I trust in Leifheit

Annual Financial Report 2012
Condensed Version

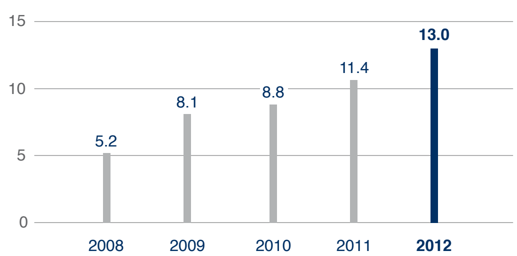
LEIFHEIT
Aktiengesellschaft

Key figures of the Group

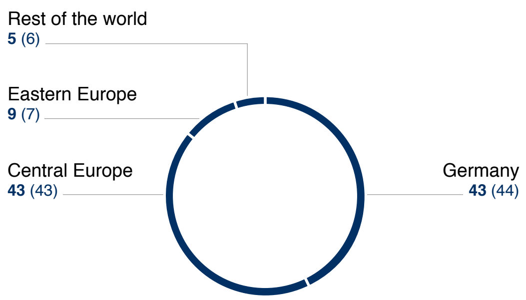
		2010	2011	**2012**	Change
Turnover					
Group	€ million	210.9	222.1	224.2	+0.9%
Brand Business	€ million	164.2	170.5	177.7	+4.2%
Volume Business	€ million	46.7	51.6	46.5	-9.9%
Foreign share	%	57.8	56.5	57.1	+0.6 pps
Profitability					
Gross margin	%	42.4	43.0	44.2	+1.2 pps
Cash flow from operating activities	€ million	12.0	12.8	8.2	-36.1%
EBIT	€ million	8.8	13.9	14.2	+1.8%
EBIT adjusted[1]	€ million	–	11.4	13.0	+13.4%
EBIT margin[1]	%	4.2	5.1	5.8	+0.7 pps
Earnings before income taxes (EBT)	€ million	6.0	12.2	12.2	-0.4%
Net result for the period	€ million	5.5	12.1	9.4	-22.3%
Net return on sales	%	2.6	5.5	4.2	-1.3 pps
Return on equity	%	5.3	12.2	9.2	-3.0 pps
Return on total capital	%	2.6	6.1	4.6	-1.5 pps
Share					
Net result for the period[2]	€	1.15	2.55	1.97	-22.7%
Cash flow[2]	€	2.52	2.71	1.72	-36.5%
Dividend per share	€	1.00	1.30	1.50[3]	+15.4%
Special dividend	€	2.00	–	–	–
Employees					
Group (on annual average)	persons	1,137	1,085	1,019	-6.1%
Group (at the end of the year)	persons	1,141	1,032	1,025	-0.7%
Brand Business (at the end of the year)	persons	751	726	741	+2.1%
Volume Business (at the end of the year)	persons	390	306	284	-7.2%
Personnel expenditure per employee	k€	38	38	41	+6.7%
Investment in tangible assets	€ million	**4.4**	**5.4**	**9.3**	**+73.3%**
Investment ratio	%	3.0	4.1	5.8	+1.7 pps
Depreciation on tangible assets	€ million	**5.4**	**5.3**	**5.3**	**-1.9%**
Balance sheet total	€ million	**207.0**	**198.9**	**202.2**	**+1.7%**
Equity	€ million	**101.5**	**98.9**	**102.4**	**+3.5%**
Equity ratio	%	49.0	49.7	50.6	+0.9%

[1] EBIT 2011 adjusted for a one-time positive extraordinary effect from the acquisition of a controlling interest in Leifheit CZ a.s., EBIT 2012 adjusted for a one-time positive extraordinary effect from the sale of assets relating to the termination of a license agreement
[2] not including repurchased treasury shares
[3] proposal to the Annual General Meeting

Development of the operative result (EBIT)[1]
in € million



Turnover by region
in % (previous year's figures)



"Today we are in a better position than ever before. With our multi-year strategy 'Leifheit GO!' we have oriented our company on continued profitable growth. The aim for 2013: making our brand appearance even more attractive in all sales channels so as to target our customers directly. Clever products and growth-oriented distribution help us in this process.

Through our strategy for sustainable and profitable growth we are securing the trust of our customers, our shareholders and employees."

Georg Thaller, Chairman of the Board of Management

I trust in Leifheit

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Link to the homepage

LB Reference to the Management Report

AH Reference to the Notes

Interview with the Board of Management

In 2012 Leifheit had to assert itself in a challenging market environment. In the following interview Georg Thaller, CEO and Chairman of the Board of Management, and Dr Claus-O. Zacharias, CFO, look back on the past year and discuss the strategic and financial outlook of the Group.

Mr Thaller, have you reached your goals in the past business year?

Georg Thaller: Against the background of the general market development, Leifheit has shown a stable development. Our sales markets in Southern Europe were characterised by strong moderation in purchase behaviour due to the persisting euro and debt crisis. Also within Central Europe, many consumers were increasingly insecure. Without a doubt this had effects on our growth targets. Nonetheless compared to 2011, we have kept the Group turnover stable at € 224.2 million. In some of our key markets, such as the Netherlands, Austria, Switzerland or Russia we even achieved very positive growth rates. Our largest segment, the Brand Business, earned a positive increase at € 177.7 million. The reasons for this were foremost our multiple award winning product innovations. Our clever household solutions combined with great customer benefit continued to thrive from steady demand. Unfortunately our second segment, the Volume Business, performed regressively and only achieved a turnover of € 46.5 million. This was primarily caused by the moderated Project Business in the USA and the difficult overall economic environment, specifically in our central market, France. Yet we continued to orient Leifheit on sustainable growth in the scope of our strategy in 2012 as well. Investment in logistics and production, as well as the consistent increases in efficiency strengthen our organisation. And with a number of product innovations we have further solidified our market position. Furthermore, with the campaign: “I trust in Leifheit” we have additionally sharpened the profile of our umbrella brand.

A glance at the operative result shows that Leifheit reached the goal it has pursued here. What is your recipe, Dr Zacharias?

Dr Claus-O. Zacharias: We most of all maintain the required sense of proportion in our decisions: an increase of the result by more than 13% on the adjusted EBIT 2011 is the consequence of consistent improvements – day by day. Strict cost discipline is a key to success here. In addition, by means of targeted investments we have brought the Group into a more efficient shape – foremost with regard to our factory in Blatná in the Czech Republic and the logistics site in Zuzenhausen. Moreover, key processes have been revised and functions as well as competences have been bundled. The result of all this in combination is a positive earnings upturn that is within the scope of our forecast.

Georg Thaller

You ended the license agreement established over many years with Dr Oetker in 2012. What are the reasons that have led to this?

Georg Thaller: The termination of the license agreement for the use of the rights to the brand name Dr Oetker Bakeware was an additional strategic step for us to focus on our core business. From now on we will exclusively concentrate on the two brands Leifheit and Soehnle. For this purpose, we have combined distribution, marketing and development under one roof. Values such as quality, stability and reliability are ascribed to our brands. We aspire to emphasise these excellent brand values for Leifheit even more than before in the categories of cleaning, laundry care and kitchen. In addition, we intend to position Soehnle as an attractive, modern wellness brand.

€ 224 m
stable Group turnover

“An increase of the result by more than 13% on the adjusted EBIT 2011 is the consequence of consistent improvements – day by day.”

Dr Claus-O. Zacharias: The share in turnover of products sold under the Dr Oetker Bakeware brand amounted to approximately € 6.8 million in 2012, which is the equivalent of about 3% of our Group turnover. Nearly 50% of the turnover was earned in Germany and was exclusively generated in the Brand Business. The focus on our two main brands will trim down our range of products on the one hand, and on the other hand reduce the related complexity.

In the context of the euro and debt crisis the consumer demand – particularly in the southern regions of Europe – declined strongly in some cases. How did Leifheit respond to this?

Georg Thaller: Unfortunately, we were not able to completely escape the general economic downturn in Southern Europe. Insecurity and fear of the future have led to a decline in the demand in these regions and consequently lower turnover for Leifheit. In order to actively counteract this development, we are now placing stronger focus on other regions. Among these, besides selected countries of Asia, are foremost the growth markets in Eastern Europe. We founded a new company in Poland in late 2012. In addition, Russia will be in the closer focus of our activities in the future. At the same time we have initiated structural optimisations at select subsidiaries to relieve our cost side.

You are also tapping new markets by means of diversification. But how do you intend to continue growing in the existing, partly saturated main sales regions?

Georg Thaller: At this time in retail, primarily two trends are indicated: on the one hand, online retail is growing strongly and on the other hand, local retail will also remain an important point of sale for consumers in the future. You need to be aware that 70% of all consumers make their purchase decision directly on site at the "point of sale". This is met by a heightened quality awareness of the consumers in connection with higher demands posed to brands, store design and product presentation. For this reason a trend in the direction of high-quality trading up concepts can currently be detected in local retail.

Accordingly we presented a completely new concept for POS excellence on the occasion of this year's consumer goods fair Ambiente. In this area we are combining different elements of packaging, high-quality shelf furniture, a structure in the product presentation with an intelligent search logic and a corresponding brand communication. We thereby support the trading up efforts of retail and thus ensure a higher turnover and an improved value creation.

Dr Claus-O. Zacharias

"On the one hand, online retail is growing strongly, and on the other hand, local retail will also remain an important point of sale for consumers in the future."

You have also set a number of goals in the e-commerce field. Would you be able to give us a peek preview?

Georg Thaller: Certainly. We have examined the challenges of e-commerce in detail. More than two thirds of the consumers – across all age groups – by now obtain information online before making a purchase. Leifheit has more than doubled its turnover through this sales channel in the past four years. This has become possible by setting up a key account management specialised on home-shopping early on and by creating the internal conditions to meet the special requirements of this business. Here, for example, we speak of logistics processes, absolute adherence to schedules and suitable packaging for home-shopping. Additional factors of success are target-oriented online and offline marketing campaigns as well as a modern content management system for the provision of structured product information.

70%
of all consumers decide at the point of sale

The cross-channel approach – meaning the coordinated interplay of different sales channels, such as local retail, online distribution or the mobile sales channels – will increasingly gain importance in the future. We are in an excellent position to this end and offer competent support to our trade partners in all distribution channels.

Your share has performed considerably better than the market in 2012. Is this a confirmation of the good operative performance or is it influenced by the upcoming change of ownership?
Dr Claus-O. Zacharias: Of course the announcement of an upcoming change of owners has effects on the share price. But let us take another look at the facts: the announcement from our two major shareholders that they will be selling their shares was made on 15 November 2012. However, already in the time between January and mid-November, our price accomplished to add nearly 27%. In comparison: the SDAX rose by about 12% during this period. We can be very happy with this development. The Board of Management perceives the positive share price development at the same time as an indication that our shareholders also appreciate the goals we have achieved owing to our effective strategy.

We would like our shareholders to participate in our company's success in an appropriate proportion in this year as well. For this reason we will propose a dividend to the Annual General Meeting in the amount of € 1.50 per share.

The Leifheit employees express their confidence in your company in the current annual financial report. What does this mean to you personally?
Dr Claus-O. Zacharias: For us at Leifheit, a trusting cooperation is the basis for a successful business development. This is true for all of our employees likewise as for the cooperation in the bodies of the Supervisory Board and the Board of Management. We have made a commitment for responsible corporate management. Therefore, we are very pleased in 2013 again about winning the award as "Top Employer Germany". At this juncture I would like to thank all employees in the name of the Supervisory Board and the Board of Management for their work and the trust they have extended in 2012. Together with my colleague on the Board of Management I am looking forward to taking on the coming challenges together with you.

> "E-commerce and POS excellence will move into the closer focus of our activities."

What is your outlook for the current business year?
Georg Thaller: In the current year as well we will launch a number of innovations again in all four product categories. Moreover, we will further push ahead our strategy "Leifheit GO!" in the scope of which the topics of e-commerce and POS excellence will come into the closer focus of our activities. Our growth in 2013 however will be strongly dependent on overcoming the euro and debt crisis. At this time we assume that the economic situation especially in Germany will somewhat brighten up again. Nonetheless 2013 will not be an easy year. Adjusted for the effects from the termination of the license agreement for the Dr Oetker Bakeware brand, we are expecting a plus in turnover of 2 to 4% at the Group level in the current year. In the Brand Business we expect a growth in the scope of our long-term precast of 3 to 5%. We assume a stable development in the Volume Business.

Dr Claus-O. Zacharias: With regard to our earnings development, opposing effects have to be taken into consideration: On the one hand we were able to further improve our operative organisation in the past business year by expanding our sites in Blatná and Zuzenhausen. On the other hand – after two years with an excellent earnings growth – the economic framework conditions have deteriorated. We therefore expect a stable result at the level of the adjusted EBIT 2012 for the current business year. Despite the tense economic situation we are looking ahead positively. We are optimistic that our company will advance further on the growth path in the future.

+2 to 4%
turnover growth

stable
results

Georg Thaller

CEO of Leifheit AG since 2 November 2009 and responsible for the Sales, Marketing, Development, Legal/Patents and Audit divisions.

Dr Claus-O. Zacharias

CFO of Leifheit AG since 1 December 2008 and responsible for the Finance, Controlling, HR, IT/Business Processes, Purchasing, Operations and Quality Management divisions.

Corporate Governance Report

At Leifheit, the term corporate governance stands for responsible corporate management and control geared towards creating sustainable value creation. To us, trusting cooperation between the Board of Management and the Supervisory Board, efficient internal and external control mechanisms, and a high level of transparency in corporate communications are matters of central importance. This way, we hope to secure the confidence of investors, customers, employees and the public at large in our company in the long term.

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

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

In the following section, the Board of Management reports – also on behalf of the Supervisory Board – on corporate governance at Leifheit in accordance with item 3.10 of the DCGK.

Large parts of the code recommendations are implemented

In the reporting period, the Board of Management and the Supervisory Board vigorously discussed the recommendations of the German corporate governance code in the version of 12 May 2012. Leifheit AG currently applies most of the government commission's recommendations.

On the basis of these discussions, the Board of Management and the Supervisory Board have once more updated the declaration of conformity in accordance with section 161 para. 1 German stock corporation act (AktG) in December 2012. The declarations of conformity are publicly accessible on the company's website.

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 voting right.

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. The invitation to the Annual General Meeting with the forthcoming agenda and an explanation of the conditions for participation are published in accordance with the legal regulations and the articles of incorporation. Immediately afterwards, we publish attendance figures and the results of voting on the website.

www.leifheit.de/en/investor-relations/general-meeting

Cooperation between the Board of Management and the Supervisory Board

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

The German stock corporation act provides for a clear separation between the persons staffing the management and supervisory organs. The management organ is the Board of Management, which is supervised and consulted by the Supervisory Board with regard to the management of the company. Open communication and close cooperation between the organs is particularly important. Transactions and decisions that are of fundamental meaning for the company are processed in close consultation between the Board of Management and the Supervisory Board. Reservations of approval in favour of the Supervisory Board are regulated by the articles of incorporation of Leifheit AG.

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

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

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

Remuneration of the Supervisory Board and the Board of Management

The outlines of the remuneration system for the Board of Management as well as the components of the Supervisory Board's remuneration are described in detail in the remuneration report. It is part of the audited management report and included in the annual financial report (starting on page 13).

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.

The memberships of Board of Management and Supervisory Board members in statutory supervisory boards or similar German and non-German control committees of enterprises can be found in the Section "Organs" of the annual financial report. No member of the Board of Management currently holds mandates in supervisory boards at listed companies that are not part of the Group. In the period under review, there were no reportable relationships or transactions with related companies or persons.

Aims of the Supervisory Board in terms of its composition

In December 2012, the Supervisory Board updated the specific objectives for its future composition:

- 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 (section 100 para. 5 AktG).
- The Supervisory Board must have at least one member with specialist knowledge in 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 years of age.
- There should be at least one woman on the Supervisory Board of the Leifheit AG.

With the exception of the quota of women on the Supervisory Board, all objectives are met.

Transparency in favour of shareholders and the public

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

LB
for the remuneration report, see management report starting on page 13

AH
Organs, see notes page 66

We release information on the strategy, the situation of the Group, 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 in German and English 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 the Section "Leifheit Shares" of the German annual financial report.

Furthermore, we publish all press and ad-hoc announcements, presentations about press and analyst conferences as well as regarding the Annual General Meeting on our website.

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 2012 financial year have also been published on its website.

The total number of shares in Leifheit AG held by all members of the Board of Management was 23,072 as at 31 December 2012. The members of the Supervisory Board directly and indirectly held a total of 2,502,000 no-par-value bearer shares in Leifheit AG as at 31 December 2012, of which 2,481,859 no-par-value bearer shares were allocated to Dr Robert Schuler-Voith.

Accounting and auditing

The basis for the consolidated financial statements and the consolidated management report as well as the half-year financial report and the quarterly financial reports 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).

It was agreed with the auditors of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main that the Chairman of the Supervisory Board will be informed immediately of any grounds for disqualification or partiality arising during the audit, unless such grounds are eliminated immediately.

www.leifheit.de/en/
investor-relations

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 conformity in accordance with section 161 AktG regarding the German corporate governance code, which is issued by the Board of Management and the Supervisory Board.

