Annual Financial Report 2013
Condensed Version

CLEVER
ACTIVE
IN > 80
COUNTRIES
1,026 Employees
People
& Ideas
INNOVATION
AND QUALITY
innovative
high-
quality
branded
products
Turnover of € 219.5
million in 2013
POS EXCELLENCE

I TRUST IN LEIFHEIT

E-COMMERCE
efficient
Focus on
brand and
margin
FOCUS
MARKETS
DISTRIBUTION
IN INTERNATIONAL
MARKETS
*Consumer-
oriented
Productinno-
vations*
QUALITY

LEIFHEIT
Aktiengesellschaft

KEY RESULTS AT A GLANCE

2013 TARGETS	2013 RESULTS	2014 TARGETS
Turnover[1]	**Turnover**[1]	**Turnover**
Group: 2.0% to 4.0% Brand Business: 3.0% to 5.0% Volume Business: stable	Group: 1.0% Brand Business: 1.1% Volume Business: 0.6% (stable growth)	Group: stable at previous year's level Brand Business: 1.0% to 3.0% Volume Business: slight downward trend
EBIT	**EBIT**	**EBIT**
at the level of the previous year's adjusted result of € 13 million	€ 14.9 million	stable earnings at previous year's level
Investments	**Investments**	**Investments**
€ 6.0 million	€ 3.6 million	€ 6.0 million
Strategic goals	**Strategic goals**	**Strategic goals**
Strengthen innovation	40% of turnover from new products[2]	Consistent orientation of organisation towards innovation relevant to consumers
Focus on POS excellence	50 new shop-in-shop systems in Germany and Europe	50 further shop-in-shop systems planned
Intensify e-commerce activities	28.0% increase in turnover in 2013	Continued double-digit growth rates
Stabilise focus markets	Growth in the focus markets of 1.5%	International growth through country-specific measures in Sales and Marketing

[1] turnover adjusted for the discontinued business with Dr Oetker Bakeware
[2] percentage of turnover from products that have been launched during the past three years

You can find the table of key figures on the back inside cover of the annual financial report.

GROUP PROFILE

The Leifheit Group is one of the leading European suppliers of household items in the cleaning, laundry care, kitchen and wellbeing sectors. Under the Leifheit and Soehnle brands – two of Germany‘s best-known brands – the group offers high-quality, innovative products with great utility and pioneering design.

With the exception of its Brand Business, the Group operates with French subsidiaries Birambeau and Herby in its service-oriented Volume Business, where products are sold at mid-range prices.

LEIFHEIT GROUP

BRAND BUSINESS

LEIFHEIT SOEHNLE

VOLUME BUSINESS

birambeau herby Project Business

LOCATIONS

- Locations and branches
- Sales regions

PRODUCT CATEGORIES

CLEANING

Clean home – superior solutions for every demand

Leifheit has a clean and superior solution for every challenge and every demand. Our cleaning products are elaborated and many things can be combined in a flexible way.

For sensitive surfaces and particular demands we offer special systems for gentle and effective cleaning. The different products make cleaning a smoother process – without bending down, without effort and without dirty hands.

LAUNDRY CARE

Fresh laundry easy laundry care

Whether it's laundry dryers for the house or rotary clothes dryers for the garden, an ironing board or a complete steam ironing system – Leifheit ensures fresh, clean and well-kept laundry.

Our stable and durable laundry care products are easy to put up and to take down. They are easily stored and function reliably. With innovative materials and different performances they offer a convenient solution for every household and demand.

KITCHEN GOODS

Smart kitchen – always better conceived

Whether it's for opening, cooking, cutting or storing – Leifheit's kitchen accessories simplify work and keep hands and kitchens clean.

Our kitchen accessories are smooth-running and safe – each offers a clever, well-conceived solution in itself. With their attractive design, our products suit both modern and classic kitchens.

WELLBEING

Wellbeing – for a balanced life

Under the Soehnle brand, we offer a multitude of products that make life easier. From innovative to classic – our scales always cut a fine figure in the kitchen and the bathroom.

Modern heating products and design-oriented diffusers and air humidifiers create a sense of wellbeing in the home.

I TRUST IN LEIFHEIT

Reliability breeds confidence. The confidence to implement a strategy even in turbulent times and to reach set goals. But also confidence in high-quality products and strong brands. They help to create the margins needed to achieve long-term profitability. They are the key to lasting and profitable growth.

In this financial report, we will show you the strategy we have implemented over the past few years and what we are currently working on.

In the future we want our stakeholders to be able to say with complete confidence: I trust in Leifheit!

CONTENTS

Link to the website

LB Reference to the management report

AH Reference to the notes

NH Sustainability

FOREWORD BY THE BOARD OF MANAGEMENT

Dear Ladies and Gentlemen,

Despite the fact that Leifheit closed the financial year 2013 with a revenue result that not fully met our expectations, it nonetheless reflects a consistently positive performance on the part of the Group. The adjusted turnover amounted to € 219.5 million and was thus 1.0% higher than in the previous year. In contrast, our operating results were in line with projections. Adjusted for positive one-off effects arising out of the termination of the license agreement with Dr Oetker Bakeware in 2012, EBIT increased by € 1.9 million to € 14.9 million in the reporting period.

The decisive influencing factor for the restrained growth in our turnover was first of all the overall economic situation. The majority of our target countries in Europe exhibited low rates of growth, with some even evidencing a renewed decline in their economic performance. While the domestic German market developed favourably and countries such as Spain, Portugal and Greece showed initial signs of recovery, new challenges arose in established markets such as the Netherlands and Belgium.

Apart from the economic situation, unfavourable weather conditions with long periods of frost extending into spring had an adverse effect on our business. This was particularly the case for sales of products for outdoor use, such as our rotary dryers. However, we were largely able to counterbalance this effect over the course of the year.

We intend to reduce our dependence to economic developments in our sales markets and promote further growth in the future. How are we going to accomplish that? For example: In 2013 Leifheit set up more than 50 shop-in-shop systems in the context of its POS excellence initiative. The underlying idea: high-grade and uniform presentation of the Leifheit and Soehnle brands at points of sale to strengthen our position, reinforce consumers' positive perception of our brands and distinguish us from our competitors. Accompanying communication efforts additionally serve to increase consumer awareness of our activities in this regard. The outcome: these measures resulted in average increases in turnover of up to 50% in the presentation areas of the participating dealers, thus supporting the trading-up efforts of local retailers, increasing the turnover rate for our products and creating profitable growth within the Group. This success shall be further extended in 2014.

In addition to the POS excellence initiative, for the attainment of our growth-related goals we particularly require successful products tailored to the needs of the consumer and providing real added value. We have therefore implemented some structural changes with a view to strengthening Leifheit's innovative capacity: Improvements in innovation management and optimisation of research and development processes.


Dr Claus-O. Zacharias and Thomas Radke

Dr Claus-O. Zacharias (CFO)

Dr rer. pol. Claus-O. Zacharias was born in Worms in 1954. After studying business administration and gaining his doctor's degree, he held various positions as Commercial Director and Chief Financial Officer with various companies, including Eismann International, Steilmann-Holding, tegut... Gutberlet Stiftung, Lehnkering and NICI.

Dr Claus-O. Zacharias has been a member of the Board of Management of the company since 1 December 2008 and is responsible for the Finance, Controlling, HR, Business Processes / IT, Purchasing, Operations and Quality Management divisions.

Thomas Radke (CEO)

Thomas Radke was born in 1961 in Mainz. After studying business administration, he held various management positions in marketing, sales and general management at Carl Zeiss Vision and Procter & Gamble / Wella in Germany and Switzerland, and at Effem / Mars and Henkel in Spain, China and Germany. Most recently he served as a member of the Board of Management of Herlitz AG and as a Director on the Administrative Board of Pelikan Holding AG.

Thomas Radke has been the Chairman of the Board of Management of Leifheit AG since 1 January 2014. As a member of the Board of Management, he is responsible for Sales, Marketing, Development, Legal/IP and Audit divisions.

Furthermore, we will continue to intensify our sales strategy at the country level. Our goal is to enable more efficient handling of our strategic target markets in the future. In this regard, we are focusing on the established markets within the DACH region and also Central and Eastern Europe.

Additionally we will be enhancing our e-commerce activities with a view to achieving further growth at the international level. For this pupose, we are working with global trading partners and bolstering the sale of our products through the use of professional product information systems as well as online and offline campaigns. Once again we recorded a double-digit increase of approximately 28% in turnover from our e-commerce activities as compared to the previous year. We intend to continue in the same vein.

Ladies and gentlemen, the financial year 2013 was a very intense and eventful one for Leifheit. It was influenced by difficult weather conditions in the spring, the discontinuation of the sale process for the majority of the shares in the company in the middle of the year, the appointment of a new Chairman of the Board of Management in autumn and the overall highly diverse market developments in our target countries, all of which also had an effect on the performance of our share.

In the year ahead, we will once again face a number of challenges, particularly with regard to our medium-term strategic growth objectives for 2016. However: we firmly believe that Leifheit is in a better position today than it has ever been. We have established the foundation for this through consistent implementation of our strategic measures over the past few years. As a result of investments in the quality of our purchasing, production and distribution activities, today we are able to work more quickly, flexibly and cost-effectively than ever before. An indicator for our productivity is our adjusted EBIT margin, which increased from 4.2 to 6.8% over the past three years. Sustained achievement of attractive margins will remain the focus of our activities in 2014.

Leifheit's financial position is very solid: At the end of 2013, we had an equity ratio of 46% and liquidity in the amount of € 52 million. This was the result of our solid, results-driven financial strategy. Leifheit's stable financial position will remain its hallmark in the future. It provides us with the necessary flexibility to continue to pursue our strategy for further growth under our own steam.

We apply similar standards to those applied, with regard to our financial position to our dividend policy. This is characterised by commensurate participation by our shareholders in the company's success. This will continue to be the case in the future: the Board of Management and the Supervisory Board will be proposing the payment of a dividend of € 1.65 for each share entitled to dividends for the financial year 2013 to the Annual General Meeting.

Allowance should be made for various effects with regard to our projected business development in 2014: on the one hand, we anticipate that the implementation of our strategy will generate positive momentum. On the other hand, the situation in certain crisis-ridden countries in Europe is set to remain uncertain and market developments such as the Praktiker/Max-Bahr insolvency will continue to affect the growth of our turnover in 2014. This notwithstanding, early economic indications currently augur well for a gradual economic upturn – above all in Europe. Should the general conditions currently prevailing – including those with regard to the markets for raw materials and foreign exchange rates – develop in line with current expectations, Leifheit will once more generate turnover in the amount of approximately € 220 million in the financial year 2014. We remain optimistic that we will experience growth in our Brand Business. Our operating results in 2014 are expected to remain constant at the 2013 level.

We would like to express our warmest thanks to our employees. It is their commitment and effort that has enabled Leifheit to continue to implement the necessary structural changes and its strategy, and to find itself well placed today to operate successfully in the market. We also owe a debt of thanks to our customers and suppliers for the faith they have placed in our company.

We wish to thank our shareholders in particular for their support. This support will continue to motivate us in the future to consistently push forward our strategy in their interests and to increase the value of the company on a sustained basis.

Nassau, March 2014

Thomas Radke

Dr Claus-O. Zacharias

INTERVIEW WITH THE CHAIRMAN OF THE BOARD OF MANAGEMENT

In conversation with Thomas Radke, the new Chairman of the Board of Management of Leifheit AG, on the subject of motivation, brand development and megatrends.

Mr Radke, what attracted you to take on the position of Chairman of the Board of Management at Leifheit?

It was a number of things: first of all, the company has two strong brands Leifheit and Soehnle. I have always greatly enjoyed working with strong brands, such as Persil, Zeiss, Wella and Pelikan. Secondly, this is a very exciting industry! The individual product segments are marked by great diversity and at the same time the whole market is greatly segmented. Our competitors are highly diverse – comprising both national and international players, and major corporations and medium-sized companies. This is a real challenge, and I like to take up challenges. Thirdly, Leifheit's size makes managing the company a pleasurable experience: It is large enough that sufficient room for manoeuvre exists whilst being compact enough to be able to take prompt action at all corporate levels. Last but not least, the company has a very sound economic and financial structure in place. This provides a wonderful starting point for a forward-looking business strategy.

You have now been with the company for almost 90 days – what impression have you formed in that time of Leifheit's current situation?

First of all, I have to say, that I like working with the people I have encountered here, something that I consider to be extremely important. However, beyond this there is also a need for action. Increasing the company's turnover is a crucial issue in this regard. There is no question that external effects beyond the company's control, such as the economic environment, the Praktiker insolvency and the weather situation in spring, which has traditionally been of importance for Leifheit, have had an adverse effect on the Group. The growth in turnover realised in the financial year 2013 has not fully met our expectations. We need to step up a gear in this respect.

What does that mean in specific terms?

We will be setting Leifheit on a clear course for profitable growth at all levels. This objective will form the focus of our strategy over the coming years; innovation, marketing and distribution will be the main focal points in this regard. Basically Leifheit already has a strategic direction and drivers of growth in place, which will need to be strengthened further. Thus, it will not be necessary to completely overhaul the company in order to achieve success.

Mr Radke, your motto for 2014 is: "Brands and Margins". What do you mean by this?

With Leifheit and Soehnle, our company has two strong brands which enjoy a great degree of consumer confidence. The quality, durability and functionality of our products provide considerable added value: they make light work of household chores. At the same time, we have a strong market presence both in the local retail context and online. We are convinced that we will be able to develop these strengths and thus realise attractive margins on a sustained basis. Our focus is therefore on achieving a sustained increase in our operating margins by streamlining our cost structures and strengthening our brands. In addition we will manage our Volume Business increasingly under the aspect of profitability.

Leifheit is pursuing a number of objectives: concentration on strategic target markets, development of its e-commerce activities and innovative capacity, strengthening of its brands and its presence at points of sale – what are the key focal points here?

Leifheit intends to achieve growth across the board in the Brand Business. Therefore we need to consider all the aforementioned aspects. As I see it, the focus is not only on one market sector or individual measure: It's just like flying a plane – you don't limit yourself to just one instrument or indicator. We will coordinate various measures in such a way as to bring about the growth of our company.

"Ultimately, the end consumer is the focal point of our endeavours. It is their choice, day in, day out, on the shop floor or on the Internet to decide whether or not we will reach the goals we have set ourselves for 2016."

Thomas Radke

To give one example: I remain convinced that there are good prospects for growth in our key European markets. However, Leifheit will also be active outside of these key countries, for example in major metropolitan areas in Russia and also to a greater extent in the exciting Turkish market as at the end of this year. In addition, every strategy must be subjected to ongoing review and adjustment in line with changing conditions. Therefore, we will be discussing the further development of our strategy within the Board of Management and together with our management team during the course of the year.

Your company has a strong balance sheet with large holdings of cash and cash equivalents and no liabilities. Which objective will the Group be pursuing in the future: attractive dividends or inorganic growth?

First of all, on the subject of dividends: Leifheit is following an attractive dividend policy for many years. It will continue to do so in the future. As for growth: we are first and foremost aiming to achieve organic growth. However, we are also open to striving for inorganic growth under certain conditions, above all with a view to entering new markets or expanding our business in our target markets. Our excellent liquidity situation gives us considerable flexibility and we are well placed internally to entertain the possibility of an acquisition.

2013 was an average year for the Leifheit shareholders with reference to the performance of the share price. Is investing in your company a wise move?

It certainly is. Our business development was positive in 2013 – in the face of a challenging market environment. We have well-known brands which enjoy a great degree of consumer confidence and are established in the higher-priced segment of many attractive markets. At the same time, Leifheit is an innovative force in the areas of product development and sales and it has solid sources of financing at its disposal as well as – as already mentioned – an attractive dividend policy. I'd just like to say one thing with regard to the performance of our share: 2013 was indeed an exceptional year. The performance of our share price was influenced by sales discussions on the part of our majority shareholders. The price of the Leifheit share has increased nearly fivefold over a five-year period, with the SDAX increasing by only about two and a half times in the same period. I am therefore definitely of the opinion that investing in Leifheit is worthwhile!

Growth in the company's turnover was restrained in 2013. Leifheit's declared goal was previously: turnover of € 250 million and an EBIT margin of 8% by 2016. Is this still realistic in light of its performance to date?

We are convinced that we will attain this goal! My fellow member of the Board of Management has done an excellent job with regard to costs, processes and structures in the past few years. This is very much evident from our income statement, balance sheet and statement of cash flow. It will provide a solid basis for our future growth. In addition to the aspects already mentioned, we will be focusing even more strongly than in previous years on changing retail structures and, on this basis, establishing more points of distribution for and reinforcing the perceived presence of the Leifheit brand in all countries. We will moreover be devoting even greater attention to emerging trends such as convenience, mobility and digitalisation. At the same time, we will be placing a much greater focus than ever before in the product development and communication contexts on the needs of the consumers. After all, it is their choice on the shop floor or on the Internet to decide whether or not we will reach the goals we have set ourselves for 2016.

Which Leifheit product is your personal favourite?

Leifheit has a great number of exciting and clever products in its four product categories. There has not been enough time so far for me to familiarise myself with the details of every single product. However, I am very impressed by our window vacuum cleaner which we launched with great success on the market last year. I am also very keen on our rotary dryers. These are even safe and easy enough for my two kids to use. I am delighted that our Linomatic 500 was the top performer in tests carried out by the magazine Haus & Garten, being awarded the rating "very good". However, I am even more delighted that we are regularly awarded accolades in all our product categories. I will put every effort into ensuring that the company receives further awards for clever and consumer-relevant product innovations in the future.

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 a publicly listed stock corporation with registered offices in Germany. The 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 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 13 May 2013. 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 2013. 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 a 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 after the Annual General Meeting, we publish attendance figures and the results of voting on the website.

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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 counselled by the Supervisory Board with regard to the management of the company. The Board of Management and the Supervisory Board of Leifheit AG communicate openly with each other in a spirit of close cooperation. Transactions and decisions that are of fundamental 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 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 are publicly accessible on our website.

Leifheit has effected an 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 for both the Group and Leifheit AG.

Compliance

Compliance as a group-wide action to ensure compliance with statutory provisions and internal guidelines forms an essential management and monitoring task at Leifheit AG.

With the Leifheit Code of Conduct, we have formulated fundamental rules that are intended to ensure compliance at all times with these provisions and guidelines. The Code of Conduct is intended to assist all Leifheit employees in their day-to-day tasks, thereby serving as a guide when addressing legal and ethical challenges. The management is fully committed to compliance and carries the corporate responsibility to adhere to statutory provisions and internal guidelines.

Appropriate control and risk management

Dealing with risks in a responsible manner is part of corporate governance at Leifheit. A fundamental requirement of professional corporate governance is the continuous and systematic management of business risks. By means of this process, it is possible to identify risks at an early stage, when they can be assessed and controlled by taking appropriate measures. The Board of Management reports regularly to the Supervisory Board on current developments regarding significant risks. The Audit Committee regularly deals with monitoring of the accounting process as well as the effectiveness of the internal control and risk management and effectiveness of the internal audit system. The Committee also deals with the financial statements and the independence of the auditors.

