular, this method allowed us to implement cost discipline with a sense of perspective as well as to further increase manufacturing quality. Another extremely important topic for us is raw material expenses. In this area, we will continue to be mindful of forward-looking agreements with our suppliers and flexible alternatives.

Leifheit would also like to generate sustainable growth in future. What goals have you set for the current year?

— Georg Thaller: Even in the current economic environment, Leifheit is well-positioned to achieve its growth and earnings targets for financial year 2012 as planned. Our strong and established brands give us leading market positions and make us optimistic. In addition to our new launches at the consumer goods fair Ambiente, we will launch more innovations this year, including a rework of our extremely successful "Twist-System". The common feature of all products is offering reliable and clever solutions to make all housework run smoothly. We made it our goal to further increase our brand recognition and the satisfaction of our customers. For us, this is the foundation for profitable growth.

— Dr. Claus-O. Zacharias: Despite some clouds on the economic horizon, we still expect growth to average three to five percent. We would like to increase our earnings again in 2012 and generate a figure at least 10% higher than last year's. We are extremely pleased with the performance of Leifheit's shares last year. They show that, like our customers, our shareholders trust Leifheit, too. At this year's Annual General Meeting, we are proposing a distribution of € 1.30 per share, thus we remain an attractive and solid dividend-bearing security.

Corporate Governance

At Leifheit, the term corporate governance stands for responsible corporate management and control geared towards creating sustainable value added. Thus, the Board of Management and the Supervisory Board ensure the future of the company as a going concern and a lasting enhancement of its enterprise value.

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

We are guided by the German Corporate Governance Code. This represents key statutory regulations for the management and monitoring of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance.

In the following section, the Board of Management reports – including on behalf of the Supervisory Board – on corporate governance at Leifheit in accordance with item 3.10 of the German Corporate Governance Code.

Transparency in favour of shareholders and the public

In order to ensure the greatest possible degree of transparency and equal opportunities, we have made it our goal to inform all our target groups comprehensively, equally and in a timely manner. For this purpose, interested parties can find key recurring dates in our financial calendar, which is published in our annual report, quarterly reports and on the Leifheit website. All press releases and ad hoc disclosures, presentations from press conferences and analyst conferences and the Annual General Meeting are regularly published on our website.

The Board of Management and Investor Relations department are in regular contact with private and institutional investors as part of our investor relations work. Further information on our capital market activities can be found in “Leifheit Shares”.

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 regularly and in a timely manner in the quarterly reports and in detail in the annual financial report. These reports are also published on our website.

Leifheit provides its shareholders with all the relevant information for the Annual General Meeting early on. The invitation to the Annual General Meeting with the forthcoming agenda and an explanation of the conditions for participation is usually announced one-and-a-half months in advance. All documents and information on the Annual General Meeting are available on our website. Immediately afterwards, we publish attendance figures and the results of voting 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.

Cooperation between the Supervisory Board and the Board of Management

The Supervisory Board and the Board of Management work together closely and trustingly in the Company's interests. Their common goal is to ensure the future of the company as a going concern and sustainable value added.

In accordance with legal requirements, Leifheit AG has a dual management system with separate personnel on its management body and its supervisory body. The Board of Management manages the company under its own responsibility and in the company's interests. It 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 and 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 sit on the Supervisory Board of Leifheit AG. Furthermore, the Supervisory Board reviews the independence of its members.

The Board of Management regularly, promptly and comprehensively informs the Supervisory Board of business policy and all issues relating to planning, business development, the risk situation and risk management that are relevant to the company. In the process, deviations in business performance from the previously prepared plans and targets are described and explained. Under the Articles of Incorporation of Leifheit AG, material business transactions are subject to Supervisory Board approval.

The company has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of the Board of Management in accordance with legal requirements. D&O insurance without a deductible has been agreed for members of the Supervisory Board.

Appropriate control and risk management system

The responsible handling of risks of all kinds is of elementary importance to the success of a company. The Board of Management ensures appropriate risk management within the company. Systematic risk management guarantees that risks can be recognised, assessed and controlled at an early stage. The Board of Management informs the Supervisory Board of existing risks and their development at regular intervals. The Audit Committee appointed by the Supervisory Board regularly discusses the monitoring of the accounting process, the effectiveness of the internal control, risk management and internal audit systems and the monitoring of the audit of financial statements.

Accounting and auditing

The basis for the consolidated financial statements is the International Financial Reporting Standards (IFRS) as applicable in the European Union. The legally required separate financial statements of Leifheit AG, which are the deciding factor for the payment of the dividend, are prepared in accordance with the provisions of the German Commercial Code (HGB).

The following agreements were made with the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main: the Chairman of the Supervisory Board shall be informed immediately of any grounds for disqualification or partiality arising during the audit, unless such grounds are eliminated immediately.

The auditor must also report without delay on all findings and events that arise during the performance of the audit that have a direct bearing on the work of the Supervisory Board. In addition, the auditor must inform the Supervisory Board or note in its audit report any facts ascertained during the performance of the audit that are inconsistent with the declaration of compliance issued by the Board of Management and the Supervisory Board in accordance with section 161 of the German Stock Corporation Act (AktG).

Remuneration report

The following remuneration report is part of the audited management report. Among other things, it describes the main features of the remuneration system for the Board of Management:

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

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

  The fixed basic annual salary is paid monthly and is based on the area of responsibility and individual performance of the respective Board of Management member. It is reviewed at regular intervals to determine if it is appropriate and in line with market standards. Annual variable remuneration is measured according to the EBT of the Leifheit Group and is paid following the adoption of the annual financial statements. The long-term variable remuneration is measured according to consolidated EBT for 2011 and 2012 and EBIT for 2011 to 2014. A cap has been included in the current Board of Management contracts.

  The company has granted one of the members of the Board of Management a share-based remuneration component for short- and long-term variable remuneration from the 2011 financial year. This provides for cash payment rather than remuneration in the form of shares.

The amount of short-term variable remuneration paid is calculated using an EBT multiplier and a market capitalisation multiplier. The EBT multiplier is based on the earnings of the Leifheit Group before income tax. The market capitalisation multiplier is measured according to the growth in the market capitalisation of Leifheit AG achieved in the calendar year as against the respective prior calendar year. The amount paid is capped. It will be paid within four weeks of the resolutions on the appropriation of profits by the Annual General Meeting for the financial years 2011 to 2014.

The amount of long-term variable remuneration paid is calculated using an EBIT multiplier and a market capitalisation multiplier. The market capitalisation multiplier is 2.5% of the growth in the market capitalisation of Leifheit AG on the basis of average prices on the last 90 trading days of the 2014 calendar year and the last 90 trading days of the 2010 calendar year. The EBIT multiplier is based on the average performance in the Group's EBIT reported in the consolidated financial statements in the calendar years 2011 to 2014. Both the EBIT multiplier and the payment amount are capped. The value of the bonus programme is calculated each year on the basis of analyses by a third-party expert using Monte Carlo simulations and is transferred to provisions pro rata temporis over the respective vesting period. The fair value of this as at 31 December 2011 is € 1.3 million; the recognised provision amounts to € 0.3 million. It will be paid within four weeks of the resolution on the appropriation of profits by the Annual General Meeting for the 2014 financial year.

The members of the Board of Management do not receive remuneration for management, administrative or supervisory board work at subsidiaries in addition to remuneration for their activities as members of the Board of Management of Leifheit AG.

There are no stock option programmes or similar securities-based incentive systems. The members of the Board of Management in office have not received defined benefit obligations in accordance with IFRS.

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

The Board of Management contracts do not contain an express commitment to severance payment in the event of early termination. Severance payments can, however, be stipulated in individual termination agreements. The Board of Management contracts do not contain change of control clauses.

The Annual General Meeting of Leifheit AG resolved on 26 May 2011 not to publish the individual remuneration of the Board of Management members for five years, beginning with the 2011 financial year. The remuneration for the active Board of Management members amounted to a total of k€ 1,896 in the past financial year. k€ 1,326 of this was variable remuneration.

- **Remuneration of the Supervisory Board**

The remuneration of the Supervisory Board is regulated by the Articles of Incorporation of Leifheit AG. In line with the legal provisions and the requirements of the German Corporate Governance Code, it takes into account the responsibilities and extent of activities of the members of the Supervisory Board and the company's performance. The members of the Supervisory Board receive fixed remuneration in addition to variable, performance-based remuneration measured according to the dividend.

Fixed remuneration: In addition to the reimbursement of 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 paid in the December of the respective 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. This variable remuneration is paid after the Annual General Meeting that resolves the appropriation of the balance sheet profit.

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

Each member of the Supervisory Board receives an additional 25% of the fixed remuneration of a Supervisory Board member for each Supervisory Board committee of which he is a member. The chairman of a committee receives double this amount. Members of the Supervisory Board who are only on the Supervisory Board or a committee for part of a financial year receive proportionate remuneration for each month or part of a month of service. The fixed remuneration is paid in the December of the financial year, while the variable remuneration is paid on the day of the Annual General Meeting that decides the official approval of the actions of the Supervisory Board for the financial year just ended.

The remuneration of the Supervisory Board for the 2011 financial year amounted to k€ 497.5 and breaks down as follows in accordance with item 5.4.6 of the German Corporate Governance Code:

k€	Fixed remuneration	Variable remuneration*	Committee	Total
Helmut Zahn	45.0	120.0	11.3	176.3
Dr. Robert Schuler-Voith	22.5	60.0	11.3	93.8
Dieter Metz	15.0	40.0	–	55.0
Karsten Schmidt	15.0	40.0	3.8	58.8
Thomas Standke	15.0	40.0	–	55.0
Dr. Friedrich M. Thomée	15.0	40.0	3.8	58.8

* Due to the special distribution of € 2.00 per share for financial year 2010, which was paid out after the 2011 Annual General Meeting, there was subsequent variable remuneration for financial year 2010.

No remuneration was paid to the members of the Supervisory Board for personally performed services.

Avoidance of conflicts of interest

There were no conflicts of interest among the members of either the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board.

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

In accordance with section 15a of the German Securities Trading Act (WpHG), the members of the Board of Management and Supervisory Board or their related parties are legally required to disclose all transactions involving the purchase or sale of Leifheit AG shares or related financial instruments where such transactions total or exceed € 5,000 in a calendar year. The notifications received by Leifheit AG for the 2011 financial year have been published on its website.

The total number of shares in Leifheit AG held by all members of the Board of Management was 23,000 as at 31 December 2011. The members of the Supervisory Board directly and indirectly held a total of 2,437,296 shares in Leifheit AG as at 31 December 2011, of which 2,417,249 are attributable to Dr. Robert Schuler-Voith.

The memberships of Board of Management and Supervisory Board members in statutory supervisory boards or similar German and non-German executive bodies of enterprises can be found on page 97 of the Group's annual report. No member of the Board of Management holds supervisory board mandates in listed companies that are not part of the Group. In the year under review, there were no reportable relationships or transactions with related companies or persons.

Deductible in D&O insurance

Leifheit has taken out directors and officers (D&O) liability insurance with an appropriate deductible for the members of the Board of Management in accordance with section 93 para. 2 sentence 3 AktG. However, D&O insurance without a deductible has been agreed for members of the Supervisory Board.

Shareholders and the Annual General Meeting

The shareholders of Leifheit AG exercise their rights at the Annual General Meeting of the company, which is chaired by the Chairman of the Supervisory Board. The Annual General Meeting is held once per year. Each share represents one vote.

Shareholders can either exercise their voting rights at the Annual General Meeting themselves, via a proxy of their choice or via a proxy of the company who is bound by instructions. Voting instructions to the company's proxy can be issued before and during the Annual General Meeting until the end of the general debate. Shareholders also have the option of casting their votes – without authorising a representative – in writing by postal ballot. All documents and information on the Annual General Meeting are available to shareholders at an early stage on our website.

Aims of the Supervisory Board in terms of its composition

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

- Each member must meet the requirements laid down by law and the Articles of Incorporation to be a member of the Supervisory Board.
- Each member of the Supervisory Board must have the necessary knowledge and abilities to properly perform the tasks assigned to him by law and the Articles of Incorporation.
- 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 audits of financial statements.
- The Supervisory Board must have at least one member with specialist knowledge of law.
- The Supervisory Board must have at least one member with specialist knowledge 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 oldest member of the Supervisory Board should be at least ten years. No member of the Supervisory Board should be older than 70.
- There should be at least one woman on the Supervisory Board of Leifheit AG.

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

Declaration of compliance in accordance with section 161 para. 1 of the German Stock Corporation Act (AktG)

In the 2011 financial year, the Board of Management and Supervisory Board discussed their fulfilment of the requirements of the German Corporate Governance Code still in effect as resolved by the Government Commission on the German Corporate Governance Code on 26 May 2010. Based on this discussion, the Board of Management and the Supervisory Board submitted a declaration of compliance in accordance with section 161 para. 1 AktG in December 2011, the text of which is printed in the consolidated annual financial report (German Version) under the heading “Erklärung zur Unternehmensführung” (starting on page 41).

The declarations of compliance in accordance with section 161 para. 1 AktG and the declaration of corporate management in accordance with section 289a HGB can be viewed on our website.

Consolidated management report

Business activities and organisational structure

Business activities

The Leifheit Group is one of the leading European brand suppliers of household items. Our operating business is divided into two segments: Brand Business and Volume Business.

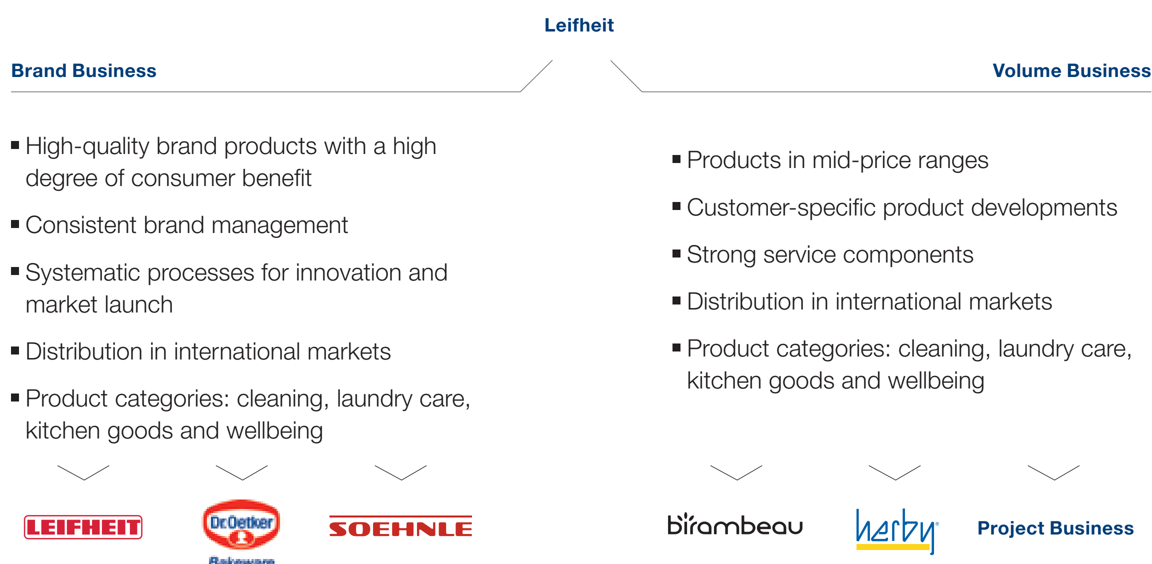
In the Brand Business, we distribute our products under three well-known brands: Leifheit, Dr. Oetker Bakeware and Soehnle. Our brand products are characterised by high-quality workmanship with a high degree of consumer benefit and are offered in the medium to high price sector.