Declaration of corporate management

The declaration of corporate management pursuant to section 289a German commercial code (HGB) is publicly accessible on our website. It includes the declaration of conformity in accordance with section 161 German stock corporation act (AktG), relevant information about corporate management practices and a description of the work methods of the Board of Management and the Supervisory Board, as well as the composition and work methods of their committees.

www.leifheit.de/de/
unternehmen/
unternehmensfuehrung

Consolidated Management Report: Business activities and organisational structure

The Leifheit Group is one of the leading European brand suppliers of household items. The company stands for high-quality, innovative products with great utility and pioneering design in the sectors of cleaning, laundry care, kitchen goods and wellbeing.

Business activities

Our operating business is divided into two segments: Brand Business and Volume Business.

In the Brand Business, we distribute our products under two well-known brands: Leifheit and Soehnle. The license agreement for the use of the rights to the name of the Dr Oetker Bakeware brand was terminated in mutual agreement as of 31 December 2012. The products of our Brand Business are characterised by high-quality workmanship in combination with a high degree of consumer benefit and are offered in the medium to raised 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 assortments 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 focus on our core competences in the categories of cleaning, laundry care, kitchen goods and wellbeing.

LB additional information Brand Business starting on page 17

We design and develop 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 USA, the Middle East and the Far East. They are distributed mainly through large retail chains and wholesalers, but also via modern distribution channels, such as home-shopping.

LB additional information Volume Business starting on page 18

Divisions

Leifheit Group

Brand Business

- High-quality brand products with a high degree of consumer benefit
- Consistent brand management
- Systematic processes for innovation and market launch
- Distribution in international markets
- Product categories: cleaning, laundry care, kitchen goods and wellbeing

LEIFHEIT SOEHNLE

Volume Business

- Products in mid-price ranges
- Customer-specific product developments
- Strong service components
- Distribution in international markets
- Product categories: cleaning, laundry care, kitchen goods and wellbeing

birambeau herby **Project Business**

Markets and market position

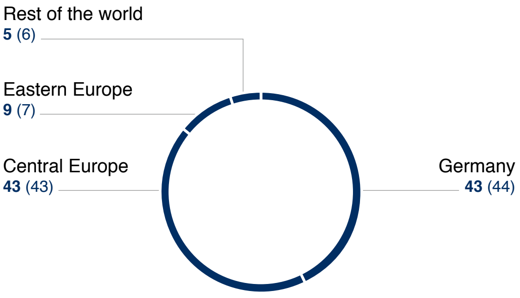
With its 15 locations, the Leifheit Group is positioned internationally. We sell our products worldwide in more than 80 countries. Despite a difficult overall economic market environment, Leifheit has all in all defended its market position both in the international markets as well as inside of Germany. We were even able to expand this position in some countries. In the fourth quarter of 2012 we founded a subsidiary in Poland in order to make even better use of the market opportunities there.

Germany remained one of the largest sales markets for our products in 2012 as well. We earned 42.9% of our turnover here in the reporting period (2011: 43.5%).

Central Europe (without Germany) was the most important sales region for Leifheit in the business year 2012 with a 43.3% share in turnover (2011: 43.4%) meanwhile the three countries France, the Netherlands and Austria are our largest sales markets. Despite the turbulences in the Southern European countries, the Central European region proved to be stable overall. While we recorded declines in turnover in countries such as Spain or Italy, there was a positive development, for example in the Netherlands, Austria and Switzerland.

Turnover by region

in % (previous year's figures)



The Eastern European region contributed a share of 8.4% (2011: 6.6%) to the Group turnover. The growth in an amount of nearly 30% was once more pushed ahead by the strong development especially in Russia and Ukraine. Together with Poland, these markets are of great importance to us with regard to future growth.

The markets outside of Europe merely contributed a small share of 5.4% to the Group turnover in 2012 (2011: 6.5%). Relevant regions overseas are most of all the Far East for us – including the Chinese market –, the USA as well as the Middle East.

15
worldwide
business
locations

In 2012 at the level of our product categories we accomplished a substantial increase particularly in the cleaning and laundry care sectors where we are among the leading offerers in Europe. Both categories recorded a rise in their share of the turnover for the reporting period, most of all in Eastern Europe.

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 Germany, Austria, Switzerland and the Netherlands. Soehnle holds a place among the top offerers in further European countries as well. According to consumer research institute GfK, we have around 52% of the German kitchen scale market with Soehnle in terms of value and around 42% for bathroom scales.

Change in Group structure

AH
additional information
Scope of consolidation
page 40

In the fourth quarter of 2012 Leifheit AG established a 100-percent subsidiary, Leifheit Polska Sp. z o.o., with registered offices in Warsaw, which manages the distribution of our products in Poland. Leifheit Polska Sp. z o.o. was included in the basis of consolidation for the first time in 2012.

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.

Nassau (administration and production) and Zuzenhausen (logistics) are the most important sites of Leifheit AG in Germany.

There are also branches outside of Germany which are not legally independent, particularly for distribution in Brescia, Italy (established in 1982), in Aartselaar, Belgium (established in 1987) and in Wiener Neudorf, Austria (established in 1995).

+27.6%
growth in
Eastern Europe

Leifheit AG has 12 direct or indirect subsidiaries. Leifheit AG's main (partly indirect) equity interests 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).

Group strategy and corporate management

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.

Our corporate strategy "Leifheit GO! – Growing (by) Opportunities", which is set up for the period until 2015, pursues the aim of ensuring a sustainable and profitable growth of turnover. It comprises three essential fields of action:

- a targeted brand and communication strategy
- the international distribution strategy
- an increase in efficiency

In the brands and communications strategy since the termination of the license agreement for the brand Dr Oetker Bakeware at the end of the year 2012, we are now focused exclusively on our own brands Leifheit and Soehnle, which we will continue to strengthen by communication oriented on target groups. In addition, we aspire to sharpen our brand profile further by innovative and consumer-relevant products. Against this background, a new umbrella brand strategy with an optimised marketing mix has been introduced in the past few years. It centres on the consistent orientation of the Leifheit brand on reliable, clever and innovative products. For the purpose of visualising this strategy, we launched a new campaign with the maxim "I trust in Leifheit" in 2012. At the centre of the campaign are the consumers who support the brand and its high-quality products.

The second pillar is our distribution strategy with international orientation. It aims at continuing both the growth in the saturated markets of Central Europe as well as strengthening the distribution in our growth regions.

Local retail will also in the future be an important point of service for consumers in the developed markets. Meanwhile, online retail is showing a clearly positive development in addition and offers us a wide potential for growth in the coming years. Therefore, Leifheit will support both distribution channels even more intensively from now on: under the term POS (point of sale) excellence, we are developing intelligent solutions for local retail enabling us to respond to the increasing brand and quality awareness of consumers. For this purpose, we are combining our high-quality products with the POS tools that receive strong attention as well as compelling packaging and intelligent search logic at the retail shelf. At the same time we will continue to push ahead the expansion of the e-commerce sector. So to allow for the best possible support of this distribution channel, we have initiated accordant organisational measures and process optimisations in the reporting period.

Growing by Opportunities

In addition, Leifheit has staked out clearly defined regional focus markets. These receive priority in terms of potential and accessibility. By means of a stronger approach in distribution, we intend to drive growth further in our international core markets. As such, most of the growth is expected in those markets where the greatest dynamics can be generated for us. We respond appropriately flexibly to changing market conditions. For this reason we have decided in 2012 to reduce our involvement in the Southern European crisis countries. The operative business of the Spanish distribution company Leifheit España S.A., Madrid, is to be taken over by Leifheit AG and a Spanish trade representative in the financial year 2013. Furthermore, the shares held in the Romanian distribution company Leifheit Distribution S.R.L., Bucharest, are to be sold to an importer. Our activities will instead focus more strongly on Eastern European regions as well as select markets in Asia.

The third pillar of the strategy is the area of increasing efficiency. In this field we concentrate improvements in our organisational structures as well as in the production and logistics processes. On the one hand, these measures aim at an optimisation of the supply chain in order to further increase the efficiency rate of our worldwide distribution.

On the other hand, they support our flexibility in order to be able to meet the individual requirements of the customers even more effectively. In addition, we apply efforts at all times to reduce complexity. As early as at the end of 2012 we started to streamline the marketing and development processes so that we can act even faster and more efficiently. We will also consistently pursue the described measures in 2013.

LB
additional information
Procurement and logistics
starting on page 23

Control system principles

The strategy of the Leifheit Group is centralised while its operations are decentralised. Fewer units and hierarchy levels ensure quick and efficient cooperation within the Group. Our organisation is structured in such a way that it supports our customer and brand management optimally under the auspices of the Group strategy. For this purpose, 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 we can reach the targets of the strategic business alignment to the optimum.

The Leifheit Group orients its corporate management on the sustainable increase of the company value. We therefore apply a value-oriented management system. At the heart of it are the key benchmarks: turnover, gross margin, contribution margin, as well as earnings before interest and taxes (EBIT). We are primarily concentrated on steering the two divisions of Brand Business and Volume Business. The product categories and brands are also managed. By means of a continuous monitoring we control our working capital and ensure an optimal capital commitment.

We track various lead indicators, among them 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 customer groups and the regions in which the company operates.

Our analyses take different periods into consideration: monthly and quarterly reports, forecasts as well as budget and mid-term planning. By means of regular actual-to-target comparisons we check in retrospect if corporate performance matches the previous forecasts and strategic targets.

We make decisions on our products using contribution margin accounting. Investment projects 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 (German commercial code) as at 31 December 2012 is presented below:

The subscribed capital (share capital) of Leifheit AG as at 31 December 2012 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.

A lock-up period is established for the shares issued by Leifheit AG in the context of the employee stock programme – and therefore a restriction is set to the transferability of these shares for at least two years. The lock-up period starts upon the receipt of the acquired shares in the beneficiary's depot and ends at the expiration of 30th June in the year in which 30th June falls in the period when 24 up to 35 full months have passed since the acquired shares were entered to account in the beneficiary's depot. There are no additional restrictions on voting rights or the transfer of shares that the Board of Management is aware of. However, the statutory voting rights limitations apply pursuant to section 28 sentence 1 WpHG (German securities trading act) (violation of voting rights information duties), section 71b AktG (German stock companies act) (no rights from own shares) and section 136 para. 1 AktG (exclusion of voting rights in the presence of certain conflicts of interest).

Direct and indirect equity interests are held in the capital of Leifheit AG exceeding 10% of the voting rights: Home Beteiligungen GmbH in Munich informed Leifheit AG that it holds 49.64% of the voting rights in Leifheit AG as of 31 December 2012. In addition, MKV Verwaltungs GmbH in Grünwald 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.

Members of the Board of Management of Leifheit AG are appointed and dismissed according to the stipulations of section 84 and section 85 AktG. In supplementation the articles of incorporation stipulate under art. 6 para. 1 that the Board of Management consists of one or several members, and in art. 6 para. 2 it stipulates that the Supervisory Board appoints the members of the Board of Management, determines their number, and may appoint deputy members of the Board of Management as well as one member of the Board of Management as the Chairperson of the Board of Management.

Changes to the articles of incorporation are resolved by the Annual General Meeting according to section 179 AktG. Unless it is a change of the company purpose (which requires a majority of three quarters of the share capital represented in the resolution), the resolution by the Annual General Meeting in accordance with the articles of incorporation pursuant to art. 18 para. 1 therein requires the simple majority of the share capital represented in the resolution. Under art. 18 para. 3 of the articles of incorporation, the Supervisory Board is entitled to resolve amendments to the articles of incorporation which 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 the 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 non-cash contributions. The Board of Management is also authorised by resolution of the 2010 Annual General Meeting to buy back shares amounting to up to 10% of the share capital by 8 June 2015. The terms of both resolutions can be found in the respective agendas of the Annual General Meetings on our website.

There are no substantial agreements which are subject to a change of control condition. A loan agreement for a line of credit merely contains an agreement that in the event of a change of control, the parties shall conclude a satisfactory agreement with regard to the continuation of the loan agreement.

A managing director contract contains the agreement that in the event of a termination of the employment contract initiated by the corporation in consequence of a change of control, the fixed and variable remuneration shall be paid until the end of the original term of the contract.

No additional agreements that are subject to a change of control condition are established with members of the Board of Management or employees.

Declaration of corporate management

The declaration of corporate management in accordance with section 289a HGB (German commercial code), the German corporate governance code, the statements regarding our relevant corporate practices, the description of the work methods of the Board of Management and the Supervisory Board, as well as the composition and work methods of their committees can be found on our website at www.leifheit.de/de/unternehmen/unternehmensfuehrung.

www.leifheit.de/de/
unternehmen/
unternehmensfuehrung

Report of the Board of Management regarding relationships with related parties

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

“Our company has received and will receive appropriate compensation for all legal transactions listed in the report regarding relations with affiliated parties, in accordance with the conditions known at the time when such transactions were exercised. No business transactions subject to reporting requirements were exercised in the period under review.”

Remuneration report

The remuneration report was prepared in accordance with the recommendations of the German corporate governance code (DCGK) and contains the statements that are required pursuant to the German commercial code (HGB) and respectively the International Financial Reporting Standards (IFRS). It describes the fundamental characteristics of the remuneration system for the Board of Management as well as the components of the Supervisory Board remuneration.

Remuneration of the Board of Management

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

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

As of the business year 2011 the company has granted one of its board members a remuneration component for short- and long-term variable remuneration, which results from an EBT and respectively EBIT multiplier as well as a stock value multiplier.

The amount paid for short-term variable remuneration 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 business 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 2010 calendar year and the last 90 trading days of the 2014 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 2012 is k€ 1,880; the recognised provision amounts to k€ 975. It will be paid within four weeks of the resolution on the appropriation of profits by the Annual General Meeting for the business year 2014. The Supervisory Board may determine an appropriate advance payment in January 2014 and in January 2015.

The company has granted one additional member of the Board of Management remuneration of similar structure for the short- and long-term remuneration component for the years 2013 to 2015. For the business year 2012, the annual variable remuneration of this member of the Board of Management is measured by the EBT of the Leifheit Group and will be paid out following the resolution on the appropriation of profits by the Annual General Meeting. The long-term variable remuneration is measured by the EBT of the years 2011 and 2012 for the Leifheit Group and will be paid out respectively after the adopted annual financial statements are published. The payment amount of both the annual as well as the long-term variable remuneration has a cap.

The members of the Board of Management do not receive remuneration for their work on the Board of Management, Administrative or Supervisory Board at subsidiaries in addition to the remuneration for their activities as members of the Board of Management of Leifheit AG.

There are no stock option programmes or similar share-based incentive systems. The members of the Board of Management in office have not received any performance-oriented pension commitments (defined benefit obligations pursuant to 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. A managing director contract contains a change of control clause, according to which the fixed and variable remuneration shall be paid until the end of the original term of the contract in the event of a termination of the employment contract that is initiated by the corporation in consequence of a change of control.

The Annual General Meeting of Leifheit AG resolved on 26 May 2011 to dispense with the publication of the personal remuneration of the Board of Management members for the next five years, beginning with the business year 2011.

The remuneration of the active members of the Board of Management amounted in total k€ 1,938 in the reporting period. Of this amount, k€ 1,368 was allocated to variable payments.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated by the articles of incorporation of Leifheit AG. The remuneration accords to the responsibilities and extent of activities of the members of the Supervisory Board and the company's performance. The members of the Supervisory Board currently receive fixed remuneration in addition to variable, performance-based remuneration measured according to the dividend.

Besides 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 business year, which is paid out in the month of December in the respective business year.

In addition, the members of the Supervisory Board receive variable remuneration for each business year in the amount of € 100 per € 0.01 of dividend per share, which is distributed to the shareholders for the past business year. This variable remuneration is paid after the Annual General Meeting, which 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 business year receive proportionate remuneration for each month or part of a month of service.

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

The remuneration of the Supervisory Board in the business year 2012 amounted to k€ 285 and breaks down as follows:

k€	Fixed remuneration	Variable remuneration	Committee	**Total**
Helmut Zahn	45.0	45.0	11.3	101.3
Dr Robert Schuler-Voith	22.5	22.5	11.3	56.3
Dieter Metz	15.0	15.0	–	30.0
Karsten Schmidt	15.0	15.0	3.8	33.8
Thomas Standke	15.0	15.0	–	30.0
Dr Friedrich M. Thomée	15.0	15.0	3.8	33.8

Economic environment

In almost all important economic regions around the world, a regressive economic growth was observed in 2012. Besides the countries of the European Union, the BRIC countries were also affected by this trend. The impact on commodities prices as well as consumer confidence led to their decline – particularly in the European countries.

World economy in the stranglehold of the euro and debt crisis

The world economy performed clearly weaker in 2012 than in the previous year. The growth of the world gross domestic product dropped to 3.2% (2011: 3.9%) according to the International Monetary Fund. Most of all the industrialised nations were affected by this. Their growth fell by 0.3 percentage points and could merely reach 1.3%. The growth rate of developing countries diminished further and reached merely 5.1% in 2012 following 6.3% in 2011.