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.

No consultancy agreements or other agreements for contractual performance existed between members of the Supervisory Board and the company in the reporting period. The memberships of Board of Management and Supervisory Board members in statutory supervisory boards or similar 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.

AH for organs, see page 90

Objectives of the Supervisory Board in terms of its composition

In December 2013, the Supervisory Board confirmed the specific objectives set in December 2012 for its 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 of law.
- The Supervisory Board must have at least one member with specialist knowledge of the consumer goods industry or branded companies in an international environment.
- The Supervisory Board must have at least one member with specialist knowledge in the area of business administration.
- In order to represent the largest possible range of life experience, the difference in age between the youngest and oldest member of the Supervisory Board should be at least ten years. No member of the Supervisory Board should be older than 70 years of age.
- There should be at least one woman on the Supervisory Board of 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.

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. More information about 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 2013 financial year have been published on its website.

The total number of shares in Leifheit AG held by all members of the Board of Management was 23,072 as at 31 December 2013. The members of the Supervisory Board directly and indirectly held a total of 2,533,510 no-par-value bearer shares in Leifheit AG as at 31 December 2013, of which 2,513,359 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.

NH
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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

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The declaration of corporate management in accordance with 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.

THE LEIFHEIT SHARE

The stock markets performed favourably in 2013. In this market environment, the price of the Leifheit share also performed well, increasing by 6.6% compared to the beginning of the year. Dividends in the amount of € 1.65 will be proposed for the financial year 2013.

Increasing optimism

The stock exchanges were characterised by growing optimism in the past financial year. Until the middle of the year, uncertainty as to economic growth in Europe and the emerging economies resulted, to some extent, in volatility on the stock markets. Relatively low interest rates for fixed-interest securities and attractive valuations for many shares subsequently led to a generally positive performance by the major leading share indices. Increasing demand in the markets in the second half of the year was due, among other things, to an anticipated rise in inflation rates in the USA and the Eurozone. Against this background, the SDAX as the benchmark index for the Leifheit share rose by almost 30% to 6,789 points by the end of the year.

Solid positive performance by the Leifheit share

The price of the Leifheit share (ISIN DE0006464506) developed positively in the reporting period. It increased in the first quarter of 2013 in line with market developments from € 29.00 at the end of 2012 to its high for the reporting period of € 35.30 at the beginning of April. Following this, an increasing consolidation of shares was observed. On 23 May 2013, the major shareholders announced an end to discussions on the sale of their shares. At the same time, it was announced that Georg Thaller, Chairman of the Board of Management, would be leaving the company with effect from 31 May 2013. Afterwards, the share price fell to € 26.00 in June – the lowest share price in 2013. From the third quarter onwards, the price of the Leifheit share experienced a renewed recovery, closing at € 30.93 at the end of the year. This represents an increase of 6.6% over the course of the year.

+6.6 %
Leifheit share price increase

Over a five-year period, the price of the Leifheit share increased virtually fivefold while the SDAX increased only approximately 2.5 times as much.

Leifheit evidenced market capitalisation of approximately € 155 million as at the end of 2013 (end of 2012: € 145 million). Adjusted for treasury shares, the market capitalisation amounted to € 147 million (end of 2012: € 138 million). The trading volume for the Leifheit share in Xetra trading averaged 3,471 shares per day and was thus greater than the average volume for the previous year (2012: 3,142 shares).

€ 1.65
Dividend per share

Dividend increased to € 1.65 per share

The Board of Management and the Supervisory Board of Leifheit AG will be proposing to the Annual General Meeting on 22 May 2014 the payment of a dividend of

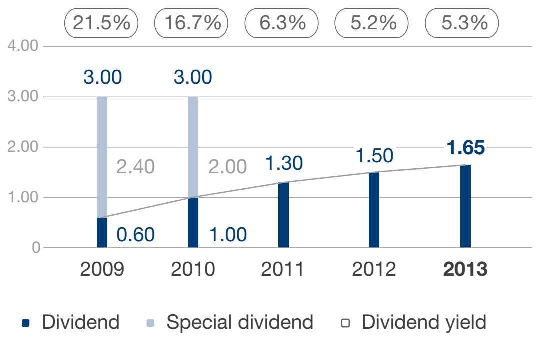
Key figures for the Leifheit share in € per share

	2013	2012	2011	2010	2009
Number of shares (in thousands)[1]	4,749	4,760	4,742	4,750	4,750
High[2]	35.30	30.56	26.90	19.49	14.82
Low[2]	26.00	20.45	16.52	14.00	5.20
Year-end closing price[2]	30.93	29.00	20.50	18.00	13.94
Net result for the period[1), 6)]	2.16	1.97	2.55	1.15	-0.06
Dividend	1.65[3]	1.50	1.30	1.00	0.60
Special dividend[4]	–	–	–	2.00	2.40
Free Cashflow[1]	4.11	-0.28	1.63	1.20	7.78
Own funds[5]	18.30	17.98	19.55	18.36	18.23

[1] not including repurchased treasury shares
[2] Xetra closing prices
[3] proposal to the Annual General Meeting
[4] shareholders' share of the proceeds of sale of the Bathroom Furnishing division
[5] excluding the distribution of the proposed dividends and the share in the profits of the minority shareholders
[6] as at 2010 based on continuing operations

€ 1.65 per share for the financial year 2013 (2012: € 1.50). Assuming the Annual General Meeting approves the proposal, the dividend will be paid out from 23 May 2014 on.

Dividend development
€ per share



Based on the market price of the Leifheit share as at 31 December 2013, the dividend yield amounts to approximately 5.3%. The total amount of the distribution will be € 7.8 million (2012: € 7.1 million), which corresponds to a dividend payout ratio of 45.1% of Leifheit AG's net income for the year (2012: 52.4%).

We aim to ensure that our shareholders participate in the success of our business on a fair and sustained basis. In implementing this 10.0% increase in our dividend, we are taking our reliable and results-oriented dividend policy to a new level.

No repurchase of treasury shares

The Annual General Meeting on 9 June 2010 authorised the Board of Management to purchase treasury shares of up to 10% of the share capital of € 15 million until 8 June 2015. No treasury shares were purchased or disposed of in 2013.

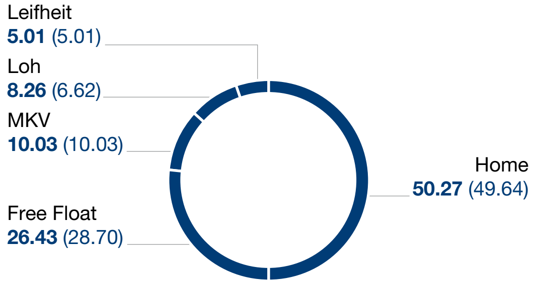
Leifheit AG's holdings of 250,525 treasury shares (corresponding to 5.01% of the share capital) were unchanged at the end of the year. An amount of k€ 7,598 was expended for this. Including ancillary costs, this corresponds to an average of € 30.33 per share.

Changes in the shareholder structure

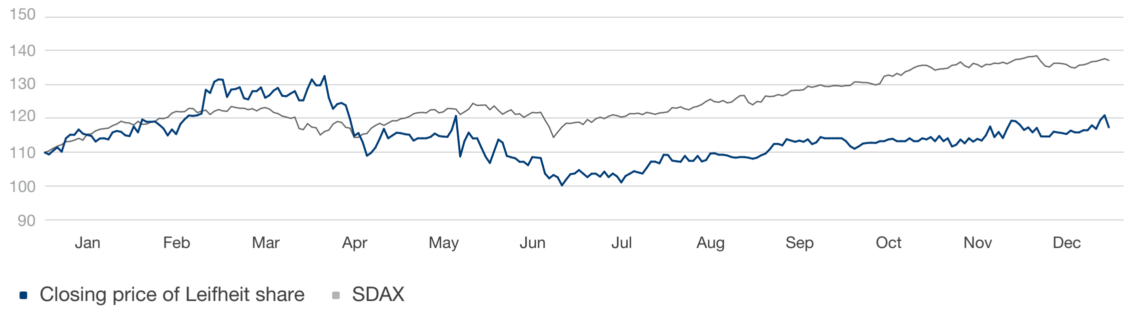
The majority shareholder of the company, Home Beteiligungen GmbH, informed the company on 23 May 2013 that the sales process that commenced in 2012 had been discontinued and that Home Beteiligungen GmbH and MKV Verwaltungs GmbH would be retaining their shareholdings in Leifheit AG.

In the reporting period, there were changes in the Leifheit shareholder structure due to the acquisition of additional shares by Home-Beteiligungen GmbH totalling 0.63%. Based on attendance at the last Annual General Meeting the voting rights of Mr Joachim Loh were adjusted. The following shareholders currently hold more than 5% of the shares in Leifheit AG:

Shareholder structure
in % (previous year's figures)



Performance of the Leifheit share in 2013
in % (based on the price of the Leifheit share) (indexed to 100)



Master data for the Leifheit share

ISIN/WKN	DE0006464506 / 646450
Ticker symbol	LEI (ordinary share)
Trading segment	Prime Standard
Industry	Consumer
Class	No-par-value bearer shares
Stock exchanges	All German stock exchanges
Designated sponsor	Close Brothers Seydler Bank AG
Date of admission to trading	3 October 1984

Renewed positive analyst recommendations

Recommendations from financial analysts are a major consideration for the investment decisions of both institutional and private investors. In 2013 and at the beginning of 2014, analysts recommended investors to “hold” or “buy” the company’s shares, with target prices ranging between € 30.00 and € 37.00.

11/02/2014	Buy Leifheit	€ 36.00	Close Brothers Seydler Research	↗
13/11/2013	Buy Leifheit	€ 34.00	Close Brothers Seydler Research	↗
14/08/2013	Buy Leifheit	€ 34.00	Close Brothers Seydler Research	↗
13/08/2013	Hold Leifheit	€ 30.00	Bankhaus Lampe Research	→
12/04/2013	Hold Leifheit	€ 33.00	Berenberg Bank	→
10/04/2013	Hold Leifheit	€ 34.00	Close Brothers Seydler Research	→
26/03/2013	Hold Leifheit	€ 37.00	Close Brothers Seydler Research	→
18/02/2013	Hold Leifheit	€ 33.00	Bankhaus Lampe Research	→

Investor Relations: intense interaction with the capital markets

Maintaining continuous and open dialogue with the capital markets is of crucial importance for the implementation of our business strategy on the basis of sustained enhancement of value. We endeavour to provide all interested parties with comprehensive and relevant information in a timely and transparent manner. During the reporting period, we continued to build on our links to the various capital markets players:

In February, we attended the 2013 Ambiente international consumer goods trade fair in Frankfurt. There, we unveiled our strategy and product innovations in the context of a press conference for members of the trade and business media and analysts.

Our investor relations activities in March were centred around our annual analysts’ conference, which was held in Frankfurt in conjunction with a press conference announcing our balance sheet results.

In April, a roadshow held in the major financial centres of Europe, offered institutional investors and financial analysts the opportunity to speak directly with the members of our Board of Management.

In June 2013 many of our shareholders exercised their right to receive comprehensive information on our business development from the Board of Management and the Supervisory Board in the context of our Annual General Meeting.

In November, Leifheit presented itself at an investors’ and analysts’ conference at the German Equity Forum (Deutsches Eigenkapitalforum) 2013 in Frankfurt. A number of one-on-one meetings were also held with institutional investors.

We also maintain a regular dialogue with investors and analysts outside of such events. In addition, our shareholders take advantage of the opportunity to obtain information on our current business development by telephone or via email. Furthermore, we make all material information relating to our share, our business strategy and key figures for the Leifheit Group, as well as our financial calendar and all presentations, available for downloading on our website in due time. Our home page also provides numerous possibilities for experiencing the Leifheit Group and its brands and products.

leifheit-group.com

“LACP Award” for annual financial report 2012

Our goal is to continually improve the quality of our capital markets communication. Our efforts in this regard were also accorded independent recognition in the past year: the Leifheit annual financial report 2012 received the Vision Award in Gold of the US League of American Communications Professionals (LACP). This is a prestigious award in the area of international financial reporting and reflects our continuing focus on keeping our shareholders well-informed. We are delighted to have received such recognition of our efforts in this regard. This award represents both an incentive and an obligation to continue to improve the service we provide to our shareholders and all interested parties.

CONSOLIDATED MANAGEMENT REPORT: FOUNDATIONS OF THE GROUP

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

Business activities and business areas

The Leifheit Group's operating business is divided into two segments: Brand Business and Volume Business.

In the Brand Business segment, we distribute our products under two well-known brands: Leifheit and Soehnle. A license for the use of 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 upper price sector.

The Volume Business of the Leifheit Group includes the French subsidiaries Birambeau and Herby as well as Project Business. Here we offer product assortments in the medium price range, plus customer-specific product developments and their production 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.

We design our products using our own in-house development departments. This is in particular beneficial for Brand Business which is in driven by innovation. Production takes place at our own production plants in Germany, the Czech Republic and France as well as in the facilities of external suppliers located in various countries in Europe and Asia. Our products are distributed mostly in Germany and Europe – but also in the USA, the Middle East and the Far East. Distribution takes place in brick-and-mortar shops mainly through large retail chains and wholesalers. We also use more modern distribution channels such as home shopping and e-commerce.

LB Additional information Brand Business starting on page 21

LB Additional information Volume Business starting on page 23

Divisions

Leifheit Group

Brand Business

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

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

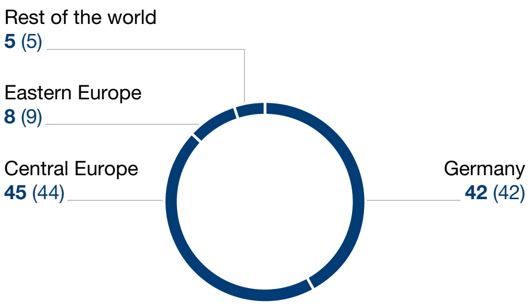
birambeau herby **Project Business**

Markets and market position

We sell our products in more than 80 countries and operate over 15 of our own locations and branches. Our main sales markets are located in the regions of Germany, Central Europe and Eastern Europe. Therefore, we primarily focus our sales and marketing activities on European markets. Outside the borders of Europe, we distribute our products mainly with support from distributors. In the reporting period, we held our market position despite the continuing financial and debt crisis.

15
Locations worldwide

Group turnover by region
in % (previous year's figures)



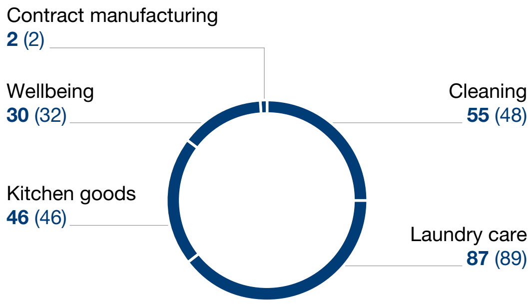
The largest single market for our products for 2013 was once again Germany. Adjusted for business from Dr Oetker Bakeware (see note on page 20), we achieved 42.4% turnover share (2012: 42.6%).

For the financial year 2013, Central Europe (excluding Germany) reached a turnover share of 44.3% (2012: 43.5%). This is the most important sales region for Leifheit. We recorded the highest turnover in the three countries of France, the Netherlands and Austria. Consumption in southern European countries for the reporting period, however, remained clearly influenced by the financial and debt crisis. However, the region of Central Europe remained stable overall.

Eastern European markets contributed an aggregate share of 8.2% (2012: 8.5%) to Group turnover. The slight decline was due to external effects in Russia and Romania.

Outside Europe, we generated only a small share of Group turnover in the rest of the world at 5.1% in the reporting period (2012: 5.4%). Relevant regions overseas are most of all the USA, the Far East including China and the Middle East.

Group turnover by segment
in % (previous years's figures)



At the level of product categories, in 2013 we increased turnover particularly in our cleaning equipment segment – here we are among the leading providers in Germany and Europe – particularly flat wiper systems.

The wellbeing category includes Soehnle brand products. Soehnle brand products are the market leaders for bathroom and kitchen scales in Switzerland, Germany, Austria and the Netherlands. Also in other European countries, Soehnle is ranked among the top providers. In Germany, we maintain a market share of 41.1% for kitchen scales and 33.4% for scales with Soehnle brand products.

The main external factors of our entrepreneurial activity are the macroeconomic development and particular frameworks in the focus countries, consumer sentiment, the development of the US dollar, the weather conditions in the seasonal business with rotary clothes dryers as well as the ability to quickly bring innovative and consumer-related products to the market.

LB
Additional information
Regions
starting on page 21

Change in Group structure

On 29 May 2013, Leifheit AG acquired the remaining 49% stake of Leifheit Distribution S.R.L., Bucharest, Romania, which had already been managed and fully consolidated, from minority shareholders. The impact of this acquisition on the 2013 financial statements is not material. There were no further changes in the scope of consolidation and major changes in organisational structure or business model for the 2013 financial year. The planned business acquisition of the Spanish distribution company Leifheit España, S.A., Madrid in 2013 by a commercial agent was discarded.

AH
Additional information
Scope of consolidation
starting on page 62

Organisation, corporate structure and management responsibility

Leifheit AG has been a listed stock corporation under German law since 1984. The shares of Leifheit AG are listed on the Frankfurt Stock Exchange Prime Standard and are traded on all German stock exchanges (ISIN DE0006464506). At 31 December 2013, the market capitalisation was € 154.7 million. The company has been entered in the Commercial Register of Montabaur Local Court under HRB 2857, and its headquarters and administration offices continue to be based at its founding location in Nassau/Lahn. The main locations of Leifheit AG in Germany are Nassau (administration and production) and Zuzenhausen (logistics). There are also branches outside of Germany which are not legally independent, which include distribution offices in Brescia, Italy (established in 1982), in Aartselaar, Belgium (established in 1987), and in Wiener Neudorf, Austria (established in 1995).

Leifheit AG has 11 direct or indirect subsidiaries. Leifheit AG‘s main (partly indirect) 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).

Leifheit AG‘s Board of Management usually consists of two members. Due to the separation of Mr Georg Thaller, Dr Claus-O. Zacharias led the Board of Management as sole Board member from 1 June to 31 December 2013. As of 1 January 2014, Thomas Radke was appointed the Chairman of the Board of Management.

The Board of Management defines the strategy of the Leifheit Group and is responsible for Group-wide central functions and steers the Group‘s business divisions. Each Member of the Board of Management is responsible for multiple functions within the Leifheit Group. The rules of procedure for the Board of Management regulate the responsibilities of individual Board members. Their personal knowledge of products and markets, customer- and country-specific features and their expertise in central Group functions ensures the efficient and professional management of the Leifheit Group. The work of Leifheit AG‘s Board of Management is supported by 11 sector directors and department heads of central functional business divisions, and by managing directors of business units.