The Volume Business of the Leifheit Group includes the French subsidiaries Birambeau and Herby as well as the Project Business. Here we offer product ranges in the medium price range plus customer-specific product developments and their manufacture as well as contract manufacturing for third parties.

Across both divisions, we distribute products in the categories of cleaning, laundry care, kitchen goods and wellbeing.

We design and develop our products, especially for the Brand Business, in our own development departments. Production takes place at our own production plants in Germany, France and the Czech Republic as well as by external suppliers in various European and Asian countries. Our products are distributed mostly in Germany and Europe – but also in the US, the Middle East and the Far East. They are distributed mainly by means of large retail chains and wholesalers, but also via modern distribution channels.

Divisions



Markets and market positions

14
locations

The Leifheit Group is positioned internationally with 14 locations. Its products are distributed in over 80 countries across the world. In 2011, Leifheit recorded positive overall performance on the international markets. In a difficult macroeconomic environment, we were able to maintain our market position and even expand significantly in individual countries.

The focus of our business is Germany. We generated 43.5% of our turnover there in the past financial year.

Central Europe (excluding Germany) is our second most important sales market with 43.4%. In this region, France, the Netherlands and Austria are particularly significant. Eastern Europe contributes 6.6% to turnover. We are active there mainly in the Czech Republic, large Russian cities and Poland. Countries outside Europe added 6.5% to Group turnover. In this area, we are currently focussing on the Far East and the Middle East.

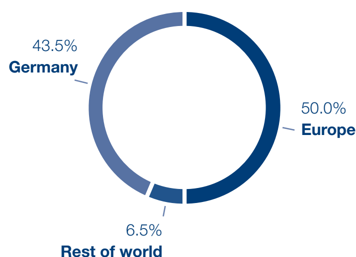
The Central European region put in a positive overall performance in 2011. Growth came mainly from France and Austria. Progress was made here in the traditional listing business as well as in promotion and B2B. A positive aspect of this is that our performance on the above-mentioned markets avoided the general purchasing restraint in these countries.

Growth in Eastern Europe of 3.5% was carried by strong performance in the Czech Republic, the Ukraine and Russia in particular, while we generated less turnover than in the previous year period in other material Eastern European markets due to macroeconomic difficulties and currency-related price increases.

Targeted Project Business brought us success in the US, resulting in double-digit growth in the past financial year.

Our cleaning and laundry care product categories prospered further in 2011. The cleaning category again regained ground from competitors, especially in the core market of Germany. According to a survey by the market research institute Nielsen, Leifheit significantly outperformed the market in this area.

Group turnover by region



In the wellbeing category, our Soehnle brand generated strong growth and thus solidified its market position. Soehnle is the market leader in bathroom scales and kitchen scales in the countries of Germany, Austria, Switzerland and the Netherlands. In Europe, Soehnle is one of the top three providers. According to consumer research institute GfK, we have around 42% of the German kitchen scale market with Soehnle in terms of value and around 40% for bathroom scales.

Change in Group structure

In the third quarter of 2011, the Tunisian subsidiary of Herby, Herby Tunisie s.a.r.l., Sousse, was liquidated and deconsolidated. Accordingly, it was no longer included in the scope of consolidation as at 31 December 2011.

In the fourth quarter of 2011, the Leifheit Group acquired a controlling interest in Leifheit CZ a.s., headquartered in Dobroviz near Prague, Czech Republic. The purchase of another 20% of the company's shares increased the interest from 51% to 71%. Leifheit CZ a.s. manages the distribution of Leifheit products in the Czech Republic and the Slovak Republic. In addition to purchasing the company shares, amendments to the Articles of Incorporation were made so that Leifheit AG now has controlling influence over Leifheit CZ a.s.

As already reported in the 2010 annual financial report, Leifheit AG spun off its Bathroom Furnishing division with the brands Spirella, Kleine Wolke and Meusch in 2010. Since then, the company has completely focused on business with household items.

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. 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 11 direct or indirect subsidiaries. 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 (production, 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

Our current business strategy targets sustainable and profitable growth. In the "Leifheit GO! – Growing (by) Opportunities" strategy, we are focussing on three main action areas:

- The international distribution strategy
- A targeted brand and communication strategy
- An increase in efficiency

Our international distribution strategy aims to expand existing distribution channels while also tapping new distribution channels. For this purpose, we have defined clear-cut focus markets, prioritised by potential and accessibility. We intend to use a stronger systematic approach in distribution to drive growth further in our international core markets. As such, most of the growth is expected in those core markets where the greatest dynamic can be generated.

The second pillar of our "Leifheit GO!" programme is our brand and communication strategy. Using intensified and target group-oriented communication and consumer-relevant products, the aim is to further hone our brand profile and thereby significantly expand turnover. Against this background, we developed a new umbrella brand strategy with an improved marketing mix for the Leifheit brand in financial year 2011. It centres on the consistent orientation of the Leifheit brand on reliable, clever and innovative products. In this connection, we are also repositioning our kitchen goods area. Leifheit has set a goal for itself of further improving its market image in this product category and clearly differentiating itself from the competition. All measures and activities will therefore be more rigorously based on profitable future sources of turnover.

As part of our umbrella strategy, we are launching a new campaign with the maxim "I trust in Leifheit" in 2012. Under this strapline, consumers support the brand and its high-quality products. The central tools of the campaign are TV commercials, PR measures and online measures. The new launch was preceded by a large-scale consumer study that again confirmed Leifheit is one of the strongest brands in the household.

Beyond the two areas for action sketched out above, we are focussing – as in previous years – on further improving our structures and production/logistics processes. The measures target optimisation of the supply chain to increase efficiency of our global distribution and an increase in flexibility to be able to meet the individual requirements of our customers even better.

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.

Our organisation is geared towards strategy-driven customer and brand management. In order to do this, the Brand Business and the Volume Business are managed as separate segments. The organisational structure and the process organisation are structured in such a way that the targets of the strategic business alignment can be achieved in an optimal way.

Control system principles

The Group is led and managed with a value-oriented management system. The heart of the internal management system is the key benchmarks: turnover, gross margin, contribution margin and earnings before interest and taxes (EBIT). In doing so, we are concentrating on steering the two different divisions Brand Business and Volume Business. The product groups and brands are also man-aged. With ongoing monitoring, we monitor our working capital in order to ensure an optimal capital commitment.

We track various leading indicators such as the consumer confidence index, development of commodity prices and exchange rates in order to react to changes in the environment in a timely manner. Leifheit also regularly analyses the regions and customer groups in which it operates.

Our analyses take into account different time periods: monthly and quarterly reports and forecast, budget and medium-term planning. We use actual vs. target comparisons to check in retrospect if corporate performance matches the given forecasts and strategic targets.

We make decisions on our products using contribution margin accounting. Investment decisions are assessed using the discounted cash flow procedure at predetermined amortisation periods.

Information under takeover law

Takeover information required under section 315 para. 4 HGB as at 31 December 2011 are presented below:

The subscribed capital (share capital) of Leifheit AG as of 31 December 2011 remains unchanged at k€ 15,000 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 48.34% of the voting rights in Leifheit AG as of 31 December 2011. In addition, MKV Verwaltungs GmbH informed us in February 2009 to hold 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 no controls on voting rights.

Board of Management members are appointed and dismissed in accordance with sections 84 and 85 of the German Stock Corporation Act (AktG) and section 31 of the German Codetermination Act (MitbestG) in connection with article 6 of the Articles of Incorporation. The amendments to the Articles of Incorporation were resolved by the Annual General Meeting with a majority of at least three-fourths of the capital represented. Sections 179 ff. AktG apply. Under article 18 para. 3 of the Articles of Incorporation, the Supervisory Board is entitled to amend the Articles of Incorporation that relate solely to their wording.

By resolution of the 2011 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 k€ 7,500 until 25 May 2016 by issuing new no-par-value bearer shares in exchange for cash and/or noncash 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 41 and accessible on our website at www.leifheit.de/de/unternehmen/unternehmensfuehrung.

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.

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

Global economy suffers in 2011 from euro debt crisis

+5.3%
increase in
Group turnover

Back at the beginning of 2011, global economic growth still showed quite a positive trend. However, the increase of the oil price and developments due to the earthquake in Japan slowed the economic momentum over the course of the year. The intensification of the sovereign debt crisis in the eurozone, fears of a recession in the US, increasing inflation rates and political unrest in the Near East and North Africa were additional negative influences on the economy. Countries like Greece and Portugal slipped deeper into recession, while just minimal growth rates dominated in other regions. The resulting uncertainties affected the real economy as well as the financial markets. Consistently strong growth in China was the only stabiliser for the world economy, but even here the negative developments dampened the mood on the Chinese stock markets. According to the IMF, economic growth was 3.8% on the global level for 2011, 1.8% in the US and 1.6% in the eurozone. Contrary to Europe-wide economic development, the German economy recorded strong GDP growth of 3.0%.

Volatile commodities prices and inflation

+3.8%
increase in
Brand Business turnover

According to the Hamburg Institute of International Economics, average commodity prices increased sharply in 2011. In addition to other factors, artificial shortages of production capacities and speculation caused costs for materials such as plastic, steel and textiles to explode. Over the year, these trends waned and materials prices gave way again around the end of the third quarter. However, at the end of 2011 the level was still up year-on-year. Measured by the Hamburg Institute of International Economics Index, commodities were much higher in 2011 than in 2010. Calculated in euro, the increase was around 22%.

Stable consumer sentiment

+10.4%
increase in
Volume Business turnover

Growth drivers for the German economic came mostly from domestic sources in 2011. GfK (Gesellschaft für Konsumforschung) states that, despite generally weak global economic performance, private consumer spending jumped 1.5%, the highest for the past five years. This provided a major boost to German economic performance.

German retail was static with turnover of € 410.1 billion, rising around 1% year-on-year. According to GfK, the non-food sector relevant to Leifheit took in a total of € 148.4 billion, 1% higher than the previous year.

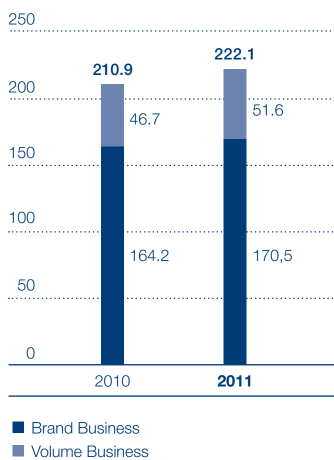
German foreign trade was dynamic: 2011 exports were up by 8.2% year-on-year after price adjustments. At 7.2%, import growth did not increase as strongly. All in all, net exports (the difference between exports and imports) added 0.8% to gross domestic product.

Net assets, financial position and results of operations

Successful financial year 2011

In 2011, the Leifheit Group again significantly improved its business situation compared with the previous year. Group turnover increased by 5.3% to € 222.1 million (2010: € 210.9 million), due to price and volume effects. We therefore reached the upper end of our announced target corridor, which forecast an increase of 3% to 5% in annual turnover.

Group turnover by segment in € m



In 2011, sales in our main sales region Europe varied depending on the area. In our Central European focus countries such as Germany, France, or Austria, we generated strong growth in some cases. With a rise in turnover of 8.7% year-on-year to € 96.6 million (2010: € 89.0 million), performance on our home market of Germany was extremely pleasing. This is due in particular to the continuing positive sentiment among consumers. In Eastern Europe, the Czech Republic, Russia and the Ukraine made major contributions to the rise of 3.5% to € 14.7 million (2010: € 14.2 million) and were therefore able to compensate for decreases in Poland and Romania. Unfortunately, we were not able to completely escape the general development due to the ongoing sovereign debt crisis. The Southern European areas around Greece, Spain, Portugal or Italy were significantly below expectations. The same is true for our business in Switzerland, which was severely affected by currency exchange rates.

Overall, the Europe region excluding Germany developed positively with growth of 1.5% to € 111.0 million (2010: € 109.3 million).

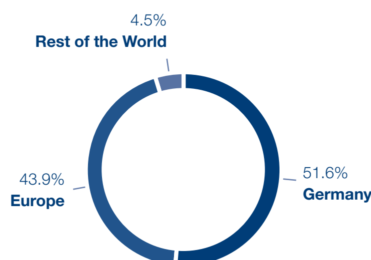
Outside Europe, the USA, China and the Middle East were the main contributors to double-digit growth of 14.1% to € 14.5 million (2010: € 12.6 million).

Business development in the segments

Solid growth in the Brand Business

The Brand Business was again our main source of turnover in 2011. The division, made up of the Leifheit, Dr. Oetker Bakeware and Soehnle brands, recorded 3.8% growth year-on-year to € 170.5 million (2010: € 164.2 million). This segment therefore represents a 76.8% share in Group turnover. Growth was generated mostly in Germany. Our Brand Business there reached € 87.9 million (2010: € 82.9 million) – a year-on-year increase of 6.0% in turnover and increasing the domestic share of turnover by 1.1 percentage points to 51.6%. We generated turnover growth of 1.6% on the international markets, especially in the Eastern European regions and overseas.

Brand Business turnover by region



Product categories

Within the Brand Business category, our cleaning, laundry care and wellbeing products in particular made contributions to growth:

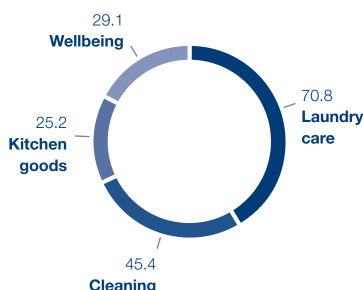
Cleaning

Thanks to innovative cleaning systems, the cleaning category increased its turnover by 4.1% in 2011 to € 45.4 million (2010: € 43.6 million). The most important growth driver was domestic consumption. The distribution channels of DIY markets, Internet retail and discounters contributed the largest increases in turnover. The Czech Republic, France and Austria also proved to be strong sales markets. Unfortunately, Netherlands, Lithuania and Italy did not match the positive performance of the previous year.

Laundry care

With turnover of € 70.8 million (2010: € 67.3 million), our strongest category had extremely positive performance of 5.4%. The product ranges for drying – especially strong business with rotary driers – and ironing recorded significant jumps. Our pressurised steam ironing business also developed according to plan. Within Germany, Leifheit was able to expand in the distribution channels for DIY markets, Internet retail and hypermarkets. Among the foreign markets, it was particularly France and the Netherlands which expanded.

Brand Business turnover by product category in € m



Kitchen goods

The kitchen goods area expanded in 2011 in France, Italy and Lithuania. However, this was in contrast to sharp decreases in Germany, the Netherlands and other foreign markets. Turnover for kitchen goods decreased by 5.4% to € 25.2 million (2010: € 26.6 million). Products of the Dr. Oetker Bakeware brand were the exception to this development. It posted growth mainly in the traditional distribution channels and in Internet retail. The overhaul of the product range and repositioning in the Leifheit kitchen goods category implemented as part of the new brand strategy will produce initial successful results starting from 2012.

Wellbeing

The wellbeing category, which comprises the scales and “Relax” products in the Soehnle brand, also generated strong growth in 2011. Turnover rose by 8.7% to € 29.1million (2010: € 26.7 million).The kitchen scales area and the new “Relax” range, with which we entered the growing wellness market in 2010, also performed well. Sales drivers were mainly Germany/Austria/ Switzerland, Eastern Europe and also Western Europe to an extent. The distribution channels of electronic goods retail, Internet retail and hypermarkets provided positive impetus and helped to establish Soehnle further as a wellness brand as well as solidify/expand our market position among the competition.