Eurozone drifting into recession

The euro and debt crisis was one of the relevant factors influencing the development of the economy within the Eurozone in 2012 as well. The situation at the end of the first quarter had corresponding negative effects particularly in the Southern European countries of Greece, Spain and Italy and led to a recession in the Eurozone. The growth of the economy declined in view of the entire year from 1.4% in 2011 to a negative growth of -0.4%.

The economic cool-down in China also continued in the reporting period. The gross domestic product receded and merely reached 7.8% (2011: 9.3%). Nonetheless, the developing countries in sum once more proved to be stabilising on the world economy, owing to their high growth rates in some cases.

In the USA the economic performance in 2012 rose by 0.5 percentage points to 2.3%. The reason for this was the improved situation in the jobs market. However, consolidation pressures from the government – especially at the end of the year – caused insecurity among the consumers.

In connection with the overall economic developments in Europe, Germany was likewise not able to escape the negative trend. The economic growth in the Federal Republic dropped considerably from 3.1% in 2011 to 0.9% in the reporting period.

Commodities prices with strong fluctuations

According to the Hamburg Institute of International Economics (HWWI), average commodity prices were very volatile in 2012. For example, the HWWI index of world market prices for commodities lowered significantly by the middle of the year to surge again noticeably in the second half of the year.

+3.2%
global economic growth

Consumer sentiment shows slight downward trend

A stable consumer sentiment is considered to be an important pillar of the German economy and an indicator of the development in the household industry. Although the trend among consumers remained at a good level in 2012 as well according to the consumption research institute GfK, the euro and debt crisis, however, left its imprints behind and the consumers in Germany were increasingly insecure in the reporting period. The German retail industry according to the industry association showed growth in the year 2012 at a real increase of 1.9%, which was considerably lower than in the past two years when the growth rate had been clearly above 2%. In particular the Christmas business took a hardly positive course with a decline in sales by 2.0% compared to the month of November. In the non-food range relevant for Leifheit, the turnover was likewise below the level of the previous year.

-0.4%
decline of economic performance in the Eurozone

In the Southern European countries – foremost Spain and Italy – the consumer development cooled down noticeably by a drop of 1.7 and 1.4%. Consumer confidence in Russia in contrast developed an increase of 4.1%. In China as well consumption was significantly up by a plus of 8.6% compared to the previous year.

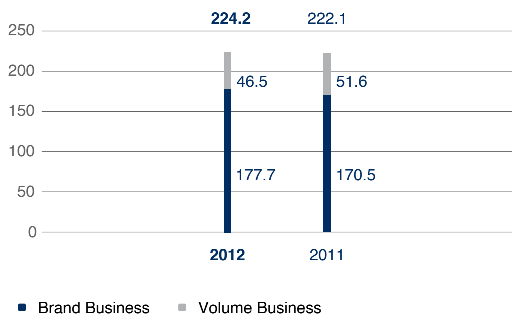
Net assets, financial position and results of operations

Against the backdrop of the dampened world economy, the Leifheit Group could achieve a turnover in the financial year 2012 on par with the level of the previous year. The Group result has once again taken a positive turn in the financial year with an EBIT increase of 13.4%. Leifheit has solid financing with its equity ratio of 50.6%.

Stable business year in light of persisting turbulences

In the financial year 2012 Leifheit earned stable turnover despite the tense overall economic situation. The turnover at the Group level rose by nearly 1% to € 224.2 million (2011: € 222.1 million). The Group turnover in 2012 profited from a one-time consolidation effect from the acquisition of a controlling interest in Leifheit CZ a.s. Adjusted by this effect, the turnover was 0.3% below the value in the previous year.

Group turnover by segment
in € million



Our main sales region Europe showed strong differences in the development in 2012. Leifheit's home market Germany reported a slight decline in sales of 0.5% to € 96.1 million (2011: € 96.6 million).

In the Central European focus countries, such as the Netherlands, Austria or Switzerland, we generated in part noticeably positive growth rates. Almost all Southern European countries in contrast have developed regressively in the course of the persisting euro and debt crisis. Overall, the Central European region generated a turnover of € 97.1 million (2011: € 96.3 million); a plus of 1%.

Increases in the turnover amounting to 27.6% on the other hand could be achieved in the Eastern European region. Here, primarily Russia and Ukraine contributed to the growth reaching € 18.8 million (2011: € 14.7 million) and we were thus able to compensate declines in Poland and Hungary.

Overall, the entire Europe region excluding Germany developed a plus of 4.4% to € 116.0 million (2011: € 111.0 million).

€ 224.2 m
Group turnover

Outside of Europe, we had to accept in part substantial declines in turnover. Especially the developments in the Middle Eastern countries and the USA were responsible for this outcome. In result the turnover in the markets outside of Europe dropped by 16.2% to € 12.1 million (2011: € 14.5 million).

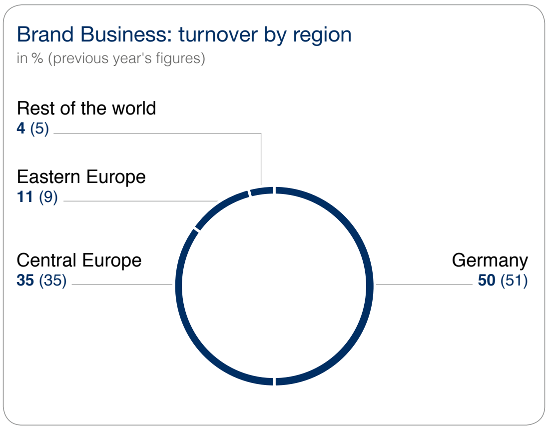
Brand Business segment growing according to plan

+4.2%
growth in turnover of the Brand Business

With a 4.2-percent plus in turnover to € 177.7 million (2011: € 170.5 million) the Brand Business closed the financial year 2012 at an increase. Adjusted by the consolidation effect described above, the increase in the Brand Business is at 2.5%. The portion of the turnover from the largest business segment that holds together the brands Leifheit and Soehnle increased to 79.3% of the Group turnover (2011: 76.8%).

As at 31 December 2012, the license agreement for the use of the rights to the name of the Dr Oetker Bakeware brand was terminated. The turnover earned in the Brand Business amounted to € 6.8 million in 2012. This is equivalent to 3.0% of the Group turnover.

The turnover in the Brand Business within Germany rose slightly to € 88.4 million (2011: € 87.9 million). About half of the turnover was generated outside of Germany. We generated a significant growth of 8.1% in the international markets, and thereby achieved a turnover of € 89.3 million (2011: € 82.6 million). At this, the foreign portion in the Brand Business rose by 1.9 percentage points to 50.3%. The Eastern European region took a particularly positive development with a growth plus of 27.6%, rising to € 18.8 million (2011: € 14.7 million). The Central European countries could likewise add to the sum and reached € 62.7 million (2011: € 60.2 million); an increase of 4.2%.



Within the Brand Business segment, foremost the product categories of cleaning, laundry care and wellbeing contributed to the growth in the turnover:

Cleaning

Owing to our innovative cleaning systems, we achieved a strong increase in turnover in 2012 from 6.0% to € 48.1 million (2011: € 45.4 million). Especially positive was the foreign development. In particular Russia and France have once more proven to be strong sales markets. In Germany, the turnover receded slightly, primarily due to weak demand from the sales channels of hardware superstores, traditional mail order and cash&carry markets. The positive development of e-commerce and discount stores had equalising effects.

Laundry care

Our largest category, laundry care, with a turnover of € 74.1 million (2011: € 70.8 million) continued its positive development in the reporting period. The growth of 3.5% was largely earned by the ironing product range. Both the domestic as well as the foreign business showed a noticeably positive development. We achieved increases in nearly all sales markets and distribution channels, because of a cross-country campaign with a discounter among other reasons. Our product range for drying was influenced by the poor weather in the spring, mostly in our home market, which had a negative effect on our business with drying racks. Especially local retail was affected. The climbing e-commerce turnover and the positive development in some foreign markets however were able to partly compensate this outcome.

Kitchen goods

In the kitchen goods range, the turnover declined noticeably in 2012. The turnover generated from kitchen goods fell by 3.5% to € 24.3 million (2011: € 25.2 million). The products of the Dr Oetker Bakeware brand contributed € 6.8 million to the turnover. We are optimistic that the repositioning started in the course of our brand strategy and the revisions made to the kitchen products range of Leifheit will show success starting from 2013.

Wellbeing

Our wellbeing category, which includes kitchen and bathroom scales as well as relax products of the Soehnle brand, developed once more clearly positive in the reporting period. The turnover rose strongly by 7.3% to € 31.2 million (2011: € 29.1 million). Design-oriented bathroom scales and products of the new Relax range that increase our focus on the growing wellness market proved to be the main drivers behind the turnover. Our bathroom scales were received by high demand particularly in the Netherlands, the Middle East and France. The turnover generated from kitchen scales, however, lagged slightly behind the value of the previous year. Overall, the turnover in 2012 most of all profited from increased e-commerce.

Volatile Volume Business

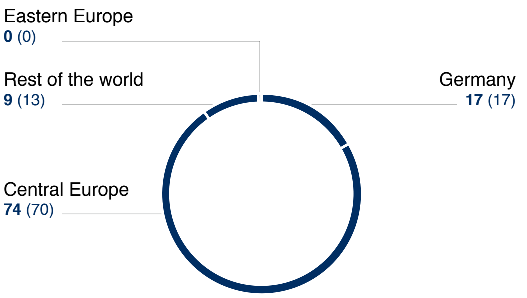
Our second segment, Volume Business, is characterised by high volatility due to the dependency on just a few customers and individual orders. Following a substantial growth in 2011, the turnover in the reporting period declined by 9.9% to € 46.5 million (2011: € 51.6 million) and thus arrived at the level of 2010. The portion of the Volume Business in the Group turnover diminished accordingly to 20.7% (2011: 23.2%).

- 9.9%
decline in turnover of the Volume Business

Among the reasons for the decline was the stagnating Project Business in the USA, absent turnovers from campaigns of our subsidiary Birambeau in the kitchen category, as well as lower sales of our subsidiary Herby.

We suffered from declines in the Volume Business turnover across all relevant sales regions. In Germany, the turnover fell by 11.3% and amounted to € 7.7 million (2011: € 8.7 million). The Central European region – where we sell products primarily in France – recorded a decline of 4.5% down to € 34.5 million (2011: € 36.1 million). The overseas turnover at a lower level dropped by more than one third and amounted to € 4.3 million (2011: € 6.8 million). The considerable share of foreign business remained nearly unchanged at 83.4% (2011: 83.1%). We generated the highest turnover in the two product categories of laundry care and kitchen goods. They represent 93.4% of the turnover in the Volume Business.

Volume Business: turnover by region
in % (previous year's figures)



Cleaning

With a turnover of € 0.1 million (2011: € 0.2 million) the cleaning category continued to generate turnover at a very low level.

Laundry care

The turnover generated by the products in this category declined in 2012 by 6.7% to € 14.9 million (2011: € 16.1 million). The sector's share in turnover continued to be at around one third. Yet the drying sector accomplished a slight increase. At € 10.0 million (2011: € 10.9 million) our French subsidiary Herby generated the highest turnover in the laundry care category.

Kitchen goods

We earned the largest share in the Volume Business turnover with the kitchen products category at 61.3%. However, the turnover had a downward development, and with a decline of 11.1% it reached just € 28.5 million (2011: € 32.0 million).

Within the kitchen category we sell products of our subsidiary Birambeau. It recorded a decline in turnover in 2012 to € 24.5 million (2011: € 25.2 million). The low number of orders received for seasonal articles because of the poor weather in the spring was the main reason for the decline.

Our sales of non-brand kitchen products in the USA at € 4.0 million (2011: € 6.8 million) contributed considerably less to the turnover than in 2011. The decline was most of all caused by the weaker Project Business with one U.S. customer whose large storage inventories at the end of 2011 entailed just few new orders in consequence. In addition, the tense economic situation and the associated reduction in consumption in the United States further burdened the development of turnover.

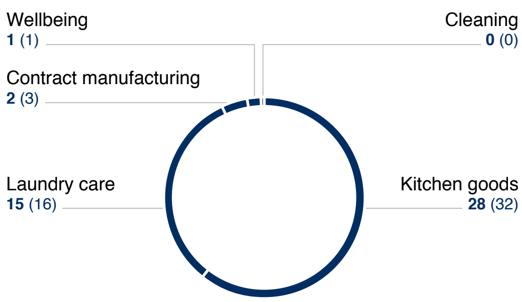
Wellbeing

At a low absolute level, the wellbeing category recorded a strong increase in turnover from non-brand name scales to € 0.7 million (2011: € 0.5 million). The reason for this was the launch of a new product line at the venues of a U.S. customer.

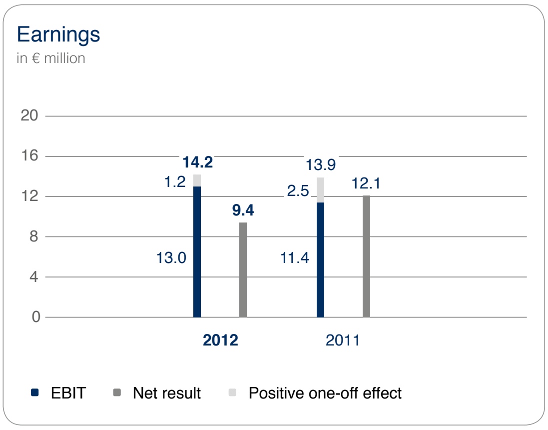
Contract manufacturing

Contract manufacturing contributed € 2.3 million (2011: € 2.8 million) to turnover in 2012. Contract manufacturing relates to products manufactured at our plant in the Czech Republic on behalf of third parties.

Volume Business: turnover by product category
in € million (previous year's figures)



Results of operations of the Group



Once again strong earnings upturn

In 2012 we achieved Group earnings before interest and taxes (EBIT) of € 14.2 million (2011: € 13.9 million). Included therein in the reporting period is a positive one-time effect from the termination of the license agreement for the use of the brand Dr Oetker Bakeware in the amount of € 1.2 million. In the year 2011, a one-time positive effect in the amount of € 2.5 million, arisen from the acquisition of a controlling interest in our Czech subsidiary, was included in the Group result. Adjusted by these extraordinary effects, the EBIT in the reporting period amounted to € 13.0 million (2011: € 11.4 million). This is equivalent of an increase of 13.4%. Chiefly responsible for this positive development was the optimised gross margin. We have therefore met our forecast of a strong earnings upturn in the double-digit range for the year 2012.

The breakdown by divisions shows an increase of 40.8% to € 9.0 million (2011: € 6.4 million) in the Brand Business of the EBIT, adjusted by the positive extraordinary effect as described above. The effects from our “Leifheit GO!” strategy become particularly clear within this division. In the Volume Business in contrast we had to stand for a decline in the EBIT to € 4.0 million (2011: € 5.0 million) due to substantially risen purchase prices and lower turnover.

The result before tax on income (EBT), as in the year before, reached € 12.2 million.

The tax quota rose from 1.4% to 23.1% in consequence of lower additional contingent taxes on capitalised loss carry-forwards. The result for the period therefore declined to € 9.4 million (2011: € 12.1 million) in the financial year 2012.

Gross margin further increased

The gross margin in 2012 rose by 1.2 percentage points and reached 44.2% (2011: 43.0%).

44.2%
gross margin

Price effects, innovations, revisions to the product range, as well as intentionally dispensing with weak-margin business have led to the increase. The improvement was counteracted by higher purchase prices caused by the currency for products in U.S. dollars, as well as the expenses related to the termination of the license agreement for Dr Oetker Bakeware.

Costs above the previous year

The costs for research and development reached € 3.6 million in the reporting period (2011: € 4.1 million) and thus returned to the level of 2010.

The distribution costs amounted to € 71.1 million (2011: € 67.4 million) – an increase of 5.5% compared to the previous year. The rising fees and costs for purchased services as well as export shipments were responsible for this. Our advertising costs rose as planned because of the intensified communications measures in the scope of our umbrella brand strategy. This was shown alongside lower commissions, license fees as well as customer compensation.

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Administrative costs increased by 4.2% to € 13.8 million (2011: € 13.3 million). Primarily responsible for this were higher costs of personnel as well as the expenses related to the termination of the license agreement for Dr Oetker Bakeware.

+13.4%
adjusted
EBIT growth

The other operating earnings were nearly at the level of the previous year at € 4.2 million (2011: € 4.4 million) and were considerably affected both in the reporting period 2012 as well as in the previous year by one-time extraordinary effects. Whereas the earnings from the sale of assets in connection with the termination of the license agreement for the use of the brand Dr Oetker Bakeware are included in the year 2012, the one-time positive effect from obtaining the controlling interest in our Czech subsidiary made an impact in the previous year.

The other operating expenses were cut in half to € 0.4 million (2011: € 0.8 million).

The result in foreign currencies includes the changes of the fair values of currency forward transactions, currency valuations as well as realised rate effects, amounting to € -0.3 million (2011: € -0.4 million) in the reporting period.