Group strategy and objectives

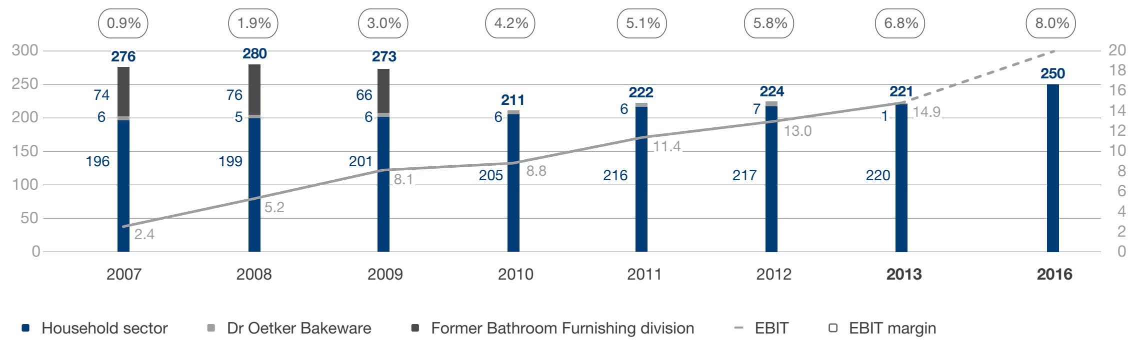
Growing by Opportunities

Our business strategy is “Leifheit GO! – Growing (by) Opportunities” to pursue growth that is both sustainable and profitable. We plan to reach turnover amounting to € 250 million by the year 2016. To this end, we strive for an operating result in the amount of € 20 million. This corresponds to an EBIT margin of 8%.

Since 2008, we have implemented a series of measures into the framework of our strategy and have significantly enhanced our competitiveness. Essentially, we pursued a classical restructuring. At the outset, our clear positioning focused on our four product categories: cleaning, laundry care, kitchen goods and wellbeing. This means: we distinguished and separated out those business activities which did not belong to our core business, or which did not meet our profitability requirements.

The improvements to our systems and processes resulted in a significant reduction of costs. Continuous benchmarking, cost efficiency and cash generation are standard business practice for us. At the same time, we invested in the expansion of distribution and production as a basis for further growth. Otherwise, one of the most important components of our business practice is the continuous development of our employees – this is our top priority: because people create ideas, and ideas create innovations.

“Leifheit Go!” strategy
in € million



With our “Leifheit GO!” strategy, we continue with this chosen path. In doing so, we focus in particular on the following fields of action in the future:

- concentration on strategic focus markets within the framework of our international sales strategy
- intensification of e-commerce activities
- strengthening our innovation capabilities
- targeted brand and communications strategy with a focus on the point of sale (POS)

Within the framework of our sales strategy, we focus our activities on the DACH region (Germany, Austria, Switzerland) as well as on European markets of focus and metropolitan cities in Russia. For 2014, we are planning to considerably increase our market presence in Turkey.

In our markets, local retail continues to remain a major entry point for consumers in the future. In addition, online retailing has also developed very positively and offers further growth potential in the coming years for the Leifheit Group. In international markets, we utilise the market penetration of our global trading partners.

Therefore, Leifheit intensively supports both distribution channels: with the term POS Excellence, we develop intelligent solutions for local retail and we take into account the increasing brand and quality orientation of consumers. For this purpose, we combine our high-quality products with eye-catching POS tools, descriptive packaging, and a smart search logic on store shelves. At the same time, we continue the expansion of the e-commerce sector: we invest in the skills and the know-how of our employees, strengthen key account management in this channel and offer targeted and professional support for online retailing as well as multi- and cross-channel business through product information systems and product campaigns, both online and offline.

We want to continue to drive our growth through smart, reliable and consumer-related innovations and further sharpen our brand profile. To strengthen our innovative capabilities, we have initiated appropriate organisational measures and process optimisation in the reporting period. We focus on the categories of cleaning, laundry care, kitchen goods and wellbeing and take advantage of our many years of experience and know-how in relation to the different needs of consumers in different regions and countries.

The Leifheit Group is also well positioned for inorganic growth through acquisitions with cash and securities in the amount of € 52 million and solid financing. Our potential target companies for acquisition should be active within our core categories, have a strong brand or allow for market entry and expansion of our business in our European focus markets.

LB
Additional information
Development and innovation starting on page 32

Financing strategy

The primary objective of our financing strategy is to maintain a strong financial profile. Here, we focus on a sufficient capital adequacy of at least 35% to ensure the confidence of investors, banks and customers. We focus on maintaining a capital structure that allows coverage of our future potential financing requirements on reasonable terms in financial markets. We want to maintain a high level of independence, security and financial flexibility.

Control system principles

We centrally control the Leifheit Group strategically and at the same time provide for remote operations. Maintaining only a few divisions and levels of hierarchy ensures fast and efficient collaboration within the Group. Our organisation is designed so that we provide optimal support to both our customers and brand management to advance our Group‘s strategy. For this purpose, Brand Business and 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.

LB
Additional information
Distribution and marketing starting on page 36

We ensure that corporate management is focused on sustainable increases in company value. We therefore apply a value-oriented management system. The major performance indicators of the Group are turnover, earnings before interest and tax (EBIT) and free cash flow. The key measures of both business segments are turnover, gross margin, contribution margin and earnings before interest and taxes (EBIT). In addition, a control of turnover is carried out for each of the product categories of cleaning, laundry care, kitchen goods and wellbeing.

In 2013, the control system in place did not change over the course of the financial year. In the year 2014, the indicator return on capital employed (ROCE) is adopted as key measure of the profitability of capital employed by us.

ECONOMIC ENVIRONMENT

The year 2013 was still, to a large extent, influenced by both the euro crisis and the debt crisis. The Eurozone's economic power declined. Only Germany showed a relatively stable development with a slight plus for the gross domestic product – with a slightly positive impact on private consumption. While European consumers, especially in the first half of the year, were still very pessimistic in regard to the future, the indicators of consumption increased significantly in Germany.

General economic situation

In 2013, the global economy developed somewhat weaker than in the previous year. The International Monetary Fund (IMF) expects global economic growth of 3.0% (2012: 3.1%). Both developed countries with an estimated growth of 1.3% (2012: 1.4%) and emerging economies with an expected increase of 4.7% (2012: 4.9%) were impacted. According to the IMF, emerging economies faced two challenges in 2013: to bring lower growth rates in line with the strained global financial situation and to get a handle on oftentimes lower listed currencies and higher inflation rates.

Slowdown in economic growth

Outside Europe, the emerging economies faced the challenge to maintain their pace of growth in 2013. The IMF expected China to keep up the level from the previous year with a growth of its gross domestic product (GDP) of 7.7% (2012: 7.7%). Thus, China remains above average among all emerging economies. A recovery of growth in China was evident in the second half of 2013. The reason for this was increased levels of investments by the government, according to the IMF.

The USA anticipated reaching a growth rate of 1.9% (2012: 2.8%). Despite stable private consumption, the political discussion of the budget and fiscal consolidation slowed economic growth for the reporting period.

In the countries of the Eurozone, there were signs of a slow recovery from the euro crisis and debt crisis towards the end of 2013. According to the IMF, Europe is in transition from a recession to recovery. However, a decline in the economic growth is expected at 0.4% for the reporting period (2012: -0.7%).

-0.4%
Decline in economic growth in Europe

Within the Eurozone, only Germany demonstrated stability relative to other national economic indicators. GDP growth for the reporting period is anticipated to be 0.5% (2012: 0.9%). One reason for this remains strong levels of exports. With economic growth at 0.2% (2012: 0.0%), France remains at approximately the same level as in the previous year. GDP in Italy and Spain decreased in the year 2013 by 1.8% (2012: -2.5%) and 1.2% (2012: -1.6%), respectively. According to the estimates of the IMF, however, southern Europe countries face a stabilisation of their economies.

US budget debate determines foreign exchange market

The value of the US dollar to the euro at the beginning of the year 2013 stood at 1.32 US dollars per euro. In the first months, the debate in regards to the entry into force of budget cuts in the USA significantly influenced the course of development. The euro exchange rate, due to the temporary suspension of the debt ceiling in the USA, was quoted at its lowest level in 2013 in late March at 1.28 US dollars per euro. Subsequently, the euro exchange rate underwent large fluctuations until the end of August 2013 with a trading range of 1.28 to 1.34 US dollars per euro. Negotiations in regards to the end of the debt dispute in the USA again determined certain events in the foreign exchange market towards the end of the year under review. The rate rose at the end of October 2013 to 1.38 US dollars per euro and closed on 31 December 2013 after short-term decline in November at this level.

Industry development

The recovery of economic conditions in Europe had a positive impact on the general development of consumption. Development of consumer demand is a key factor for success in the consumer goods industry, and therefore also for Leifheit. However, the year 2013 demonstrated once again that an improved consumer climate does not necessarily go hand in hand with a direct increase in demand in our industry.

According to the European Commission, the consumer confidence index in Europe rose in the reporting period from -23.4 points in February to -13.5 points in December 2013. The index measures, among other areas, expectations of consumers in regards to their personal financial situation over the next 12 months as well as consumers' savings and purchasing inclinations. Despite a positive trend, the persistently negative value means that the average consumer in Europe is still more pessimistic in regards to the economic situation.

In regards to Germany, the consumer confidence index published by the association for consumer research (GfK) rose over the course of the reporting period from 5.7 points in January 2013 to 7.4 points in December 2013. Similarly, the business climate index published by the IFO Institute , which serves as an early indicator for economic development in Germany, climbed from 104.2 points in January 2013 to 110.6 points in December. The index decreased only slightly for a short time in April. Both indicators documented the slightly positive development in domestic demand in Germany for long stretches of time throughout the year.

The German retail sector benefited from good consumer sentiment only partially, however, because consumers increasingly invested in the real estate and services sector. After a subdued year, development in the retail sector was further marred by weak business activity towards the end of 2013. Analyses published by the German Federal Statistics Office showed that revenues fell 2.3% in December 2013 compared to the previous month. Adjusted for price, this even represents a decline of 2.5%. Additionally, in comparison to December 2012, there was a nominal reduction of 1.4% or 2.4% taking into account inflation. According to the Federal Statistics Office, this effect was particularly strong in industries relevant for Leifheit, specifically furnishings and household appliances.

Overall, the German retail sector over the course of the reporting period increased slightly at a nominal 1.3%. Online retail continued to develop at a much stronger pace than all other retail segments in Germany, at a nominal growth rate of 6.4% in the year 2013, from which Leifheit also benefited.

Stable regulatory environment

Overall, the regulatory environment for Leifheit AG did not change much over the course of financial year 2013.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

In financial year 2013, Leifheit developed slightly better in a tough economic environment than in the previous year. The company achieved a turnover, on an adjusted basis, of € 219.5 million and a net result of € 14.9 million.

Comparison of actual performance with projected business performance

We have only partially achieved our targets for 2013. Our Group turnover, with growth of 1.0%, lagged behind performance results which were projected at the beginning of 2013. Fortunately, our operating results developed slightly better than planned. Unfavourable weather conditions for us at the beginning of the financial year coupled with declines in sales in major markets such as the Netherlands, Italy and Russia proved to slow our growth. In addition, the subdued demand in the retail sector inhibited our sales in the fourth quarter.

Accordingly, we have adjusted our forecasting slightly for the year. With the publication of the 2012 annual financial report, we expected turnover development at 2 to 4 % over turnover from 2012 adjusted for Dr Oetker Bakeware. On the results page, we forecasted a stable development with an EBIT at the level of adjusted earnings from 2012 (€ 13.0 million). In the context of the publication of the half-yearly financial report, we reported that due to the development revenue growth can be expected at the lower end of the range.

Delivered results in 2013 were only slightly better than the forecast for March 2013. The reasons for this are the positive gross margin development and strict cost discipline.

For 2013, we planned investments in the amount of € 6.0 million. We make investments effectively and with a sense of perspective. This resulted in investments in the amount of € 3.6 million.

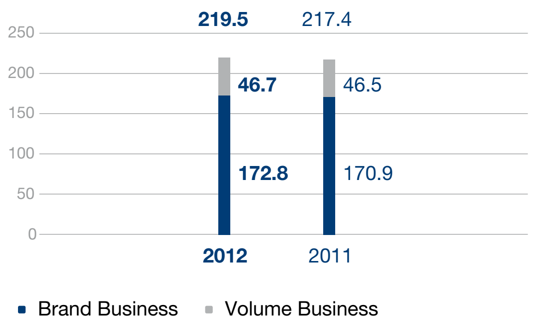
Business performance

In terms of comparability, turnover from the financial year 2013 is represented in the following commentary in relation to the previous year‘s figures, and both are adjusted. This adjustment is due to results associated with Dr Oetker Bakeware and the termination of the license agreement for the use of the brand name rights with effect as at 31 December 2012. In 2012, turnover of Dr Oetker Bakeware amounted to € 6.8 million. In 2013, turnover amounting to € 1.4 million was realised within the framework of management of remaining business.

	2012	March 2013 forecast	August 2013 forecast	2013
Turnover[1]	€ 217.4 million	2 to 4% growth	2 to 4% growth (at the lower end)	€ 219.5 million 1.0% growth
EBIT[2]	€ 13.0 million	Result on adjusted levels from previous year	Result on adjusted levels from previous year	€ 14.9 million

[1] turnover adjusted for business with Dr Oetker Bakeware
[2] EBIT 2012 adjusted for the extraordinary effect from the sale of assets in connection with the termination of the license agreement

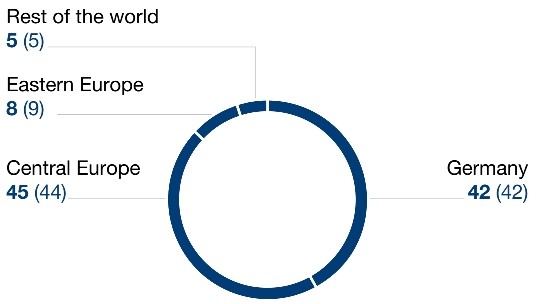
Group turnover by segment
in € million



Group turnover at slight increase

Leifheit turnover in the reporting period at the Group level amounted to € 219.5 million (2012: € 217.4 million). This is equivalent to an increase of 1.0%. Positive recovery effects impacted second and third quarters after the first quarter of 2013 was characterised by an unusually long period of frost and unfavourable weather conditions for our business. The effects from the still tense economic situation, from the decline in demand in key markets such as the Netherlands, Italy and Russia as well as weak retail sales in Germany in December, however, likewise constrained growth.

Group turnover by region
in % (previous year's figures)



Mixed growth results in regional markets

Our home market Germany achieved an increase in turnover of 0.4% to € 93.1 million (2012: € 92.6 million), which is stable compared to the previous year. The introduction of the product innovations Leifheit window vacuum cleaner and Varioline laundry drying rack had a particularly positive impact on these results.

We recorded a noticeable growth in European countries excluding Germany. A turnover of € 115.3 million (2012: € 112.9 million) means an increase of 2.1%. We achieved this increase principally in the Central European region. Here, Leifheit reached a growth of 2.9% to € 97.3 million (2012: € 94.5 million). In 2013, some countries still strongly impacted by the financial crisis in the previous year showed first signs of recovery, including Spain, Portugal and Greece, which all slightly increased – albeit at a low level.

The Eastern Europe region was unable to repeat strong growth from previous years. Turnover amounted to € 18.0 million (2012: € 18.4 million). This corresponds to a decline of 2.2% compared to the previous year. We see this as a result of the unrest in parts of this region which hinders our further market development. Turnover in Eastern Europe was made exclusively in Brand Business.

€ 219.5 m
Group turnover

In the other regions of the world, we achieved turnover amounting to € 11.1 million (2012: € 11.9 million), 5.7% less than in the previous year. Slight growth successes in Asia could not compensate for the decline in demand in the Middle East and the USA.

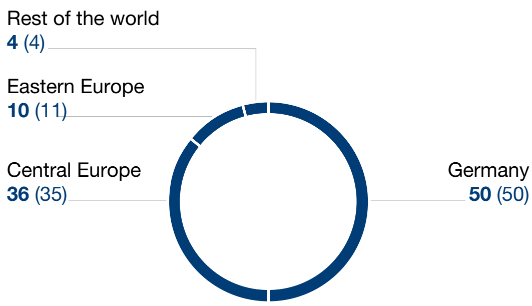
Turnover was divided during the reporting period as follows: 42.4% in our home market of Germany, 44.3% in Central Europe, 8.2% in Eastern Europe and 5.1% in other regions of the world. The foreign share is equivalent to 57.6% (2012: 57.4%), approximately equivalent to the value of the same period last year.

Slight growth in Brand Business

+1.1%
Turnover growth in Brand Business

For the reporting period, turnover in Brand Business amounted to € 172.8 million (2012: € 170.9 million). The increase of 1.1% is due to the strong development of our cleaning product category. Brand Business' share of Group turnover at 78.7% (2012: 78.6%) remained at the level of the previous year. The high share of this segment is in line with our strategy. We focus on the expansion of our Brand Business through Leifheit and Soehnle, providing us the opportunity to realise reasonable margins.

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



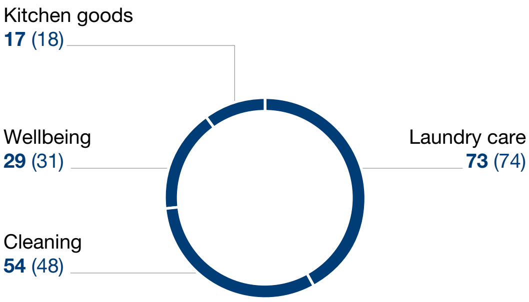
In Germany, we expanded our Brand Business with turnover increasing by 2.1% to € 86.7 million (2012: € 84.9 million). In doing so, we benefited from sustained domestic demand and the introduction of new products.

In Central Europe, we achieved an increase in turnover of 2.1% to € 61.3 million (2012: € 60.0 million) in this same segment. France, Austria and Scandinavian countries achieved a particularly pleasing result. Spain, for the first time since the beginning of the financial and debt crisis, contributed slightly to growth. We suffered turnover declines in the Netherlands and Italy.

Turnover in Eastern Europe amounted to € 18.0 million (2012: € 18.4 million) in Brand Business. That is 2.2% less than in the previous year. There was a positive development in the Czech Republic and decreases in turnover in Russia and Romania.

Outside the borders of Europe, turnover amounted to € 6.8 million (2012: € 7.6 million), a decline of 10.2% compared with the previous year.

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



The product categories in Brand Business developed in detail as follows:

Cleaning

The product category of cleaning was our leading driver of turnover in 2013. Turnover rose in the reporting period by 12.8% to € 54.3 million (2012: € 48.1 million). This strong growth is due in particular to the launch of our new window cleaner in the early summer of 2013. The new product enjoyed a consistently high demand in the reporting period.