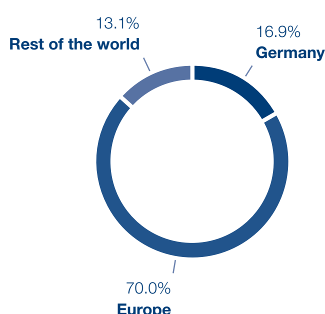
Strong growth in the Volume Business as well

Growth drivers were the categories of laundry care and kitchen goods

The Volume Business division also generated strong growth of 10.4% in 2011 but at a lower absolute level than the Brand Business. Turnover increased to € 51.6 million (2010: € 46.7 million). Volume Business therefore represents a 23.2% share in Group turnover. This increase was partly due to the fact that a larger order that was carried out last year under the Leifheit brand in the Brand Business was classified under Volume Business in financial year 2011. This fact also explains the strong growth in domestic business by 44.5% to € 8.7 million (2010: € 6.1 million). However, at 83.1%, most of the turnover in 2011 was again generated in foreign countries. Central Europe is particularly affected here. This region represents 70.0% of the turnover in the Volume Business.

As in the previous year, turnover was driven by the two product categories of laundry care and kitchen goods. They represent 93.2% of the turnover in the Volume Business.

Volume Business turnover by region



Cleaning

With a turnover volume of € 0.2 million (2010: € 0.1 million), the cleaning category remains at a low level.

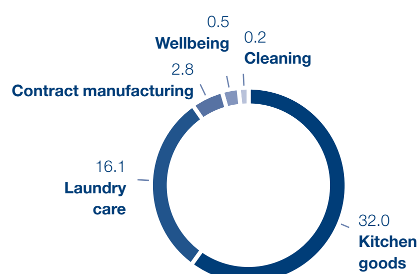
Laundry care

The laundry care category grew by 23.0% in 2011 to € 16.1 million (2010: € 13.0 million). Within the category, the drying and steam ironing product ranges expanded in particular. Growth was also supported by a larger campaign order that was carried out by the Brand Business in 2010 and in the Volume Business for the first time in 2011. At € 10.9 million (2010: € 11.5 million), our French subsidiary Herby made a major contribution to the turnover of the laundry care category.

Kitchen goods

Kitchen goods again generated the largest portion of turnover in the Volume Business. We further increased turnover in this category by 8.9% to € 32.0 million (2010: € 29.4 million). Growth was generated mainly by positive performance in France, Birambeau's home market. With its products in the mid-price range, Birambeau again benefited from the frugality of private consumers due to the crisis and increased its turnover to € 25.2 million (2010: € 24.0 million). Distribution of non-brand name kitchen goods in the US added € 6.8 million to turnover and was also up year-on-year.

Volume Business turnover by product category in € m



Wellbeing

At a low absolute level, the wellbeing category recorded a slight decline in non-brand name scales in 2011 to € 0.5 million (2010: € 0.7 million).

Contract manufacturing

Contract manufacturing contributed € 2.8 million (2010: € 3.5 million) to turnover in 2011. Contract manufacturing relates to products manufactured at our plant in the Czech Republic on behalf of third parties.

Earnings in € m

Results of operations of the Group

Strong earnings upturn
In 2011, we achieved Group earnings before interest and taxes (EBIT) of € 13.9 million (2010: € 8.8 million). This includes a positive one-off effect of € 2.5 million from obtaining a controlling interest in our Czech subsidiary. Adjusted for this special effect, earnings (EBIT) amounted to € 11.4 million (2010: € 8.8 million). This corresponds to an increase of 29.5%. The main drivers of this pleasing development were positive developments in turnover in connection with cost discipline and consistent increases in efficiency. This allowed us to achieve our guidance of an above-average double-digit increase in earnings.

Our Brand Business made a major contribution to Group earnings with an earnings contribution (adjusted*) of € 6.4 million (2010: € 2.8 million). In addition, the Volume Business generated EBIT of € 5.0 million (2010: € 6.0 million).

Earnings after taxes amounted to € 12.1 million (2010: € 5.5 million). Net result for the period, which included in 2010 an extraordinary positive one-off effect of € 10.9 million (earnings from discontinued operations) for the disposal of Bathroom Furnishings, amounted in 2011 to € 12.1 million (2010: € 16.4 million).

43.0%
gross margin

Gross margin remains at high level
Exploiting optimisation potential, sales price increases and less expensive procurement in US dollars put us in a position to compensate for price increases in commodities and purchased goods and for higher sales deductions. The gross margin increased moderately to 43.0% (2010: 42.4%).

Costs slightly up on the previous year
Research and development costs amounted to € 4.1 million in the reporting period (2010: € 3.7 million) and were thus slightly above the previous year's figure due to higher personnel costs.

Distribution costs were € 67.4 million (2010: € 66.3 million) – an increase of 1.6% compared with the previous year. The increase was due to rises in advertising costs, fees, and purchased services. This is offset by lower allowances on receivables, savings in office costs and other overhead costs, as well as maintenance and insurance costs.

Administrative costs increased by 16.7% to € 13.3 million (2010: € 11.4 million). The main reason for this was increased costs for external advisory services.

* adjusted for the one-off positive special effect from the acquisition of a controlling interest in Leifheit CZ a.s.

Other operating income increased by € 2.6 million to € 4.4 million (2010: € 1.8 million) compared with the previous year. This relates primarily to the one-off effect of € 2.5 million from obtaining a controlling interest in our Czech subsidiary.

Other operating expenses fell by € 0.4 million to € 0.8 million (2010: € 1.2 million). The discontinuation of compensation claims compared with the previous year was the main reason for 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 decreased year-on-year by € 0.7 million to report foreign exchange losses of € 0.4 million as at the end of the reporting period.

+29.5%
growth in EBIT*

Consolidated statement of comprehensive income (summary) in € m	2011	2011 adjusted*	2010
Turnover	222		211
Earnings before interest and taxes (EBIT) from continuing operations	**13.9**	**11.4**	**8.8**
Interest and financial result	-1.7		-2.8
Earnings before income taxes (EBT) from continuing operations	**12.2**	**9.7**	**6.0**
Income taxes	-0.1		-0.5
Net result for the period from continuing operations	**12.1**		**5.5**
Net result for the period from discontinued operations	–		10.9
Profit for the period	**12.1**		**16.4**

Interest and financial result improves slightly

The interest result amounted to € -1.5 million in 2011 (2010: € -2.1 million). Interest expense from interest on pension obligations decreased by € 0.4 million, while other interest expense also fell by € 0.1 million. Interest income increased by € 0.1 million.

Net other financial income was influenced by changes to the fair value of non-operating forward foreign exchange contracts and reversals on equity interests and loans. It amounted to € -0.1 million as at the end of 2011 (2010: € -0.7 million).

Deferred taxes influence tax burden

Income taxes amounted to € 0.2 million in 2011 and included actual tax expenses of € 2.4 million and tax income of € 3.1 million from remeasurement of deferred taxes mainly due to loss carryforwards.

* adjusted for the one-off positive special effect from the acquisition of a controlling interest in Leifheit CZ a.s.

€ 12.8 m
cash flow from operating activities

€ 29.5 m
cash and cash equivalents

Financial position and net assets

Cash flow increases to € 12.8 million
Cash flow from operating activities amounted to € 12.8 million (2010: € 12.0 million). This is due mainly to the profit/loss for the period. Lower depreciation and amortisation had the opposite effect.

Cash flow from investment activities of € 4.9 million contains investments of € 5.6 million as well as repayment of new loans and the assumption of new promissory notes. Cash flow from financing activities amounted to € -14.4 million and includes the dividends of € 14.2 million paid out in 2011.

Current funds as at the balance sheet date increased by € 3.2 million year-on-year to € 29.5 million.

Cash flow statement (summary) in € m	2011	2010
Cash flow from operating activities	12.8	12.0
Cash flow from investment activities	4.9	-2.9
Cash flow from financing activities	-14.4	-14.3
Effects of exchange rate differences	-0.2	0.3
Change in cash and cash equivalents	3.2	-4.8
Cash and cash equivalents at the end of the year	29.5	26.3

Investments
Additions to tangible assets amounted to € 5.3 million (2010: € 4.4 million) and related to tools for new products, machinery, rationalisation investments for production plants, display stands as well as tools and equipment. Additions to intangible assets of € 1.5 million (2010: € 1.8 million) in the reporting year include goodwill and the other intangible assets of the added company Leifheit CZ a.s. in the amount totalling € 1.3 million. In the previous year, the introduction of the SAP system at the Nassau and Zuzenhausen locations was a large part of this at € 1.6 million.

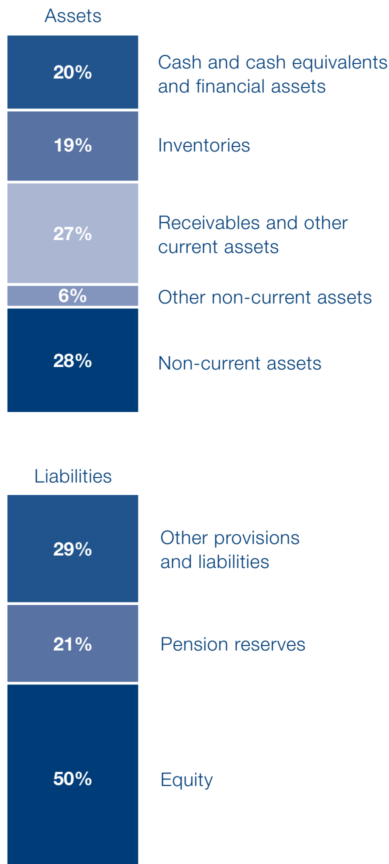
The investment ratio amounted to 4.1% of the historic cost of the assets. We invested € 5.4 million in the Brand Business and € 1.4 million in the Volume Business. Investments were offset by depreciation of tangible assets amounting to € 5.3 million and amortisation of intangible assets to € 1.5 million.

As of 31 December 2011, there were contractual obligations to acquire items of tangible assets amounting to € 3.6 million that will be paid from current funds.

Financing instruments, lines of credit and bank liabilities
As at 31 December 2011, Leifheit had cash and cash equivalents and financial assets (current) totalling € 39.5 million (2010: € 46.3 million). There are no bank liabilities. As at the balance sheet date, there were lines of credit of € 15.2 million (2010: € 16.5 million), € 2.5 million of which were used in the form of guarantees and letters of credit.

Balance sheet ratios

Total assets: **€ 199 m**



49.7%
equity ratio

Continued solid balance sheet structures

Total assets fell by € 8.1 million to € 198.9 million.

In the financial assets line item, current assets contain assets of € 10.0 million (2010: € 20.0 million) in a promissory note. Other current assets contain a purchase price receivable of € 4.0 million from the sale of the Bathroom Furnishings division, which was reported under non-current assets in the previous year.

Non-current income tax receivables include the non-current portion of a corporate tax credit of Leifheit AG amounting to € 3.5 million (2010: € 4.1 million), which will be paid from the tax office by 2017 using the straight-line method and independent of the distribution.

Equity decreased by € 2.6 million in 2011 from € 98.9 million (2010: € 101.5 million). This includes the profit/loss for the period of 2011 of € 12.1 million and € 14.2 million in dividends and special dividends distributed in 2011. Due to lower total assets, the equity ratio increased by 0.7 percentage points to 49.7%.

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

Leifheit's economic situation further improved in the reporting period.

Performance in the Brand Business was especially pleasing, demonstrated by improved earnings and continued growth in turnover. In 2011, with the re-alignment of the kitchen goods product category, Leifheit took another strategic step. The Volume Business division also contributed to the development of Group turnover in equal measure.

All in all, we succeeded in reaching the turnover and earnings goals we had set ourselves. Even after adjustment for the positive special effect, we increased our consolidated earnings by almost 30%. We therefore showed that the strategic choices we made in the past were correct. A solid equity ratio of 49.7% also allows us the necessary flexibility for our future decisions.

In the current economic environment, the Leifheit Group is well positioned to achieve its growth and earnings targets for financial year 2012 as well. Our international orientation, strong and established brands with leading market positions and solid capital resources is the basis for also realising our ambitious growth goals for the future.

Non-financial performance indicators

Procurement and logistics

The products of the Leifheit brand are manufactured in Germany and in selected countries in Europe and Asia. For this, we depend on various suppliers, who are involved in production as well as raw materials procurement. In 2011, conditions in China were particularly challenging for us. Increasing local labour costs combined with rising inflation led to decreasing competitiveness of the production location in the Far East. Commodity prices proved to be a point of concern again. Over the year, they were extremely volatile, driven in part by speculation on international markets. To counter these effects, a number of measures were initiated in the past financial year in order to reduce procurement risks.

Strategic procurement as integrative strength
In 2011, a broad-based development project was launched for the area of strategic procurement. It helped to achieve process improvements that have already provided positive impetus this year. We expect it to have significant effects on corporate development in 2012. The central component of the optimisation project is improving cooperation between the commercial and technical areas.

Flexibility through supplier management
As part of holistic supplier management, we made progress in identifying risks at an early stage and introducing preventive measures. Using improved early detection within the supplier chain, much shorter reaction times were achieved. This allows us to counteract bottlenecks in the supply chain or on the procurement market. We expect this improvement to have a positive impact on our scope in the Chinese and Eastern European market especially.

We are continuing to forge ahead with procurement market research for our “Relax” product line and our pressurised steam iron business. Successfully expanding these promising business areas will promote the identification and qualification of suitable suppliers in the future as well.

Optimising our Zuzenhausen logistics location
As part of our “Leifheit GO!” growth strategy, we placed our 2011 focus on internationalising our supply chain. We further consolidated the supply chain processes and international distribution with a view to increasing efficiency at the Leifheit distribution centre in Zuzenhausen. With the help of a new IT platform, we further optimised all processes between the individual interfaces of the supply chain.

To improve competitiveness, logistics and distribution structures were redesigned in 2011. Warehousing sites in European counties like Spain and Italy were closed to bundle all key processes at the distribution centre in Zuzenhausen. In terms of concentrating on competent service providers, we achieved much better logistics with the help of this optimisation.

In future, we will continue to pursue the aim of growing further and concentrating on internationalisation and expansion of new distribution channels. A major step was expanding our warehouse capacities with the state-of-the-art storage technology and automated solutions which was started in 2011. After these changes are complete, the Zuzenhausen location will have the high degree of flexibility needed for international distribution and will be excellently positioned for future challenges.

Focus on growth at the Czech plant

We expanded our productivity again at the production site in Blatná, Czech Republic. Consistently carrying out training courses for all employees as well as training subject matter experts allowed us to use high-tech automation in an efficient way at the Blatná location.

We successfully introduced “lean manufacturing” in production at our Czech production location by consistently and systematically reviewing our processes. This was accomplished mainly via structured group work within production, which we used to quickly integrate the change processes in the existing work processes.

The quality of many products was improved this way. The range of vertical integration for key products was also increased by using floor space in an optimal way. This means that we handle more production levels ourselves at our plant than we had previously. In order to do this, all manufacturing units – in line with the growth forecast – were adjusted and coordinated with each other. In 2011, we also began building extensions at the Czech plant. We achieved significantly better logistics processes and created reserves for the targeted and efficient expansion of production.

Highly automated production location in Nassau

Our headquarters in Nassau has highly-automated production of rotary dryers and semi-finished components using injection moulding. The parts are then assembled into finished products.

By using new manufacturing technologies in the injection moulding department, and continual further training and development measures for our employees, we have improved our efficiency at this location as well.

Development and innovation

Added value through innovations
Leifheit offers innovative and high-quality products that match consumer demands. The large number of awards that Leifheit and Soehnle received again in 2011 demonstrate the high quality of the products. Some of these awards are the “Plus X Award”, “IF Product Design Award”, “Reddot Design Award”, “Kitchen Innovation of the Year” from the LifeCare Initiative, and the “Product of the Year” from pro-K. In order to keep our product portfolio closely aligned with consumer needs in future as well, we are relying on innovative strength and ongoing further development of our company and our company processes. For this reason, we review our internal structure, focal points, product categories and product ranges every year.