Statement of comprehensive income (short version)

€ million	2012	2011
Turnover	224.2	222.1
Earnings before interest and taxes (EBIT)	**14.2**	**13.9**
Interest and financial result	-2.0	-1.7
Earnings before income taxes (EBT)	**12.2**	**12.2**
Income taxes	-2.8	-0.1
Net result for the period	**9.4**	**12.1**

Interest result declined

In 2012 the interest result amounted to € -2.0 million (2011: € -1.5 million). Interest earnings fell because of the lower interest rate level. The expenses for income, which resulted solely from compound interest on provisions and liabilities, rose particularly due to the lowered discount rates.

Increased tax quota

Taxes on income and profit amounted to € 2.8 million (2011: € 0.2 million) and include the actual tax expense of € 2.3 million (2011: € 2.4 million). The tax revenue from the new valuation of contingent tax assets on loss carry-forwards declined to € 0.8 million from € 3.1 million in the year 2011. Overall, the tax quota rose to 23.1%.

Financial position and net assets

Solid cash flow

The cash flow from business activities amounted to € 8.2 million (2011: € 12.8 million). The decline was primarily caused by the lowered net result for the period as well as the risen receivables.

The cash flow from investment activities amounted to € 2.3 million (2011: € 4.9 million). The investments increased by € 4.2 million to € 9.8 million (2011: € 5.6 million). The remaining purchase price payment of € 4.0 million from the sale of the Bathroom Furnishing division in the year 2010, likewise the contributions from the change to the financial assets had a counteracting effect amounting to € 6.7 million (2011: € 10.0 million).

The cash flow from financing activities amounted to € -6.1 million (2011: € -14.4 million) and included the dividend in the amount of € 6.2 million that was paid out in 2012 (2011: € 14.2 million).

Current funds as at the balance sheet date increased by € 4.2 million year-on-year to € 33.7 million.

Statement of cash flow (short version)

€ million	2012	2011
Cash flow from ongoing business activities	8.2	12.8
Cash flow from investment activities	2.3	4.9
Cash flow from financing activities	-6.1	-14.4
Effects of exchange rate differences	-0.2	-0.2
Change in cash and cash equivalents	4.2	3.2
Cash and cash equivalents at the end of the year	33.7	29.5

Investments

The additions to tangible assets amounted to € 9.3 million (2011: € 5.4 million) and concerned the expansions at the production site in the Czech Republic, additional storage automation systems at the logistics centre in Zuzenhausen, tools for new products, machinery, investments in streamlining production plants, product carriers, as well as operating and office equipment.

Intangible assets recorded additions of € 0.5 million in 2012. This mainly concerned the purchase of software. In the previous year, the capitalised goodwill/company value of Leifheit CZ a.s. accounted for a considerable portion of € 1.3 million in total.

The investment ratio amounted to 5.8% of the historic cost of the assets. We invested € 9.2 million in the Brand Business and € 0.6 million in the Volume Business. Investments were shown alongside the depreciations of tangible assets amounting to € 5.3 million and the amortisations of intangible assets to € 1.4 million.

5.8%
investment ratio

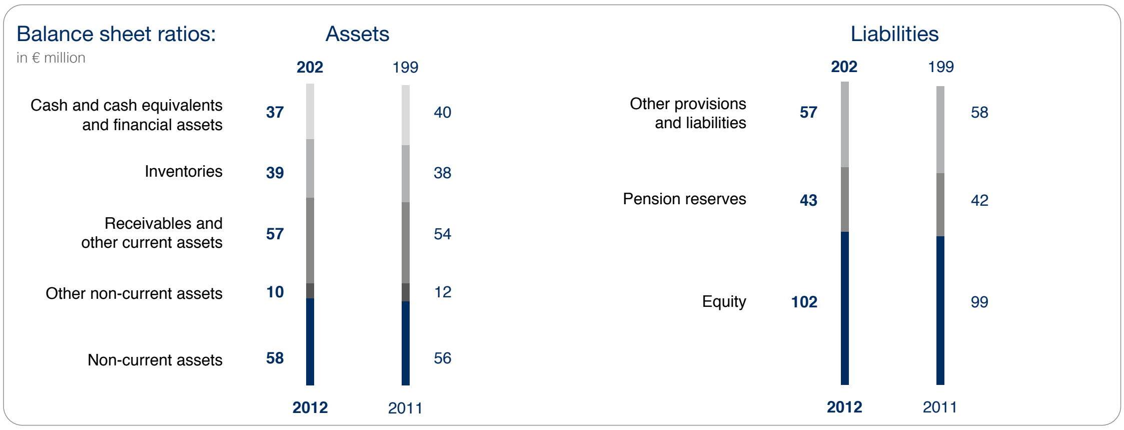
As of 31 December 2012, there were contractual obligations to acquire items of tangible assets amounting to € 1.6 million that will be paid from current funds.

Financing instruments, lines of credit and bank liabilities

As at 31 December 2012, Leifheit had cash, cash equivalents and current financial assets available in the total amount of € 37.1 million (2011: € 39.5 million). There were no bank liabilities. As at the balance sheet date, lines of credit amounted to € 11.5 million (2011: € 15.2 million), of which € 2.6 million are being utilised by bills of guarantee and letters of credit.

€ 33.7 m
cash and
cash equivalent

Continued solid balance sheet structures



Total assets rose by € 3.3 million and reached € 202.2 million as at the balance sheet date.

The item of financial assets contained current assets which included a monetary investment in the form of a bearer bond in the amount of € 3.3 million. Trade receivables rose by € 5.5 million to € 51.5 million primarily driven by turnover. The decline in other current assets is especially caused by the payment of the remaining purchase price claim from the sale of the Bathroom Furnishing division in 2010 amounting to € 4.0 million.

Contingent tax claims amounted to € 7.0 million (2011: € 8.0 million) and in particular included contingent tax assets on loss carry-forwards in the amount of € 4.1 million (2011: € 4.7 million).

Non-current income tax receivables included the non-current portion of a Leifheit AG corporation tax credit in the amount of € 2.9 million (2011: € 3.5 million), which will be paid out by the tax office according to the straight-line method and independent of disbursement.

Equity rose in 2012 by € 3.5 million and reached € 102.4 million as at the balance sheet date (2011: € 98.9 million). This includes the net result for the period 2012 of € 9.4 million and € 6.2 million in dividends distributed in 2012. The equity ratio increased to 50.6% (2011: 49.7%).

Off-balance-sheet assets and off-balance-sheet 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 mostly consist of leased or rented goods (operating leases).

Financing instruments off the balance sheet were not used as in the years before.

Overall statement by the management regarding the economic situation

In the reporting period 2012 the Leifheit Group has developed positively in light of the economic situation.

The growth was primarily earned in the Brand Business segment. It developed positively both with regard to the turnover as well as in terms of the result, despite moderation in consumption in the Southern European countries. A significant contribution was foremost made by our engagement in Eastern Europe and the consistent implementation of the corporate strategy.

Our Volume Business in the reporting period was characterised most of all by the declining Project Business in the USA and the sales difficulties in France due to the economic situation. We aspire for 2013 to counteract this trend by appropriate measures.

All in all, Leifheit has developed positively in the financial year 2012, especially in light of the result. We were able to increase our Group result by 13.4% based on the adjusted EBIT 2011. A solid equity ratio of 50% gives us the necessary flexibility for our future growth.

50.6%
equity ratio

In the currently difficult economic environment, Leifheit Group is well positioned to achieve its long-term growth and earnings targets. An international orientation, strong and established brands with leading market positions and solid capital equipment form the basis for realising our strategic goals in the future.

Non-financial performance indicators

By means of investments in the expansion of business locations, Leifheit has improved its competitiveness in 2012. Our company is thus well positioned for future challenges, for example in the e-commerce sector. The consistent further development of the product portfolio with a focus on innovations is the key to our future growth.

Procurement and logistics

Leifheit Group manufactures its products both in Germany as well as in select countries in Europe and Asia. For this purpose, we engage a number of suppliers who have been working with us for many years.

Further development of strategic purchasing

As early as in the year 2011, the cornerstone was set for optimising our strategic purchasing. We have continued to refine these first approaches during the reporting period. The central component of the activities was improving the networking of commercial and technical areas.

In 2012 we could establish strategic purchasing as an essential driver of cross-division cost optimisations. In the year 2013 additional efforts will be applied to sustainably use the successful work method and thereby contribute a corresponding share to the result in the future as well.

Optimisation of the supplier management

Leifheit has further expanded its holistic supplier management in 2012. We were primarily concentrated on optimising preventive measures as part of risk precautions. The steps initiated have led to much shorter response times for Leifheit as well as to improved flexibility when failures occur within the supply chain.

In addition, access to different procurement markets and supply sources strengthens product safety. Owing to a holistic supplier rating we can from now on estimate better which supplier will meet our high demands as a long-term partner. Accordingly, we will evaluate our supplier portfolio and restructure it if necessary. This applies in particular to the Chinese market. A further hike in production costs is expected there in the future. Leifheit counteracts this development by means of targeted sourcing activities in alternative regions.

Costs of material with high fluctuations

The reporting period was characterised by high volatility in commodities prices. Especially plastic as an input factor whose development is affected by the oil price is of crucial importance for Leifheit. Following to considerable increases in the first quarter, the prices for plastic were regressive again starting from the second quarter. At year's end the listed prices surged again and reached the level of the beginning of the year.

Further expansion of our logistics site

In the scope of the corporate strategy we have further expanded our distribution centre in Zuzenhausen in 2012 and have made it ready for future growth. At the same time important process steps in the value creation chain were structured more efficiently.

Therefore, we invested during the business year 2012 in the expansion of the storage capacity by 20% to approximately 53,000 pallet spaces and also in innovative storage technology. In addition, we improved our material flow processes by means of automated solutions. Furthermore, additional units handling the standardisation of logistics processes for the optimisation of the value creation chain were integrated in the Zuzenhausen site.

+20%
storage capacity in Zuzenhausen

The described measures shorten our response times and increase the flexibility of our central logistics site. They furthermore lead to a better utilisation of the resources employed and contribute to the flawless market supply. It is important for Leifheit to be able to flexibly implement the market and customer requirements. We have thereby simultaneously created the conditions to meet the logistical challenges of the growing e-commerce business.

Improved competitiveness at the production site in Czech Blatná

We have successfully completed the construction expansions started in the year 2011 at our Czech production site during the reporting period.

The completion of the production and storage hall with a floor space of around 5,000 m^2 secured two positive effects for us: on the one hand, we were thereby able to sustainably save on external material storages and consequently logistics costs. And on the other hand the expansion enables us to now manufacture select products in Blatná instead of in the Far East. In result we are both independent from the rising wage costs in the Asian markets and able to respond flexibly and swiftly to customer requests and changes in the market.

In the course of an efficient space utilisation, the production areas were rearranged in 2012. Consequently, the time needed for transit is reduced and existing space resources are being utilised better. In specific, this means that we were able to increase the production depth for products that return a high turnover and earnings contribution. This circumstance has at the same time led to a substantial quality improvement and the further reduction of manufacturing and processing times.

Highly automated production location in Nassau

At our headquarters in Nassau, we operate a highly automated production of umbrella-style laundry dryers. In addition, we use modern injection moulding technology for the efficient production of semi-finished goods that are subsequently assembled to finished goods on site.

Development and innovation

Innovations as growth driver

Leifheit develops clever and reliable solutions for household work. In 2012 as well we have brought a number of innovative products to the market. In doing so, we are especially aiming at combining a high degree of consumer benefit with noticeable quality. The numerous prizes awarded again for the brands Leifheit and Soehnle confirm the high quality and the high degree of innovation in our household devices. Among these prizes are, for example the "Plus X Award", the "iF product design award", the "red dot design award" as well as awards for "Product of the Year" from pro-K and "Kitchen Innovation of the Year" from the LifeCare Initiative. We are pleased that a product was honoured with the "Golden Award" as the best product of the category and that our products are also recommended by consumer magazines with good to very good grades. In addition, our efforts in the field of sustainability were also recognised. Besides the fact that Leifheit and Soehnle products are experienced by the consumer as per se sustainable due to their high quality and long useful life, our solar kitchen and bathroom scales are brought further to attention particularly by the "Blauer Engel" prize.

In the year 2012 we could again develop a large number of innovations in our four product categories of cleaning, laundry care, kitchen and wellbeing. These were presented to the public in the course of the International Ambiente Trade Fair in Frankfurt in February 2013. The following is an excerpt of the most important innovations in our core categories.

5,000 m^2
production and storage hall completed

Cleaning

Leifheit has a clean and superior solution for any task and every demand in cleaning. Based on current market research results, we have revised our product range structure in this category during 2012 and have organised it for the consumer in a competent and manageable way. Upon the market launch of the window vacuum cleaner operated with rechargeable batteries, which already received the "Plus X Award", we further expanded our competence in the range of window and bathroom cleaning. We are thereby targeting one of the strongest growing fields in the cleaning sector, at the same time as we are differentiating ourselves more from our core competitors in this way.

An additional product novelty is the vacuum cleaning system Power Robo static, which is powered by rechargeable batteries. With this product we serve the rapidly growing product range of automated cleaning devices. We will continuously expand our innovative Clean Twist system. Particularly by the relaunch of a mop we are rounding out the patented product family with centrifugal drive in the handle.

Laundry care

With laundry racks and umbrella-style dryers, ironing boards and pressurised steam ironing systems, we see to clean and groomed laundry. Our new laundry racks are distinguished for their particularly high customisability. This means in specific that owing to flexible drying rods, pieces of laundry can be hung up simply and quickly, regardless of size and weight. Moreover, the laundry dries faster. Surveys show that this is in strong consumer demand.

We will restructure our ironing board range in the year 2013. Through the consistent application of our proven EPP technology (expanded polypropylene), which scores points in nearly all relevant ironing board price ranges with particularly light and extremely firm ironing board surface, we are creating a product range with accordant island position characteristics in the market.

Kitchen goods

Within this category, our new “clever kitchen” strategy was already presented in 2012: a complete product range oriented on the wishes of the consumers and with a clear price structure. In this context we had reduced the variety in the product range and brought a number of innovations to the markets, which demonstrate our core competencies of opening, preparing, mincing and storing. We will consistently stay in the course we have set and most of all expand our core competences in “preparing” and “storing”. Together with the star chef Christian Henze, we are developing innovative products with island position characteristics, for example: the Speed Quirl, which allows whisking cream and sauces by hand in half the time normally required, a space-saving splash protection or the first practical spiral cutter for especially wide products to cut with an integrated storage container.

In addition, we are consistently building upon the second pillar of our kitchen portfolio. Following to the successful market launch of our Fresh & Easy keep-fresh containers, we are presenting the foldable Fresh & Slim keep-fresh cans in 2013. Here as well we accommodate the consumer’s wish for a lesser space requirement in the household.

Wellbeing

In the Soehnle wellbeing range we offer a multitude of products that make life easier. We started the year 2013 with a new generation of personal and analysis scales with internet connection. Besides the proven Soehnle weighing precision, the new Web Connect models provide the option to present the gathered data comprehensibly online or via smartphone application. We thereby meet the demand of the mega trend of digital network and tap a new, growing market sector.

Our current design and emotions themes address foremost younger target groups. By virtue of the various license motifs of Sheepworld or Disney we are additionally combining emotionally charged brands with proven Soehnle technology.

The Soehnle Relax range recorded a very positive market development in 2012 primarily in the sector for air with aroma diffusers and humidifiers. Here we have recognised the trend and are making use of the consumers’ needs with particularly innovative and design-oriented products. These products were for a time among the top 10 sellers at well-known distributors.

Patents and industrial property rights

Our clear commitment to innovative products is also exemplified in the number of patent and utility model registrations in 2012: with 36 patents or utility patents, the Leifheit Group has again registered proprietary rights for a large number of new developments.

36
patent and utility model applications registrations 2012

For the protection of our new developments the relevant proprietary rights are registered prior to publication, insofar as this is economically sensible. We are creating the opportunity for ourselves to monopolise technical innovations and thereby obtain competitive advantages. Decisive criteria for the registration of industrial property rights in different countries are our expected turnover for the relevant product and the corresponding competitive environment. Traditionally Leifheit’s European core markets are taken into consideration in this context. Furthermore, industrial property rights are registered in non-EU countries, such as China or the USA.

In the reporting period 2012, Leifheit had 26 employees in the development and patents divisions. These employees are mainly engineers, lawyers, technicians and designers. Overall, we have expended € 3.6 million for the development division.

Sustainability

Motivated and dedicated employees are the foundation of our success. Leifheit has made targeted investments in qualification and advance training measures for its employees during the year 2012. In this way it is possible for us to produce high-quality products with long durability and we do so while reducing the burden on the environment at the same time.

Employees

In order to remain a leader and always be innovative in our core categories, 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 technical competences and further expand our attractiveness as an employer, we have continued to advance our employees training and qualification in a targeted way in 2012.

Efficiency increase by co-determination

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 results entailed a number of measures in the reporting period 2012, both within individual departments as well as across departments. For this purpose, relevant workshops were conducted in all divisions. Working groups across different technical fields and hierarchies were formed and their results were presented in detail to the employees. We also intend to conduct a survey in 2013 to evaluate whether the measures were accepted successfully.

Successful communication in daily working life

Open internal corporate communication leads in our experience to an increase of the employee dedication. For this reason, we offer 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 the further professional development. Based on the results, individual training measures are identified for the employee, which aim at a continuous qualification of our staff. So to strengthen this process, we have developed a competence model for employees and managerial staff.