More than two-thirds of the increase in turnover was realised in our domestic market: growth came in particular from the distribution channels of self-service department store, cash & carry, and home-shopping. Outside of the domestic market of Germany, France, Czech Republic and Austria developed very positively. Only in Russia did we record significant decreases.

Laundry care

Turnover development in the product category of laundry care was impacted by an unusually long period of frost and unfavourable weather conditions for our business at the beginning of the year. This could largely be offset in the second and third quarters by catch-up effects in sales of rotary dryers. A subdued fourth quarter, however, resulted in a total year turnover decline to € 73.0 million (2012: € 74.1 million). The reason for this development was, among other reasons, the buying resistance in ironing and steam ironing products in domestic and foreign markets, especially in the distribution channels of home improvement stores, self-service department stores and discount stores. However, the demand for dryers increased significantly in foreign markets. Strong turnover countries such as Austria and France developed positively, again with first signs of growth also in Spain. We had to accept turnover declines in the laundry care sector for 2013 in the Netherlands and the USA.

Kitchen goods

Turnover in the kitchen goods product category decreased by 5.7% to € 16.5 million in the reporting period (2012: € 17.5 million). Domestically, turnover lagged behind the previous year mainly due to lack of demand in the distribution channel of self-service department stores. Falling turnover in foreign markets, especially in the Czech Republic, the Middle East, France and Belgium also added to overall decline. Italy and Spain achieved a light positive result. In the third and fourth quarters, we slightly increased turnover for our kitchen products under the Leifheit brand.

Wellbeing

In the category of wellbeing, we distribute Soehnle brand products. In this category, turnover declined by 6.9% to € 29.0 million in 2013 (2012: € 31.2 million). This low demand for bathroom scales in the domestic market stems from missing turnover volumes from electronic retailers, self-service department stores and discount stores. Turnover from foreign markets was also on the decline. Lucrative promotions could not be repeated, for example, in the Middle East. Moreover, the demand for kitchen scales declined domestically and in foreign markets. In Germany, turnover was missing from the distribution channels self-service department stores and specialised retail stores. Weak demand in the focus countries of Italy and Belgium could not be offset by the positive development in France and the countries of Scandinavia.

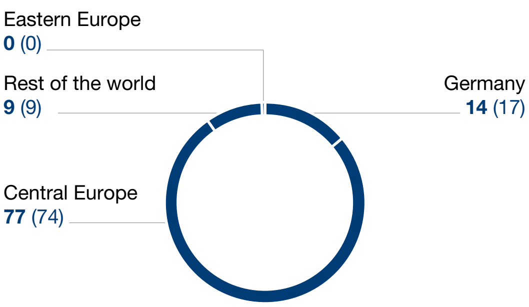
Our range of Relax products benefited during the reporting period by the product programme “Air”, introduced in the previous year. Here we realised strong growth at still low levels. In addition, we have attractive design aroma diffusers with battery-operated heating pad and have introduced more product innovations in the year 2013 which generated turnover momentum.

Volume business is stable

In Volume Business, turnover in 2013 increased slightly by 0.6% to € 46.7 million (2012: € 46.5 million). The Volume Business‘ share of Group turnover remained at the level of the previous year at 21.3% (2012: 21.4%).

+0.6%
Turnover growth in Volume Business

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

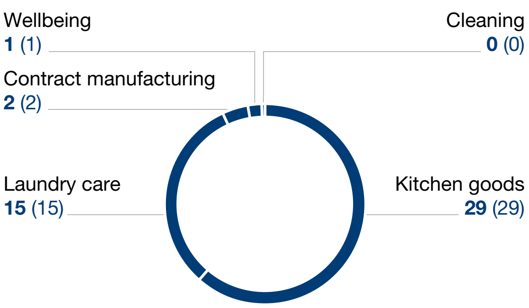


In Germany, this amounted to € 6.4 million turnover (2012: € 7.7 million), 17.3% less than in the previous year. This was mainly due to missing promotional volumes for non-brand laundry care products.

In Central Europe, we increased the turnover by 4.4% to € 36.0 million (2012: € 34.5 million). Here, the new listing at a leading Dutch trading company had a positive impact on the demand for our products.

In overseas markets, turnover remained stable at € 4.3 million (2012: € 4.3 million).

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



Details of the performance of the product categories of Volume Business are set out below:

Cleaning

In the category of cleaning, we realised no significant turnover as planned in 2013.

Laundry care

In our laundry care product category, turnover amounted to € 14.6 million (2012: € 14.9 million) for the financial year. That is 2.5% less than in the previous year. In the reporting period, our French subsidiary Herby was a key turnover driver with an increase of 6.8% over the previous year to € 10.7 million (2012: € 10.0 million). The reason for the positive development was a higher promotional volume at a well-known self-service department store as well as being included in the product offerings at a leading Dutch trading company. Negative news from the distribution channel of home improvement stores halted growth during the reporting period.

Kitchen goods

In the product category kitchen goods, turnover increased by 1.3% to € 28.8 million during the reporting period (2012: € 28.5 million). Thus, the proportion of kitchen goods to total turnover of this segment remained as in the previous year at just over 60%. Our French subsidiary Birambeau at € 24.5 million (2012: € 24.5 million) remained at the level of the previous year. The distribution area with non-brand kitchen products in the USA was able to increase overall due to promotional business campaigns. Nevertheless, weak sales of our Project Business in the USA continue to burden the turnover situation in this product category.

Wellbeing

The wellbeing category recorded a high rate of growth at its low level of turnover and realised € 1.0 million (2012: € 0.7 million) beyond our brand names. The successful introduction of a customer loyalty programme in the Netherlands had a positive impact on total turnover.

Contract manufacturing

Under contract with third parties, we operate third-party manufacturing operations at our plant in Blatná, Czech Republic. Compared to the same period last year, turnover decreased slightly to € 2.2 million (2012: € 2.3 million).

Development of results of operations

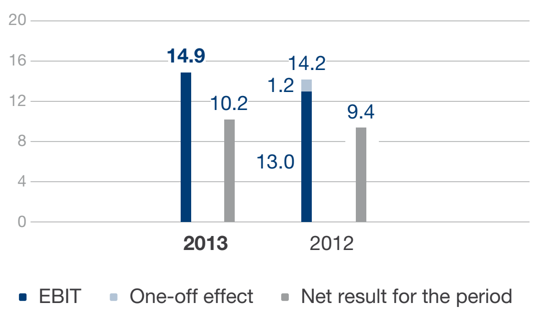
Leifheit implemented IAS 19 Employee Benefits (revised 2011) – in financial year 2013 for the first time. This led to the following changes in the statement of comprehensive income: actuarial gains and losses are no longer collected as pro rata profit or loss according to the corridor method, but completely result-neutral in the period incurred as other results.

Also reclassifications of distribution costs, administrative costs and cost of turnover were made in accounting for the statement of profit or loss. We have adjusted these figures for the period of the previous year to reflect this change.

Strong earnings upturn

In 2013, we achieved earnings before interest and taxes (EBIT) of € 14.9 million (2012: € 14.2 million) and thus exceeded the previous year's result. Results from the year 2012, however, included positive one-off effects amounting to € 1.2 million which were included under the termination of the license agreement with Dr Oetker Bakeware. Adjusted for these, EBIT rose from € 13.0 million in the previous year by € 1.9 million to € 14.9 million for the reporting year. One reason for the increase was the higher gross profit. This is calculated from the turnover minus cost of sales. In addition, strict cost discipline contributed significantly to the increase.

Group result
in € million



EBIT margin rose from 5.8% in the previous year to 6.8% in 2013. This is calculated from earnings before interest and income tax without one-off effects in relation to turnover.

In the reporting period, we achieved earnings before taxes (EBT) of € 13.3 million (2012: € 12.2 million). This is an increase of 9.2% due to improved interest rates and financial results. Therefore, EBT increased more than EBIT.

After deduction of taxes, this resulted in a net result for the period of € 10.2 million (2012: € 9.4 million).

We achieved an overall result after tax of € 9.2 million (2012: € -0.2 million). This includes other results in addition to the net result for the period. In other results, components are included which are not cleared from the net result for the period, but directly from equity of the other reserves. This occurs, for example, in the case of currency effects from the conversion of foreign currencies or value changes from hedging transactions. Actuarial gains and losses on pension obligations in the amendment of IAS 19 have been accounted for in other results for the first time. In 2013, these amounted to € 0.1 million after deferred taxes (2012: € -9.6 million). The previous year was significantly influenced by the sharp decline in the interest rate in the assessment of pension obligations.

Here, we measure the profitability of the capital employed. To measure profitability, we use the return on capital employed (ROCE). This ratio is derived from the sum of EBIT and actual taxes in relation to the capital employed, i.e. the sum of receivables, inventories and assets less liabilities from deliveries and services.

€ 14.9 m
Group EBIT

In 2013, ROCE rose by 2.4% to 12.6% (2012: 10.2%). Increased result, decline in assets and working capital contributed to the this.

12.6%
ROCE

Gross profit

Gross profit rose by € 1.4 million to € 99.2 million (2012: € 97.8 million). Also, the gross margin grew by 1.3% from 43.6% to 44.9%. This is defined as gross profit in relation to revenue. The following factors contributed to the increase: higher selling prices for our products, rationalisation measures, exchange rates provided for better purchase prices for goods in US dollars, as well as the elimination of non-recurring expenses in connection with the termination of the licensing agreement for the use of the brand Dr Oetker Bakeware.

44.9%
Gross margin

Research and development costs

Our research and development costs rose from € 3.6 million in the previous year by € 0.3 million to € 3.9 million. These costs include mainly personnel costs, costs for services and patent fees.

The rise in research and development costs resulted primarily from higher personnel costs and increased costs for services.

Distribution costs

Distribution costs in the reporting period amounted to € 65.4 million (2012: € 69.2 million), a decrease of € 3.8 million over the previous year. Distribution costs also include marketing costs as well as outbound freight and shipping charges.

€ 10.2 m
Net result for the period

The decline is mainly due to lower expenses from advertising, services, outbound freight, travel, depreciation and rentals.

Administrative costs

Our administrative costs in the reporting period decreased by € 0.7 million to € 13.6 million (2012: € 14.3 million). First and foremost, these costs include personnel costs and services to support our financial and administrative functions.

The reasons for the decline are largely related to lower expenses incurred from services, also in connection with discontinuing the licensing of Dr Oetker Bakeware.

Other operating income and expenses

Other operating income in the reporting period declined by € 3.1 million to € 1.1 million (2012: € 4.2 million). These expenses mainly include fees and licensing royalties. In the previous year, income from the sale of assets in connection with the termination of the licensing agreement for Dr Oetker Bakeware amounted to € 2.4 million.

Other operating expenses amounted to € 0.5 million, roughly the same level as the previous year (2012: € 0.4 million).

Foreign currency result

Our foreign currency results continued to fall, reaching a value of € -2.0 million in 2013 (2012: € -0.3 million). This result included changes in the value of currency forwards of € -1.4 million (2012: € 0.5 million), foreign currency valuations of € -0.4 million (2012: € -0.2 million) and realised losses of € -0.1 million (2012: € -0.6 million).

Income statement (short version)

€ million	2013	2012
Turnover	220.9	224.2
Earnings before interest and taxes (EBIT)	**14.9**	**14.2**
Interest and financial result	-1.6	-2.0
Earnings before taxes (EBT)	**13.3**	**12.2**
Taxes on income and accruals	-3.1	-2.8
Net result for the period	**10.2**	**9.4**
Other comprehensive income	-1.1	-9.6
Income after taxes	**9.1**	**-0.2**

Interest and financial result

The financial result rose from € -2.0 million in the previous year by € 0.4 million to € -1.6 million in the reporting period. While interest income in the amount of € 0.5 million decreased by € 0.1 million due to conservative investment policy, interest expenses due to lower invoice interest on the accumulation pension obligations decreased by € 0.5 million.

Taxes

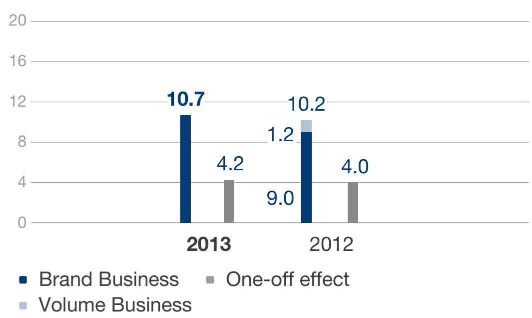
In 2013, the income taxes amounted to € 3.1 million (2012: € 2.8 million). This included income taxes in Germany amounting to € 1.0 million (2012: € 0.8 million), foreign income taxes amounting to € 1.8 million (2012: € 1.2 million) and deferred taxes of € 0.3 million (2012: € 0.8 million).

The tax rate amounted to 23.1% as in the previous year. This ratio is given by taxes on income and taxes on income earnings to the result before income taxes.

Deferred taxes include previous adjustments to the recognition of deferred tax assets from tax loss carry-forwards of Leifheit AG amounting to € 0.9 million.

EBIT by segments

in € million



Segment results

€ 10.7 m
EBIT in Brand Business

In Brand Business for 2013, we achieved € 10.7 million (2012 adjusted: € 9.0 million), an EBIT higher than in the previous year. Thus, Brand Business generated 72% of the Group result. The high percentage highlights our strategy to make Brand Business the focus of our activities to generate reasonable margins. Gross margin rose by 2.0 percentage points over the previous year from 45.8% to 47.8%. Higher turnover and reduction in the costs for achieving turnover were responsible for this increase. The contribution margin equivalently reached € 67.8 million (2012: € 65.8 million). This is defined as gross profit minus commissions and freight outward. The increase in EBIT in Brand Business resulted in particular from higher selling prices, rationalisation measures, exchange rates providing for better purchase prices for goods in US dollars as well as lower sales and administrative costs.

€ 4.2 m
EBIT in Volume Business

In Volume Business, EBIT amounted to € 4.2 million (2012: € 4.0 million). Reasons for the increase were cost savings and lower depreciation. Gross margin fell from 35.3% in the previous year by 1.2 percentage points to 34.1%. Currency effects and shifts in the product mix contributed to this decrease. Contribution margin equivalently reached € 14.5 million (2012: € 14.8 million).

Development of the financial situation

Financial management
We maintain centralised financial management for liquidity and currency management. An important goal of financial management is to ensure a minimum Group liquidity in order to be solvent at any time. To do this, most Group companies have been integrated into central cash management operations. Cash and cash equivalents are combined throughout the Group, monitored and invested according to uniform principles. With a high level of liquid assets, we improve our flexibility, security and independence. With more short-term lines of credit, we are able to use additional liquidity potential in case of need.

We also control our currency exchange risks on a Group-wide basis. We ensure this through selected derivatives. The use of derivatives exclusively serves the purpose of hedging our underlying business and not for speculative purposes. We have summarised rules for the use of derivative financing instruments as well as regulations in the sector of financial risk management in our treasury statement.

We are always able to meet our payment obligations with our Group liquidity and unused lines of credit.

There are no restrictions regarding the availability of cash.

Liquidity management
Our operational activity is the primary source of liquidity used to build up cash, cash equivalents, other investments and short-term securities. In the past, we have largely used this payment method for our business activities and the resulting investments for the acquisition of companies or parts of companies, the payment of dividends and the repurchase of own shares.

In the future, we aim to generate sufficient liquidity to ensure a distribution of annual dividends in the context of a continuous dividend policy.

As at 31 December 2013, we held cash, cash equivalents, other investments and short-term securities in euros and US dollars. We invest only in financial assets of issuers that have a minimum credit rating of BBB, and are thus pursuing a cautious investment policy.

Management of capital structure
Our primary objective in the management of the capital structure is maintaining a strong financial profile. Here, we focus on an equity base in order to ensure the confidence of investors, banks and customers. We focus on a capital structure that allows us to meet our future potential financing on reasonable terms in the capital market.

Capital structure

	31 Dec 2013		31 Dec 2012	
	€ million	**Share in %**	€ million	Share in %
Equity	94.7	46.5	92.8	45.0
Current liabilities	48.5		52.3	
Non-current liabilities	60.6		60.8	
Liabilities	109.1	53.5	113.1	55.0
Equity and liabilities	**203.8**	**100.0**	**205.9**	**100.0**

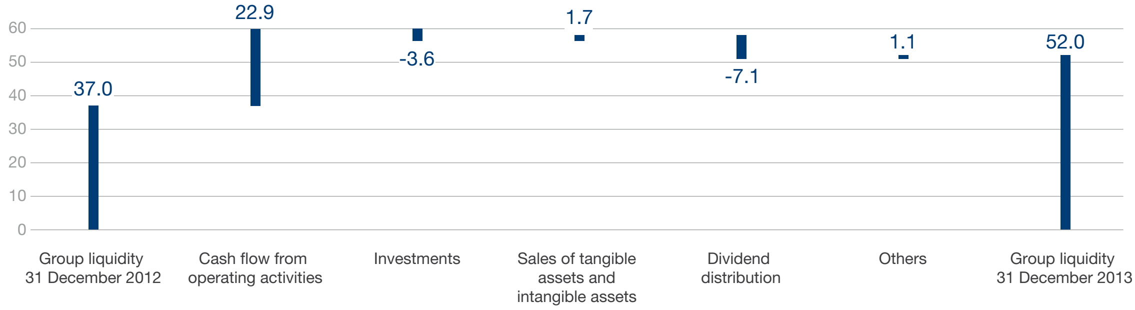
As at 31 December 2013, our debt level compared to the previous year date fell by 1.5 percentage points to 53.5%. This key figure is given by the ratio of debt to the sum of equity and liabilities. The decrease is primarily due to lower liabilities from deliveries and services.

Our debt largely consisted of pension obligations amounting to € 56.4 million, trade payables and other liabilities amounting to € 39.3 million as well as accruals with a value of € 8.3 million as at 31 December 2013. As in the previous year, we had no liabilities to credit institutions.

Development of cash flow and liquidity position
The Group‘s liquidity amounted to € 52.0 million as at 31 December 2013. This includes cash and cash equivalents in the form of deposits with credit institutions and structured money market instruments in the amount of € 51.0 million as well as short-term securities with a value of € 1.0 million. Group liquidity was mainly comprised of amounts in euros (€ 38.6 million) and US dollars (€ 11.3 million).

€ 52.0 m
Group liquidity

Group liquidity
in € million



Analysis of Group liquidity

€ million	31 Dec 2013	31 Dec 2012	Change
Credit balances at banks	43.6	21.7	21.9
Money market instruments	7.4	12.0	-4.6
Short-term securities	1.0	3.3	-2.3
Group liquidity	**52.0**	**37.0**	**15.0**
Financial liabilities	–	–	–
Net liquidity	**52.0**	**37.0**	**15.0**

We maintain credit balances in the amount of € 43.6 million as at 31 December 2013. This includes demand deposits and fixed deposits which may be terminated within three months. Money market instruments include an investment in US dollars which has special features with regard to interest, maturity or repayment terms. Short-term securities include a bonded loan that was repaid on February 2014. For more information, see Note 16.