Our development department has created a large number of innovations in the four product categories of cleaning, laundry care, kitchen goods and wellbeing in 2011 as well. We presented them to the public for the first time at the Ambiente international trade fair in February 2012. The following is an except of the most important innovations:

Cleaning
In the cleaning category, our already extremely successful “Twist-System” will be launched with improved functions in 2012 and make housework even easier. We also expanded our Leifheit product range with an automatic duster that makes the daily dusting of tile, laminate flooring and parquet flooring easier.

Laundry care
In the laundry care category, the ironing board range was improved with one premium product: At just 13 kilograms, the “AirActive L Express” steam iron system is the lightest refillable complete system on the market. The “AirActive L Express” was awarded a “Plus X Award” for its high quality, exceptional ease of use and ergonomics. In addition to the “AirActive L Steamer”, this is the second Leifheit ironing system that has won this award. The product range was also supplemented with stylish ironing board covers. Product ideas are also in development for clothes driers and will be implemented very soon.

Kitchen goods
In line with the strategic realignment of the kitchen category, we developed a number of innovations that demonstrate our core competencies of opening, preparing, mincing and storing. Clever and dependable problem solvers are items such as the new Easy Slicer dual-blade slicer and the foldable stainless steel splash guard. The new “2in1” spatula and tongs also adds to the product range. Our “ProLine Safety” can opener does away with sharp edges and prevents the lid from falling into the can contents. Many of our kitchen products were developed and tested in real situations with star chef and Leifheit brand ambassador Christian Henze.

Wellbeing
In the wellbeing category, the Soehnle “Relax” product line was expanded consistently and sustainably. We have clear product range expertise with our line of heat products. In 2012, we are working on setting new standards in this area for quality, mobility and flexibility. The growing massage product line will be expanded in 2012 with a number of innovations and therefore round off the existing product range. We already presented the new Soehnle “Relax Air” product line at the 2012 Ambiente trade fair. The elegantly designed air fresheners round off the wellbeing category with products to improve indoor air.

All Soehnle bathroom scales were further developed in terms of design and functionality. Soehnle now offers possibilities such as bathroom scales with individualised style. Customers can choose a design template at www.my-design.soehnle.com or upload their own design. The tailor-made skin is posted to your home, adhered to the surface of the bathroom scale and changed as often as desired. At Ambiente we also presented a bathroom scale and two kitchen scales equipped with the latest generation of solar cells that ensure optimum performance even in low or artificial light. We released a high-quality stainless-steel version of the “Page” kitchen scale – the flattest kitchen scale in the world. It was awarded the “Red Dot Design Award 2011” as well as the “IF Product Design Award” and the “Kitchen Innovation Prize” at the beginning of 2012.

Patents and industrial property rights

44
patents and/or utility model applications in 2011

Our clear commitment to innovative products also becomes clear from our number of patent and utility model applications in 2011. With 44 patents and/or utility model applications, the Leifheit Group registered around 30% more patents and utility models than the previous year.

In the year under review, Leifheit had 28 employees in the areas of development and patents. These employees primarily consist of engineers, designers, and technicians. A total of € 4.1 million was spent on development.

Sustainability

Employees

In order to remain a leader and always innovative in the area of household products, we depend on the potential, commitment and skills of our employees as well as the expertise of our managers. For this reason, we at Leifheit live a corporate culture based on appreciating one another, active communication and ongoing dialogue. To support the values of our culture, maintain our specialist skills and further expand our attractiveness as an employer, we have continued to advance our employees training and qualification in a targeted way in 2011.

Achievement via inclusion
We are convinced that having highly satisfied employees increases their dedication to their work and their commitment to the company. To increase this level of satisfaction, we conducted a broad-based employee survey in 2011. The survey contained questions directly related to the workplace and to areas such as job satisfaction, corporate management, cooperation and options for personal development within our company. We are pleased at the high participation rate of 64% of employees. This result proves a high level of trust by the staff in the Board of Management of Leifheit AG, a clear understanding of the strategic orientation of our company and a trusting work atmosphere. The results of the survey allow us to identify action areas to develop measures and expand our strong points. This is how we are jointly increasing our performance and securing company success in the long term.

Successful communication in daily working life
We are convinced that open internal corporate communication increases employee commitment. For this reason, we are offering our employees different options to exchange their ideas. For intensive dialogue with management, the annual performance review has established itself as a fixed HR tool. In this dialogue, employees and supervisors exchange company-relevant and workplace-related goals and discuss aspects of professional further development. Based on the results, individual training measures are identified for the employee. This way, our staff continually expand their qualifications and contribute to the growing success of the company.

Focus on the health of the employees
The health of our employees is an important asset to us. As part of increasing job requirements, Leifheit must of course promote a suitable job environment. We regard it as our duty to make our employees more aware of preventative healthcare and health promotion.

As part of our health management, the first Leifheit Health Day took place in 2011. On that day, our employees had the opportunity to get information on a wide variety of health topics related to the workplace. Active participation by employees is a sign to us that we will push forward with this topic in future as well.

Modern vocational training and supporting young employees
Leifheit's training concept enjoyed recognition outside the company again in 2011. For the eighth time in a row, the German Chamber of Commerce (IHK) in Koblenz recognised Leifheit for its excellent training-related high level of commitment. The Koblenz IHK recognises those companies whose trainees passed their final examination with especially good results. Companies being recognised in this way is evidence that they conducted their training course taking special interest in developing young people.

We are pleased that we took all eight trainees into employment relationships (some of them with permanent contracts) in 2011 as well while at the same time deciding in favour of eleven new trainees for a training course at our company. These successes support our trainee concept: obtain talented young employees for Leifheit, support them and retain them in the long term.

Leifheit is a "Fair Company"
Another aspect of supporting young employees in the past financial year was obtaining more young talent by means of student internships in the areas of distribution, marketing, HR, development, quality management and material management and logistics. In some cases, we offered them future prospects for further development. As a member of the "Fair Company" initiative for five years now, we have undertaken not to fill full-time positions with interns on a permanent basis and to appropriately compensate the young people for their achievements and project work in terms of promoting young student employees.

Leifheit is a "Top Employer" again
Like last year, Leifheit was again awarded the title of "Top Employer in Germany 2011" based on an independent study by the CRF Institute. Since 2003, the well-renowned and independent CRF Institute has certified companies in Germany in the area of HR. The professionalism of the evaluation and scoring processes of the individual studies are verified on behalf of the CRF Institute by an international accounting firm.

This proves that our employer qualities remained at a high level in 2011 as well. We are pleased at the award, as it is confirmation of our sustained and professional HR work. With our forward-looking HR strategy and timely development measures for our employees, Leifheit is securing itself an advantage on the employment market, increases its employee satisfaction and retains its staff.

Employees by region

Locations	31 Dec 2011	31 Dec 2010
Germany	397	419
Czech Republic	392	453
France	181	185
Other countries	62	84
Group	**1,032**	**1,141**

1,032

employees as at the end of the year

As at 31 December 2011, 1,032 (2010: 1,141 people) were employed at the Leifheit Group. Compared with the previous year, this corresponds to a decline in staff of 9.6%. The decrease in staff mainly affected the Volume Business and is due to two effects: decline in contract manufacturing for third parties at the plant in the Czech Republic and the closure of the Tunisian production site.

726 people (2010: 751) were employed in the Brand Business and 306 people (2010: 390) were employed in the Volume Business.

Average Group staff numbers declined from 1,137 to 1,085. Personnel costs in financial year 2011 totalled € 42.0 million (2010: € 43.4 million).

Consistently high numbers of long-service employees

In 2011, Leifheit honoured 32 employees for various anniversaries at the company. A consistently large number of long-service employees is proof of the strong ties between our staff and the company. For us, a good balance between trainees, new employees and active employees with many years of experience is the key to successful knowledge transfer. Our long-term corporate success is the proof of successful employee policy.

Environmental protection

We are responsible for treating the environment with respect in terms of our company. As a company with many years of history, our goal is to have all of our business processes respect the needs of the environment and conserve resources.

Due to constant further development of our production processes, we are consistently contributing to avoiding negative effects on the environment. We use only environmentally-friendly production materials – this starts in the development department and extends to the production process. We also ensure consistent recycling of any waste created. For example, we use special mills to grind up production waste within the injection moulding process. The raw materials recovered in this way are returned to the manufacturing process.

Our sustainability strategy also includes responsible treatment of raw materials and energy. We implemented the following measures in this area in 2011.

In the use of standard boxes, changing the placement of some products changed the size as well as the strength of the box. In the long term, this decreases the volume in the shipping space and saves resources as far as the raw materials used.

Installation of an intelligent electrical control in the office areas and the use of motion sensors in halls, hallways and toilet areas allowed us to reduce our energy needs significantly. When replacing worn out materials handling equipment, electric drives are used where possible as well as the newest technology with regard to low CO_2 emissions.

Logistics in particular can make a decisive contribution to a clean environment. For this reason, we examined our transport options more closely and are now converting our own fleet to the latest diesel vehicle technology on an ongoing basis with the Euro 4 standard or the Blue Motion version. In addition, route planning was significantly improved by building and streamlining individual routes, thus improving the CO_2 footprint. Leifheit also moved the majority of its container deliveries from truck to rail. Only with sustainable action and economic use of resources can the greatest good for man be preserved for the long term: an intact requirement. Our commitment to the environment is also reflected in our products. Many consumers register and honour these efforts and consider the Leifheit brand sustainable in general. Our products represent high quality, environmental friendliness 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

The internal control system is the combination of coordinated principles, processes and measures to achieve the business and control targets in the company and to ensure the security and efficiency of business performance, reliability of financial reporting and compliance with laws and guidelines.

In terms of the accounting process at Leifheit, this means that controls implemented sufficiently ensure consolidated financial statements that conform to regulations, despite any possible risk. Various process-integrated and process-independent monitoring measures contribute to this.

Our consolidated financial statements are created on the basis of a uniform accounting guideline that is available to all relevant Group employees via an intragroup Internet platform. A Group tool for consolidation ensures a uniform approach and minimises possible risks from misstatements in Group accounting and external reporting.

Financial reporting is organised into clearly defined subprocesses. Clear responsibilities in consideration of the principle of segregating functions and the dual-control principle reduce the risk of fraudulent acts.

The finance area with professional responsibility for creating the consolidated financial statements formulates binding standards with regard to content and scheduling to the decentralised units and secures uniform Group reporting practices, which in turn offer the least amount of discretionary power in the recognition, measurement and reporting of accounting positions.

We manage and monitor our relevant IT systems in the consolidation process. System engineering controls and manual spot checks by experienced employees are as much a part of the security concept as the customised authorisations and access controls. They protect the financial systems used from misuse.

All the processes, systems and controls together ensure sufficiently that the Group financial reporting process is consistent with IFRS, HGB and other accounting-related regulations and laws and also reliable.

The following sections describe the opportunities and risks known to us at present that could affect the development of the Leifheit Group.

Opportunities

We analyse the sales markets and procurement markets relevant to Leifheit on an ongoing basis. For us, this is the basis for recognising relevant opportunities and market potential in a timely manner. By developing suitable strategies, we attempt to leverage possible opportunities in an optimal way. Early recognition of market trends is therefore of high importance to Leifheit. The following developments can be observed at the moment:

- The number of households in Germany is expected to grow until 2014. This is due mainly to one to two person households. Considering historical development, the average living space per flat will also grow. We assume that this dynamic will have a positive impact on the Leifheit Group in the future due to Leifheit's business model based on household items.
- There is a fundamental trend in the younger generation of consumers towards more awareness of quality, causing brand suppliers to focus even more strongly on this target group. This development can be a positive growth driver to Leifheit.
- There is ongoing and increased demand for products that are sustainably produced and/or from companies that treat resources, society and employees in a responsible fashion. Today's consumers are much more sensitive in their consumer behaviour than previously. Leifheit is a company with a high level of dedication in this area and can reap higher-than-average benefits as a result. In the consumer perception, we are already positioned as a sustainable company with durable products.
- The desire to "slow down", which can result from a continually high stress level, enormous pressures at the workplace or a general feeling of overload, will continue to influence consumer behaviour. We see positive effects here in the Wellness product category. We will use our products that focus on increasing wellbeing under the Soehnle brand to address this target group especially.

In addition to general market trends, we also regularly analyse the current and future needs profiles, expectations and wishes of our end consumers within the product categories.

We respond to market opportunities with our “Leifheit GO!” strategy. It is focussed on three areas: international distribution strategy, brand and communication strategy and increasing efficiency.

With the help of our brand and communication strategy, we will create opportunities to further expand our competitive market position in the competition. To this end, we are starting a campaign in 2012 that is tailored to our end consumers. More than every second household uses a Leifheit product – meaning our items are at home in over 25 million German households. Under the maxim “I trust in Leifheit”, German consumers are supporting the brand and its high-quality products from the areas of “fresh laundry”, “clean homes” and “clever kitchen”. The new umbrella brand makes rational product benefits an emotional experience. It shows where, when and why consumers use our products and how Leifheit makes their work around the house easier. Advertising activities centre on TV commercials, PR measures and online measures with typical Leifheit users. These include prominent figures such celebrity chef Christian Henze and “normal” people who state that they trust in the products and quality of Leifheit.

By developing innovative products, we are creating the opportunity to gain market share. The proof of our ongoing efforts is the year-on-year increase of about 30% in terms of patent applications in 2011.

As part of increasing efficiency, we are using the opportunities to improve our production and logistics processes. By optimising the supply chain, we are increasing our flexibility, we can respond to customer demands more effectively and counteract rising purchase prices in the Far East by means of targeted production shifts.

Risks

Risk management system
Leifheit’s risk strategy is based on the global target of continuing its business operations. The central element of the risk management system is the systematic risk management process that is cycled on a regular basis. This process begins with risk identification, during which all sources of hazards, damage and potential disruptions are analysed in uniform risk tables and documented. Risk identification extends to all business areas of the Leifheit Groups and the main equity interests. If new risks arise, the Risk Owner sends out information in an ad-hoc report immediately.

Identified risks are assessed and categorised according to the extent of damage and the probability of occurrence. In addition, individual risks are systematically analysed for dependencies and merged into new risks if required. The aggregated form of all individual risk tables that emerge from this is the “risk inventory”.

This is represented graphically in a risk map and communicated to the Board of Management as well as the Supervisory Board. In risk management, each Risk Owner defines, documents and actively implements measures to avoid, reduce or transfer risks in each case using the risk table. The status of each countermeasure is also documented in the risk table by the Risk Owner.

In risk monitoring, general warning indicators are defined as well as case-by-case indicators for specific individual risks. All indicators are regularly observed in order to better monitor risks and the effectiveness of introduced countermeasures. The handbook on the risk management system clearly defines the reporting and the organisational structure.

General economic risks and industry risks
We are assuming that the global economy will grow further in 2012. However, all our expectations are associated with a high level of uncertainty. Industrialised countries are risking another economic downturn, especially due to the debt crisis of some countries and the related turbulence on the financial markets. If emerging economies do not exhibit the expected growth momentum, there is an increased risk that global economic growth will weaken. This would negatively impact the markets that are important to us.

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 two 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. While a company merely has the option of responding with foresight, 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 payment obligations in the Group at their respective due dates. Liquidity is primarily held in the form of overnight money and time deposits. As part of a cash pool, funds are transferred to Group companies internally according to need. As at 31 December 2011, the Leifheit Group held liquidity investments of € 29.5 million. Bank loans were not utilised. In addition, the company has unused short-term credit facilities in the amount of € 12.7 million.