In regular discussion rounds – so-called fireside chats – changing employee groups are also in personal contact with the Board of Management. This allows for a very direct, open exchange with employees at all levels of the organisation.

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 consider it our duty to make our employees more aware of preventative healthcare and health promotion. We offer a number of activities in this regard. We analyse our measures in cooperation with a university for the evaluation of our health management in order to integrate these measures into an overall concept in the future.

Modern vocational training and supporting young employees

We are pleased to have taken over four trainees who have finished their training into employment, some of them into permanent positions, in 2012 as well. Furthermore, a Junior company was launched in the past year. At the Junior company, our trainees manage our factory points of sale under their own leadership with the support from experienced employees. The achievements until now confirm our trainee concept: obtain talented young employees for Leifheit, support them with creative measures and bind them to the company for the long term.

Leifheit is a Fair Company

Another aspect of supporting young employees in the reporting period was obtaining more young talents by means of student internships in the areas of distribution, marketing, HR, development, quality management and material management and logistics. In most cases, we offered them future prospects for further development. As a member of the Fair Company Initiative for six 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.

FAIR COMPANY
Die bessere Chance für Absolvent/innen
Eine Initiative von karriere.de

Leifheit wins prize as Top Employer

Our company was once again awarded the Top Employer prize. The award is based on a 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.

Leifheit proved its employer qualities again in the year 2012. 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.

Stable employee figures

As at 31 December 2012, a staff of 1,025 (2011: 1,032) was employed at Leifheit Group. We have thereby maintained the number of employees nearly on the same level as in the previous year.

1,025
employees at
the end of the year

In the Brand Business, a staff of 741 (2011: 726) and in the Volume Business a staff of 284 (2011: 306) was employed.

Employees by region

Locations	**31 Dec 2012**	31 Dec 2011
Germany	405	397
Czech Republic	381	392
France	174	181
Other countries	65	62
Group	**1,025**	**1,032**

Average Group staff numbers declined from 1,085 to 1,019. The costs of personnel in the financial year 2012 amounted to € 41.8 million (2011: € 42.0 million).

Consistently high numbers of long-service employees

In 2012, Leifheit honoured 104 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. The good balance of trainees, new employees and active employees with many years of experience is the key to a successful knowledge transfer. Our long-term corporate success proves our successful employee policy.

Environmental protection

As a company we have the responsibility for a considerate treatment of the environment. New solutions are needed to harmonise the ecological and the economic aims. The commitment in this field finds ever increasing attention from the informed public.

It is our claim to orient all activities of the company along the entire value creation chain in accordance with our sustainability strategy. It is based on a simple principle: accomplishing more with fewer resources. We are pursuing the goal of developing high-quality products with a long durability, which help, for example, in reducing water consumption or which can do fully without the use of batteries by virtue of solar technology.

For this reason, ecology at Leifheit already starts with the conceptualisation of a new product. We combine the needs for appealing design and user friendliness with high quality and durable material. This can only succeed if we involve all of our partners along the value creation chain in this process. Accordingly, Leifheit cooperates with select suppliers who take up this idea, for example, in context of raw materials procurement.

Through a sparing consumption of resources we can also make a contribution to environmental protection with small things in production: we increasingly use mills for milling plastic moulds, in consequence of which the material can be once again added to the production cycle. By the purchase of energy efficient electrical motors, the use of motion detectors and an improved insulation of the production plants, we were able to achieve additional energy savings in 2012. By means of a stringent waste management system, we were able to reduce residual waste by 35% in the reporting period.

Logistics in particular can make a decisive contribution to a clean environment. Therefore, we have analysed our transport options more closely. We have significantly improved the route planning 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. We are continuously changing over our own vehicle fleet to the latest diesel vehicle technology with the Euro 4 standard or the Blue Motion version.

Only with sustainable action and economic use of resources can the greatest good for man be preserved for the long term: an intact environment. Our commitment to the environment is also reflected in our products. Consumers register and appreciate these efforts and perceive the Leifheit brands and products to be sustainable in general.

Opportunities and risks

Using market opportunities offers Leifheit the possibility to achieve additional growth. For this purpose, we keep a close eye most of all on the trends in the household sector. At the same time, the company regularly evaluates possible risks in order to identify these early on and to be able to counteract these actively.

Main characteristics of the internal control system and the risk management system in the accounting 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 intra-group internet platform. A Group tool for consolidation ensures a standardised approach and minimises possible risks from misstatements in Group accounting and external reporting.

Financial reporting is organised into clearly defined sub-processes. 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:

- On the whole, a further rising utilisation of the internet can be observed in Germany and Europe. This applies both to the search for information as well as to shopping and concerns younger and older target groups to the same extent. In the course of this process, the cross-channel approach is considerably gaining importance in retail. This trend influences in particular the non-food sector and thus also household products. Leifheit has the opportunity to increase its market share in this sector by a targeted utilisation of this trend.

- Fundamental change in the direction of heightened quality awareness can be observed especially among younger consumers. Therefore, this target group is coming more into the focus of brand offerers. This trend can mean positive growth impulses for Leifheit as a brand offerer with recognisable product quality, both in local retail as well as in e-commerce.

- There is ongoing and increased demand for durable products that are manufactured in sustainable production or by companies applying responsibility in the treatment of resources, society and employees. Today's consumers are much more sensitive in their consumer behaviour than in the past. Leifheit is a company with a high level of dedication in this area and can reap overproportional benefits as a result. In the consumer perception, we are already firmly established 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 especially address the needs described.

- The number of households in Germany is expected to grow until 2014. This is mainly due to the rising number of 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.

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 multi-year "Leifheit GO!" strategy. It is focused on three areas: brand and communications strategy, international distribution strategy, as well as increasing efficiency.

In the scope of our brand and communications strategy we are focused on the Leifheit and Soehnle brands, which we intend to strengthen further by target group specific communication and consistent continuation of our umbrella brand strategy. In the year 2013 as well Leifheit will again bring a number of innovative products to the market. In doing so we are creating the opportunity to additionally increase our market shares.

With the help of our international distribution strategy, we are creating the opportunity to further expand our competitive market position. For this aim we have defined clearly differentiated focus markets, yet respond flexibly to changing market conditions. In addition, we will continue to push ahead the expansion of the e-commerce topic. This way, we are utilising the growth opportunities resulting from the changed information and shopping behaviour of the consumers. Furthermore, we are developing intelligent and high-quality presentation solutions for local retail under the term "POS Excellence". The objective of the initiative is to support our retail partners with excellent POS solutions, which raise the qualitative growth and thereby increase the value creation. Leifheit is in this way simultaneously taking the position as a high-quality brand in the consumer perception and can foremost profit from the stronger trend in the direction of more quality awareness.

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 and documented in uniform risk tables biannually. Risk identification extends to all business areas of the Leifheit Group 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.

Corporate strategy risks

The risks in corporate strategy can be divided in 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.

Sales and industry risks

Leifheit is dependent on the international economic development due to the global business activities. The debt crisis in a few countries of the Eurozone, the insecurities in the financial markets and the crisis-ridden global economy mean turnover risks in our relevant sales markets, such as Spain.

An additional risk for a brand product maker is constituted in introducing sufficiently innovative products promptly in the market.

The main factor for Leifheit is the performance of the labour market, as this has a key influence on 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.

Additional risks arising from the overall economic development are presented in the section "Forecast" under the heading "Insecurities define the outlook for 2013".

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, cash equivalents and lines of credit 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 2012, the Leifheit Group held liquidity investments of € 33.7 million. Bank loans were not utilised. In addition, short-term lines of credit in the amount of € 11.5 million are available, which, however, are used only in part for bills of guarantee and derivatives.

- Currency risk

  Currency fluctuations can be a major influence on results, since a large portion of our business is conducted outside the Eurozone. The currency risk is particularly relevant for the U.S. 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 counter-parties that have a good credit rating and are part of a deposit guarantee fund. In doing so, only transactions within predetermined counter-party limits are carried out. Based on the tense economic situation, there are additional risks with regard to lost receivables if the access to financial resources is restricted for the customers, or if the economic situation of the customers worsens. 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 can only pass on increased purchase prices to our customers at a delay. We are partially reducing price risk with longer supply agreements. We do not use financial derivatives for this purpose.

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 and quality.

- Product quality risks
  We are exposed to the risk of possible product defects that could lead to consumer injuries and recall actions, 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.

- Tax risks
  Tax risks especially result on the basis of international internal Group settlement prices. The financial administrations have applied stronger scrutiny to settlement prices. We meet these risks in applying the international settlement price directive and the documentation of Group-internal transactions. In company audits we are supported by experienced transfer price specialists.

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.

Home Beteiligungen GmbH informed us in November 2012 that the Schuler-Voith and Knapp-Voith families have entered sales talks for their rounded 60% of shares in Leifheit AG, which are held through Home Beteiligungen GmbH and MKV Verwaltungs GmbH. A possible change in the shareholder structure may influence the future development of Leifheit AG.

Report on events after the balance sheet date

At this juncture Leifheit reports on the events occurred after the end of the financial year.

No significant changes since the end of the reporting period

There were no events after the end of financial year 2012 of material importance for assessing the net assets, financial position and results of operations of the Leifheit Group.

Forecast

The outlook in terms of the overall economy for 2013 remains uncertain. All in all, estimates assume a slightly better economic situation than in the reporting period. Against this backdrop, consumption is likely to become modestly stronger again. Leifheit is expecting a growth of turnover by 2 to 4% with a stable result in the financial year 2013.

Insecurities define the outlook for 2013

The global economy, according to current economic forecasts, will grow only insignificantly stronger in 2013 compared to the previous year. However, the expectations continue to be sober due to various factors of insecurity. Among these is the further continuation of the euro and debt crisis, which most of all depends on the developments in the political arena within the Eurozone, as well as on the fiscal policy measures in the USA. The International Monetary Fund (IMF) anticipates global economic growth of 3.5% in 2013. For the Eurozone, a decline in economic performance of 0.2% is expected. According to the forecast information, only the USA can assume a comparably stable development with a plus of 2.0%. The expectations for Germany with regard to economic performance are likewise subdued: merely a growth in the amount of 0.6% is expected now.

The emerging countries continue as before to remain the drivers of the global economy. For these countries, the IMF predicts a slight acceleration in growth during 2013. The growth in China is to increase from 7.8 to 8.2% and in India from 4.5 to 5.9%.

The strongest development is expected by the experts to materialise in Brazil with an improvement of the gross domestic product from 1.0 to 3.5% in 2013.

+3.5%
global economic growth

Due to volatile markets, reliable forecasts for the development of commodities prices for 2013 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.

Consumer behaviour positive again

The consumer research institute GfK forecasts a modest increase in purchase power for Germany by around 1.4% in 2013. According to a GfK study, every German will have € 554 more available for spending in 2013 than in the previous year. Therefore, a modestly positive consumption development can be expected in this year. The central reasons for this are the expected lower inflation rate of 1.5% as well as the positive income trends.

Leifheit targeting further growth in the Brand Business

Our focus also in the future continues to be on the development and marketing of high-quality products for select areas in the household. Accordingly, Leifheit has consistently structured its organisation in the past to also take up a leading position in the competition in the future.

Our “Leifheit GO!” strategy is supporting us in this process: with innovative products and a range of measures, among them the POS Excellence Initiative or the broadly based e-commerce project, we will take on the heightened crowding-out competition in the saturated markets of Central Europe. Moreover, we intend to further expand our market share in the new growth markets, such as Eastern Europe, Turkey or select countries in Asia. We are optimistic that by taking these steps, Leifheit can compensate for the declines in the Southern European turnover, which are largely caused by the economy. In light of the current economic situation, we will also monitor our costs closely in the future.

Investments of € 6.0 million are planned from own funds.

Stable result on adjusted level of the previous year

Our business development in the year 2013 will be determined further by the continuation of the euro and debt crisis. It in turn will be significantly influenced by the decisions in the political arena. Provided that the overall economic conditions in our European core countries continue to stabilize as well as having stable exchange rates, we are optimistic to continue the growth in our Brand Business in 2013. On said conditions, we consider an increase between 3 and 5% of the turnover within this segment to be realistic within the scope of our long-term forecast. We are expecting at most a stable development in the Volume Business against the background of the described factors of insecurity.

At the Group level, this means a plus of 2 to 4% for the financial year 2013 in comparison to the turnover 2012 adjusted for the business with the Dr Oetker Bakeware brand. On the earnings side, we are expecting a stable development with an EBIT at the level of the adjusted result of 2012.

+2 to 4%
group turnover growth

stable
EBIT

We will specify our forecast in more detail in the course of the year. On the basis of our solid market position in Europe with international orientation, our strong and established brands with leading market positions and solid capital equipment, we are optimistic that we will reach the targets set in 2013.

In the medium term we maintain our target for a sustainable and profitable growth of turnover in an amount between 3 to 5% at the Group level with a strong earnings upturn.

Forecast 2013

	2012	Adjustment*	**2012 adjusted***	**Forecast 2013**
Turnover	€ 224.2 million	€ -6.8 million	€ 217.4 million	2 to 4% growth
EBIT	€ 14.2 million	€ -1.2 million	€ 13.0 million	Result on adjusted level of the previous year

* Turnover adjusted for the business with Dr Oetker Bakeware;
EBIT adjusted by the extraordinary effect from the sale of assets in connection with the termination of the license agreement

Consolidated Financial Statements: Statement of comprehensive income

k€	Notes	2012	2011
Turnover	1	224,191	222,109
Cost of turnover	2	-124,992	-126,663
Gross profit		**99,199**	**95,446**
Research and development costs	3	-3,596	-4,133
Distribution costs	6	-71,078	-67,372
Administrative costs	7	-13,810	-13,256
Other operating income	8	4,214	4,447
Other operating expenses	9	-421	-831
Foreign currency result	10	-331	-372
Earnings before interest and taxes (EBIT)		**14,177**	**13,929**
Interest income	11	570	839
Interest expenses	12	-2,552	-2,376
Net other financial result	13	2	-149
Earnings before income taxes (EBT)		**12,197**	**12,243**
Income taxes	14	-2,817	-170
Net result for the period		**9,380**	**12,073**
Components of comprehensive income after taxes taken directly to equity			
Currency translation of foreign operations	15	104	-94
Currency translation of net investments in foreign operations, of which effect on income taxes: k€ -90 (2011: k€ 114)	15	232	-199
Net result of cash flow hedges, of which effect on income taxes: k€ 100 (2011: k€ 0)	15	-256	–
Comprehensive income after taxes		**9,460**	**11,780**
Net result for the period attributable to			
Minority interests	35	-18	-2
Shareholders of the parent company		9,398	12,075
Net result for the period		**9,380**	**12,073**
Comprehensive income attributable to			
Minority interests	35	-20	-3
Shareholders of the parent company		9,480	11,783
Comprehensive income after taxes		**9,460**	**11,780**
Earnings per share based on net result for the period (diluted and undiluted)	16	**€ 1.97**	**€ 2.55**
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	16	**€ 1.99**	**€ 2.48**

Balance sheet

k€	Notes	**31 Dec 2012**	31 Dec 2011
Current assets			
Cash and cash equivalents	17	33,717	29,511
Financial assets	18	3,334	10,000
Trade receivables	19	51,535	46,067
Inventories	20	39,386	38,382
Income tax receivables		1,255	433
Derivative financial instruments	21	12	46
Other current assets	22	4,638	7,183
Total current assets		**133,877**	**131,622**
Non-current assets			
Financial assets	23	5	5
Tangible assets	24	38,844	35,175
Intangible assets	25	19,489	20,398
Deferred tax assets	14	6,954	8,031
Income tax receivables	26	2,852	3,465
Other non-current assets	27	186	184
Total non-current assets		**68,330**	**67,258**
Total assets		**202,207**	**198,880**
Current liabilities			
Trade payables and other liabilities	28	44,949	46,910
Derivative financial instruments	21	389	585
Income tax liabilities		1,338	241
Provisions	29	5,639	5,061
Other current liabilities		–	31
Total current liabilities		**52,315**	**52,828**
Non-current liabilities			
Provisions	29	2,527	2,524
Employee benefit obligations	30	42,928	42,274
Deferred tax liabilities	14	1,976	2,228
Other non-current liabilities		88	85
Total non-current liabilities		**47,519**	**47,111**
Equity			
Subscribed capital	31	15,000	15,000
Capital surplus	32	16,934	16,934
Treasury shares	33	-7,598	-7,813
Retained earnings	34	75,367	72,212
Other reserves	34	2,603	2,521
Minority interests	35	67	87
Total equity		**102,373**	**98,941**
Total equity and liabilities		**202,207**	**198,880**