The increase in Group liquidity as at 31 December 2013 compared to the previous year by € 15.0 million to € 52.0 million is primarily attributable to the cash flow from operating activities which amounted to € 22.9 million. Counteracting were the dividend payment of € 7.1 million and investments of € 3.6 million.

Analysis of the Group statement of cash flow

The cash inflow from operating activities rose in the year 2013 significantly by € 14.7 million to € 22.9 million (2012: € 8.2 million). Reasons for this development were the net result for the period in the amount of € 10.2 million, depreciation in the amount of € 6.8 million, decrease in receivables in the amount of € 4.9 million and inventories in the amount of € 5.8 million. Accounts receivable diminished reflecting, in part, lower turnover. A further optimisation of inventory management in the context of working capital management resulted in a decline. Working in the opposite direction, liabilities decreased by € 5.7 million.

Cash inflow from investment activities in 2013 amounted to € 0.5 million (2012: € 2.4 million). Proceeds from the change of short-term securities in the amount of € 2.3 million, as well as from the sale of assets and the remaining purchase price relating to the termination of the licensing agreement for the use of the brand Dr Oetker Bakeware amounting to € 1.7 million were offset by disbursements for investments amounting to € 3.6 million.

Cash outflow from financing activities amounted to € 7.2 million (2012: € 6.1 million) and in essence provides for the payment of a dividend of € 7.1 million (2012: € 6.2 million).

€ million	2013	2012	Change
Cash flow from operating activities	22.9	8.2	+14.7
Cash flow from investment activities	0.5	2.4	-1.9
Cash flow from financing activities	-7.2	-6.1	-1.1

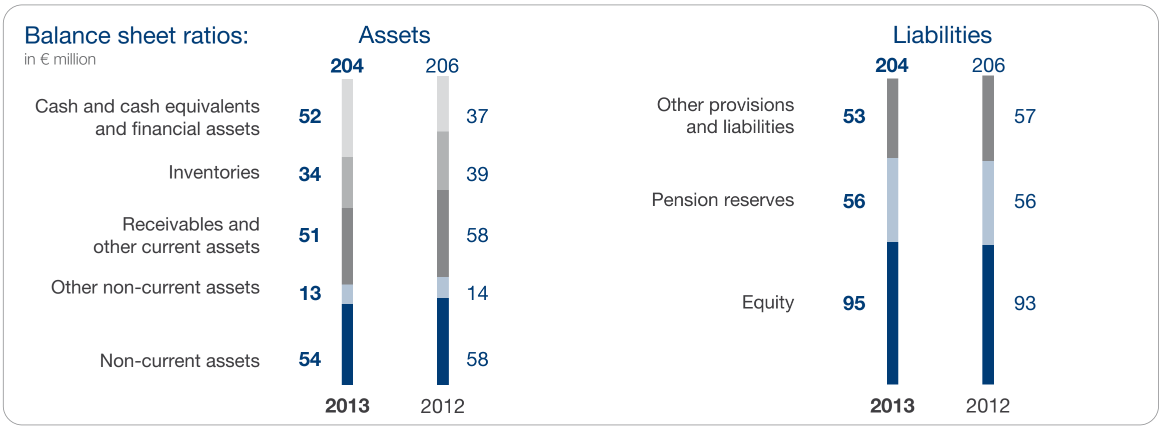
Free cash flow

€ 19.5 m
Free cash flow

€ million	2013	2012
Cash flow from operating activities	22.9	8.2
Cash flow from investment activities*	-3.4	-9.6
Free cash flow	19.5	-1.4

* adjusted for financial assets and liquidation of divisions

In the financial year 2013, free cash flow rose to € 19.5 million (2012: € -1.4 million). This key figure indicates how much liquidity was available for the expulsion of debt financing or for the distribution of dividends to shareholders. Free cash flow is the sum of cash flow from operating activities and cash flows from investing activities, adjusted for deposits and withdrawals in financial assets and from



the sale of divisions. The reason for the increase was mainly in the decrease of receivables, inventories and other assets as well as lower investments compared to the same period last year.

Lines of credit

We have short-term revolving lines of credit of € 11.5 million (2012: € 11.5 million), of which € 1.5 million were utilised on 31 December 2013 in the form of guarantees and letters of credit (2012: € 2.6 million).

Development of net assets

Balance sheet structure

The initial application of amended IAS 19 Employee Benefits (revised 2011) has led to a significant adjustment of the balance sheet structure of the Leifheit Group. Through this application, actuarial gains and losses are no longer recognised pro rata profit or loss according to the corridor method. They are accounted for completely in the period in which they were incurred. Accordingly, we have adjusted the positions of the balance of the previous year.

This has led to the following changes compared with the financial statement in the 2012 annual financial report:

- Pension obligations increased as of 31 December 2012 to € 13.3 million.
- Taking into account deferred taxes amounting to € 3.7 million, the other reduced reserves in equity decreased accordingly by € 9.6 million.
- Equity ratio fell by 5.6 percentage points to 45.0%.
- Total assets rose by € 3.7 million to € 205.9 million.

The following previous year comparison refers to the adjusted balance sheet as at 31 December 2012.

Total assets compared to the previous year reduced by € 2.1 million to € 203.8 million (2012: € 205.9 million).

Short-term assets increased by € 3.3 million to € 137.2 million in financial year 2013 from € 133.9 million. This is mainly attributable to the increase of cash and cash equivalents of € 17.2 million to € 51.0 million (2012: € 33.7 million). Working in the opposite direction, trade receivables declined by € 4.8 million to € 46.7 million, a decrease resulting from weaker turnover in the fourth quarter compared to the same quarter last year. Inventories declined due to improved inventory management by € 5.8 million. Financial assets amounted to € 1.0 million, compared to € -2.3 million in the previous year due to the redemption of bearer bonds and the purchase of a bonded loan.

Long-term assets amounted to € 66.5 million in 2013 compared to the previous year (2012: € 72.1 million), a decreased of € 5.6 million. This is mainly attributable to the decrease in tangible assets and intangible assets by € 4.5 million. Depreciation exceeded investments in the amount of € 3.2 million. Moreover, currency effects reduced assets by € 1.0 million.

Short-term liabilities with maturities of less than one year include trade payables and other liabilities, derivative financing instruments, liabilities from income taxes and accrued liabilities. At € 48.5 million in the year 2013, these had decreased by € 3.8 million compared to the previous year (2012: € 52.3 million). The decrease is primarily due to lower liabilities from deliveries and services and other liabilities, which dropped by € 5.7 million to € 39.3 million. In contrast, derivative financing instruments increased by € 1.5 million to € 1.9 million. This involves forward exchange transactions evaluated at current market value for purchases of US dollars and Hong Kong dollars.

Long-term liabilities amount to € 60.6 million in 2013, approximately the previous year's level (2012: € 60.9 million) falling only slightly by € 0.3 million. Non-current liabilities primarily include pension liabilities in the amount of

€ 56.4 million (2012: € 56.3 million), accrued liabilities of € 1.9 million (2012: € 2.5 million) and deferred taxes in the amount of € 1.6 million (2012: € 2.0 million). There are no off-balance-sheet liabilities.

Equity as of 31 December 2013 amounted to € 94.7 million (2012: € 92.8 million), the equity ratio, the proportion of equity capital to total assets, rose to 46.5% (2012: 45.0%).

Investments

We make investments effectively and with a sense of perspective. This resulted in investments in financial year 2013 amounting to € 3.6 million (2012: € 9.8 million). We plan to make investments in the amount of depreciation and at a level of approximately € 6.0 million in the medium term. In 2012, the production facility in the Czech Republic was expanded, and extensive warehouse automation in the Logistics Centre in Zuzenhausen was completed, resulting in increased investments in tangible assets.

No significant disposals of assets occurred during the reporting period.

The additions to tangible assets amounted to € 3.3 million (2012: € 9.3 million) and concerned essential tools for new products, machines, streamlining investment for production equipment, operating and business equipment.

We invested € 0.3 million in intangible assets (2012: € 0.5 million). This mainly concerned the purchase of software.

Major investments in the financial year 2013 have all largely been completed.

The investment ratio – additions to assets related to the historic procurement and production costs – amounted to 2.0%. We invested € 3.1 million in Brand Business and € 0.5 million in Volume Business. Investments were partially offset by depreciation on tangible assets in the amount of € 5.5 million and on intangible assets in the amount of € 1.3 million.

As at 31 December 2013, contractual liabilities relating to the purchase of assets – mainly for fire protection systems, assembly systems and forklift trucks – amounted to € 2.1 million which was financed from cash and cash equivalents.

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

In addition to the assets reported in the consolidated balance sheet, we also used to a lesser extent assets which are not capable of being accounted. This largely concerns leased goods.

As in previous years, no off-balance sheet financing instruments were used.

Overall assessment of management in regards to the economic situation

46.5%
Equity ratio

Leifheit closed financial year 2013 slightly above the previous year results; however, we had aimed for better turnover results for the reporting period. A major factor was the economic development in our core regions of Europe. They recovered much more slowly than at the beginning of the year.

Accordingly, turnover in the first quarter declined. In addition to the challenging macroeconomic situation in connection with the continuing financial and debt crisis, adverse weather conditions affected our growth with long periods of frost until spring. Both had a negative effect on the consumer‘s willingness to make purchases.

In the second and third quarters, our growth was particularly supported by sustained good domestic demand in Germany. Also, some product innovations were received very positively by the market. We benefited also by positive signals from other European countries as well as catch-up recovery effects from spring business in the second half-year. At the end of the year, subdued development in German retail trade and the weak holiday shopping season, however, again slowed our growth. Moreover, there was also a lack of orders from promotions and demand declines in part of Europe.

In figures, this means: Group turnover in the financial year 2013 rose on an adjusted basis by 1.0% to € 219.5 million (2012: € 217.4 million). Both divisions contributed to this slight growth, and Brand Business grew stronger compared to Volume Business. Our EBIT amounted to € 14.9 million (2012: € 14.2 million, adjusted € 13.0 million) and thus exceeded the figure of the previous year. The net result for the period amounted to € 10.2 million (2012: € 9.4 million).

The Leifheit Group held cash and financial assets amounting to € 52.0 million and an equity ratio of 46.5% as at 31 December 2013. Thus, the financial situation of the company presents itself, unchanged, as very stable. The international orientation with strong and well-established brands with leading market positions as well as a solid capital base provide the foundation to realise our future strategic objectives.

NON-FINANCIAL PERFORMANCE INDICATORS

From idea to innovation. From innovation to the end customer. With high commitment, our employees ensure smooth processes along the entire value chain, employ resources responsibly, thus establishing the basis for profitable business growth.

Employees

An idea is the cornerstone of any innovation. Our employees, their deeds and their motivation, help with creativity on a daily basis so that Leifheit is one of the leading providers of household appliances. For this purpose, we create an environment that encourages our employees to achieve excellence. Therefore, also in 2013, we made targeted investments in qualification and training for our employees and realigned the organisation to accelerate our innovation processes.

For reasons of readability, the masculine pronoun is used in this report as applicable. But of course, both genders are always intended.

HR strategy

Our HR strategy is derived from the Leifheit Group business strategy. Personnel measures are adapted to the strategic direction of the Group. As an internationally active company, we appreciate the diversity that our employees bring from their personal qualities, talents and abilities and therefore further serve to promote our company. This diversity determines our future ability as it is a driving force for innovation. An important issue is the proportion of women and men in the company and likewise the proportion of men and women in management functions. At Leifheit, this distribution is already balanced. 52% of our workforce is female and 48% of Leifheit employees are male. In the search for new employees, the qualifications and the skills of each individual candidate are of particular importance for Leifheit. We must fill any open vacancy with the best candidate.

Stable employee figures

As at 31 December 2013, the Leifheit Group employed 1,026 people (2012: 1,025 employees). 406 employees worked in Germany (2012: 405 employees). This corresponds to a proportion of the total workforce of 39.6% (2012: 39.5%). In the Czech Republic, we employed a total of 382 people on our production and sales locations (2012: 381 employees). In France, 177 people (2012: 174 employees) were employed at Leifheit.

At 741 employees (2012: 741 employees), Leifheit employed most of its staff in the Brand Business segment as of 31 December 2013. This corresponds to a percentage share of 72.2% (2012: 72.3%) of the Group as a whole.

In Volume Business, 285 people were employed as at the end of the year (2012: 284 employees). The average number of employees in the Group was 1,018 (2012: 1,019 employees).

1,026
Employees at the end of the year

Number	**31 Dec 2013**	31 Dec 2012
Employees	1,026	1,025
of which were female	520	519
of which were male	481	478
of which were trainees	25	28

As at 31 December 2013, 107 employees were working part-time (2012: 85 employees).

Temporary workers are employed selectively at Leifheit, mostly during peak hours to relieve spikes in production requirements. This number in 2013, measured in relation to the number of permanent staff, is negligible.

	2013	2012
Personnel costs	€ 42.2 million	€ 41.8 million
Average length of service	12.7 years	12.6 years
Age structure of employees		
under 30 years	14.2%	15.0%
30 to 40 years	22.9%	23.9%
40 to 50 years	28.7%	28.3%
50 to 60 years	29.0%	28.9%
over 60 years	5.2%	3.9%

Personnel costs

Personnel costs rose by 0.8% to € 42.2 million in the reporting period (2012: € 41.8 million).

Consistently high number of long-term employees

In 2013, we honoured 87 employees on the occasion of various anniversaries. A consistently high number of long-time employees is a testament to the strong loyalty of our employees to the company. The balanced ratio of trainees, newly hired employees and long-time active employees is the key to successful transfer of knowledge.

87
Anniversaries

Training and qualification

Leifheit stepped up its training in the reporting period. We invested a total of k€ 246 (2012: k€ 239) in education and training in Germany and Austria. We focused specifically on the continuation of our leadership training. For new recruits, there was also the possibility to take advantage of coaching to prepare for leadership roles. Furthermore, Leifheit focused on a variety of individual personnel development measures on the basis of the results of our employee meetings in 2013. For this purpose, we used a competency model for employees and managers.

Modern vocational training in the Leifheit Group

We are committed to our social responsibilities towards the region as a company providing advanced training. Beyond its organisational needs, Leifheit offers educational and professional training. In doing so, we gain qualified junior staff for our company from the various training courses offered. At the end of 2013 at the Nassau location, we provided 21 trainees with instruction and preparation in the following professions: industrial management, IT management, media design, tool and industrial mechanics. At our logistics centre in Zuzenhausen, we trained four apprentices as specialists for warehouse logistics.

In the course of the reporting period, four industrial managers and two specialists in warehouse logistics successfully completed the training and were offered employment. Two technical training programmes are due to restart in the year 2014 because at this location we train exclusively for the future needs in human resources. For all trainees to whom we do not offer full-time employment upon successful completion of training, we make an offer of an employment for a period of one half-year upon successful conclusion of the training programme.

Trainees at Leifheit not only receive a theoretical and practical training, but they also have the opportunity to take responsibility in the company at an early stage of their careers. We involve young people in various projects throughout their training. Our junior company was also launched in 2012. In cooperation with experienced employees, our trainees manage factory outlets under their own responsibility. In this way, they experience first-hand the challenges of our business and have the opportunity to try out their creative ideas at the same time. In 2013, this was again an exciting experience for the new “business leaders”.

Focus on health

In terms of demographic trends, and in particular in regards to the raising of the retirement age in Germany, we take the topic of health particularly seriously. Therefore, it is a matter of course for us that we aim to promote a reasonable working environment. In addition, we aim to increase health awareness and prevention activities throughout our workforce with different health awareness activities. The primary achievement in 2013 was the professional health days that were hosted in partnership with outsourced consultation resources. These events focused on making information about health available. Employees had the opportunity to take advantage of offers to learn more about back and spine health, stress management, nutrition, fitness and cardiovascular health. In addition, we provided various activities including a diverse programme meoffering of sports. Beyond the routine and everyday work at Leifheit, we also promote employee initiatives such as a dragon boat team and participation in company runs. In this way, we can both strengthen our team spirit and at the same time support the region in which our employees live and work.

21
Trainees at
the Nassau site

Leadership culture and communication

It is important that internal communication is characterised by openness and trust. Leifheit implemented a number of change processes in the recent past. This mainly concerns effective communication, so that all employees understand the motives and the opportunities of change and transformation. We offer different avenues for exchange and communication throughout our workforce. The annual appraisal interview is a fixed date in the calendar of each Leifheit employee as part of which the opportunity exists to provide an intensive exchange with supervisors. Business-relevant content as well as workplace-specific issues are also addressed during this appraisal meeting. These talks are also the basis for individual measures for the training and development of the employee.

We evaluate the effectiveness of our measures at fixed intervals through employee surveys. One result of our employee survey from 2011 involved the introduction, of quarterly employee meetings. During these meetings, the Board of Management informs employees at sites in Germany about the current business situation. In addition, we have continued our so-called fireside chats at the Nassau location. There fireside chats take place in a personal dialogue with alternating groups of employees in these regularly scheduled discussions, including with the Board of Management. This allows for a very direct and open exchange with staff at all levels of the organisation.

Company suggestion system

In 2013, we restructured our internal operations suggestions for the Nassau and Zuzenhausen locations. By switching to an electronic workflow, we increased transparency, as a first step, for our employees and realised faster and more efficient processing. As a result, 42 suggestions for improvement reached us in the reporting period (2012: nine proposals).

Employee survey 2013

The opinion of our employees is important to us. For this reason, we again conducted an employee survey at the end of 2013 at Nassau and Zuzenhausen locations in regards to general job satisfaction and the leadership of our senior executives. Initial results indicate an improvement in the overall satisfaction of our employees. This provides us with a positive indication that the measures implemented after the last survey in the year 2011 are on-target.

Leifheit again Top Employer

In 2013, the Leifheit Group again received the coveted award of "Top Employer Germany" from the CRF Institute. As one of approximately 120 companies throughout Germany, we were independently certified as a company which offers our employees an optimal environment to develop and utilise their individual strengths. We are very pleased with this recognition. This underscores our efforts for sustainable and professional human resources development. Through implementing a forward-looking human resources strategy and a modern framework for developing and training our employees, we are securing an advantage in the labour market and at the same time we are also increasing the satisfaction and confidence of our employees in the company.

Development and innovation

As brand supplier in budgetary matters, we place the highest value on the process of innovation, the ultimate aim of which is consumer-relevant products. Our chief goal is to develop intelligent solutions that create real added value for consumers.