- **Currency risk**
  Currency fluctuations can be a major influence on results, since a large portion of our business is conducted outside the eurozone. 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 interest-bearing financial liabilities.

- **Credit risk (default risk)**
  As a general rule, we enter into financial instruments in the financing area only with those counterparties that have a good credit rating and are part of a deposit guarantee fund. In doing so, only transactions within predetermined counterparty limits are carried out. In the delivery business, outstanding debts and default risks are monitored on an ongoing basis; some of them are also protected with trade credit insurance.

- **Other price risks (particularly commodities price risk)**
  Purchase prices for commodities, resale products (purchased goods) 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. 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 and our brands. 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, we have an 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 is limited and remains manageable.

Report on events after the balance sheet date

No major changes since the end of the reporting period

There were no events after the end of financial year 2011 of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group.

Forecast

Challenges in 2012

According to economic forecasts, the global economy is facing a cooling-off period. Growth expectations were reduced significantly in some cases due to ongoing uncertainty on the further development of the debt crisis in the eurozone and a related recession. The International Monetary Fund (IMF) anticipates global economic growth of 3.3% in 2012. For the eurozone, a decline in economic performance of 0.5% is expected. According to the forecast information, only the US can assume comparably stable development of 1.8%. Expectations for economic growth in Germany are also subdued: expected growth of only 0.3%.

While the traditional economic nations are preparing for a recession in 2012, the emerging economies are booming. Continued growth of 8.2% is expected in China in particular. Overall the IMF is expecting the emerging economies to improve by 5.4%.

Due to volatile markets, reliable forecasts for the development of commodities prices for 2012 are almost impossible. Leifheit is relying on forward-looking supply contracts for the main materials we use, in order to reduce dependency on price fluctuations and safeguard our corporate goals in the long run.

Consumption as an economic support

Despite bleak economic outlooks, consumer behaviour in Germany should continue to be positive, according to a GfK consumer study. Economic expectations and propensity to buy have increased again since 2012 began. Reasons for German ongoing spending propensity include falling inflation and positive momentum on the labour market. Due to the lack of trust in the financial markets and historically low interest rates, users are making purchases instead of investing their savings.

3–5%
growth in turnover

>10 %
growth in EBIT

Leifheit targeting further growth

With our focus on household products, we believe we are still well positioned in the current environment. We expect to benefit further from the continued positive consumer climate in 2012 in Germany. By restructuring our corporate divisions and optimising in terms of production and logistics, we have consistently aligned our organisation towards further profitable growth.

In 2012, our priority continues to be on implementing our “Leifheit GO!” strategy, which is set out until 2014. For more detail on this, please see the chapter on Business activities and organisational structure. In addition, we will also launch many clever product innovations under our Leifheit, Dr. Oetker Bakeware and Soehnle brands.

Business development in 2012 will be characterised to a large extent by possible effects of the sovereign debt crisis on our focus countries. If the effects of a possible financial crisis in our main markets are only moderate and the US dollar is down just slightly year-on-year, we expect average sustained turnover growth of 3% to 5% for both 2012 and 2013 and a higher-than-average increase in results (in relation to adjusted EBIT) of at least 10% for each year. Growth is planned in the Brand Business in particular, while earnings are expected to remain constant in the Volume Business. Investments of € 9.4 million are planned from own funds.

Our international orientation, our strong and established markets with leading market positions and solid capital resources make us confident in achieving these goals.

Consolidated financial statements

Consolidated statement of comprehensive income

k€	Note	2011	2010
Turnover	1	222,109	210,950
Cost of sales	2	-126,663	-121,612
Gross profit		**95,446**	**89,338**
Research and development costs	3	-4,133	-3,746
Distribution costs	6	-67,372	-66,335
Administrative costs	7	-13,256	-11,355
Other operating income	8	4,447	1,826
Other operating expenses	9	-831	-1,243
Foreign currency losses/gains	10	-372	309
Earnings before interests and taxes (EBIT) from continuing operations		**13,929**	**8,794**
Interest income	11	839	707
Interest expenses	11	-2,376	-2,827
Net other financial income	12	-149	-668
Earnings before income taxes (EBT) from continuing operations		**12,243**	**6,006**
Income taxes	13	-170	-554
Net result for the period from continuing operations		**12,073**	**5,452**
Net result for the period from discontinued operations	14	–	10,948
Net result for the period		**12,073**	**16,400**
Components of comprehensive income after taxes taken directly to equity			
Currency translation of foreign operations	15	-94	-953
Currency translation of net investments in foreign operations	15	-199	-610
Comprehensive income after taxes		**11,780**	**14,837**
Net result for the period attributable to			
Minority interests	35	-2	7
Shareholders of the parent company		12,075	16,393
Net result for the period		**12,073**	**16,400**
Comprehensive income attributable to			
Minority interests	35	-3	7
Shareholders of the parent company		11,783	14,830
Comprehensive income after taxes		**11,780**	**14,837**
Earnings per share from continuing operations (diluted and undiluted)	16	**€ 2.55**	**€ 1.15**
Earnings per share based on net result for the period (diluted and undiluted)	16	**€ 2.55**	**€ 3.45**

Consolidated balance sheet

k€	Note	31 Dec 2011	31 Dec 2010
Current assets			
Cash and cash equivalents	17	29,511	26,256
Financial assets	18	10,000	20,000
Trade receivables	19	46,067	45,511
Inventories	20	38,382	39,371
Income tax receivables		433	1,396
Derivative financial instruments	21	46	123
Other current assets	22	7,183	4,636
Total current assets		**131,622**	**137,293**
Non-current assets			
Financial assets	23	5	62
Tangible assets	24	35,175	35,843
Intangible assets	25	20,398	20,371
Deferred tax assets	13	8,031	5,179
Income tax receivables	26	3,465	4,051
Other non-current assets	27	184	4,187
Total non-current assets		**67,258**	**69,693**
Total assets		**198,880**	**206,986**
Current liabilities			
Trade payables and other liabilities	28	46,910	52,677
Derivative financial instruments	21	585	897
Income tax liabilities		241	121
Provisions	29	5,061	5,210
Other current liabilities		31	33
Total current liabilities		**52,828**	**58,938**
Non-current liabilities			
Provisions	29	2,524	2,799
Employee benefit obligations	30	42,274	41,344
Deferred tax liabilities	13	2,228	2,270
Other non-current liabilities		85	119
Total non-current liabilities		**47,111**	**46,532**
Equity			
Subscribed capital	31	15,000	15,000
Capital surplus	32	16,934	16,934
Treasury shares	33	-7,813	-7,685
Appropriated surplus	34	72,212	74,364
Translation reserve	34	2,521	2,813
Minority interests	35	87	90
Total equity		**98,941**	**101,516**
Total equity and liabilities		**198,880**	**206,986**

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	Appropriated surplus	Translation reserve	Total
As at 1 January 2010	**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**
Dividends	–	–	–	-14,227	–	-14,227
Purchase of treasury shares	–	–	-128	–	–	-128
Comprehensive income	–	–	–	12,075	-292	11,783
of which net result for the period	–	–	–	12,075	–	12,075
of which currency translation of foreign operations	–	–	–	–	-93	-93
of which currency translation of net investments in foreign operations	–	–	–	–	-199	-199
As at 31 December 2011	**15,000**	**16,934**	**-7,813**	**72,212**	**2,521**	**98,854**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent company	Minority interests	Total equity
As at 1 January 2010	**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**
Dividends	-14,227	–	-14,227
Purchase of treasury shares	-128	–	-128
Comprehensive income	11,783	-3	11,780
of which net result for the period	12,075	-2	12,073
of which currency translation of foreign operations	-93	-1	-94
of which currency translation of net investments in foreign operations	-199	–	-199
As at 31 December 2011	**98,854**	**87**	**98,941**

Group segment reporting

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

Key figures by division in 2011		Brand Business	Volume Business	Total
Turnover	€ million	170	52	222
Gross margin	€ million	76	19	95
Contribution margin	€ million	62	17	79
Adjusted EBIT*	€ million	6.4	5.0	11.4
EBIT	€ million	8.9	5.0	13.9
Depreciation and amortisation	€ million	5.6	1.2	6.8
Employees (annual average)		743	342	1,085

* Adjusted for the one-off positive special effect of € 2.5 million from the acquisition of a controlling interest in Leifheit CZ a.s.

These figures were as follows in the previous year:

Key figures by division in 2010		Brand Business	Volume Business	Total
Turnover	€ million	164	47	211
Gross margin	€ million	71	18	89
Contribution margin	€ million	57	16	73
EBIT	€ million	2.8	6.0	8.8
Depreciation and amortisation	€ million	7.0	1.2	8.2
Employees (annual average)		752	385	1,137

Segment reporting is based on continuing operations only; further information can be found under Note 38.

Consolidated statement of cash flow

k€	Note	2011	restated 2010
Net result for the period from continuing operations		12,073	5,452
Net result for the period from discontinued operations - operating		–	1,630
Adjustments for			
depreciation and amortisation	4	6,808	8,905
income from business combinations		-141	–
Increase in provisions		322	919
Loss on disposal of non-current assets		81	34
Decrease/increase in inventories, trade receivables and other assets not classified as investment or financing activities		1,761	-7,217
Decrease/increase in trade payables and other liabilities not classified as investment or financing activities		-8,061	2,243
Cash flow from operating activities		**12,843**	**11,966**
Acquisition of consolidated companies and divisions		–	-5,593
Sale of a division		–	28,954
Acquisition of tangible and intangible assets		-5,593	-6,227
Investments in financial assets	23	–	-200
Proceeds from/payments to financial assets	18	10,000	-20,000
Proceeds from the disposal of non-current assets		477	182
Cash flow from investment activities		**4,884**	**-2,884**
Dividends paid to the shareholders of the parent company	34	-14,227	-14,250
Purchase of treasury shares	33	-128	–
Cash flow from financing activities		**-14,355**	**-14,250**
Effects of exchange rate differences	15	**-199**	**323**
Net change in cash and cash equivalents		3,173	-4,845
Current funds at the start of the period under review		26,256	32,730
Current funds at the end of the period under review before business combinations		29,429	27,885
Income from business combinations		82	-1,629
Current funds at the end of the period under review	17	**29,511**	**26,256**
Income taxes paid		-1,602	-1,639
Interest paid		-17	-29
Interest received		551	200

Notes: General accounting and valuation principles

General information

Leifheit AG, whose registered office is in Nassau/Lahn, focuses on the development and distribution of high-quality branded products for selected areas of the household. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857. The shares of Leifheit AG are traded in the Prime Standard trading segment in the stock markets of XETRA, Frankfurt, Berlin, Düsseldorf, Hamburg, Hanover and Stuttgart under ISIN DE0006464506.

In accordance with section 315a para. 1 HGB, the consolidated financial statements for 2011 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 2011 were applied. The figures for the previous year were calculated on the same basis.

Different from the current consolidated statement of cash flow, “Payments to financial assets” of k€ 20,000 were reported under cash flow from financing activities last year instead of under cash flow from investment activities.

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 turnover method.

The consolidated financial statements will be presented to the Supervisory Board on 28 March 2012. 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 (minority 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.

Acquired enterprises are included in the consolidated financial statements from the date control was acquired (acquisition date). Intragroup balances and transactions and resulting unrealised intragroup profits and losses as well as dividends 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 2011 and 2010.

Business combinations before 1 January 2010:
Acquisitions before 1 January 2010 are accounted for using the acquisition method in accordance with IFRS 3 (Business Combinations), 2004 revision. All identifiable assets and liabilities were measured at fair value at the time of acquisition. Non-controlling interests (minority interests) were therefore carried at their share in the fair value of the assets and liabilities. If the acquisition cost of an interest exceeded the Group's share in the equity of the company concerned, the resulting goodwill had to 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 was recognised in profit or loss. Transaction costs directly allocated to the acquisition of the company were a part of cost.

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 these liabilities are still offset against goodwill in profit or loss. Losses of a subsidiary were attributed to the non-controlling interests (minority interests) only to the extent that the value of the shares did not lead to a negative balance. Loss exceeding this was allocated to the parent company. No retrospective adjustments are made for the regulations of business combinations in line with IFRS 3, 2008 revision (see below). However, future losses from shares without controlling interests will be treated in line with IFRS 3, 2008 revision and thus can lead to a negative balance for the value of these shares. In acquiring shares without controlling interests (minority interests), the difference between the purchase price and the book value of the pro rated acquired net assets is recorded as goodwill.

Business combinations as of 1 January 2010:
Acquisitions as of 1 January 2010 are accounted for using the acquisition method in accordance with IFRS 3 (Business Combinations), 2008 revision. All identifiable assets and liabilities are measured at fair value at the time of acquisition. Cost is now measured as the total of the consideration transferred (valued at the fair value at the date of acquisition) and the value of the shares without controlling interest (minority shares). Non-controlling interests (minority interests) were therefore carried at their share in the fair value of the assets and liabilities. If the acquisition cost of an interest 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. Transaction costs incurred during the company acquisition are reported as administrative costs in profit or loss.

In step acquisitions, the share of equity is remeasured at the date of acquisition and the amount exceeding the book value is recognised in profit or loss. Contingent purchase price liabilities from business combinations that take/took place before 1 January 2010 are recognised at fair value as at the end of the balance sheet date. The adjustments of these liabilities are recognised in the statement of comprehensive income. Losses of a subsidiary are attributed to the non-controlling interest (minority interests) even if the value of the shares leads to a negative balance.

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 2011.

Name of company	Date of initial consolidation	Interest in equity and voting rights in 2011 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., Bukarest (RO)	18 Dec 2007	51.0
Herby Industrie S.A.S., La Loupe (F) *	1 Jul 2008	100.0
Leifheit France S.A.S., Paris (F)	23 Nov 2009	100.0
Leifheit CZ a.s., Dobroviz (CZ)	1 Dec 2011	71.0

* indirect holding

In the third quarter of 2011, indirect holding Herby Tunisie s.a.r.l., Sousse, Tunisia – a production site belonging to Herby – was liquidated and deconsolidated. In the fourth quarter of 2011, Leifheit AG acquired an additional 20% of the voting shares in unlisted company Leifheit CZ a.s., Dobroviz (CZ). The Leifheit Group therefore holds 71% of shares in Leifheit CZ a.s. Due to the regulations in the purchase agreement to acquire the remaining shares, accounting was performed under IFRS 3 as if all the shares were already transferred to Leifheit AG as at 1 December 2011.

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:

	Mid-market rate at the end of the balance sheet date		Average rate for the year	
Exchange rate (per euro)	31 Dec 2011	31 Dec 2010	2011	2010
Pound sterling	0.84	0.86	0.87	0.86
Swiss franc	1.22	1.25	1.23	1.37
Czech koruna	25.81	25.18	24.54	25.39
US dollar	1.29	1.33	1.40	1.34
New Romanian leu	4.33	4.29	4.24	4.22
Tunisian dinar	1.94	1.92	1.97	1.90

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. If a useful life must be changed, this is done so retroactively to the beginning of the reporting period.

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
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 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 book value of an asset may not be recoverable (IAS 36). As soon as the book value of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of the asset's net selling price and its value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is identified for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Research and development costs

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

Development costs are capitalised in accordance with IAS 38 if they can be clearly allocated and both the technical feasibility and marketing of the newly developed products are ensured. Development work must also generate probable future economic benefits. Leifheit has smaller research and development products involving further development of existing products and/or components. They are not recorded in terms of development cost to be capitalised for reasons of materiality.

For larger research and development products, the point at which it is clear whether future benefits will be generated from the potential product is extremely late in the overall project phase, so that the development of associated costs are immaterial and recognised in profit or loss like the research costs.

Deferred taxes

Deferred taxes are recognised using the balance sheet liability method for all temporary differences between the tax base of an asset or liability and its 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.