Statement of changes in equity

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

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	**Total**
As at 1 January 2011	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**
Dividends	–	–	–	-6,170	–	-6,170
Issue of treasury shares	–	–	215	-73	–	142
Comprehensive income	–	–	–	9,398	82	9,480
of which net result for the period	–	–	–	9,398	–	9,398
of which currency translation of foreign operations	–	–	–	–	106	106
of which currency translation of net investments in foreign operations	–	–	–	–	232	232
of which net result of cash flow hedges	–	–	–	–	-256	-256
As at 31 December 2012	**15,000**	**16,934**	**-7,598**	**75,367**	**2,603**	**102,306**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent company	Minority interests	**Total equity**
As at 1 January 2011	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**
Dividends	-6,170	–	-6,170
Issuance of treasury shares	142	–	142
Comprehensive income	9,480	-20	9,460
of which net result for the period	9,398	-18	9,380
of which currency translation of foreign operations	106	-2	104
of which currency translation of net investments in foreign operations	232	–	232
of which net result of cash flow hedges	-256	–	-256
As at 31 December 2012	**102,306**	**67**	**102,373**

Statement of cash flow

k€	Notes	2012	2011
Net result for the period		9,380	12,073
Adjustments for			
depreciation and amortisation	4	6,658	6,808
income from business combinations		–	-141
Change in provisions		1,233	322
Result from disposal of fixed assets and other non-current assets		-721	81
Change in inventories, trade receivables and other assets not classified as investment or financing activities		-6,776	1,761
Change in trade payables and other liabilities not classified as investment or financing activities		-1,573	-8,061
Cash flow from operating activities		**8,201**	**12,843**
Acquisition of tangible and intangible assets		-9,751	-5,593
Investments from the sale of a business unit	22	4,000	–
Investments from financial assets	18	6,744	10,000
Proceeds from the sale of tangible assets and other non-current assets		1,359	477
Cash flow from investment activities		**2,352**	**4,884**
Dividends paid to the shareholders of the parent company	34	-6,170	-14,227
Change in treasury shares	33	71	-128
Cash flow from financing activities		**-6,099**	**-14,355**
Effects of exchange rate differences	15	**-248**	**-199**
Net change in cash and cash equivalents		4,206	3,173
Current funds at the start of the reporting period		29,511	26,256
Cash and cash equivalents at the end of the reporting period before business combinations		33,717	29,429
Income from business combinations		–	82
Current funds at the end of the reporting period	17	**33,717**	**29,511**
Income taxes paid		-1,340	-1,602
Interest paid		–	-17
Interest received		357	551

Segment reporting

Key figures by divisions in 2012		Brand Business	Volume Business	**Total**
Turnover	€ million	177.7	46.5	224.2
Gross profit	€ million	82.8	16.4	99.2
Contribution margin	€ million	67.2	14.8	82.0
Segment result (EBIT) adjusted*	€ million	9.0	4.0	13.0
Segment result (EBIT)	€ million	10.2	4.0	14.2
Depreciation and amortisation	€ million	5.3	1.4	6.7
Employees on annual average	persons	726	293	1,019

* adjusted by the one-time extraordinary effect of € 1.2 million from the sale of assets in connection with the termination of a license agreement

Key figures by divisions in 2011		Brand Business	Volume Business	**Total**
Turnover	€ million	170.5	51.6	222.1
Gross profit	€ million	76.6	18.8	95.4
Contribution margin	€ million	61.6	17.1	78.7
Segment result (EBIT) adjusted**	€ million	6.4	5.0	11.4
Segment result (EBIT)	€ million	8.9	5.0	13.9
Depreciation and amortisation	€ million	5.6	1.2	6.8
Employees on annual average	persons	743	342	1,085

** adjusted by the one-time extraordinary effect of € 2.5 million from the acquisition of a controlling interest in Leifheit CZ a.s.

The breakdown by segments 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 brand, as well as scales and relaxation products under the Soehnle brand.

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

There are no unconsolidated transactions between the two segments of Brand Business and Volume Business.

The segments' control parameters are turnover, gross profit, contribution margin and EBIT. These are based on IAS/IFRS valuations. Regular reporting does not cover other key figures.

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 2012 have been prepared according to the International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) as applicable in the EU. All of the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and interpretations of the IFRS Interpretation Committee (IFRIC and SIC) requiring application in financial year 2012 were applied. The figures for the previous year were calculated on the same basis.

The financial statements drawn up in euros were prepared on the basis of the purchase cost principle with the exception of derivatives and instruments that are specifically designated for affecting net income in their attributed fair value. The financial statements provide a true and fair view of the net assets, financial position and results of operations of the Leifheit Group. Unless stated otherwise, all figures are shown in thousands of euros (k€).

The statement of comprehensive income was prepared according to the cost of turnover method.

The consolidated financial statements will be presented to the Supervisory Board on 8 April 2013. 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 the net result for the period.

The financial statements of subsidiaries are prepared in application of standardised accounting policies as at the same balance sheet date as the financial statements of the parent company and the Group.

Acquired 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 2012 and 2011.

Business combinations before 1 January 2010:

Acquisitions before 1 January 2010 are accounted for using the purchase method in accordance with IFRS 3 (Business Combinations), 2004 revision. All identifiable assets and liabilities were valued in their attributable fair value at the time of acquisition. Non-controlling interests (minority interests) were therefore carried at their share in the fair value of the assets and liabilities. If the acquisition cost of an interest exceeded the Group’s share in the 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. Difference amounts in liabilities were recognised as affecting net income. 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 continuing to be offset against goodwill without affecting net income. 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.

Retrospective adjustments to the regulations for business combinations in line with IFRS 3, 2008 revision (see below) are not made. However, future losses from shares without controlling interests are treated in line with IFRS 3, 2008 revision and can thus lead to a negative value of these shares. In acquiring shares without controlling interests (minority interests), the difference between the purchase price and the book value of the prorated acquired net assets is recorded as goodwill.

Business combinations as of 1 January 2010:

The purchase method according to IFRS 3 (Business Combinations), 2008 revision, is applied to company acquisitions as of 1 January 2010. 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 dissolved during subsequent consolidation, depending on the corresponding assets and liabilities. Goodwill is tested at least annually for impairment at the level of the cash-generating units and written down to the recoverable amount as necessary. Negative goodwill is recognised in profit or loss. Transaction costs incurred during the company acquisition are reported as administrative costs affecting net income.

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 after 1 January 2010 are recognised at fair value as at the end of the balance sheet date. The adjustments of these liabilities are recognised as affecting net income 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.

Scope of consolidation

In the fourth quarter of 2012 the100-percent subsidiary, Leifheit Polska Sp. z o.o., with registered offices in Warsaw (Poland), was established. It manages the distribution of Leifheit products in Poland.

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 2012.

	Date of initial consolidation	Interest in equity and voting rights in 2012 in %
Leifheit España S.A., Madrid (E)	1 Jan 1989	100.0
Leifheit s.r.o., Blatná (CZ)	1 Jan 1995	100.0
Leifheit International U.S.A. Inc., Melville, NY (USA)	1 Jan 1997	100.0
Meusch-Wohnen-Bad und Freizeit GmbH, Nassau (D)	1 Sept 1999	100.0
Birambeau S.A.S., Paris (F)*	1 Jan 2001	100.0
Leifheit-Birambeau S.A.S., Paris (F)*	1 Jan 2001	100.0
Leifheit Distribution S.R.L., Bucharest (RO)	18 Dec 2007	51.0
Herby Industrie S.A.S., La Loupe (F)*	1 Jul 2008	100.0
Leifheit France S.A.S., Paris (F)	23 Nov 2009	100.0
Leifheit CZ a.s., Dobroviz (CZ)**	1 Dec 2011	71.0
Leifheit Polska Sp. z o.o., Warsaw (PL)	11 Dec 2012	100.0

* indirect shareholding through Leifheit France S.A.S.
** according to IFRS 3 reported to 100% on the balance sheet due to the regulations on the acquisition of outstanding shares

Foreign currency conversion

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 thereof include conversion differences for monetary items which substantially form part of the net investment in an independent foreign entity (e.g. non-current loans replacing equity).

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

As our subsidiaries and branches operate independently in financial, commercial and organisational terms, their functional currency is usually the local currency. For inclusion in the consolidated financial statements, the assets and liabilities of the subsidiaries and branches are translated at the exchange rate as at the 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 without affecting net income.

The exchange rates applied to the translation of the relevant currencies are shown in the following table:

Per € 1	Mid-market rate on the balance sheet date		Annual average rate	
	31 Dec 2012	31 Dec 2011	**2012**	2011
CZK	25.12	25.81	25.23	24.54
USD	1.32	1.29	1.29	1.40

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. Structured money market instruments are valued on the basis of embedded derivatives according to IAS 39.11A at the attributable fair value.

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 charged off; 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, which arise after the fixed assets are taken into operation, are recorded as expense 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 three 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 not 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 (fair value) less the cost of disposal. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is identified for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

Research and development costs

Research costs cannot be capitalised in accordance with IAS 38 and are therefore recognised directly as an expense in the statement of 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 carry-forwards 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 whose realisation is or becomes improbable are not recognised or adjusted.

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 case-by-case basis and based on the present 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 rata temporis 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 balance sheet. 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 become a part of the company's net investment in an independent foreign entity, e.g. long-term loans, are recognised in equity in the consolidated financial statements without affecting net income until disposal or repayment. When the relevant assets are sold, the translation reserves are recognised as an income or expense in the same period as the profit or loss from the sale is recognised.

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

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. Derivatives that are not formally designated as hedging instrument are valued at the fair value pursuant to IAS 39 and classified as financial assets or liabilities.

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

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 the net result 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.

Financial investments available for sale

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 written off or determined to be permanently impaired, the cumulative gain or loss previously recognised in equity is taken to the consolidated income statement affecting net income. 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

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

The Group utilises derivative financial instruments, such as currency forward contracts in order to hedge against exchange rate risks.

For the purpose of balancing, the hedging instruments are differentiated as follows:

- as hedging of cash flows if the hedging of fluctuation risks in the cash flow is concerned, which can be attributed to an asset on balance, a liability on balance or to the currency risk of a fixed liability not on balance that is related to a highly probable future transaction (cash flow hedges).

  In the process, both the hedging relation as well as the risk management objectives and the strategies of the Group with regard to the hedging are defined formally and documented in the beginning of the hedging. The documentation contains the definition of the hedging instrument, the underlying transaction or the hedged transaction, as well as the nature of the hedged risk and a description of how the company assesses the effectiveness of the changes in the attributable fair value of the hedging instrument in the compensation of risks from changes in the attributable fair value or the cash flows of the hedged underlying transaction that are based on the hedged risk. Hedging relations of this kind are assessed to be highly effective with regard to achieving a compensation of risks from changes in the attributable fair value or the cash flows. They are evaluated continuously as to whether they have in fact been highly effective during the entire reporting period for which the hedging relation was defined.

  In hedging transactions that fulfil the strict criteria for the balancing of hedging relations (hedging of cash flows/cash flow hedges), the ineffective part of the profit or loss from the hedging instrument is recorded immediately in the foreign currency result as affecting net income. The effective part in contrast is recorded in other income (result-neutral components of the total result after taxes) in the provision for hedging cash flows. The amounts included in other income are reposted upon the receipt of the hedged goods as a part of the purchase costs. A recognition in terms of the result is made by way of entering the material consumption to accounts upon the disposal of inventories.

- as hedging of cash flows if the hedging of risks in cash flows is concerned, which may indeed be attributed to an asset on balance or a currency risk related to a liability on balance, not however to a highly probable future transaction.

  These hedges are assessed in the fair value to be attributed at the time of the close of contract and are revalued in the following periods in the attributable fair value. If there is a positive attributable fair value, they are assessed as financial assets and as financial liabilities if their attributable fair value is negative. Profits or losses from changes of the attributable fair value of derivatives are immediately recorded as affecting net income.

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 adjustment 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.

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

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

In all financial instruments assessed at their amortised costs as well as the interest-bearing financial assets that are classified as available for sale, the interest income and interest expenses are recorded by means of the effective interest rate. This involves the calculatory interest rate, by which the estimated future incoming and outgoing payments are discounted by interest over the expected duration of the financial instrument, or as applies, over a shorter period, precisely to the net book value of the financial asset or financial liability. Interest income is shown as a part of the financial income in the profit and loss statement.

Borrowing costs

All borrowing costs are recognised as an expense affecting net income in the period they are incurred. Except for pension commitments, there are no significant interest expenses that would have to be capitalised in manufacturing costs.

Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are shown in the notes except when the probability of an outflow of resources embodying economic benefits is extremely low. Contingent assets are 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 impairment testing of immaterial assets and tangible assets 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 14.

Furthermore, in the scope of the accounting and valuation principles, discretion was applied as to the research and development costs in the sense that the costs for smaller projects (less than k€ 100) are recorded directly as expense and that the time of realisability is determined subjectively for larger projects.

New mandatory accounting standards applicable as of 2012

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.

Amendment to IFRS 7 – Disclosures regarding the transfer of financial assets

The amendment to IFRS 7 was published in October 2010 and was 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 has further extended the scope of disclosures on financial instruments. However, it has not had any effect on the recognition and valuation of assets and liabilities in the consolidated financial statements.

New accounting standards mandatorily applicable 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 2012. The Group is not applying these standards and interpretations early.

Amendment of IAS 32 and IFRS 7 – Offsetting of Financial Assets and Liabilities

The amendment to IAS 32 and IFRS 7 was published in December 2011 and is applicable for the first time to financial years beginning on or after 1 January 2014, respectively 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.

IFRS 10 Consolidated Financial Statements

IFRIC 10 was published in May 2011 and is to be applied for the first time in the EU in the financial year beginning on or after 1 January 2014. 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. In June 2012 the revised transition guidelines for IFRS 10-12, which are to simplify the initial application of the new standards, were also published.

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

IFRS 12 was published in May 2011 and is to be applied for the first time in financial years beginning on or after 1 January 2014. 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

IFRS 13 was published in May 2011 and is to be applied for the first time in the financial year 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. Based on the present analysis, no significant effects on the valuations of assets and liabilities reported at their fair value are expected for the Group.

Amendments to IAS 1 – Presentation of Components of Other Comprehensive income

The amendment to IAS 1 was published in June 2011 and is applicable for the first time in the financial year 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 (so-called 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 in the financial year beginning on or after 1 January 2013. 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 the financial year 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. As at 31 December 2012, the adjustment not affecting net income was € 13.2 million and increases obligations. The other amendments introduced by the revision of IAS 19 will be implemented in the statements at the legally prescribed application date and are not expected to entail any significant effects.

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. The standard was thus amended by the requirements regarding financial liabilities and provides for maintaining the existing classification and valuation regulations for financial liabilities with the following exceptions: the effects of changes in the entity's own credit risk on financial liabilities that were classified at fair value through profit or loss must be recognised as not affecting net income and derivative liabilities on non-listed equity instruments may 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 2013. 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.

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 – Government Loans
- Amendment to IFRS 1 – Drastic Hyperinflation and the Elimination of Fixed Transition Dates for First-Time Adopters
- Amendment to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
- IFRS 11 Joint Arrangements
- IAS 27 Separate Financial Statements (revised 2011)
- IAS 28 Investments in Associates and Joint Ventures (revised 2011)
- Improvements to IFRS (2009-2011)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Company acquisitions

No mergers have taken place in the reporting period 2012.

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 since then it is holding 71% of the shares. Previously, this entity was carried at equity. Leifheit CZ a.s. distributes mostly Leifheit and Soehnle brand products in the Czech Republic.

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 was acquired as at the acquisition date in 2011.