Innovation as a strategic factor

Innovation is of central importance for our market position and for achieving our growth and earnings targets. We see expenditures in research and development as investments in the success potential of our company. Leifheit invested € 3.9 million in the reporting period (2012: € 3.6 million) in research and development activities. Thus, the R&D ratio, i.e. the ratio of development effort to Group turnover, which stands at 1.8% for the year under review, lies above the level of the previous year at 1.6%. 30% of the total expenditure for research and development is accounted for by cleaning and laundry care product categories each and roughly 20% is accounted for by wellbeing and kitchen goods each.

In the year 2013, 30 employees were employed in the areas of development and patents. These were mostly engineers, technicians, engineers and lawyers.

We make investments in processes and structures in order to further enhance our innovation performance. In addition, we invested in the financial year in the facilities of our development department:

- Our in-house prototyping, a fused deposition modelling system (FDM system), was equipped with larger facility space. An FDM system is a 3D printing technology which provides for the completion of design and prototype models in a relatively short time as well as prototypes of high-performance thermoplastics.
- The purchase of a new 3D scanner allows us to match scanned samples with pre-given data. The need for fast and effective reconciliation of data as well as the generation of necessary test report logs for short-term implementation of optimisation grows with increasing demands on design.

Industrial property rights secure competitive advantages

Before making our innovations public, we make an application to maintain corresponding property rights to protect our innovations against unlawful copying. In this way, we protect technical innovations and thereby secure competitive advantages. A decisive criterion for the registration of rights within a country is economic viability. To do this, we take the expected turnover of the product concerned into account as well as the corresponding competitive environment. Usually, to this end, Leifheit seeks to evaluate the competitive environment in the focus countries first.

35
Patent and utility model applications

For us, the number of patents and utility model applications developed and held by us is a sign of our innovative strength. In 2013, we conducted 35 patent and utility model applications (2012: 36 patent and utility model applications).

Improved innovation processes

€ 3.9 m
Research and development expenses

Leifheit examined permanent future trends, conducted market research and monitored industry developments. At the centre of our considerations are consumers and their interests in contemporary products for a modern household. While the process of ideation is often very dynamic, the following steps are extremely systematic and follow a structured process at Leifheit. This includes concept and product development, the production of function and production models, testing and quality control, and finally the launch.

Leifheit fundamentally revised this product development process in the reporting period, in order to bring innovations to market more quickly and more successfully. To that end, we further elaborated individual project phases and added necessary process steps which were then documented.

With the aim to create more synergies, we have established our research and development division in the reporting period to augment our development process. In future, requirements across all product categories will be divided according to their product type, i.e. mechanical and electromechanical product types, and no longer as before between the brands of Leifheit and Soehnle. Individual development contracts will be allocated to employees according to their specialisation.

Safety as the focus of our activities

To ensure the highest level of safety of our products, we subject our innovations to particularly thorough testing before market launch. To this end we employ a three-stage approach: we carry out examinations using our own laboratory resources, initiate home use tests and commission external service providers with the testing and certification of our products.

Moreover, we use the so-called finite-element method to do tests on virtual prototypes to check whether our product requirements with regard to physical properties are met. Using this technology we promptly identify possible weaknesses in the development and construction phase. Possible rectifications can be made in such an early development stage.

Quality with distinction

We are pleased about another series of awards for quality and innovation that were bestowed upon our household products from the Leifheit and Soehnle brands in 2013.

Among other things, the Leifheit window vacuum cleaner was given the Plus X award in the small electric devices category for ease of use and functionality and simultaneously distinguished as the best window vacuum cleaner of the year 2013. The Leifheit CLEAN TWIST system was recognised by the pro-K industrial association as the product of the year 2013 in the indoor category. Our proven Linomatic 500 Deluxe rotary dryer was test winner in a consumer magazine and was given the “very good” rating. Moreover, Leifheit again received the coveted Initiative LifeCare consumer prize in the reporting year.

No less than four products were nominated for kitchen innovation of the year 2013: the Comfort Slicer, the Speed Quirls series, the Easy Slicer and the stainless steel splash guard. This product was also bestowed with the Gold Award for the best results in its product category.

We view the awarding of the well-known Blue Angel logo to the Soehnle Solar Star scales and the Solar Fit laboratory scales as confirmation of our efforts to create products more environmentally friendly. Furthermore, the Web-enabled Soehnle Web Connect Analysis body analysis scales received the Plus X Award. The scales were distinguished in four categories: high quality, design, ease of use and functionality. In addition, the Soehnle Page Evolution and Page Profi kitchen scales as well as the Travel luggage scales have once again received excellent test results in consumer magazines. The Comfort Jazz XL electric blanket, the Comfort Plus electric underblanket and the Comfort Vital feet warmer likewise obtained very good test results.

Innovations in 2013

Our structured and costly research and development work was also reflected in the last financial year in a series of innovations in all our product categories. The following is an excerpt of the most important new developments in our core categories:

Cleaning

We were able to achieve significant growth in the cleaning category in the reporting year thanks to the successful market launch of the Leifheit window vacuum cleaner.

We are making mopping even more convenient and efficient with the new crescent-shaped Micro Duo Collect wipe cover for our Profi floor mop.

In 2014 the well-established Twist systems are being extended and are getting a matching trolley. Using the 360-degree rotating wheels the system can conveniently move in all directions on the surfaces to be cleaned: no bending down, no carrying of the full mop bucket. We are simultaneously working on a permanent enhancement to existing Twist systems using a patented handle drive.

In 2014 we are expanding our window vacuum cleaner portfolio with additional sets of pads and handles and are fulfilling consumer needs with this expansion.

Laundry care

We expanded our clothes horse models with the market introduction of Leifheit‘s Varioline series. Its special advantage lies in the variable drying bars that offer individual distances for better air circulation and thereby allow quicker drying.

We expanded our Pegasus standing laundry drying rack series by adding another drying rack in the XXL format.

The Pegasus MAXX is especially suited for large and long pieces of laundry thanks to its longer drying rods and height of 108 cm. We put the Pegasus model on rollers and this allows more convenient and simpler handling.

We have optimised our rotary dryer range of products through market-based pricing and closure of product line gaps to meet international market requirements. The rotary dryer portfolio was expanded with the addition of Linomatic Comfort, a rotary dryer with automatic line retraction.

The Air ironing table line was also reworked: it is now equipped with an EPP (expanded polypropylene) ironing surface. Thanks to this extremely lightweight material, which Leifheit has registered for patent approval for its ironing tables, our Air models are about 25% lighter than comparable metal mesh tables.

Kitchen goods

The focus in our kitchen product category in 2013 was the consistent continuation of our “Clever Kitchen” concept through the expansion of the “Preparation” and “Storage” core competencies. The innovative Speed Quirl allows 50% faster manual beating of creams and sauces. In addition, Leifheit expanded the product portfolio with the addition of a space-saving splash guard and the first handy spiral cutter for fruits and vegetables.

Apart from the “Clever Kitchen” concept, we are consistently building upon the second pillar of our kitchen portfolio. After the market introduction of our Fresh & Easy storage containers, we launched the Fresh & Slim foldable fresh storage containers in 2013.

Wellbeing

Our Soehnle brand introduced a totally new generation of scales into the market during the reporting year. A distinguishing characteristic of these scales, apart from the tried and tested Soehnle weighing accuracy, is the online connection. The calculated weight can be displayed on any smartphone or Internet-enabled device with a Web browser. This allows us to serve a completely new market segment and address the needs of target users who are health-conscious and body-aware. The structure of our solar scale product line makes allowances for consumer demand for environmentally friendly and sustainable products. Our latest kitchens and scales follow the newest design trends through the incorporation of frosted and polished glass.

The “Air” sector with aroma diffusers and humidifiers has experienced very positive growth in 2013. We will expand this product line with the introduction of two additional aroma diffusers under the Soehnle brand. We are also offering new and unique solutions in the “Heat” sector. What is new in the programme in the reporting year are battery-powered heating pads and heating belts which provide the highest degree of mobility without cables.

Selected focus of development in 2014

The focus of our development activity in financial year 2014 is the expansion of our successful Leifheit window vacuum cleaner product line. We will also continue to develop our Soehnle products, specifically the aroma diffuser and Web-enabled scales portfolio. Moreover, we are working with a renowned institute on a development project that focuses on the applications of sustainable materials such as biopolymers.

Development costs are recorded as expenses. For reasons of materiality, entry on the assets side is not done for smaller development projects dealing with the enhancement of existing products and parts. For larger development projects, the point at which it is clear whether future benefits will be generated from the potential product is extremely late in the overall project phase so that the development of associated costs is immaterial.

Procurement, logistics and production

Leifheit has three production locations. They are located in Nassau, in Blatná in the Czech Republic and La Loupe in France. We rely, apart from our own production capability, on a network of suppliers, primarily in Eastern Europe and Asia. In 2013 Leifheit produced about 47% of delivered goods using its own production capacities and resorted to external suppliers for about 53%. Our plant in Blatná carries out most of our in-house production.

47%
In-house production

Procurement

The procurement volumes for semi-finished goods, finished goods and raw materials in reporting year 2013 dipped slightly and came to € 89.9 million (2012: € 95.5 million). The change resulted from inventory optimisation and discontinuation of the business involving products from the Dr Oetker Bakeware brand. We purchase primarily materials, energy and services but also consumer items as well.

Market development marked by price fluctuations

The year 2013 was marked by a high degree of fluctuations in raw materials prices. The economic situation in China, in particular, is a decisive factor in respect of raw materials and consumer items that we source from the Far East. The situation here in 2013 was characterised by significant wage increases and further appreciation of the exchange rate of the renminbi against the US dollar. We are counteracting this development with specific sourcing activities as part of our strategic supplier management.

Strategic supplier management

We are cultivating an effective network of suppliers in order to ensure the continuous supply of production materials, on the one hand, and to develop selected products, especially in the Far East, on the other.

We look for and rate our suppliers according to the following criteria:

- the capacity to generate and implement product innovations
- to ensure the desired product quality
- to ensure the availability of goods and guarantee adherence to delivery dates
- to offer an adequate price to performance ratio

In addition, the prerequisite of reliable collaboration is recognition of Leifheit‘s Social Code of Conduct which we use to control the working conditions of our suppliers.

Resorting to suppliers for the manufacture of our products has various advantages: efficient use of financial resources, minimisation of risks associated with one‘s own facilities and a high degree of flexibility in the adaptation of our product portfolio. Leifheit regularly checks whether individual products can be covered by specific insourcing of our production in Blatná. This is how we continuously optimise the rate of utilisation of our Czech location.

In 2012, we revised our supplier rating and classification system. Based on the insights gained from it we carried out an initial consolidation of our supplier network in the reporting year. The objective is to improve coordination processes through a smaller number of strategic suppliers so as to minimise frictional losses and obtain maximum synergies.

In spite of the consolidation of our suppliers, we continue to observe and evaluate the important procurement markets on a regular basis in the search for potential partners.

In terms of inventory management in 2013, we managed to shorten restocking times of consumer items from the Far East. This period had so far been three months. It was shortened by a third to two months.

Structure of the purchasing organisation

In financial year 2013 we continued to carry out the organisational improvements that we introduced in purchasing in the prior year. We merged the functions of strategic and operative procurement under one management. The objective is to better identify and realise possible cost-saving potentials across the value-added chain.

Logistics

Our German distribution centre in Zuzenhausen, with its logistics satellite in the Blatná production location in the Czech Republic, carries out the worldwide distribution of our products. Zuzenhausen is the central logistics hub of Leifheit. The organisational structure on this site allows us to meet new market and customer requirements in a flexible and efficient manner. This prepares us for further growth in the framework of our business strategy and allows us to successfully meet complex logistical challenges that arise in e-commerce processes, for example.

Further optimisation of logistical processes

After the expansion of warehousing capacities in 2012, we implemented the following projects in reporting year 2013:

- All material flow processes were adapted to the requirements of our international trading partners using automated solutions.
- We optimised cargo area utilisation in lorry shuttle transport between production facilities.
- We managed to accelerate unloading and collection processes during goods receipt using a new IT solution.
- Additional optimisation was obtained from further standardisation of logistical units, new equipment and revised processes for the rapidly growing e-commerce sector.

In addition, our Blatná location was incorporated into the European distribution logistics network. This puts us in the position to make quicker and more flexible deliveries especially to our growth markets in Eastern Europe.

Production

Focus at the Blatná location

We have about 370 employees at our Blatná location in the Czech Republic. Production at this facility focuses on laundry dryers, ironing tables and cleaning equipment. With the products manufactured at this plant we reached a turnover share of 31% in the reporting year with a rate of utilisation of about 85%.

In 2013 we also invested in the level of vertical production at our facility in Blatná. New production systems for semi-finished products were installed and these have been in operation since December 2013.

In the reporting year we began to transfer ironing table production from suppliers to our own production location in Blatná. The concentration of capacities there is resulting in a doubling in the number of ironing tables that we make on our own. We are thereby boosting the flexibility of customer supply through the regional proximity of the Czech Republic to our European markets.

Furthermore, production logistics underwent further improvement. An important innovation is the production radiating from the logistics area and resulting in the shortest transport routes.

Maximum flexibility at the highest speed

At our headquarters in Nassau we operate highly automated production of rotary dryers for the laundry care product category. The location has an annual production capacity of 360,000 pieces. We reached capacity utilisation of around 65% in the reporting year.

Our production team and the high degree of automation of processes facilitate timely delivery even during season and weather-dependent demand fluctuations.

In addition, we use modern injection moulding technology for the efficient production of semi-finished goods that are subsequently assembled into finished goods on-site through just-in-time supply. Production components aligned with each other facilitate production with a high degree of efficiency and speed.

Production in La Loupe in France

At our French plant in La Loupe, where we employ around 70 employees, our subsidiary Herby mainly produces tower, standing and wall-mounted drying racks for the volume market. The integrated production includes a metal forming, surface finishing and injection moulding production section. In 2013 we reached a rate of utilisation of around 70% against an annual production capacity of up to one million drying racks. Herby products are sold mainly in France.

Distribution and marketing

We are active in all important distribution channels. In the brick-and-mortar shops these channels are mostly the hypermarkets, wholesale and retail as well as construction and do-it-yourself markets. At the same time, we are accelerating our activities in online and cross-channel commerce. We draw the required attention of consumers using a combination of classic and modern marketing activities.

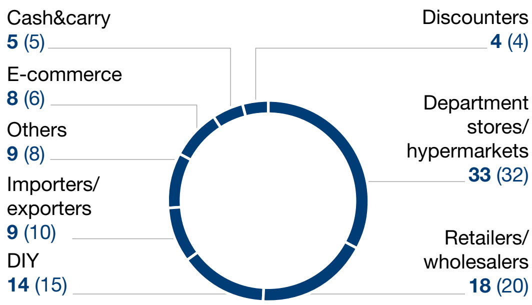
New distribution channels are becoming more important

Apart from high-street retailing, online commerce is growing rapidly. We continued to expand the online distribution channel in reporting year 2013 as part of our e-commerce activities. Most recent milestone: the completion of an extensive database with a content management system for information exchange with our online distributors. We combine this with key account management specialising in home-shopping, flexible logistical processes, absolute adherence to delivery dates and packaging geared towards home shopping.

That we are on the right path with our activities is shown not only by the 27.7% growth rate in e-commerce compared to the prior year but also the "Vendor of the Year 2012" award we received from a well-known online store. We are delighted to have received such recognition of our efforts in this regard. This award is also an incentive for us to speed up our activities in the future even more in this distribution channel.

27.7%
turnover growth
e-commerce

Turnover per distribution channel
in % (previous year's figures)



POS Excellence

Moreover, we are staging our market entry into high-street retailing through smart shopper marketing concepts. As part of our POS Excellence initiative, we opened 50 new brand shops in the reporting year. The participating sellers are seeing their turnover on the remodelled space increase by up to 50% thanks to individually customised shop solutions. The POS Excellence concept of Leifheit is based on high-quality analyses and should orient the consumer and create buying incentives. On-the-shelf test stations, demonstrations and video promotions round off the offer. We were able to carry out more than 200 video placements in commerce in 2013.

Attended major fairs for consumer goods

We brought our brands Leifheit and Soehnle to 30 national and international fairs (2012: 31). Attending the international Frankfurt consumer goods fair Ambiente was very important for us. With around 4,700 exhibitors and 140,000 trade visitors it is the world's leading fair for our industry. The fair offers the possibility to meet and speak to our international commercial partners. In February 2013 Leifheit presented the innovations in our Leifheit and Soehnle brands on approximately 1,000 square meters.

In addition, we showed new marketing concepts in the reporting year such as our POS Excellence initiative for high-street retailing.

We also attended the following important trade fairs: the Internationale Funkausstellung (IFA) in Berlin, Futura in Salzburg (Austria's leading trade fair for entertainment electronics, household equipment and telecommunications) and the International Home + Housewares Show, Chicago, in the USA. These count among the most important trade fairs in the consumer goods and household sector. We also attended many smaller exhibitions and consumer fairs.

Active marketing in all product categories

In 2013 we relied on targeted advertising activities in various media for our cleaning products. This involved, among others, a TV campaign for Clean-Twist and Clean-Twist Mop, as well as for the reintroduction of the window vacuum cleaner, print campaigns in a national daily newspaper for Clean-Twist products and window vacuum cleaners, as well as targeted public relations and online marketing activities.

In the laundry care product category we started a dialogue marketing campaign in the reporting year for our Linomatic rotary dryer. The objective of the campaign was to engage target groups directly and purposefully using relevant information. Special search engine advertising and marketing was used to this end.

50
new brand shops

In 2013 marketing activities for our kitchen products focused on our innovative Fresh & Slim foldable fresh storage containers. A comprehensive marketing concept included an eye-grabbing packaging concept, the offering of test and starter sets, support using displays at the POS, shelf testers, cooperation arrangements as well as online and POS videos.

Our Web Connect online scales were the focus of our activities in the wellbeing product category. In this respect we collaborated with a widely circulated consumer magazine and carried out a targeted public relations campaign in the reporting year. This was supported by high-street retail and online sales promotions.

30
Trade fairs

Start of "Winner Types 2014" campaign

In 2014 Leifheit will start a comprehensive campaign entitled "Die Siegertypen 2014" (Winner Types 2014). In this context successful Leifheit products are advertised for the first time by end users. The distribution involves POS, TV commercials and print ads. In preparation for the campaign we started a nationwide announcement in autumn 2013 and looked for end users who will provide testimonials that will be the focus of the campaign. This drew very positive reactions from consumers. Thanks to the accompanying press coverage a total of 150 million contacts were reached in just three weeks. Five end users were selected from all the applications and they were photographed by renowned Berlin photographer Maziar Moradi for the 2014 advertising campaign.

ambiente-film.
leifheit-group.com

SUSTAINABILITY

We take our responsibility for the environment and the community where we operate seriously. Moreover, for us sustainable commerce is an important element of commercial success. Based on this belief we tie our business processes more and more to the concept of sustainability. We invest in environmental protection, promote exchange with our stakeholders, establish business relationships according to recognised standards of behaviour and support social commitment in our region.