Share-based payment

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

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 on the settlement date.

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 each balance sheet date, the Group determines whether there are indications of impairment of a financial asset or if a group of financial assets exists. The objective indications for impairment are if the fair value is consistently and significantly below the book value. If an asset is impaired, this effect is recognised in profit or loss. A cumulative loss that was previously recognised directly in equity (in the case of available-for-sale financial assets) is recognised in profit or loss. In the case of trade receivables, impairments are recognised in separate impairment accounts.

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

Distribution costs include labour and materials costs and the depreciation and amortisation attributable to selling activities, as well as shipment, 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.

Interest income and interest expenses are recognised on a pro rata basis.

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 25, the assumptions and estimates in connection with the recognition of pension liabilities in Note 30 and the assumptions and estimates in connection with the recognition of deferred taxes in Note 13.

New mandatory accounting standards applicable from 2011

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 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. This amendment had no effect on the consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 was published in November 2009 and was 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. As the Group has no such transactions, the adoption of this interpretation had no effect on the consolidated financial statements.

Improvements to IFRS 2010

IFRS 3 Business Combinations – measurement of non-controlling interests
The amendment limits the scope of the measurement choices in 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 that began on or after 1 July 2010. The Group has not exercised the option to measure non-controlling interests at fair value.

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 affected the notes on the financial instruments only.

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 Group presented this analysis in the statement of changes in equity in unchanged form. The amendment thus had 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 that began on or after 1 July 2009 or earlier when IAS 27 is applied earlier. The amendment is applicable to financial years that began on or after 1 July 2010. As the Group had no such transactions in the reference period, this change had no effect on the consolidated financial statements.

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 was to be applied retrospectively. Due to a lack of customer loyalty programmes in the Group, the amendment had no effect on the consolidated financial statements.

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 2011. The Group is not applying these standards and interpretations early.

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.

The IASB published the following standards and interpretations that were not yet mandatory in the financial year 2011. These standards and interpretations have not been recognised by the EU to date and have not been applied by the Group.

IFRS 9 Financial Instruments – Classification and Measurement
The first part of phase I in the preparation of IFRS 9 Financial Instruments was published in November 2009. 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. IFRS 9 is to be applied for the first time in financial years beginning on or after 1 January 2015.

This project is expected to be concluded in 2012. The adoption of the first part of phase I is expected to 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.

IFRS 10 Consolidated Financial Statements
IFRIC 10 was published in November 2011 and is to be applied for the first time in financial years beginning on or after 1 January 2013. The new standard replaces the provisions of the previous IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a uniform control concept that applies to all companies including special purpose entities.

Compared with the previous legal situation, the amendments introduced with IFRS 10 require significant judgement by the management in assessing the issue of which Group entities are under Group control and if they must therefore be included in the consolidated financial statements by way of full consolidation.

IFRS 12 Disclosures of Interests in Other Entities
IFRIC 12 was published in May 2011 and is to be applied for the first time in financial years beginning on or after 1 January 2013. The standard provides a uniform regulation on the disclosure obligations in consolidated accounts and consolidates the disclosures for subsidiaries, which were previously regulated in IAS 27, the disclosures for jointly-managed and associated companies, which were previously in IAS 31 and IAS 28, as well as disclosures for structured companies.

Since the new standard makes new disclosure requirements in addition to existing disclosure requirements, the Group notes on this group of entities will be more comprehensive in future.

IFRS 13 Fair Value Measurement
IFRIC 13 was published in May 2011 and is to be applied for the first time in financial years beginning on or after 1 January 2013. The standard establishes regulations for calculating fair value and defines comprehensive quantitative and qualitative disclosures on measuring fair value. In contrast to this, the question of when assets and liabilities must or can be valued at fair value is not part of the scope of the standard. IFRS 13 defines the fair value as the price that one party would receive to sell an asset or pay to transfer a liability in a normal transaction between market participants at the measurement date.

The Group is currently reviewing the effects that this new standard will have on the net assets, financial position and results of operations of the Group in the future.

Amendments to IAS 1 – Presentation of Financial Statements
The amendment to IAS 1 was published in June 2011 and is applicable for the first time to financial years beginning on or after 1 July 2012. The amendment to IAS 1 relates to the presentation of the components of other comprehensive income. In the standard, components for which a reclassification to profit and loss ("recycling") is provided for must be presented separately from those that remain in equity in future.

This amendment affects the presentation methods in the statements only and therefore has no effects on the net assets, financial position and results of operations of the Group.

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets
The amendment to IAS 12 was published in December 2010 and is applicable for the first time to financial years beginning on or after 1 January 2012. The amendment to IAS 12 involves the introduction of a simplification rule. Under this rule, it is presumed that the determining factor for measuring deferred tax in investment properties carried at fair value will normally be the recovery of the book value through sale. A sale should always be assumed in the case of non-depreciable assets that are measured under the revaluation model.

In the German jurisdiction, the application of this amendment is not expected to have any material effect on the net assets, financial position and results of operations of the Group.

IAS 19 Employee Benefits (revised 2011)
The revised IAS 19 was published in June 2011 and is to be applied for the first time in financial years beginning on or after 1 January 2013. The assumed adjustments extend from fundamental changes, such as those affecting the calculation of expected income from plan assets and the elimination of the 'corridor approach', which served to distribute/reduce volatility resulting from pension obligations over time, to mere clarifications and reformulations.

In future, the provision amount will reflect the extent of the obligation in full, actuarial gains and losses are no longer recognised pro rata in profit and loss, but instead recognised in full in the period in which they are incurred in other comprehensive income. Partial retirement agreements are also affected, since the new regulation stipulates that amounts set aside will no longer be considered a settlement but rather remuneration for current activities. As such, a provision is to be created gradually and not, as previously, when the agreement is signed. At the transition date (1 January 2011), the adjustment that does not affect results was € 2.2 million that increase obligations. In the 2011 period, € 2.2 million was recognised directly in equity in the other comprehensive income and increase obligations. The implementation of other amendments introduced by the revision of IAS 19 will take place in the statements at the legally prescribed application date. The Group is currently reviewing the effects of these amendments.

IAS 28 Investments in Associates and Joint Ventures (revised 2011)
The revised IAS 28 was published in May 2011 and is to be applied for the first time in financial years is expanded to include the application beginning on or after 1 January 2013. With the approval of IFRS 11 and IFRS 12, the scope of IAS 28 is expanded the application of the equity method to joint ventures and joint associates.

For its effects, please refer to the explanations of IFRS 12.

Amendment of IAS 32 and IFRS 7 – Offsetting of Financial Assets and Liabilities
The amendment to IAS 32 was published in December 2011 and is applicable for the first time to financial years beginning on or after 1 January 2013. The amendment aims to eliminate existing inconsistencies by means of supplementing the guidance. However, the existing basic requirements regarding offsetting financial instruments remain in place. The amendment also defines supplemental disclosures.

The amendment will have no effect on the accounting policies used by the Group but will involve additional disclosures.

Standards or interpretations that do not apply
The new regulations listed in the following are not applicable to the Group and therefore have no effects on the net assets, financial position and results of operations of the Group:

- Amendment to IFRS 1 –
  Drastic Hyperinflation and the Elimination of Fixed Transition Dates for First-Time Adopters
- IFRS 11 Joint Arrangements
- IAS 27 Separate Financial Statements (revised 2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Company acquisitions

At the end of November 2011, the Group obtained an additional 20% of the voting shares in Leifheit CZ a.s. in Dobroviz, Czech Republic and now has 71% of the shares. Previously, this entity was carried at equity. Leifheit CZ a.s. distributes mostly Leifheit, Soehnle and Dr. Oetker Bakeware brand products in the Czech Republic.

The Articles of Incorporation of Leifheit CZ a.s. were changed by the purchase agreement and consent arrangements with the minority shareholder have been lifted so that Leifheit AG now has a controlling influence. Due to the regulations agreed with the minority shareholder for acquiring the rest of the outstanding shares in Leifheit CZ a.s., the acquisition was accounted for under IFRS 3 as if 100% of the company were acquired as at the acquisition date.

k€	Fair value at acquisition date	Previous book value
Cash	82	82
Receivables and other assets	3,052	3,044
Inventories	1,654	1,654
Tangible assets	390	–
Deferred taxes	197	197
	5,375	**4,977**
Liabilities	4,622	4,622
Loans	1,140	1,140
Deferred taxes	76	–
Provisions	184	184
	6,022	**5,946**
Net assets	**-647**	**-969**
Goodwill	872	
Acquisitions costs	**225**	

Goodwill of k€ 872 reflects mainly the expected synergy effects from the acquisition.

The initial consolidation of Leifheit CZ a.s. added k€ 82 in cash to the consolidated balance sheet. The 51% of shares already held before the business combination were revalued in profit or loss at a fair value of k€ 101. No purchase price was paid for the acquisition of the 20% of shares. No equity instruments were utilised either. For the takeover of the remaining 29% of the shares in Leifheit CZ a.s., a contingent consideration of k€ 84 was expensed. It depends mainly on the future development of earnings and the interest-bearing liabilities.

From its acquisition date to 31 December 2011, Leifheit CZ a.s. contributed k€ 506 in turnover and a negative result of k€ 77 to Group results. From 1 January to 31 December 2011, Leifheit CZ a.s. generated turnover of k€ 6,842 T and a result of k€ 224. If the business combination had taken place at the beginning of the year, k€ 224,807 in turnover would have been contributed to the Group and Group net result for the period would have been k€ 11,926 for financial year 2011.

Notes to the consolidated statement of comprehensive income

1 Turnover

Turnover by region in k€	2011	2010
Germany	96,629	88,937
Europe (excl. Germany)	110,984	109,313
Rest of the world	14,496	12,700
	222,109	**210,950**

In segment reporting, consolidated turnover is broken down between the Brand Business and Volume Business divisions. In the previous year, turnover of k€ 8,331 from the rest of the world was reclassified to turnover from Europe (excluding Germany).

2 Cost of sales

k€	2011	2010
Cost of materials	94,919	88,709
Personnel costs	12,487	15,203
Purchased services	5,626	6,073
Depreciation and amortisation	3,617	3,602
IT costs and other allocations	1,528	507
Consumables and supplies	1,410	1,319
Energy	1,231	1,803
Maintenance	1,155	1,410
Write-downs of inventories (net change)	439	-589
Rent	331	384
Other cost of sales	3,920	3,191
	126,663	**121,612**

The accounting system in the period under review is different compared with that of last year, therefore the type of cost is comparable only to a limited extent. Adjusting the previous year's figures is impracticable.

3 Research and development costs

k€	2011	2010
Personnel costs	2,124	1,704
Fees and purchased services	1,323	1,264
Depreciation and amortisation	153	152
IT costs and other allocations	289	136
Other research and development costs	244	490
	4,133	**3,746**

The accounting system in the period under review is different compared with that of last year, therefore the type of cost is comparable to a limited extent only. Adjusting the previous year's figures is impracticable.

4 Depreciation and amortisation

k€	2011	2010
Tangible assets		
Cost of sales	3,607	3,590
Research and development costs	65	64
Distribution costs	731	2,155
Administrative costs	117	164
IT costs and other allocations	824	–
	5,344	**5,973**
Intangible assets		
Cost of sales	10	12
Research and development costs	88	88
Distribution costs	689	1,734
Administrative costs	55	430
IT costs and other allocations	622	–
	1,464	**2,264**
Total depreciation and amortisation	**6,808**	**8,237**

The accounting system in the period under review is different compared with that of last year, therefore depreciation and amortisation in the individual functions are comparable to a limited extent only. Adjusting the previous year's figures is impracticable.

The difference between the previous year's figures for 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 in the last year only.

5 Personnel costs/employees

k€	2011	2010
Wages and salaries	33,336	34,690
Social security contributions	7,927	8,007
Cost of post-employment benefits	726	660
	41,989	**43,357**

Employees (annual average)	2011	2010
Germany	408	434
Czech Republic	419	421
France	183	172
Other countries	75	110
	1,085	**1,137**

6 Distribution costs

k€	2011	2010
Personnel costs	17,838	17,557
Advertising costs	14,229	13,112
Outgoing freight	10,362	10,690
Commisions	5,747	5,551
IT costs and other allocations	4,588	3,887
Fees and purchased services	3,701	2,656
Cost of cars, travel and entertainment	2,321	2,032
Depreciation and amortisation	1,420	2,035
Rent	1,156	1,137
Payments to customers	654	207
Royalties	633	597
Office and other overheads	571	879
General operating and administrative costs	427	418
Maintenance	332	676
Insurance	282	415
Post and telephone costs	243	243
Allowances on receivables	42	1,101
Other distribution costs	2,826	3,142
	67,372	**66,335**

The accounting system in the period under review is different compared with that of last year, therefore the type of cost is comparable to a limited extent only. Adjusting the previous year's figures is impracticable.

7 Administrative costs

k€	2011	2010
Personnel costs	6,508	6,584
Fees and purchased services	3,458	2,288
IT costs and other allocations	1,119	147
Rent	458	386
Cost of cars, travel and entertainment	429	280
Maintenance	327	293
Post and telephone costs	249	227
Office and other overheads	211	156
Depreciation and amortisation	172	159
General operating and administrative costs	151	138
Other administrative costs	174	697
	13,256	**11,355**

The accounting system in the period under review is different compared with that of last year, therefore the type of cost is comparable to a limited extent only. Adjusting the previous year's figures is impracticable.

8 Other operating income

k€	2011	2010
Write-ups on receivables	2,503	–
Commission income	677	614
Duty drawback	297	–
Royalties	152	156
Gains on the disposal of assets	104	–
Other operating income (less than k€ 100)	714	1,056
	4,447	**1,826**

9 Other operating expenses

k€	2011	2010
Transaction costs	102	75
Compensation claims	–	1,100
Other operating expenses (less than k€ 100)	729	68
	831	**1,243**

10 Foreign currency losses/gains

k€	2011	2010
Changes in the fair value of forward foreign exchange transactions	786	-664
Gains due to foreign currency measurement	236	189
Realised exchange rate losses/gains	-1,394	784
	-372	**309**

11 Interest income and expenses

Interest income (k€)	2011	2010
Interest income from interest on receivables	206	232
Interest income from financial instruments	633	475
	839	**707**

Interest income from financial instruments is interest income from credit balances at banks and from investments in the form of promissory notes.

Interest expense (k€)	2011	2010
Interest expense from interest on pension obligations	-2,230	-2,591
Interest expense from financial instruments and interest on liabilities	-146	-236
	-2,376	**-2,827**

Interest expenses from financial instruments are interest expenses from overdrafts.

12 Net other financial income

k€	2011	2010
Expense from changes in the fair value of forward foreign exchange transactions	540	–
Reversals/impairment losses on equity holdings and loans	-391	668
	149	**668**

Expenses from changes in fair value of opposing forward foreign exchange transactions, which are therefore not to be allocated to operations, are reported in net other financial income.