The initial consolidation of Leifheit CZ a.s. added k€ 82 in cash to the consolidated balance sheet in the financial year 2011. No purchase price was paid for the acquisition of the 20% of shares.

k€	Fair value as at the acquisition date	Previous book value
Cash	82	82
Receivables and other assets	3,052	3,044
Inventories	1,654	1,654
Non-current 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**	

Notes to the statement of comprehensive income

(1) Turnover

k€ (by regions)	2012	2011
Domestic	96,135	96,629
Central Europe	97,130	96,264
Eastern Europe	18,781	14,720
Rest of the world	12,145	14,496
	224,191	**222,109**

The place of the customer's registered offices is decisive for the regional attribution of the turnover.

k€ (by segments)	2012	2011
Brand Business	177,741	170,562
Volume Business	46,450	51,547
	224,191	**222,109**

(2) Cost of turnover

k€	2012	2011
Cost of materials	95,730	95,358
Personnel costs	11,471	12,487
Purchased services	5,254	5,626
Depreciation and amortisation	3,226	3,617
IT costs and other allocations	1,702	1,528
Maintenance	1,418	1,155
Consumables and supplies	1,195	1,410
Energy	1,127	1,231
Value adjustments for inventories (net change)	-472	439
Rent	344	331
Other cost of turnover	3,997	3,481
	124,992	**126,663**

(3) Research and development costs

k€	2012	2011
Personnel costs	1,856	2,124
Fees and purchased services	1,035	1,323
IT costs and other allocations	312	289
Depreciation and amortisation	145	153
Other research and development costs	248	244
	3,596	**4,133**

(4) Depreciation and amortisation

k€	2012	2011
Tangible assets		
Cost of turnover	3,215	3,607
Research and development costs	57	65
Distribution costs	997	731
Administrative costs	169	117
IT costs and other allocations	804	824
	5,242	**5,344**
Intangible assets		
Cost of turnover	11	10
Research and development costs	88	88
Distribution costs	628	689
Administrative costs	59	55
IT costs and other allocations	630	622
	1,416	**1,464**
Total depreciation and amortisation	**6,658**	**6,808**

(5) Personnel costs/employees

k€	2012	2011
Wages and salaries	32,793	33,336
Social security contributions	8,446	7,927
Cost of post-employment benefits	604	726
	41,843	**41,989**

Employees (annual average)	2012	2011
Germany	404	408
Czech Republic	377	419
France	174	183
Other countries	64	75
	1,019	**1,085**

(6) Distribution costs

k€	2012	2011
Personnel costs	18,155	17,838
Advertising costs	15,011	14,229
Outgoing freight	11,142	10,362
Commissions	5,416	5,747
IT costs and other allocations	5,282	4,588
Fees and purchased services	4,605	3,701
Cost of cars, travel and entertainment	2,462	2,321
Depreciation and amortisation	1,625	1,420
Rent	1,130	1,156
Packaging materials	1,128	1,167
Maintenance	601	332
Payments to customers	386	654
Royalties	378	633
Expenses for damage compensation claims	364	5
Office and other overheads	347	571
General operating and administrative costs	312	427
Insurance	312	282
Post and telephone costs	234	243
Other distribution costs	2,188	1,696
	71,078	**67,372**

(7) Administrative costs

k€	2012	2011
Personnel costs	7,554	6,508
Fees and purchased services	3,066	3,458
IT costs and other allocations	743	1,119
Cost of cars, travel and entertainment	492	429
Maintenance	349	327
Rent	310	458
Post and telephone costs	237	249
Depreciation and amortisation	228	172
Office and other overhead costs	216	211
General operating and administrative costs	130	151
Other administrative costs	485	174
	13,810	**13,256**

(8) Other operating income

k€	2012	2011
Turnover from the sale of assets	2,435	–
Commission income	668	677
Royalties	208	152
Write-ups on receivables	–	2,503
Other operating income (less than k€ 100)	903	1,115
	4,214	**4,447**

(9) Other operating expenses

k€	2012	2011
Other operating expenses (less than k€ 100)	421	831
	421	**831**

(10) Foreign currency result

k€	2012	2011
Turnover from changes in the fair value of forward foreign exchange transactions	540	786
Effect from foreign currency valuation	-238	236
Realised exchange rate losses	-633	-1,394
	-331	**-372**

The turnover from changes in the fair values of forward foreign exchange transactions concerns forward foreign exchange transactions to which hedge accounting has not been applied.

(11) Interest income

k€	2012	2011
Interest income from interest on receivables	180	206
Interest income from financial instruments	390	633
	570	**839**

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

(12) Interest expenses

k€	2012	2011
Interest expense from interest on pension obligations	2,242	2,230
Interest expense from interest on liabilities	310	146
	2,552	**2,376**

(13) Net other financial result

k€	2012	2011
Expense from changes in the fair value of non-operative forward foreign exchange transactions	23	-540
Appreciations on equity holdings and loans	–	391
Others	-21	–
	2	**-149**

(14) Income taxes

k€	2012	2011
Corporation tax (Germany)	493	658
Trade tax (Germany)	275	395
Foreign income taxes	1,224	1,787
Deferred income taxes	825	-2,670
	2,817	**170**

k€	2012	2011
Actual income tax expense/income from other periods	-335	475
Deferred taxes due to temporary differences and tax loss carry-forwards	825	-2,670
Current tax expense	2,327	2,365
Tax liability	**2,817**	**170**

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€	2012	2011
Earnings before taxes	12,197	12,243
Tax expense based on the tax rate applicable to the parent company	**3,415**	**3,428**
Actual income tax expense/income from other periods	-335	475
Different foreign tax rates	282	377
Deferred tax assets on loss carry-forwards	-802	-3,082
Non tax-deductible losses of Group companies	168	–
Non tax-deductible expenses/gains of Group companies	28	-172
Retrospective use of loss carry-forwards	–	-701
Others	61	-155
Tax liability	**2,817**	**170**

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€	2012	2011
Different depreciation or amortisation periods for non-current assets	-141	-25
Measurement of inventories	184	-68
Measurement of receivables and other assets	35	1
Measurement of pensions	-148	-423
Measurement of provision for partial retirement	18	30
Different recognition rules for other provisions	33	-171
Measurement of liabilities	132	-230
Other temporary differences	20	2
Tax loss carry-forwards	692	-2,010
Foreign currency effects	-10	110
Recognition in the translation reserve without effects on net income	10	114
Deferred taxes	**825**	**-2,670**

Deferred tax assets are only recognised on loss carry-forwards if their utilisation is expected within a five-year period. It is assumed that the tax loss carry-forwards of Leifheit AG will also be retained in the event of a possible change of shareholders due to the application of the so-called silent reserves clause of section 8c para. 1 KStG (Corporation Tax Act).

No deferred tax assets were created for corporation tax loss carry-forwards in the amount of k€ 13,978 (2011: k€ 14,808) or trade tax loss carry-forwards of k€ 10,085 (2011: k€ 15,045) as it is not highly probable that Leifheit will be able to utilise these tax loss carry-forwards over the next five years. The tax loss carry-forwards in Germany (k€ 12,050 from corporation tax, as well as k€ 10,085 from trade tax), Belgium (k€ 349 from corporation tax) and Romania (k€ 20 from corporation tax) have an unlimited utilisation period. The utilisation period in Spain (k€ 649 from corporation tax) is 18 years and 5 years in the Czech Republic (k€ 910 from corporation tax).

The temporary differences in connection with shares in subsidiaries for which no deferred taxes are recognised amount to k€ -169 (2011: k€ -104).

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

k€	31 Dec 2012 Deferred tax assets	31 Dec 2012 Deferred tax liabilities	31 Dec 2011 Deferred tax assets	31 Dec 2011 Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	419	3,118	410	3,250
Measurement of inventories	396	16	581	17
Measurement of receivables and other assets	1	817	3	784
Measurement of pensions	3,358	–	3,279	69
Measurement of provision for partial retirement	12	–	30	–
Different recognition rules for other provisions	482	49	473	7
Measurement of liabilities	220	15	354	17
Other temporary differences	50	–	70	–
Tax loss carry-forwards	4,055	–	4,747	–
Gross amount	**8,993**	**4,015**	**9,947**	**4,144**
Offsetting	2,039	2,039	1,916	1,916
Balance sheet amount	**6,954**	**1,976**	**8,031**	**2,228**

(15) Components of comprehensive income after taxes taken directly to equity

The component of the comprehensive income not affecting net income consists of the currency translation of the financial statements of subsidiaries and branches, which are prepared in a currency different than the Group's currency, in the amount of k€ 104 (2011: k€ -94) and an amount of k€ 232 (2011: k€ -199) resulting from the currency differences after taxes from loans to subsidiaries in foreign currency in substitution of equity, in addition to cash flow hedges in the amount of k€ -256 (2011: k€ 0). The tax effects herein that do not affect net income amount to k€ 10 (2011: k€ 114).

(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.

		2012	2011
Shares issued	thousand shares	5,000	5,000
Weighted average number of treasury shares	thousand shares	240	258
Weighted average number of no-par-value bearer shares	thousand shares	**4,760**	**4,742**

		2012	2011
Net result for the period allocated to the shareholders of the parent company	k€	9,398	12,075
Weighted average number of no-par-value bearer shares	thousand shares	4,760	4,742
Earnings per share based on net result for the period (diluted and undiluted)	€	**1.97**	**2.55**

		2012	2011
Comprehensive income after taxes allocated to the shareholders of the parent company	k€	9,480	11,783
Weighted average number of no-par-value bearer shares	thousand shares	4,760	4,742
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	€	**1.99**	**2.48**

Notes to the balance sheet

(17) Cash and cash equivalents

k€	31 Dec 2012	31 Dec 2011
Credit balances at banks and cash on hand	21,738	29,511
Structured money market instruments	11,979	–
	33,717	**29,511**

The credit balances at banks and cash on hand were valued at their respectively attributable fair value. The book value is the fair value.

The money market instruments include a structured financial market instrument having special features with regard to its interest yield, duration and/or repayment. It is a time deposit investment in a nominal amount of k€ 12,000 and an interest rate of 2.0% per year. It will be repaid on 13 March 2013 in U.S. dollars, provided the reference rate will be noted at or above USD/€ 1.33 on 11 March 2013. The valuation is based on the attributable fair value in application of the fair value option. The attributable fair value was assessed by means of the Garman Kohlhagen standard model – on basis of the forward rate (1.3002), the ECB fixing (€/USD 1.3194), the EUR interest rate (0.06%) as well as the USD interest rate (0.25%).

(18) Financial assets (current)

The current financial assets are an investment in the form of a zero coupon bond in the amount of k€ 3,334, which was assessed at the amortised costs in application of the effective interest rate method. The zero coupon bond has a term until 31 May 2013. The interest rate amounts to 2.16% per year. The information shown for the previous year pertains to financial investments in the form of two debentures in the total amount of k€ 10,000.

The attributable fair values of the zero coupon bond as well as the debentures on basis of their short-term character and the interest yields are approximately equivalent of their book value.

(19) Trade receivables

k€	31 Dec 2012	31 Dec 2011
Trade receivables	48,837	43,129
Trade bills	2,698	2,938
	51,535	**46,067**

As at 31 December 2012, k€ 35,590 were secured by credit on goods insurance policies (2011: k€ 28,996). The cost-sharing amount is normally 10%. Trade receivables in the amount of k€ 2,958 (2011: k€ 3,414) were impaired.

The development of the adjustment account for trade receivables are shown below:

k€	2012	2011
As at 1 January	3,414	6,806
Foreign currency differences	2	-1
Additions recognised in profit and loss	1,293	2,552
Utilisation	1,103	2,476
Reversal	648	3,467
As at 31 December	**2,958**	**3,414**

The maturity structure of trade receivables as at 31 December:

k€	2012	2011
Neither overdue nor impaired	**49,949**	**44,139**
Overdue but not impaired		
1 to 30 days	656	1,207
31 to 60 days	372	281
61 to 90 days	156	77
91 to 120 days	-114	42
Over 120 days	-34	-549
Overdue in total but not impaired	**1,036**	**1,058**
Specific allowances on doubtful accounts (gross)	**3,508**	**4,284**
Value adjustment	**-2,958**	**-3,414**
Trade receivables (net)	**51,535**	**46,067**

Trade receivables that are neither overdue nor impaired also contain trade bills. Insofar as a credit on goods insurance policy is present, overdue receivables are only adjusted by the amount of cost-sharing.

(20) Inventories

k€	31 Dec 2012	31 Dec 2011
Raw materials, consumables and supplies	5,700	5,835
Unfinished products	1,256	1,392
Finished products and goods purchased and held for resale	32,430	31,155
	39,386	**38,382**

k€	31 Dec 2012	31 Dec 2011
Raw materials, consumables and supplies measured at fair value	360	96
Unadjusted raw materials, consumables and supplies	5,340	5,739
Total raw materials, consumables and supplies	**5,700**	**5,835**
Unfinished products measured at fair value	604	769
Unadjusted unfinished products	652	623
Total unfinished products	**1,256**	**1,392**
Finished products and goods purchased and held for resale measured at fair value	3,912	6,394
Unadjusted finished products and goods purchased and held for resale	28,518	24,761
Total finished products and goods purchased and held for resale	**32,430**	**31,155**

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 U.S. dollars and Czech koruna measured at fair value.

As at the balance sheet date in 2012, there were the following liabilities due to forward foreign exchange contracts for hedging exchange rates:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	€ 29.9 million	USD 39.0 million	€ 29.6 million
Sell USD/€	€ 7.0 million	USD 9.0 million	€ 7.0 million

In the previous year, there were the following liabilities due to forward foreign exchange contracts to hedge exchange rates:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	€ 15.5 million	USD 20.0 million	€ 15.4 million
Sell USD/€	€ 14.9 million	USD 20.0 million	€ 15.4 million
Sell CZK/€	€ 0.7 million	CZK 16.5 million	€ 0.6 million

The maturities of the forward exchange contracts as at 31 December 2012 were as follows:

	less than 1 year	1 to 2 years
Buy USD/€	USD 24.0 million	USD 15.0 million
Sell USD/€	USD 9.0 million	USD 0.0 million

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

(22) Other current assets

k€	31 Dec 2012	31 Dec 2011
Purchase price receivables	1,839	4,000
VAT receivables	1,105	1,142
Creditors with debit balances	287	754
Current prepayments and accrued income	274	473
Receivables from credit institutions	272	–
Supplier bonuses	338	194
Other current assets (less than k€ 100)	523	620
	4,638	**7,183**

(23) Financial assets (non-current)

k€	Equity interests	Other financial investments	Total
Costs			
As at 1 January 2011	175	555	730
Additions	–	–	–
Disposals	175	550	725
As at 31 December 2011	**–**	**5**	**5**
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2012	**–**	**5**	**5**
Cumulative write-downs			
As at 1 January 2011	118	550	668
Additions	–	–	–
Disposals	118	550	668
As at 31 December 2011	**–**	**–**	**–**
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2012	**–**	**–**	**–**
Net book value			
As at 1 January 2011	57	5	62
As at 31 December 2011	–	5	5
As at 31 December 2012	**–**	**5**	**5**

(24) Tangible assets

k€	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advances paid and assets under construction	**Total**
Costs					
as at 1 January 2011	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**
Foreign currency differences	294	329	26	16	665
Additions	306	276	3,801	4,904	9,287
Disposals	4	1,047	1,223	511	2,785
Reclassification	2,363	2,081	529	-5,004	-31
As at 31 December 2012	**54,634**	**38,365**	**44,002**	**878**	**137,879**
Cumulative write-downs					
as at 1 January 2011	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**
Foreign currency differences	126	239	7	–	372
Additions	1,361	1,904	1,925	52	5,242
Disposals	3	1,047	1,097	–	2,147
Reclassification	–	–	–	–	–
As at 31 December 2012	**30,120**	**32,665**	**36,198**	**52**	**99,035**
Net book value					
As at 1 January 2011	24,105	5,254	5,873	611	35,843
As at 31 December 2011	23,039	5,157	5,506	1,473	35,175
As at 31 December 2012	**24,514**	**5,700**	**7,804**	**826**	**38,844**

The additions to depreciation on tangible assets include extraordinary depreciation on tools and operating and office equipment that are no longer used amounting to k€ 88 (2011: k€ 156).

Of the k€ 38,844 tangible assets as at the balance sheet date (2011: k€ 35,175), k€ 18,063 were located in Germany (2011: k€ 17,796), k€ 13,626 in the Czech Republic (2011: k€ 10,882), k€ 5,924 in France (2011: k€ 6,248) and k€ 1,231 in other countries (2011: k€ 249).

(25) Intangible assets

k€	Brands	Enterprise or company value (goodwill)	Other intangible assets	Advances paid	**Total**
Costs					
as at 1 January 2011	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**
Foreign currency differences	–	–	15	–	15
Additions	–	–	360	104	464
Disposals	–	–	70	–	70
Reclassification	–	–	141	-110	31
As at 31 December 2012	**7,251**	**11,821**	**17,792**	**104**	**36,968**
Cumulative write-downs					
as at 1 January 2011	2,446	–	12,296	–	14,742
Foreign currency differences	–	–	–	–	–
Additions	1	–	1,463	–	1,464
Disposals	–	–	76	–	76
Reclassification	–	–	–	–	–
As at 31 December 2011	**2,447**	**–**	**13,683**	**–**	**16,130**
Foreign currency differences	–	–	2	–	2
Additions	–	–	1,416	–	1,416
Disposals	–	–	69	–	69
Reclassification	–	–	–	–	–
As at 31 December 2012	**2,447**	**–**	**15,032**	**–**	**17,479**
Net book value					
As at 1 January 2011	4,805	10,949	4,551	66	20,371
As at 31 December 2011	4,804	11,821	3,663	110	20,398
As at 31 December 2012	**4,804**	**11,821**	**2,760**	**104**	**19,489**

As in the previous year, the additions to amortisation on intangible assets did not include any extraordinary amortisation.

Of the intangible assets in the amount of k€ 19,489 as at the balance sheet date (2011: k€ 20,398) k€ 7,913 were located in Germany (2011: k€ 8,244), k€ 1,282 in the Czech Republic (2011: k€ 1,309), k€ 10,282 in France (2011: k€ 10,833) and k€ 12 in other countries (2011: k€ 12).

The remaining amortisation period of significant other intangible assets is:

- ERP Software of Leifheit AG — 2.5 years
- Customer base of Leifheit CZ a.s. — 8 years
- Customer base of Herby Industrie S.A.S. — 1 year

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 attributed to the 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 "pressure steam ironing" 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 2013 budget, which covers the next two years in the scope of a medium term planning, and were compared to 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 approximately 5% annually with a corresponding rise in earnings were assumed for the cash-generating unit "Leifheit" owing 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. They are based on the average costs of capital at the time of the impairment test in the amount of 6.0% respectively (2011: 6.6%) whereas a risk-free interest rate of 2.3% (2011: 3.5%), a market risk prime of 6.0% (2011: 5.0%) and a beta factor of 0.8 (2011: 1.0) as well as debt capital costs of 3.5% (2011: 4.4%) were assumed. A growth rate of 1.0% (2011: 1.0%) was assumed.