Acting in tune with the environment

We believe that long-term growth can happen only in harmony with the environment and society. As a developer and producer of household goods, we count among the companies that also rely on the use of fossil-based raw materials. We are operating here in a world of ever-decreasing resources simultaneously as costs rise. We therefore think that the efficient use of raw materials is a necessity for the future capacity to compete and the success of the Leifheit Group, on the one hand, and for the responsible handling of natural resources as a whole, on the other.

Goals of environmental protection

The uppermost goals of our sustainability strategy are: “achieve more with less resources” and “long-lasting products with outstanding quality”. The objective of environmental protection has three fields of activity:

- the resource-friendly handling of production materials, raw materials and supplies
- savings in energy for lights, heating and production
- the minimisation of pollutant emissions

Concrete measures in environmental protection

All Leifheit processes are based on the wish to protect the environment and on safe production. We continuously strive towards the improvement of process efficiency.

- In 2013 we increased energy efficiency by 10% compared to the prior year and thereby reduced our resource consumption. For this purpose, we invested k€ 5 in modern LED energy-saving lamps as well as the use of motion detectors in production, logistics and office buildings.
- We further expect savings potentials from the roof refurbishment and insulation of our production facility in Nassau that we started in 2013. We invested about k€ 20 in this respect for the purpose of achieving significant reduction in energy losses.
- Investments to the tune of around k€ 25 were made in the reporting year for the acquisition of a water ion exchanger. This facilitates the environmentally friendly treatment of cooling water used for injection moulding production in Nassau without the use of chemicals.
- We achieved long-term reduction of waste through the increased use of mills for the direct recycling of waste coming from injection moulding machines also in the Nassau facility.
- A sustainable drop in CO_2 emissions and lower energy costs were achieved in the logistics area through optimised route management. In this connection we are working on the shifting of transport routes from road to rail. In addition, Leifheit is relying on the use of the latest generation of transport vehicles that meets the most stringent exhaust gas standards.

Social responsibility

We have a business strategy that is oriented towards sustainable growth and is derived from our business philosophy. We work based on ethical and legal principles of business management that partly go beyond statutory requirements. We provide our workers with the Leifheit Code of Conduct. This regulates behaviour in accordance with applicable laws and standards. Workers are required to notify their superiors, the works council or a Human Resources officer if employees observe cases of infringement. We have also developed a Social Code of Conduct for our suppliers. It stresses maintenance of uniform work conditions even abroad, that is, of standards that we consider appropriate and humane. We regularly check compliance with our prescribed guidelines by our suppliers through on-site inspections.

Product responsibility

It is our goal to make products safe so that neither people nor the environment is harmed. This is why we have a comprehensive quality management policy. It covers product quality and the standard of our production processes.

Our products stand out because of their high quality and above-average longevity. We naturally dispense with any type of planned product lifetime, a principle that is likewise reflected in the warranty periods of our products. We do not use any permanently fixed batteries and rely, wherever possible, on solar cells. We are pleased that some of our products were once again bestowed with the Blue Angel and Plus X awards in the reporting year for this very reason.

Stakeholder dialogue

As a brand manufacturer we place the highest value on others' perception of us and the placement of our products among the competition. For this reason, we are in continuous dialogue with consumers and businesses. We seek active exchange with our customers and end users and face up to their feedback at various trade fairs such as Ambiente in Frankfurt or the IFA in Berlin. We have set up a specific hotline for consumer service in Nassau. This service works closely with our quality management team and forwards suggestions or criticism directly to the organisation. Moreover, we receive further feedback through a series of customer surveys conducted by external market research institutes.

We communicate not only with businesses and consumers but also with professional organisations and interest groups such as Markenverband, the German Association for Covered Tables, Furniture and Home Decor (GPK) or the parquet industry. We also carry out active exchange with regional and municipal representatives as well as non-governmental organisations (NGOs). The continuous dialogue promotes understanding of the requirements and needs of all sides and has a positive influence on the further development of our company and our product portfolio.

Leifheit cultivates relationships with its stakeholders, credit institutions and various media. For this reason, we regularly attend investor conferences, conduct individual discussions on road shows in Europe and face up to the questions of our investors as part of our Annual General Meeting. For representatives of the media we usually host four press conferences every year and also carry out other discussions with the press. The targeted groups are representatives of the business, financial and trade media as well as local press. Our media presence promotes familiarity with our brands and our reputation in the community but we also are not averse to facing up to critical questions from media representatives, if there are any. In terms of financial and business communication we rely on the transparency guidelines of the German Corporate Governance Code and on the international transparency requirements of the Prime Standard. To this effect we ascribe great importance to the equal treatment of all market participants.

Social commitment

Leifheit demonstrates its solidarity with the region through the sponsorship of social, sports and cultural projects at our facilities.

In particular, the following activities were promoted in 2013:

- We participated in the Festival of Minor Arts in Nassau. For the second time the Nassau inner city was used as a stage for a series of performances of different artists. The event proved very popular, especially among families with children.
- Sports activities promote cooperation, understanding and fair play. For this reason, in 2013 we supported several sporting events, one of which was a charity tournament in support of a formerly active athlete with a serious disability. We equipped the youth teams of the local football association with new jerseys.
- We regularly take part through donations in kind in association events.
- We supported a local training programme for mediation so that children learn the correct way of dealing with conflicts while still young. In conjunction with communications experts and social workers, children and youth learn social skills at an early age that will also benefit them later in their professional life.
- We give our workers the possibility to get involved in social issues during work. In 2013 one of our employees once again donated his stem cells to the German Bone Marrow Donor Register (DKMS), an act for which we of course release employees from work.
- In 2013 our apprentices organised for the fourth time a Christmas bazaar in support of a charitable project. The receipts of € 2,400 were spent for an inclusive kindergarten. This promotes cooperation among children from different nations, with different religions and different needs. Through daily encounters among children with and without disability this kindergarten offers the possibility to learn early on from and with each other.
- We were involved in the "Licht.Gestalten2013" project, an art and charity project where creativity and social commitment merged in a unique way. The results of "Licht.Gestalten2013" were presented in a group exhibition and then auctioned off. Proceeds went directly to the child assistance organisation Herzenssache.

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OPPORTUNITIES AND RISKS REPORT

Using market opportunities offers Leifheit the possibility to achieve additional profitable growth. For this purpose, we keep a close eye most of all on relevant trends in our industry. 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.

Opportunities

An important part of business conduct is the early recognition and consistent use of opportunities. We take opportunities into consideration in the formation of our short-term and medium-term plans. In the future they can exceed our estimates and lead to a positive deviation from our prognosis or the objectives that we set for ourselves. Leifheit does not record business opportunities within risk management but considers them in medium-term budget planning and tracks them during the course of periodic reporting. The Board of Management and the management of areas of operation are responsible for the prompt identification, analysis and utilisation of opportunities that present themselves. We regularly delve into detailed market and competition analyses, pertinent cost elements and key factors for success. Short-term and medium-term growth potentials are identified and activities for their realisation planned as part of our Leifheit GO! strategy. Our overriding objective is to obtain a balanced opportunity to risk ratio. The risk management of the Leifheit Group has not changed compared to the prior year.

Macroeconomic opportunities

Our company is affected by various economic conditions. In particular, the consumer‘s propensity to consume has an effect on our operational business activities. Our financial objectives for 2014 as well as the medium-term planning are therefore based on the macroeconomic development estimates described in the forecast. If basic conditions and the consumer‘s propensity to consume, especially in our important markets in Europe, develop more positively than depicted in the forecast, there might be a chance that we would exceed our revenue and results expectation. Please refer to the forecast for additional information about the expected development of basic economic conditions.

Industry-specific opportunities

As a European brand supplier for selected household areas, we profit from trends and market development in the household sector. In order to meet market and customer demands actively, we offer a broad product portfolio and put particular emphasis of our work on the design and development of trendsetting and innovative household products. In our opinion, the following trends will be relevant to us in the coming years and have the potential to have a positive effect on our business development.

Continuing online affinity of consumers

Consumers with increasing impetus are taking advantage of the opportunities provided by the Internet. This also applies to the household sector and extends from the search for information to the purchase of household items. For Leifheit this means numerous opportunities to tap into an above-average growth potential. The expansion of our e-commerce activities should reinforce ties to existing consumers and simultaneously allows the exploitation of new customer groups, especially through smart interlocking of e-commerce and high-street retailing. The product lines of Leifheit and Soehnle are best suited for these online sales: while the lowest priced items are bought primarily in high-street retail stores, we offer many products in the medium to upper price ranges that are relevant to online commerce. In addition, consumers value it more and more when bulky items such as our laundry dryers or cleaning devices are delivered to their homes. In cooperation with renowned online distributors we can increase our presence in international markets which we have not yet fully developed. We are investing in the expansion of our cooperation with online distributors, especially on the human resources and technical side.

Fundamental change to more quality awareness and greater demand for sustainably manufactured products

Apart from price and functionality, factors such as quality and longevity as well as production conditions are increasingly having a decisive influence on whether a product is purchased nowadays. This is a trend that will continue to become more important in the future and that can be observed especially among the younger generation of our existing and potential customers. The Leifheit umbrella brand primarily stands for quality and durability. As a brand supplier with a portfolio of high-quality products that were manufactured in our own production facilities or by our suppliers under controlled conditions in accordance with the Leifheit Social Code of Conduct, we have the opportunity to continue improving our market position.

Desire to slow down

A trend towards wellness and slowing down can be observed all across generations of people. The primary reason for this is the greater stress at the workplace. In many cases, this results in the desire for products that promote relaxation at home. Leifheit sees opportunities here for its wellbeing product category. We will use our products that focus on increasing wellbeing under the Soehnle brand to address the needs described.

Increasing number of households

An increasing number of households, especially single-person and two-person households, is forecast for Germany. This should increase sales of household items since the formation of households is always an incentive to renew long-lasting household products. For this reason, we assume that this development will have a positive effect on the Leifheit Group in the future and we see a growth opportunity in this.

Strategic business opportunities

There are strategic business opportunities for Leifheit from its position as one of the leading companies in the household products sector in Europe focusing on innovative products. We continue to concentrate our offering on the cleaning, laundry care, kitchen goods and wellbeing product categories in order to further expand our market position in the future by offering ground-breaking products. To take advantage of the opportunities that arise from product innovations and enhancements, we count on our own development department and invest in the expansion of internal and external expertise. Our pipeline to medium-term and long-term innovation projects will come from this department. It is constantly developing new and innovative products that offer added value to our customers. At the same time, we are shaping our organisation into something that can react with flexibility in the development area when opportunities arise from market trends and customer needs.

Furthermore, we see strategic business opportunities in the expansion of our market presence in home-shopping with e-commerce and in high-street retailing. To take advantage of the opportunities arising from this, we will invest in the future in various distribution channels and support them with smart communication concepts.

Greater penetration of existing markets and further regional diversification offer us opportunities. Leifheit currently focuses its business activities on the so-called DACH region as well as specific countries in Europe and the big cities of Russia. We are planning to increase our market presence in Turkey significantly in 2014. Country-specific sales programmes should help us expand our local presence and develop international key customers even more effectively. There is also an opportunity for us to earn disproportionate profits from the major and rapidly growing markets, especially in emerging economies, through close and faithful cooperation with our distributors – and this without using our own investment capital. We are also constantly evaluating the potential development of markets where Leifheit still has no presence.

We regularly monitor our current and future markets in search of opportunities for strategic acquisitions and partnerships. We can thus identify opportunities for expanding our product portfolio in a meaningful way, boosting our market position and achieving disproportionate growth.

Economic performance opportunities

There are economic performance opportunities for Leifheit especially in business operations, cost management and greater efficiency.

In terms of business operations there are significant opportunities in achieving greater success through the effective combination of our product portfolio and innovative sales activities. Integrated communication at the point of sale and point of interest draw the needed attention of consumers.

In terms of cost management and greater efficiency, there is opportunity to boost the long-term earning power of Leifheit through the improvement of operations and reduction of expenditures. In particular, the optimisation of various production and distribution processes across the entire value-added chain is what we have in mind. As part of our Leifheit Go! strategy we have implemented a series of optimisation projects in the past that should also have a positive effect in the future. This applies especially to our purchasing operations, the production location in Blatná and the expansion of our distribution centre in Zuzenhausen. We regularly check whether products from suppliers can be manufactured more efficiently at our own facilities. Specific relocation of the production of specific products can boost our flexibility and competitiveness and might even reduce costs.

Other opportunities

Our employees are the creative directors of our innovations and the mainspring of long-term growth for the company. We regularly invest in our staff‘s expertise so that we can take advantage of growth opportunities. To this end we promote various activities to boost the commitment and motivation of our employees.

Cooperation with our sales partners provide us with further opportunities. In high-street retailing our distributors are relying more heavily on our expertise in category management. The cooperation allows us to place products optimally in the framework of the POS Excellence initiative in order to minimise search times and thus increase lead times.

Risks

We are exposed to various risks as part of our business activities. We have therefore set up a risk management system that allows us to identify risks early, analyse them and take suitable countermeasures. We use this system to identify potential incidents that can have major disadvantageous effects on our business, net assets, financial position and results of operations as well as our reputation or could even compromise the survival of the company. To ensure the effectiveness of risk management, allow the aggregation of risks and facilitate transparent reporting, we use a company-wide uniform approach to risk management. As a listed stock corporation with headquarters in Germany, the company‘s its Board of Management set up a monitoring system in accordance with section 91 para. 2 of the German stock corporation act to ensure compliance with statutory regulations and an effective management of risks. In addition, the Board of Management is responsible for the effectiveness of the internal control system.

Risk management system

The risk management manual issued by the Board of Management governs the handling of risks within the Leifheit Group and describes a uniform methodology that applies to all company divisions. This manual delineates responsibilities for the execution of risk management tasks as well reporting structures. The effectiveness of the risk management system is controlled by regular revision checks. In addition, auditors carry out annual checks of whether our early risk detection system is capable of promptly identifying risks that jeopardise the company.

Our risk strategy is based on the global objective of ensuring the continuation of our business activities.

Our risk management organisation consists of a risk manager working right across the Group and risk owners in the individual operational areas. The risk manager is responsible for updating the risk management manual as well as the uniform implementation of the described methods, for the risk aggregation and standardised risk reporting to the various levels of the company. The Brand Business and Volume Business segments are completely divided into independent risk areas. The respective risk owner is responsible for risk management within the risk areas. It is the job of the risk owner to identify and evaluate all risks continuously, notify the company about them, and monitor the implementation of countermeasures. Opportunities are not determined as part of risk management.

The central element of the risk management system is the systematic risk management process that is cycled on a regular basis. It includes the risk identification, risk evaluation, risk aggregation, risk control, risk monitoring and risk reporting phases. This process begins with risk identification, during which all risks, sources of hazards, damage and potential disruptions are systematically documented in uniform risk tables and afterwards analysed biannually. In case of the appearance of new risks that could have a significant effect on the economic results or the further development of the company, the risk owner immediately notifies all responsible offices within the Group and the Board of Management, in particular, as part of ad hoc reporting.

Identified risks are assessed and categorised according to the extent of their effect and their 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, actively implements and monitors measures to avoid, reduce or transfer risks in each case using the risk table. The status of each countermeasure is also documented in the risk table by the risk owner.

In risk monitoring, general warning indicators are defined as well as case-by-case indicators for specific individual risks. All indicators are regularly observed in order to better monitor risks and the effectiveness of introduced countermeasures.

Our risk management was thoroughly revised in 2012 and then subjected to an internal review. No significant changes were made to the risk management system in the financial year 2013 compared to the prior year.

Internal control and risk management system in the accounting process

The Internal Control System (ICS) is an integral part of the risk management system. Our manual for the Internal Control System defines the creation of the internal control and monitoring system for all major business processes in the company and describes the structural organisation. Our goal is the systematic creation of control measures in the processes in order to comply with laws, standards and directives, avoid financial loss and ensure the functional capability and profitability of business processes. The ICS officer is responsible for designing the content of the system. This person coordinates ICS tasks and ensures there is central documentation. Process officers see to it that there is correct and complete documentation of significant process risks and guarantee the effectiveness, efficiency and execution of adequate and specific controls. Apart from directives and work instructions, risk control matrices are the central element in significant risk-related processes. They define the significant risks in processes, the risk analysis and the required controls and responsibilities of the control officers. The principles of functional separation and dual control are strictly followed.

With respect to accounting in the Internal Control System and risk management system, our goal is to ensure and uniformly implement the statutory prescriptions, the principles of correct bookkeeping, rules of the International Financial Reporting Standards (IFRS) as well as the Internal Control System itself. Our internal control and risk management system for accounting is embedded in the Group-wide risk management system. With respect to organisational, control and monitoring structures we ensure that business matters are recorded, processed and analysed pursuant to the law and entered in annual accounts and annual consolidated financial statements.

In addition, our system includes guidelines, procedures and measures ensuring that our accounting follows laws and regulations. To this end, we analyse new laws, accounting standards and other pronouncements where non-compliance would represent a significant risk for the correctness of our accounting. The Group's Accounting Department presents uniform Group-wide accounting and evaluation methods in the Group's Accounting Manual pursuant to the IFRS. These guidelines, in conjunction with the schedule for the preparation of annual financial statements, constitute the foundation of the annual financial statement preparation process. All Group companies and accounting areas must present their financial statements to the Group Accounting Department using the consolidation software used throughout the Group. Subsidiaries and accounting areas are responsible for compliance with the accounting regulations applicable throughout the Group when preparing their financial statements and are supported and monitored by the Group Accounting Department in this process. They carry out the adjustment of internal assets and liabilities as well as supply and service relationships according to Group guidelines.

Consolidation is carried out globally by the Group Accounting Department. In addition, we use external service providers for the evaluation of pension obligations or long-term incentive pays, for example. Employees in charge of financial reporting are familiar with our internal guidelines and processes and undergo regular training. Our Internal Control System separately covers the annual and consolidated financial statement process. The risks and controls are defined in the corresponding risk control matrices. These include the following measures: IT-supported and manual controls and adjustments, the set-up of functional separation and dual control principle, rules governing access to IT system and monitoring.

The purpose of the Internal Control System in accounting and financial reporting is to ensure with adequate security that financial reporting is reliable and that annual and consolidated financial statements present a picture of net assets, financial position and results of operation that corresponds to actual relationships.

Selected operational and financial processes of the Internal Control System were audited in financial year 2013.

Risk assessment

Our goal is to determine what could have a disadvantageous effect on our net assets, financial position and results of operation or our image and what risks are most likely to jeopardise Leifheit. For this purpose, the individual risks are rated as critical, medium or small in terms of their estimated probability of occurrence and their effects on our business objectives. The scales to measure these two indicators are shown in the table below.