13 Income taxes

k€	2011	2010
Corporation tax (Germany)	658	-212
Trade tax (Germany)	395	-21
Foreign income taxes	1,787	1,987
Deferred income taxes	-2,670	-1,200
	170	**554**

k€	2011	2010
Prior-period income tax expense/income	475	-158
Deferred taxes due to temporary differences and tax loss carryforwards	-2,670	-1,200
Current tax expense	2,365	1,912
Tax liability	**170**	**554**

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€	2011	2010
Earnings before taxes	12,243	6,006
Taxes assuming the tax rate applicable to the parent company	**3,428**	**1,682**
Prior-period income tax expense/income	475	-158
Different foreign tax rates	377	265
Deferred tax assets on loss carryforwards	-3,082	-2,018
Measurement differences on receivables	–	609
Non tax-deductible losses of Group companies	–	223
Non tax-deductible gains of Group companies	-172	–
Retrospective use of loss carryforwards	-701	–
Others	-155	-49
Tax liability	**170**	**554**

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

k€	2011	2010
Different depreciation or amortisation periods for non-current assets	-25	-460
Measurement of inventories	-68	-248
Measurement of receivables and other assets	1	826
Measurement of pensions	-423	-77
Measurement of provisions for partial retirement	30	175
Different recognition rules for other provisions	-171	-24
Measurement of liabilities	-230	389
Other temporary differences	2	84
Tax loss carryforwards	-2,010	-1,277
Recognition of the net result from discontinued operations	–	-373
Currency effects	110	–
Recognition directly in equity in the translation reserve	114	-215
Deferred taxes	**-2,670**	**-1,200**

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

	31 Dec 2011		31 Dec 2010	
k€	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	410	3,250	431	3,296
Measurement of inventories	581	17	526	30
Measurement of receivables and other assets	3	784	–	780
Measurement of pensions	3,279	69	2,787	–
Measurement of provision for partial retirement	30	–	60	–
Different recognition rules for other provisions	473	7	350	55
Measurement of liabilities	354	17	128	21
Other temporary differences	70	–	72	–
Tax loss carryforwards	4,747	–	2,737	–
Gross amount	**9,947**	**4,144**	**7,091**	**4,182**
Offsetting	1,916	1,916	1,912	1,912
Balance sheet amount	**8,031**	**2,228**	**5,179**	**2,270**

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€ 14,808 (2010: k€ 28,186) or trade tax loss carryforwards of k€ 15,045 (2010: k€ 29,880) 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€ 2,684 (2010: k€ 5,225).

14 Discontinued operations

We spun off our Bathroom Furnishings division in the second quarter of the previous year. There were two central objectives to the sale of the Bathroom Furnishings division: focussing 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 was presented in the statement of comprehensive income in the item “Net result from discontinued operations”. The total after-tax earnings from this sold business area for financial year 2010 were k€ 10,948, which also included the disposal result from the sale of the Bathroom Furnishings division.

The main groups of assets and liabilities of discontinued operations broke down as follows as at the date of deconsolidation in 2010:

€ million	2010
Assets	
Non-current assets	7.0
Receivables	22.9
Inventories	14.6
Debt	
Liabilities	16.1
Provisions	4.6

The results from discontinued operations in the previous year are as follows:

€ million	2010
Income	44.1
Expenses	-32.0
Earnings before interest and expenses (EBIT)	12.1
Net interest income or expense	-0.1
Income taxes	-1.1
Earnings after taxes for the period from discontinued operations	10.9
Earnings per share from discontinued operations (diluted/undiluted)	€ 2.30

Net cash flow from discontinued operations in the previous year is as follows:

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

A price of € 35.1 million was agreed for discontinued operations; € 31.1 million of this had been paid as at 31 December 2011. Cash and cash equivalents of € 1.6 million were derecognised in the previous year as a result of deconsolidation.

15 Components of comprehensive income after taxes taken directly to equity

Expense in comprehensive income taken directly to equity consists of the conversion of the financial statements of subsidiaries and branches into the Group currency, which amounts to k€ 94 (2010: k€ 953), and exchange rate differences after taxes from capital-replacing loans in foreign currencies to subsidiaries in the amount of k€ 199 (2010: k€ 610). The tax income taken directly to equity is k€ 114 (2010: expense of k€ 113).

16 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.

		2011	2010
Shares issued	Shares 000	5,000	5,000
Weighted average number of treasury shares	Shares 000	258	250
Weighted average number of no-par-value bearer shares	**Shares 000**	**4,742**	**4,750**

		2011	2010
Net result for the period attributable to the shareholders of the parent company	k€	12,075	16,393
Weighted average number of no-par-value bearer shares	Shares 000	4,742	4,750
Earnings per share based on the net result for the period (diluted/undiluted)	**€**	**2.55**	**3.45**

		2011	2010
Net result for the period from continuing operations attributable to the shareholders of the parent company	k€	12,075	5,445
Weighted average number of no-par-value bearer shares	Shares 000	4,742	4,750
Earnings per share based on the net result for the period from continuing operations (diluted/undiluted)	**€**	**2.55**	**1.15**

		2011	2010
Net result for the period from discontinued operations attributable to the shareholders of the parent company	k€	–	10,948
Weighted average number of no-par-value bearer shares	Shares 000	–	4,750
Earnings per share based on the net result for the period from discontinued operations	**€**	**–**	**2.30**

Notes to the consolidated balance sheet

17 Cash and cash equivalents

As at 31 December 2011, cash and cash equivalents consisted exclusively of bank balances and cash in hand in the amount of k€ 29,511 (2010: k€ 26,256). The book value is the fair value.

18 Financial assets (current)

The current financial assets relate to investments in the form of two promissory notes totalling k€ 10,000 (2010: k€ 20,000), which were measured at amortised cost using the effective interest rate method. The capital notes had a maturity of 7 January 2012 and 1 February 2012 respectively and each bore interest of 2.0% per year. Given their short terms and interest rate close to the market interest rate, the fair value of the capital notes is approximately their book value.

19 Trade receivables

k€	31 Dec 2011	31 Dec 2010
Trade receivables	43,129	42,468
Trade bills	2,938	3,043
	46,067	**45,511**

As at 31 December 2011, receivables totalling k€ 28,996 were insured via credit insurance or export credit guarantees from the German Federal Government (2010: k€ 31,068) and trade receivables amounting to k€ 3,047 (2010: k€ 6,806) were impaired.

The changes in impairment on trade receivables are shown below:

k€	2011	2010
As at 1 January	6,806	5,269
Exchange rate differences	-1	2
Additions recognised in profit and loss	2,185	5,256
Utilisation	2,476	1,987
Reversal	3,467	1,734
As at 31 December	**3,047**	**6,806**

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

k€	2011	2010
Neither overdue nor impaired	43,557	41,174
Overdue but not impaired		
1 to 30 days	1,325	1,550
31 to 60 days	423	1,088
61 to 90 days	146	376
91 to 120 days	21	436
Over 120 days	595	887
As at 31 December	**46,067**	**45,511**

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

20 Inventories

k€	31 Dec 2011	31 Dec 2010
Raw materials, consumables and supplies	5,835	6,700
Unfinished products	1,392	1,374
Finished products and goods purchased and held for resale	31,155	31,297
	38,382	**39,371**

k€	31 Dec 2011	31 Dec 2010
Raw materials, consumables and supplies measured at fair value	96	414
Raw materials, consumables and supplies not impaired	5,739	6,286
Total raw materials, consumables and supplies	**5,835**	**6,700**
Unfinished products measured at fair value	769	10
Unfinished products not impaired	623	1,364
Total unfinished products	**1,392**	**1,374**
Finished products and goods purchased and held for resale measured at fair value	6,394	10,017
Finished products and goods purchased and held for resale not impaired	24,761	21,280
Total finished products and goods purchased and held for resale	**31,155**	**31,297**

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

21 Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts for buying and selling US dollars and Czech koruna measured at fair value. Please see Note 40 for further details.

22 Other current assets

k€	31 Dec 2011	31 Dec 2010
Purchase price receivable	4,000	–
VAT receivables	1,142	1,915
Creditors with debit balances	754	761
Current prepayments and accrued income	473	249
Advance payments on inventories	170	796
Other current assets (less than k€ 100)	644	915
	7,183	**4,636**

The purchase price receivable of k€ 4,000 bears interest and matures on 31 May 2012.

23 Financial assets (non-current)

k€	Equity interests	Other financial assets	Total
Cost **As at 1 January 2010**	**175**	**426**	**601**
Additions	–	200	200
Disposals	–	–	–
Disposals due to deconsolidation	–	71	71
As at 31 December 2010	**175**	**555**	**730**
Additions	–	–	–
Disposals	175	550	725
As at 31 December 2011	**–**	**5**	**5**
Cumulative write-downs **As at 1 January 2010**	**–**	**–**	**–**
Additions	118	550	668
Disposals	–	–	–
As at 31 December 2010	**118**	**550**	**668**
Additions	–	–	–
Disposals	118	550	668
As at 31 December 2011	**–**	**–**	**–**
Net book values			
As at 31 December 2010	57	5	62
As at 31 December 2011	**–**	**5**	**5**

24 Tangible assets

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Costs					
As at 1 January 2010	**67,184**	**45,556**	**53,141**	**537**	**166,418**
Foreign currency differences	917	699	341	6	1,963
Additions	29	330	2,044	2,029	4,432
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 December 2010	**51,635**	**38,737**	**40,963**	**611**	**131,946**
Foreign currency differences	-268	-277	-30	-11	-586
Additions	331	692	1,629	2,708	5,360
Disposals	117	3,634	1,821	405	5,977
Reclassification	94	1,208	128	-1,430	–
As at 31 December 2011	**51,675**	**36,726**	**40,869**	**1,473**	**130,743**
Cumulative write-downs					
As at 1 January 2010	**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 December 2010	**27,530**	**33,483**	**35,090**	**–**	**96,103**
Foreign currency differences	-127	-261	-14	–	-402
Additions	1,349	1,942	2,053	–	5,344
Disposals	116	3,595	1,766	–	5,477
Reclassification	–	–	–	–	–
As at 31 December 2011	**28,636**	**31,569**	**35,363**	**–**	**95,568**
Net book values					
As at 31 December 2010	24,105	5,254	5,873	611	35,843
As at 31 December 2011	**23,039**	**5,157**	**5,506**	**1,473**	**35,175**

The additions to depreciation include impairment losses for tools and operating and office equipment that are no longer used in the amount of k€ 156 (2010: k€ 0). Disposals due to deconsolidation in the previous year relate to tangible assets from the sold Bathroom Furnishings companies.

Of tangible assets of k€ 35,175 (2010: k€ 35,843) at the balance sheet date, k€ 17,795 (2010: k€ 18,214) were located in Germany, k€ 10,882 (2010: k€ 11,470) in the Czech Republic, k€ 6,248 (2010: k€ 5,941) in France and k€ 249 (2010: k€ 218) in other countries.

25 Intangible assets

k€	Brands	Goodwill	Other intangible assets	Advance payments	Total
Costs					
As at 1 January 2010	**7,251**	**11,749**	**17,264**	**914**	**37,178**
Foreign currency differences	–	–	50	–	50
Additions	–	–	1,729	66	1,795
Disposals	–	800	70	–	870
Disposals due to deconsolidation	–	–	3,147	–	3,147
Reclassification	–	–	1,021	-914	107
As at 31 December 2010	**7,251**	**10,949**	**16,847**	**66**	**35,113**
Foreign currency differences	–	–	-2	–	-2
Additions	–	–	122	110	232
Disposals	–	–	77	–	77
Additions due to company acquisitions	–	872	390	–	1,262
Reclassification	–	–	66	-66	–
As at 31 December 2011	**7,251**	**11,821**	**17,346**	**110**	**36,528**
Cumulative write-downs					
As at 1 January 2010	**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 December 2010	**2,446**	**–**	**12,296**	**–**	**14,742**
Foreign currency differences	–	–	–	–	–
Additions	1	–	1,463	–	1,464
Disposals	–	–	76	–	76
Additions due to company acquisitions	–	–	–	–	–
Reclassification	–	–	–	–	–
As at 31 December 2011	**2,447**	**–**	**13,683**	**–**	**16,130**
Net book value					
As at 31 December 2010	4,805	10,949	4,551	66	20,371
As at 31 December 2011	**4,804**	**11,821**	**3,663**	**110**	**20,398**

Additions to depreciation include no write-downs (2010: k€ 613). Disposals due to deconsolidation in the previous year relate to intangible assets from the sold Bathroom Furnishings companies.

Of intangible assets of k€ 20,398 (2010: k€ 20,371) at the balance sheet date, k€ 8,244 (2010: k€ 8,907) were located in Germany, k€ 1,309 (2010: k€ 78) in the Czech Republic, k€ 10,833 (2010: k€ 11,369) in France and k€ 12 (2010: k€ 17) in other countries.

Impairment testing of intangible assets and tangible assets

Intangible assets including goodwill and brands acquired from business combinations and tangible assets are subjected to annual impairment testing under IAS 36.11. There was no indication for an impairment of these assets that would have required an extraordinary impairment test (IAS 36.12). The assets were allocated to following cash-generating units:

- "Leifheit"
- "Birambeau"
- "Herby"

The cash-generating units are based directly on internal management reporting. The Soehnle brand is capitalised within the "Leifheit" 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" division. Additionally, the goodwill of Leifheit CZ a.s. is part of the "Leifheit" 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 2012 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". Due to the internationally oriented "Leifheit GO!" distribution strategy, increases in turnover of 5% to 8% with strong rises in earnings were assumed for the cash-generating unit "Leifheit" thanks to margin increases and efficiency improvements in structures and production/logistics processes.

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 6.6% (2010: 7.2%) at the date of the impairment test, a risk-free interest rate of 3.5% (2010: 3.25%), a market risk premium of 5.0% (2010: 5.0%), a beta factor of 0.97 (2010: 1.1) and borrowing costs of 4.4% (2010: 4.0%). A growth rate of 1.0% (2010: 1.0%) was assumed.

As at 30 September 2011, the recoverable amounts calculated in this way were greater than the book value. The impairment tests therefore did not identify any impairment requirements. Even when applying the following individual sensitivities, there was no need for impairment for the "Leifheit", "Birambeau" and "Herby" cash-generating unit:

- Cash flow forecast on the basis of the current earnings level with costs and turnover development remaining constant
- Cash flow forecast on the basis of the updated 2012 budget allowing for a 20% discount
- Increase of the discount rate by two percentage points

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

	Goodwill		Brands	
Book value at end of reporting period	2011	2010	2011	2010
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
Leifheit CZ a.s.	872	–	–	–
Pressurised steam iron business	1,209	1,209	–	–
Soehnle brand	–	–	4,804	4,804
Other brands	–	–	–	1
	11,821	**10,949**	**4,804**	**4,805**

26 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€ 3,465 (2010: k€ 4,051).

27 Other non-current assets

k€	31 Dec 2011	31 Dec 2010
Purchase price receivable	–	4,000
Other non-current assets (less than k€ 100)	184	187
	184	**4,187**

Of the other non-current assets as at the balance sheet date of k€ 184 (2010: k€ 4,187), k€ 9 (2010: k€ 4,016) were located in Germany and k€ 175 (2010: k€ 171) in other countries.

28 Trade payables and other liabilities

Remaining term of less than 1 year in k€	31 Dec 2011	31 Dec 2010
Trade payables	20,478	24,762
Employees	8,194	8,555
Customer bonuses	5,368	6,171
Advertising cost subsidies	3,809	5,043
Other taxes (excluding income taxes)	1,629	1,995
Debtors with credit balances	1,434	1,775
Outstanding invoices	1,155	709
Social security contributions	903	901
Serverance payments to sales representatives	811	519
Customer discounts	470	555
Commission obligations	439	419
External annual financial statement costs	380	392
Purchase commitments	270	79
Supervisory board compensation	170	85
Tax advice	163	161
Royalties	131	53
Energy	103	45
Other liabilities (less than k€ 100)	1,003	458
	46,910	**52,677**

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

29 Provisions

	31 Dec 2011			31 Dec 2010		
k€	Total	of which current	of which non-current	Total	of which current	of which non-current
Warranties	4,311	3,579	732	4,058	3,326	732
Personnel-related	1,792	–	1,792	2,067	–	2,067
Onerous contracts	35	35	–	95	95	–
Other provisions	1,447	1,447	–	1,789	1,789	–
	7,585	**5,061**	**2,524**	**8,009**	**5,210**	**2,799**

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 contain mostly obligations from loss compensation, litigation costs and attorney costs. The increase in the reporting period due to the increase in the amount discounted over time of the non-current provisions is k€ 139 (2010: k€ 206).