As at 30 September 2012, 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 value adjustment in the "Leifheit", "Birambeau" and "Herby" cash-generating units:

- 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 2013 budget allowing for a 20% discount
- Increase of the discount rate by 2.0 percentage points

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

	Goodwill		Brands	
k€	**2012**	2011	**2012**	2011
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
Leifheit CZ a.s.	872	872	–	–
Pressure steam ironing	1,209	1,209	–	–
Soehnle brand	–	–	4,804	4,804
	11,821	**11,821**	**4,804**	**4,804**

(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€ 2,852 (2011: k€ 3,465).

(27) Other non-current assets

k€	**31 Dec 2012**	31 Dec 2011
Other non-current assets (less than k€ 100)	186	184
	186	**184**

Of the other non-current assets in the amount of k€ 186 as at the balance sheet date (2011: k€ 184) k€ 6 were located in Germany (2011: k€ 9), and k€ 180 in other countries (2011: k€ 175).

(28) Trade payables and other liabilities

k€	31 Dec 2012	31 Dec 2011
Trade payables	19,073	20,478
Employees	7,738	8,194
Customer bonuses	4,867	5,368
Advertising cost subsidies	4,211	3,809
Other taxes (excluding income taxes)	1,546	1,629
Debtors with credit balances	1,416	1,434
Outstanding invoices	1,203	1,155
Social security contributions	928	903
Purchase commitments	810	270
Commission obligations	533	439
Customer discounts	468	470
External annual financial statement costs	415	380
Supervisory Board compensation	255	170
Tax advice	200	163
Severance payments to sales representatives	189	811
Energy costs	163	103
Royalties	128	131
Other liabilities (less than k€ 100)	806	1,003
	44,949	**46,910**

The trade payables and other liabilities have a remaining term of up to one year.

Liabilities to employees relate in particular to December wages paid in January as well as to bonuses.

A contingent liability in the amount of k€ 1,210 of Leifheit-Birambeau S.A.S. in France exists from a tax audit that is still pending.

For restructuring measures decided in Spain and Romania, it is expected that costs will be incurred in the amount of approximately k€ 600.

(29) Provisions

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 primarily relate 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€ 200 (2011: k€ 139).

The provisions for warranties, compensation payments and litigation costs of k€ 4,696 (2011: k€ 5,064) 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.

The breakdown as well as the development is shown in the following tables:

	31 Dec 2012			31 Dec 2011		
k€	Total	of which current	of which non-current	Total	of which current	of which non-current
Warranties	4,026	3,294	732	4,311	3,579	732
Personnel	1,795	–	1,795	1,792	–	1,792
Onerous contracts	35	35	–	35	35	–
Other provisions	2,310	2,310	–	1,447	1,447	–
Balance sheet amount	**8,166**	**5,639**	**2,527**	**7,585**	**5,061**	**2,524**

	Current provisions			Non-current provisions		
k€	Warranties	Onerous contracts	Other current provisions	Warranties	Personnel	Other non-current provisions
As at 1 January 2012	3,579	35	1,447	732	1,792	–
Foreign currency differences	1	–	2	–	–	–
Utilisation	3,575	35	402	329	468	–
Reversal	–	–	482	–	–	–
Addition	3,289	35	1,745	329	471	–
As at 31 December 2012	**3,294**	**35**	**2,310**	**732**	**1,795**	**–**

(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 2012	31 Dec 2011
Present value of defined benefit obligations (DBO)	56,335	42,357
Fair value of plan assets	-838	-790
Actuarial losses/gains not yet recognised	-13,343	14
Recognised net liability from pension obligations in Germany	**42,154**	**41,581**
Pension obligations in France	774	693
Employee benefit obligations	**42,928**	**42,274**

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

k€	2012	2011
Current service cost	355	453
Interest expense on the obligation	2,242	2,230
Expected income from plan assets	-6	-7
Total cost of post-employment benefits	**2,591**	**2,676**

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

k€	2012	2011
Net liability at start of year	41,581	40,716
Net expense reported in the statement of comprehensive income	2,591	2,676
Payments to beneficiaries	-2,018	-1,811
Recognised net liability at end of year	**42,154**	**41,581**

In addition, contributions of k€ 2,373 were paid to government pension providers (2011: k€ 2,745).

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

k€	2012	2011
DBO at start of year	42,357	43,825
Current service cost	355	453
Interest expense	2,242	2,230
Benefit payments	-2,018	-1,890
Actuarial gains/losses	13,357	-2,261
Others	42	–
DBO at end of year	**56,335**	**42,357**

The fair value of plan assets changed as follows during the financial year:

k€	2012	2011
Fair value of plan assets at start of year	790	862
Expected income from plan assets	6	39
Losses from plan assets	–	-7
Transfers to plan assets	–	9
Benefit payments	–	-113
Others	42	–
Fair value of plan assets at end of year	**838**	**790**

The plan assets cover reinsurance policies with German insurance companies.

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

in %	31 Dec 2012	31 Dec 2011
Discount rate	3.5	5.5
Expected income from plan assets	4.0	4.0
Future income trend	2.5	2.5
Future pension trend	2.0	2.0
Rate of staff turnover	–	2.0
Basis of calculation: Prof. K. Heubeck actuarial tables	2005 G	2005 G
Arithmetical final age	RVAGAnpG 2007	RVAGAnpG 2007

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€	2012	2011	2010	2009	2008
DBO as at end of reporting period	56,335	42,357	43,825	61,007	57,564
Plan assets as at end of reporting period	838	790	862	15,713	14,353
Plan deficit	55,497	41,567	42,963	45,294	43,211
Adjustment of plan liabilities to reflect historical data	-24	659	937	-754	-1,026
Adjustment of plan assets to reflect historical data	-12	7	1	835	-418

(31) Subscribed capital

The subscribed capital of Leifheit AG in the amount of k€ 15,000 (2011: k€ 15,000) is denominated in euros and is 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 no-par-value bearer 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 the 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 non-cash contributions. The existing shareholders will be granted subscription rights. However, with the approval of the Supervisory Board, the Board of Management is authorised to exclude shareholders' subscription rights in the following circumstances:

- for the equalisation of fractional amounts,
- insofar as the capital increase serves the purpose of acquiring companies, company shares or participating interests in companies by way of contribution in kind,
- 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 when the Board of Management sets the issue price (sections 203 para. 1 and 2, 186 para. 3 sentence 4 AktG) and the exclusion of subscription rights only applies to new shares not exceeding 10% of the share capital on the date when the authorisation is entered in the commercial register or, if lower, 10% of the share capital (10% threshold) on the issue date of the new shares. For the issue of the utilisation of the 10% threshold, the exclusion of 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 in the amount of k€ 16,934 (2011: 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 250,525 treasury shares on 31 December 2012. This corresponds to 5.01% of the share capital. The share capital amount allocated thereto is k€ 752. An amount of k€ 7,598 was expended for this.

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.

No treasury shares were acquired in the reporting period. In the previous year 7,476 shares were acquired for k€ 128. This corresponded to 0.15% of the share capital. The share capital amount allocated thereto was k€ 22.

Leifheit used 7,075 treasury shares in the form of issuance of employee shares during the reporting period. This corresponded to 0.14% of the share capital. The share capital amount allocated thereto was k€ 21. No treasury shares were utilised in the previous year.

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

(34) Retained earnings/other reserves

The retained earnings include the statutory reserve in the amount of k€ 1,023 (2011: k€ 1,023), other retained earnings in the amount of k€ 64,946 (2011: k€ 59,114) as well as the net result for the period allocated to the shareholders of the parent company in the amount of k€ 9,398 (2011: k€ 12,075). The other reserves include the part of consolidated net result earned in past years which was not distributed to shareholders. In the year under review, the dividend for the financial year 2011 was paid in the amount of € 1.30 per share, or a total of k€ 6,170 (2011: k€ 14,227).

Other reserves on the one hand include the translation reserve for effects from currency differences arising from the translation of financial statements consolidated in the Group which are not prepared in the Group's reporting currency as at the balance sheet date in the amount of k€ 897 (2011: k€ 791) and for effects arising from foreign currency loans to subsidiaries in substitution of equity in the amount of k€ 1,962 (2011: k€ 1,730).

An additional component of other reserves are reserves from cash flow hedges in the amount of k€ -256 (2011: k€ 0).

(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., Bucharest, Romania.

(36) Proposal for 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 2012 amounts to € 13,590,000.00.

Leifheit AG holds 250,525 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 € 1.50 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 6 June 2013:

From the balance sheet profit of the company for financial year 2012 in the amount of € 13,590,000.00, a dividend of € 1.50 per no-par-value bearer share eligible to receive dividends – this is a total of € 7,124,212.50 due to 4,749,475 no-par-value bearer shares – will be distributed to the shareholders. The remaining amount of € 6,465,787.50 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.

- Currency risk

  The Group is exposed to foreign currency risks from purchases and turnover in currencies other than the functional currency of the relevant Group operating unit.

  Around 24% (2011: 23%) of the Group turnover is earned in foreign currencies, 39% (2011: 38%) of the costs are incurred in foreign currencies.

  The following table shows the sensitivity of consolidated earnings before tax and Group equity regarding the foreign currency valuation on the balance sheet date alongside a change in the exchange rate of the relevant foreign currencies – the U.S. dollar and the Czech koruna – deemed generally possible 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	**Effects as at 31 Dec 2012**	Effects as at 31 Dec 2011
U.S. dollar	+5%	4	9
	-5%	-5	-10
	+10%	8	17
	-10%	-10	-20
Czech koruna	+5%	401	162
	-5%	-443	-179
	+10%	766	308
	-10%	-936	-376

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

	Currency performance	**Effects as at 31 Dec 2012**	Effects as at 31 Dec 2011
U.S. dollar	+5%	1,077	–
	-5%	-1,190	–
	+10%	2,056	–
	-10%	-2,513	–
Czech koruna	+5%	685	547
	-5%	-758	-605
	+10%	1,308	1,044
	-10%	-1,599	-1,276

- Cash flow hedges

The Group also has derivative financial instruments. Among these are foremost currency forward contracts as described in more detail on page 44 of the General accounting and valuation principles. The aim of these derivatives is to hedge against currency risk arising from the Group's operations.

Currency forward contracts for future payment obligations existed in U.S. dollar as at 31 December 2012, which can be attributed to a transaction that is highly probable to materialise in the future. It involved the expected and highly probable future purchases of goods in the months of January 2013 to December 2014 from suppliers in the Far East amounting to USD 30.0 million. From the hedging instruments as at 31 December 2012, a non-realised expense of k€ 256 (of which k€ 100 as the effect from tax on income) was recognised in equity without affecting net income.

Furthermore during the financial year 2013, currency swaps in the amount of USD 9.0 million were held, which were valued at the attributable fair value.

Please find more information in Note 21.

- 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.

Derivative financial assets in the amount of k€ 12 (2011: k€ 46) as well as derivative financial liabilities in the amount of k€ 389 (2011: k€ 585) were included at their attributable fair value on the balance sheet as at 31 December 2012. The Group uses the following hierarchy for the determination and statement of the attributable 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.

As at the balance sheet date, short-term lines of credit in the amount of € 11.5 million (2011: € 15.2 million) were available. Of this amount, € 2.6 million (2011: € 2.5 million) was used in the form of draft guarantees as at the balance sheet date. Current account credit lines not drawn down amounted to € 8.9 million (2011: € 12.7 million).

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

k€	Valuation category pursuant to IAS 39	Book value 31 Dec 2012	Book value 31 Dec 2011	Fair value 31 Dec 2012	Fair value 31 Dec 2011
Financial assets					
Cash and cash equivalents	a)	21,738	29,511	21,738	29,511
Structured money market instruments	d)	11,979	–	11,979	–
Trade receivables	a)	51,535	46,067	51,535	46,067
Derivative financial assets	c)	12	46	12	46
Other financial assets	a)	6,593	15,398	6,593	15,398
Financial liabilities					
Trade payables	b)	19,073	20,478	19,073	20,478
Derivative financial liabilities	c)	389	585	389	585
Other financial liabilities	b)	15,664	15,706	15,664	15,706

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 without effects on net income
d) Financial assets and liabilities measured at fair value with effects on net income

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

k€	Interest	From subsequent measurement: Currency translation	Value adjustment	Change in fair value	2012	2011
Cash and cash equivalents	308	-237	–	–	71	504
Structured money market instruments	–	–	–	-21	-21	–
Trade receivables	–	197	-645	–	-448	1,270
Derivative financial assets*	–	1,800	–	–	1,800	802
Other financial assets	82	–	–	–	82	235
Trade payables	–	64	–	–	64	3
Derivative financial liabilities*	–	-2,132	–	–	-2,132	-1,811
Other financial liabilities	-285	–	–	–	-285	-146

* 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.

(38) Contingent liabilities

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

(39) Other financial liabilities

There are rental and leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with an annual expense of about € 3.8 million (2011: € 4.9 million). The future minimum payments on basis of lease and rental agreements without cancellation option for up to one year amount to € 2.8 million (2011: € 2.8 million), between one and five years € 1.0 million (2011: € 1.7 million), and for longer than five years € 0.0 million (2011: € 0.4 million). The leases constitute operating leases in the definition of IAS 17.

As at 31 December 2012, purchase commitments totalled € 1.1 million (2011: € 1.4 million).

There are contractual obligations to acquire items of tangible assets in the amount of € 1.6 million (2011: € 3.6 million), relating to tools and logistics facilities in particular.

(40) 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 amounted to k€ 1,938 (2011: k€ 1,896), of which variable remuneration amounted to k€ 1,368 (2011: k€ 1,326). As in the previous year, no remuneration was paid to the Board of Management for the assumption of responsibilities at subsidiaries. The members of the Board of Management who were active during the financial year 2012 do not hold performance-oriented pension entitlements. Therefore, as in the previous year, no addition to the pension commitments (DBO according to IFRS) was made for the active members of the Board of Management.

The annual variable remuneration of a member of the Board of Management is measured by the EBT of the Leifheit Group and is paid following the adoption of the annual financial statements by the Annual General Meeting. The long-term variable remuneration is measured by the EBT of the years 2011 and 2012 for the Leifheit Group and will be paid out respectively after the adopted annual financial statements are published. The payment amount of both the annual as well as the long-term variable remuneration has a cap.

As of the financial year 2011 the company has granted one of its board members a remuneration component for short- and long-term variable remuneration, which results from an EBT and an EBIT multiplier as well as a stock value multiplier.

The amount paid for short-term variable remuneration 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 to be 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 business 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 2010 calendar year and the last 90 trading days of the 2014 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. The EBIT multiplier is capped at 2.0 and the payment at € 4.0 million. 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 2012 is k€ 1,880; the recognised provision amounts to k€ 975. It will be paid within four weeks of the resolution on the appropriation of profits by the Annual General Meeting for the business year 2014. The Supervisory Board may determine an appropriate advance payment in January 2014 and in January 2015.

The Annual General Meeting on 26 May 2011 resolved in accordance with section 314 para. 2, sentence 2 HGB to dispense with the personalised disclosure of information demanded under section 314 para. 1 no. 6a sentences 5 to 8 HGB with regard to the remuneration of the Board of Management.

The remuneration of the Supervisory Board amounted to k€ 285 (2011: k€ 498).

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

The remuneration of the former members of the Board of Management amounted to k€ 402 (2011: k€ 398). Provisions created for the current pensions (DBO according to IFRS) in the financial year 2012 amounted to k€ 7,492 (2011: k€ 6,104).

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

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

(43) Related party transactions

There were no transactions with related parties external of the Group in the reporting period.

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

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

Shareholders who have disclosed their voting rights in accordance with the German securities trading act (WpHG) were Home Beteiligungen GmbH, Munich, MKV Verwaltungs GmbH, Grünwald, Mr. Joachim Loh, Haiger, 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-percent 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, Germany, 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, 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, D-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."

(45) Declaration according to section 161 AktG (German corporate governance code)

In December 2012, the Board of Management and the 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/en/investor-relations/corporate-governance.

(46) Events after the balance sheet date

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

(47) 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.

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

The remuneration of the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, recorded as expense in 2012, amounted to k€ 261 for the audit of the financial statements (2011: k€ 269), k€ 3 for other certification services (2011: k€ 8), k€ 292 for tax advising services (2011: k€ 166), and k€ 95 for other services (2011: k€ 51).

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 organs of other companies:

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	Deputy Chairman of the Supervisory Board (until 17 January 2012)
	Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler	Member of the Advisory Board

Nassau/Lahn, 18 March 2013

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

We declare that, to the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the 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, 18 March 2013

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 comprehensive income, the statement of financial position, 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 2012 to 31 December 2012. 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.

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, 18 March 2013
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 its audit opinion, was prepared in accordance with the provisions of the HGB and the AktG.

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 Federal Gazette. In this case, the version submitted to the Federal Gazette is binding.

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

Contacts and key dates

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Key dates

- 14 May 2013
  Quarterly financial report for the period ending 31 March 2013

- 6 June 2013
  Annual General Meeting, 10:30 a.m.
  Leifheit AG Customer and Administrative Centre, Nassau/Lahn, Germany

- 13 August 2013
  Financial report for the half-year ending 30 June 2013

- 11 November 2013
  Quarterly financial report for the period ending 30 September 2013

Legal Notice

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