The provisions for warranties, compensation payments and litigation costs of k€ 5,064 (2010: 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.

	Current provisions			Non-current provisions		
k€	Warranties	Onerous contracts	Other current provisions	Warranties	Personnel-related	Other non-current provisions
As at 1 January 2011	**3,326**	**95**	**1,789**	**732**	**2,067**	–
Utilisation	3,358	95	444	–	462	–
Reversal	–	–	790	–	162	–
Addition	3,574	35	749	–	349	–
Addition from initial consolidation	37	–	143	–	–	–
As at 31 December 2011	**3,579**	**35**	**1,447**	**732**	**1,792**	**–**

30 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 2011	31 Dec 2010
Present value of defined benefit obligations (DBO)	42,357	43,825
Fair value of plan assets	-790	-862
Actuarial gains/losses not yet recognised	14	-2,247
Recognised net debt from pension obligations in Germany	**41,581**	**40,716**
Pension obligations in France	693	628
Employee benefit obligations	**42,274**	**41,344**

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

k€	31 Dec 2011	31 Dec 2010
Current service cost	453	436
Interest expense on the obligation	2,230	2,628
Recognised net actuarial losses	–	–
Expected income from plan assets	-7	-37
Employee contributions	–	–
Total cost of post-employment benefits	**2,676**	**3,027**

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

k€	2011	2010
Net debt at start of year	40,716	43,505
Disposal of operations	–	-3,914
Foreign currency effects	–	–
Net expense reported in the consolidated statement of comprehensive income	2,676	3,027
Contributions	–	-103
Payments to beneficiaries	-1,811	-1,799
Recognised net debt at end of year	**41,581**	**40,716**

In addition, contributions were paid to government pension providers of k€ 2,745 (2010: k€ 2,796).

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

k€	2011	2010
DBO at start of year	43,825	61,007
Disposal of operations	–	-21,083
Current service cost	453	436
Interest expense	2,230	2,628
Benefit payments	-1,890	-1,799
Actuarial losses/gains	-2,261	2,636
DBO at end of year	**42,357**	**43,825**

The fair value of plan assets changed as follows:

k€	2011	2010
Fair value of plan assets at start of year	862	15,713
Disposal of operations	–	-14,904
Expected income from plan assets	39	37
Losses from plan assets	-7	-2
Transfers to plan assets	9	103
Benefit payments	-113	–
Others	–	-85
Fair value of plan assets at end of year	**790**	**862**

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€	2011	2010	2009	2008	2007
DBO as at end of reporting period	42,357	43,825	61,007	57,564	55,421
Plan assets as at end of reporting period	790	862	15,713	14,353	12,164
Plan deficit	41,567	42,963	45,294	43,211	43,257
Adjustment of plan liabilities to reflect historical data	659	937	-754	-1,026	482
Adjustment of plan assets to reflect historical data	7	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 %	2011	2010
Discount rate	5.5	5.3
Expected income from plan assets	4.0	4.5
Future income trend	2.5	2.5
Future pension trend	2.0	2.0
Rate of staff turnover	2.0	3.0
Basis of calculation: Prof. K. Heubeck actuarial tables	2005 G	2005 G
Arithmetical final age	RVAGAnpG 2007	RVAGAnpG 2007

31 Subscribed capital

The subscribed capital of Leifheit AG amounts to k€ 15,000 (2010: k€ 15,000), is denominated in euro and divided into 5,000,000 no-par-value bearer shares. All shares accord the same rights. Shareholders receive dividends as declared and have one vote for each share at the Annual General Meeting.

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 26 May 2011, 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 k€ 7,500 until 25 May 2016 by issuing new no-par-value bearer shares in exchange for cash and/or noncash 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 (sections 203 para. 1 and 2, 186 para. 3 sentence 4 AktG) 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 (10% threshold) at the issue date of the new shares. For the issue of the utilisation of the 10% threshold, disapplying subscription rights due to other authorisations in accordance with section 186 para. 3 sentence 4 AktG must be considered. As such, the determining market price is the average of the closing prices in the XETRA trading system (or a comparable successor system) on the last five trading days before the time the Board of Management sets the issue price.

With the consent of the Supervisory Board, the Board of Management is authorised to determine additional details of the implementation of capital increases from authorised capital.

32 Capital surplus

The capital surplus of k€ 16,934 (2010: k€ 16,934) represents the premium on the capital increase in autumn 1989.

33 Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit therefore held 257,600 treasury shares on 31 Dec 2011. This corresponds to 5.15% of the share capital. The corresponding interest in the share capital was k€ 773. The expenditure for acquiring these treasury shares totalled k€ 7,813.

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

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.

In the period under review, 7,476 shares were acquired for k€ 128. This corresponded to 0.15% of the share capital. The corresponding interest in the share capital was k€ 22. No treasury shares were acquired in the previous year.

No treasury shares were utilised in the period under review or in the reporting period.

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

34 Appropriated surplus/translation reserve

The appropriated surplus includes the statutory reserve of k€ 1,023 (2010: k€ 1,023), other retained earnings of k€ 59,114 (2010: k€ 56,948) and the net result for the period attributable to the shareholders of the parent company of k€ 12,075 (2010: k€ 16,393). 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 2010 of k€ 3.00 per share, or a total of k€ 14,227 (2010: k€ 14, 250) was distributed.

The translation reserve contains exchange rate differences arising 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 made in lieu of equity.

35 Minority interests

Minority interests and their share of earnings in the statement of comprehensive income relates to the 49% interest of a shareholder in Leifheit Distribution S.R.L., Romania.

36 Proposal on the appropriation of balance sheet profit

The dividend distribution of Leifheit AG (ISIN DE 0006464506) is based on the balance sheet profit reported in the annual financial statements of Leifheit AG under commercial law. The balance sheet profit of Leifheit AG in the past financial year amounts to € 14,650,000.00.

Leifheit AG holds 257,600 treasury shares that are not entitled to dividends. The number of shares entitled to a dividend may change up to the Annual General Meeting. In this case, an appropriately adjusted proposal on the appropriation of retained profits will be submitted to the Annual General Meeting with an unchanged distribution of a dividend of € 1.30 per no-par-value bearer share eligible to receive dividends.

The Board of Management and Supervisory Board will propose the following resolution to the Annual General Meeting on 24 May 2012:

From the balance sheet profit of the company for financial year 2011 in the amount of € 14,650,000.00, a dividend of € 1.30 per no-par-value bearer share eligible to receive dividends – this is a total of € 6,165,120.00 due to 4,742,400 no-par-value bearer shares – will be distributed to the shareholders. The remaining amount of € 8,484,880.00 will be carried forward to new account.

37 Financial instruments, objectives and methods of financial risk management

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.

- **Current 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 23% (2010: 20%) of Group turnover is generated in foreign currencies, while 38% (2010: 35%) of costs are incurred in foreign currencies.

  The following table shows the sensitivity of consolidated earnings before tax and Group equity regarding third-party assessment at the balance sheet date vis-à-vis 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.

The effects on the earnings before tax and Group equity is as follows:

	Currency performance	Impacts as at 31 Dec 2011	Impacts as at 31 Dec 2010
US dollar	+ 5%	9	-534
	- 5%	-10	591
	+ 10%	17	-1,021
	- 10%	-20	1,247
Czech koruna	+ 5%	162	7
	- 5%	-179	-8
	+ 10%	308	13
	- 10%	-376	-16

The British pound, Swiss franc, new Romanian leu and Tunisian dinar have no material effect.

In addition to the effects listed in the above table, there would be changes affecting equity due to potential changes in the Czech koruna as follows:

	Currency performance	Impacts as at 31 Dec 2011	Impacts as at 31 Dec 2010
Czech koruna	+ 5%	547	446
	- 5%	-605	-493
	+ 10%	1,044	851
	- 10%	-1,276	-1,040

- **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 2011, the Group had forward foreign exchange buying contracts with a nominal value of USD 20.0 million (2010: USD 55.0 million), and forward foreign exchange selling contracts with a nominal value of USD 20.0 million (2010: USD 33.2 million) and CZK 16.5 million (2010: CZK 0.0 million). Please see Note 40 for further details.

- **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. There are no long-term interest-bearing bank loans or similar interest-bearing financial liabilities. Accordingly, there is no calculation and presentation of interest sensitivity.

- **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 (see Note 19). 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 2011	Book value 31 Dec 2010	Fair value 31 Dec 2011	Fair value 31 Dec 2010
Financial assets					
Cash and cash equivalents	a)	29,511	26,256	29,511	26,256
Trade receivables	a)	46,067	45,511	46,067	45,511
Derivative financial assets	c)	46	123	46	123
Other financial assets	a)	15,398	25,675	15,398	25,675
Financial liabilities					
Trade payables	b)	20,478	24,762	20,478	24,762
Derivative financial liabilities	c)	585	897	585	897
Other financial liabilities	b)	15,706	16,464	15,706	16,464

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 assets with a fair value of k€ 46 (2010: k€ 123) and derivative financial assets with a fair value of k€ 585 (2010: k€ 897) were reported in the balance sheet as at 31 December 2011. 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. All financial assets and liabilities to be measured at fair value must be assigned to level 2. The other financial liabilities are due within one year.

Net earnings of the financial instruments for the measurement category are:

k€	From subsequent measurement				
	Interest	Foreign currency effects	Allowances	2011	2010
Cash and cash equivalents	398	106	–	504	460
Trade receivables	–	-12	1,282	1,270	-3,247
Derivative financial assets*	–	802	–	802	1,382
Other financial assets	235	–	–	235	155
Trade payables	–	3	–	3	-436
Derivative financial liabilities*	–	-1,811	–	-1,811	-1,052
Other financial liabilities	-146	–	–	-146	-236

* The net earnings of the derivative financial assets and liabilities presented as foreign exchange translation are a result of realised exchange rate gains and losses as well as measurement at fair value.

Short-term current account credit of € 15.2 million (2010: € 16.5 million) was available as at the end of the balance sheet date. Of this amount, € 2.5 million (2010: € 2.7 million) was used in the form of guarantees as at the balance sheet date. Unutilised current account credit therefore amounted to € 12.7 million (2010: € 13.8 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, gross margin, contribution margin and EBIT. These are based on IAS/IFRS measurement. In line with the internal reporting structure, segment reporting was expanded by key ratios of gross margin and contribution margin. 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 € 4.9 million (2010: € 5.7 million). The minimum lease payments under uncancellable operating leases amount to € 2.8 million up to one year (2010: € 3.0 million), and € 1.7 million between one and five years (2010: € 2.2 million) and € 0.4 million for over five years (2010: € 0.5 million). The leases constitute operating leases within the meaning of IAS 17.

As at 31 December 2011, there were purchase commitments totalling € 1.4 million (2010: € 0.8 million).

There are contractual obligations to acquire items of tangible assets in the amount of € 3.6 million (2010: € 1.8 million) relating to tools and logistics facilities in particular.

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 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Buy USD/€	€ 15.5 million	€ 41.9 million	USD 20.0 million	USD 55.0 million	€ 15.4 million	€ 41.5 million
Sell USD/€	€ 14.9 million	€ 24.7 million	USD 20.0 million	USD 33.2 million	€ 15.4 million	€ 25.1 million
Sell CZK/€	€ 0.7 million	–	CZK 16.5 million	–	€ 0.6 million	–

The forward foreign exchange contracts as at 31 December 2011 all matured within one year.

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	USD 13.2 million
Between 1 and 2 years	USD 20.0 million	USD 20.0 million

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

The remuneration of the Board of Management for activities at subsidiaries in the year under review amounted to k€ 0 (2010: k€ 100).

The remuneration of the Board of Management totalled k€ 1,896 (2010: k€ 1,785), of which k€ 1,326 was attributable to variable remuneration (2010: k€ 1,210). Transfers to pension provisions (DBO under IFRS) for members of the Board of Management amounted to k€ 0 (2010: k€ 0).

The company has granted one of the members of the Board of Management a share-based remuneration component for short- and long-term variable remuneration from the 2011 financial year. This provides for cash payment rather than remuneration in the form of shares.

The amount of short-term variable remuneration paid is calculated using an EBT multiplier and a market capitalisation multiplier. The EBT multiplier is based on the earnings of the Leifheit Group before income tax. The market capitalisation multiplier is measured according to the growth in the market capitalisation of Leifheit AG achieved in the calendar year as against the respective prior calendar year. The amount paid is capped. It will be paid within four weeks of the resolutions on the appropriation of profits by the Annual General Meeting for the financial years 2011 to 2014.

The amount of long-term variable remuneration paid is calculated using an EBIT multiplier and a market capitalisation multiplier. The market capitalisation multiplier is 2.5% of the growth in the market capitalisation of Leifheit AG on the basis of average prices on the last 90 trading days of the 2014 calendar year and the last 90 trading days of the 2010 calendar year. The EBIT multiplier is based on the average performance in the Group's EBIT reported in the consolidated financial statements in the calendar years 2011 to 2014. Both the EBIT multiplier and the payment amount are capped. The value of the bonus programme is calculated each year on the basis of analyses by a third-party expert using Monte Carlo simulations and is transferred to provisions pro rata temporis over the respective vesting period. The fair value of this as at 31 December 2011 is € 1.3 million; the recognised provision amounts to € 0.3 million. It will be paid within four weeks of the resolution on the appropriation of profits by the Annual General Meeting for the 2014 financial year.

The Annual General Meeting on 26 May 2011 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€ 498 (2010: k€ 243).

42 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

In the year under review, total remuneration for former members of the Board of Management amounted to k€ 398 (2010: k€ 388), while pension provisions for current pensions (DBO under IFRS) totalled k€ 6,104 (2010: k€ 6,212).

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

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

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, and Leifheit AG, Nassau.

The following notifications were published:

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.”

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

In December 2011, 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.

47 Events after the end of the balance sheet date

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

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

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

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

The amount shown in 2011 for the fees of the Group auditor, Ernst & Young GmbH Wirtschaftsprüfungs-gesellschaft, Eschborn/Frankfurt am Main, came up to k€ 269 (2010: k€ 255) for audits of the financial statements, k€ 8 (2010: k€ 5) for other assurance services, k€ 166 (2010: k€ 200) for tax advisory services and k€ 51 (2010: k€ 79) for other services.

Organs of Leifheit AG

Members of the Board of Management

	Georg Thaller	Chairman of the Board of Management of Leifheit AG
	Dr. Claus-O. Zacharias	Chief Financial Officer of the Board of Management of Leifheit AG

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 until 8 June 2011
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
	Schuler Pressen GmbH, Weingarten (until 21 April 2011 Müller Weingarten AG)	Deputy Chairman of the Supervisory Board
	Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler	Member of the Advisory Board

Nassau/Lahn, 19 March 2012
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 ("Handelsgesetzbuch" - "German Commercial Code").

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 2011 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, 19 March 2012

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 2011. 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, 19 March 2012

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 Federal Gazette (Elektronischer Bundesanzeiger). 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 Federal Gazette. In this case, the version submitted to the Electronic Federal Gazette is binding.

In the event of any discrepancies between this English translation of the financial report and the German version, the German version shall take precedence.

Contacts and key dates

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  E-mail: ir@leifheit.com

Key dates

- 10 May 2012
  Quarterly financial report for the period ending 31 March 2012

- 24 May 2012
  Annual General Meeting
  10:30 a.m., Leifheit AG Customer and Administrative Centre, Nassau/Lahn, Germany

- 9 August 2012
  Financial report for the half-year ending 30 June 2012

- 8 November 2012
  Quarterly financial report for the period ending 30 September 2012

Legal Notice

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