Probability of occurrence	Description
1% to 20%	very small
21% to 40%	small
41% to 60%	medium
61% to 80%	high
81% to 99%	very high

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

Extent of effect	Definition of effect
very small	small risks that do not have a noticeable effect on business activities, financial position and results of operations, cash flows, company objectives and visibility (< € 1 million)
small	medium risks that have a noticeable effect on business activities, financial position and results of operations, cash flows, company objectives and visibility (€ 1-2 million)
medium	significant risks that have a strong effect on business activities, financial position and results of operations, cash flows, company objectives and visibility (€ 2-5 million)
high	serious risks that have a considerable effect on business activities, financial position and results of operations, cash flows, company objectives and visibility (€ 5-25 million)
very high	risks that jeopardise the company's continued existence (> € 25 million)

According to their probability of occurrence and the extent of their effect on our business activities, our financial position and results of operations, our cash flows and our visibility, we classify risks as critical, medium or small in the form of a risk map.

Probability of occurrence/ effect	1% to 20 %	21% to 40%	41% to 60%	61% to 80%	81% to 99%
very small	small	small	small	small	small
small	small	small	small	medium	medium
medium	small	medium	medium	medium	critical
high	medium	medium	critical	critical	critical
very high	critical	critical	critical	critical	critical

Risk factors

We describe below risk factors that we identify and track using our risk management system. They are aggregated more closely in the description below than they are used for internal control. The risk factors basically affect both segments: Brand Business and Volume Business.

Macroeconomic, political, social and regulatory risks

Uncertainty in the global economy, financial markets or in the political sphere could have a negative effect on our business activities, our financial position and results of operations, and our cash flow, and increase pressure on our EBIT.

Growth in the consumer goods sector is largely dependent on consumer confidence and consumption expenditure. Therefore, declining sales resulting from the general economic situation or social and political factors, especially in regions where we have a strong presence, represent a critical risk for the development of sales. In addition, changes in the regulatory environment (for example trade policies, tax regulations, product quality and safety standards) can also bring about potential revenue shortfalls and cost increases.

We are monitoring the macroeconomic, political and regulatory situation in the markets that are important to us in order to identify potential problem areas early and to be able to adapt our business activity quickly. To avoid macroeconomic, political, social and regulatory risks, we strive to have a balanced distribution of revenues among the important regions and react to current changes in the short term using various activities to cushion possible negative effects.

We consider the probability of occurrence of this risk as very high and we expect a medium effect on our business activities, financial position and results of operations, and on our cash flow. We classify this risk as a critical risk.

Sales and pricing risks

In order to achieve our sales and profitability objectives, we must generate sales growth, promote sales at the point of sale and pay attention to our product prices that must be competitive in the respective country. In addition, it is possible that rising product costs might not be compensated by higher prices on the market. This would have a negative effect on our margins. Furthermore, potentially lower turnover could lead to lower net contributions.

We counteract these risks using our international sales strategy in the focus countries, country-specific implementation plans, intensification of activities in our POS Excellence initiative as well our e-commerce activities.

We believe that the potential effects of these risks, in conjunction with sales and pricing, can be classified as medium and their probability of occurrence as very high.

Dependence risks
Dependence on specific suppliers, customers, products or even markets is fraught with risks. If a large part of our product volume is concentrated on one supplier or if there is great dependence on a specific customer, this would increase vulnerability to delivery and revenue shortfalls or business interruptions. Strong dependence on individual products, product groups or markets could lead to fluctuations in revenue and margin reductions.

To minimise these risks we rely on a broad supplier network and a balanced customer and product portfolio.

Although we reduce possible dependence through our diversification activities, we remain vulnerable to negative development in important procurement countries such as China as well as important sales markets such as Germany, France, Austria or the Netherlands. For this reason, we estimate the potential effects of dependence risks as medium and their probability of occurrence as small.

Risks inherent in product innovation and development
Innovative products with high practical utility, attractive design and high standards in product quality and safety generate high revenues and comfortable margins for us as a brand seller. Bringing new, innovative and high-quality products quickly to the market is a decisive factor. If over the longer term we are incapable of developing innovative products continuously, this could expose us to a considerable decline in revenues and margins. Moreover, poor product quality could lead to revenue shortfalls and higher costs.

To be able to bring our products more quickly to market, we have thoroughly revised our product development process. Product management and product development are working in a clearly defined idea search process in close cooperation with each other and utilise external providers as well in search of ideas.

Innovation is a significant success factor in our industry. Due to our innovative strength, we rate the potential effects and probability of occurrence of risks inherent in product innovation and development as medium.

Product quality risks
The risk of possible product defects could lead to consumer injuries and damage the image of our brands and products. To reduce these risks we have set up interdisciplinary teams that will deal with product quality all across the entire procurement chain. We carry out intensive quality controls in our own laboratories and with external providers and work closely with suppliers. We counteract possible damage claims by taking out product liability insurance.

We classify the potential effects of product liability cases and product recalls as high, but their probability of occurrence as very small.

Risks due to increasing procurement costs
Wage costs and raw materials represent a large proportion of the cost of turnover. Above all, materials such as plastics, aluminium, cotton and steel are subject to the risk of price fluctuations. Increasing wage costs among suppliers, particularly in the Far East, increase the risk of price increases for merchandise. We reduce the financial effects of higher procurement costs on our product margins by concluding long-term delivery agreements and resorting to time and cost-saving procurement measures. We revise our products and respond with price increases. The aim of strategic procurement is to maintain the competitiveness of the procurement chain in the context of increasing acquisition costs.

In light of the measures taken, we consider the effect of potentially increasing procurement costs as a low risk with a medium probability of occurrence.

Risks due to extraordinary external incidents
We are exposed to external risks such as natural disasters, fire, accidents and malicious acts. Such events may inflict material damage on buildings, production facilities, warehouses or cause interruptions in business activities both within our company and among suppliers.

We counteract risks caused by extraordinary external incidents in a variety of ways. For example, we cooperate with reliable suppliers and service providers. In addition to insurance cover, we have put preventative measures in place such as fire detection and fire-extinguishing systems in buildings and emergency plans for the prompt restoration of business activities. This should minimise potential effects of external faults.

The occurrence of such risks could have major financial effects. We believe the probability of occurrence is, however, very small.

Risks in the risk and control environment

The failure to identify considerable risks, to counteract them and introduce and maintain adequate internal control systems in the Group could result in inappropriate decisions, higher costs, breaches of compliance, fraud, corruption and damage to the Group's reputation. The danger further exists that employees will breach guidelines and standards.

We reduce these risks in the risk and control environment by introducing directives and guidelines that are available to all employees on the Intranet. Furthermore, we use a risk management system consisting of early detection, an internal control system and internal audit. With guidelines such as the Leifheit Code of Conduct or the Leifheit Anti-trust Compliance, clear rules and principles for the conduct of our employees have been laid down in key areas. Nevertheless, the potential effects of these risks could be wide-ranging. We believe the probability of occurrence is, however, very small.

Legal risks

As an international company, Leifheit is exposed to various legal risks. These include contractual risks, liability risks or the risk that third parties could assert claims or pursue actions due to infringement of trademark, patent or other rights. In order to reduce any such contractual infringements, we monitor compliance with our contractual obligations and consult internal and external legal advisors. We minimise the risk of an infringement of third-party industrial property rights by diligently reviewing constructions, designs and names. Our Legal & IP department optimises our patent portfolio and reviews and analyses third-party patent rights.

Despite recourse to precautionary measures, we consider the potential effects as average and the probability of occurrence as small.

Default risks

Default risks arise if a customer or another counterparty of a financial instrument does not meet the contractual obligations. Default risks arise due to trade receivables and other contractual obligations of a counterparty such as for deposits and financial investments.

According to our credit guidelines, new customers are reviewed for creditworthiness and caps on receivables are determined. Creditworthiness, caps on receivables and amounts overdue are continually monitored. In order to reduce the risk of default, we selectively use credit insurances such as bank guarantees.

Currency hedging transactions and investments of liquid funds are only performed with banks with a high level of creditworthiness. Group companies are exclusively permitted to cooperate with banks that have a rating of BBB or higher. Cash and cash equivalents are only invested in instruments which are covered by the deposit protection fund. Furthermore, maximum investment amounts are determined for each contracting party. In the financial year 2013, the maximum individual contracting party limit was € 40 million.

The potential financial effects of risks of default could be very high. We believe the probability of occurrence is, however, very small.

Financing and liquidity risks

Liquidity risks arise from a possible lack of funds required to satisfy due liabilities in respect of maturity, volume and currency structure. As at 31 December 2013, cash and cash equivalents and financial assets amounted to € 52.0 million. There were no interest-bearing financial liabilities such as bank overdrafts. 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. Liquidity is managed across the Group by employees in the Treasury department at the headquarters.

Due to our current financing structure, we consider both the probability of occurrence and the potential effect of financing and liquidity risks as very small.

Currency risks

Leifheit is exposed to currency risks, as cash flows accumulate in various currencies. Furthermore, currency effects from the translation of results not denominated in euros, the functional currency of the Group, may have effects on the components of the total earnings not affecting net income. Risks are created in particular due to the fact that our products are procured and sold in different currencies in different amounts on different dates. A large portion of our procurement costs are incurred in US dollars and Czech korunas, while the majority of the Group turnover is generated in euros.

Leifheit maintains a centralised system for the management of currency risks. We hedge units of the planned currency requirements in advance until the financial year after next. According to the Treasury principles, hedging instruments such as forward foreign exchange contracts, currency options, currency swaps or combinations of options may be used which safeguard against negative currency fluctuations and, at the same time, offer the potential to profit from future exchange rate developments on the financial markets. The scope of hedging is evaluated on a regular basis.

The following hedging existed as at 31 December 2013:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	€ 63.9 million	USD 85.0 million	€ 61.7 million
of which hedge accounting	€ 11.3 million	USD 15.0 million	€ 10.9 million
Sell USD/€	€ 14.9 million	USD 20.0 million	€ 14.5 million
Buy HKD/€	€ 4.7 million	HKD 49.0 million	€ 4.5 million

According to the requirements of IFRS 7, we have estimated the effects of changes to our key exchange rates (US dollar and Czech koruna) on result and equity and listed them under Note 37 of the financial statements. The effects are primarily due to the change in the fair values of our hedging instruments. The analysis does not recognise effects arising from the translation of the financial statements of our foreign subsidiaries to the reporting currency of the Group. As a result of that sensitivity, a 10% appreciation of the euro against the US dollar as at 31 December 2013 would have led to a reduction in profit of € 1.2 million.

We classify the probability of occurrence and the potential financial effects of currency risks as medium.

Interest rate risks

Changes to market interest impact future interest payments for financial investments for variable interest-bearing liabilities. As the Group does not have significant variable interest-bearing liabilities, changes to interest rates are unlikely to have an impact on profitability, liquidity and the financial position. Changes to the IFRS actuarial interest for discounting pension obligations have effects in the components of the total earnings not affecting net income. A sensitivity analysis is presented under Note 28. Due to the current low interest level, we do not anticipate further significant interest rate reductions with the potential to negatively impact the interest payments of financial investments.

For this reason, we consider both the probability of occurrence and the potential financial effects of interest risks as very small.

Tax risks

Tax risks arise in particular due to the findings of tax audits. The tax authorities are increasingly reviewing international intercompany transfer prices. Adjustments to tax payments have an impact on liquidity and result for the period net of income taxes. We counteract these risks by supporting international tax consultants.

A contingency in the amount of € 1.2 million from a yet outstanding tax audit in France existed on 31 December 2013.

We consider the potential financial effects of tax risks as low and the probability of occurrence as medium.

Overall assessment of opportunities and risks

Under consideration of each probability of occurrence and the potential financial effects of the explained risks as well as in light of the solid balance sheet structure and the current business outlook, the Board of Management does not anticipate any substantial risk to the continuation of the company as a going concern. We continue to be confident that our earning power and balance sheet structure provide a sound basis for our future business development and contains the necessary resources to leverage potential opportunities.

The changes to individual risks compared to the previous year do not have a significant effect on the overall risk profile. We believe this remains unchanged compared to the previous year.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

No significant changes since 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 operation of the Leifheit Group.

FORECAST

For 2014, we expect our business to operate in an improved economic environment: the forecasts for Europe and for Germany, in particular, suggest a slight improvement in economic growth. In this environment we expect stable turnover on the whole and a Group turnover at the level of the previous year.

Strategic focus of the Group

Leifheit will continue to pursue the "Leifheit GO!" strategy in 2014. In that connection, we believe there are four major levers of organic growth as before: first, concentration on strategic focus markets. By this we mean, first and foremost, the DACH region, the countries of Central Europe, important economies in Eastern Europe and in the metropolises of Russia. In addition, Leifheit will significantly boost its presence in Turkey as of the end of 2014. Second, we plan to develop the e-commerce sector with the same intensity as before. Third, we will increase our innovativeness by selectively strengthening the product management, research and development sectors. Fourth, we will further develop our brand and communication strategy with a view to strengthening our brand identity. Our focus will be on our presence at the point of sale. The general aim is to improve operating margins by strengthening our well-known brands Leifheit and Soehnle.

Continued solid financial resources also allow us to leverage opportunities for inorganic growth through acquisitions, to the extent that they make economic sense.

Further recovery of economic development

According to the International Monetary Fund, the global economy is set to grow by 3.7% in 2014. This would be an increase of 0.7% on the previous year. Many industrial nations continue to support the economic upturn by pursuing an expansive monetary policy. According to the IMF, a growth rate of 5.1% is forecast for the emerging economies (2013: 4.7%) China's GDP is expected to grow by 7.5% (2013: 7.7%). The growth rate in Asia's largest country would thereby stagnate at a high level.

According to the IMF, the USA will provide the most significant growth stimulus in 2014. An increase in GDP to 2.8% is forecast (2013: 1.9%). This increase will, most notably, be supported by domestic demand.

By contrast, the Eurozone countries are expected to achieve a slight growth of 1.0% in 2014 (2013: -0.4%). This spurt in growth will, above all, be provided by the major economies. Economically, Germany is expected to grow by 1.6% (2013: 0.5%). An increase in growth of 0.9% is expected for France (2013: 0.2%). According to the IMF, former crisis countries such as Italy and Spain will also experience renewed growth for the first time, even if these countries continue to give priority to necessary adjustment processes.

1.0%
Growth in the Eurozone

Fundamentally, the IMF is at pains to emphasise that, despite the growth prospects, risks which could hamper positive global economic development continue to be present. In addition, there is ongoing pressure on many countries to press ahead with budget consolidation which could have an adverse effect.

Industry in Germany looks ahead with confidence to 2014

Industry in Germany remains optimistic in its outlook for 2014. The Business Climate Index published by the ifo institute in Munich increased for the third consecutive time in January 2014 and, as such, is at its highest level since June 2012. Expectations regarding the further course of business are currently at an almost three-year high. Although the index, in relation to retail trade activities, recently declined slightly contrary to the trend, expectations regarding the further course of business in 2014 continue, by contrast, to be optimistic.

Consumer sentiment continues to be positive

The GfK Consumer Climate Study of February 2014 supports this development. After five consecutive increases, economic expectations admittedly suffered a slight setback in February. However, the economic indicator continues to signify an upward trend. Income expectations continued to increase at the start of 2014 and the propensity to buy remained more or less at nearly the same high level as before.

According to GfK, retail has benefited comparably little from the positive consumer climate in Germany. Low interest rates, stable employment rates and increasing income currently ensure that consumers tend to make large purchases. GfK further points out that a significant part of the additional financial funds of households therefore flows to services such as travel or renovations. The real estate sector is also reporting a high level of growth. It can be concluded from the high number of building permits that this is set to continue into the coming months, according to GfK.

Slight appreciation of the US dollar expected

A gradual appreciation of the US dollar is expected in the course of 2014. It is assumed that the American currency will reach a level of almost USD 1.30 per euro. The increasing interest rate expectations for short-term US government bonds can be interpreted as an indication of the possible appreciation in the current year.

Group forecast: stable turnover and earnings development in 2014

The business development of the Leifheit Group in 2014 will largely depend on how the economic environment develops in its core regions in Europe. Our forecast is based on the following assumptions: we anticipate that the conditions in our core regions will continue to show slight improvements in line with the previous identified trend. Based on our planning, we also expect relatively stable commodities prices and an exchange rate of roughly USD 1.30 per euro.

Based on these assumptions, we have resolved to pursue the conservative goal of stable development for the Leifheit Group in 2014. At the Group level we expect turnover at the adjusted level of 2013. We will increasingly focus on the Brand Business and conduct the Volume Business mainly with profitability in mind. As a result, we expect the Brand Business to increase by 1 to 3% in 2014. We anticipate a slight decline in the performance of the Volume Business. We will provide further concrete details of our turnover forecast as the year proceeds.

+1 to 3%
Turnover growth
Brand Business

In 2014 we expect an operating result (EBIT) similar to the favourable level reported in 2013 (€ 14.9 million). This is the result of stable turnover and a focus on improving margins while maintaining cost discipline. We anticipate that the Brand Business will contribute roughly 70% to EBIT and the Volume Business roughly 30%.

EBIT
at the previous year's level

Investments for further growth

In 2014 we plan investments totalling € 6.0 million which are financed from own funds (2013: € 3.6 million). The focus of our investments in 2014 is on tools, machinery and production plants for new products as well as goods holders and operating and office equipment.

Solid financial and liquidity position

We will also maintain our conserve financial policy in the current financial year. The free cash flow in 2013 in the amount of € 19.5 million was impacted by project-based decreases in receivables and inventories as well as lower investments. For 2014 we plan a free cash flow of € 8.0 million.

€ 8.0 m
Free cash flow

Forecast 2014

	2013	Adjustment*	2013 adjusted*	Forecast 2014
Turnover	€ 220.9 million	€ 1.4 million	€ 219.5 million	Turnover on adjusted level of the previous year
EBIT	€ 14.9 million	–	€ 14.9 million	Result on level of the previous year

* turnover adjusted for operations with Dr Oetker Bakeware

Overall statement of prospective development

Leifheit expects a stable 2014. With our “Leifheit GO!” strategy we will consistently take advantage of current market opportunities and thereby enhance our market position. We will make the necessary investments guided by a sense of proportion.

In the medium term, we will continue to pursue our goal of achieving sustainable and profitable turnover growth of 3 to 5% at Group level. At the same time we aspire to a disproportionate increase in result. In 2016 we plan to generate turnover of € 250 million and an EBIT margin of 8%. In our opinion, the consistent focus of the company on profitable growth with sustainable margins is the key to achieving this goal.

LEGAL INFORMATION

Information under takeover law

Takeover information required under section 315 para. 4 HGB (German commercial code) as at 31 December 2013 is presented below:

The subscribed capital (share capital) of Leifheit AG as at 31 December 2013 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 30 June in the year in which 30 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 corporation 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 50.27% of the voting rights in Leifheit AG as at 31 December 2013. In addition, MKV Verwaltungs GmbH in Grünwald informed us in February 2009 it holds 10.03% of the voting rights in Leifheit AG.

There are no shares in Leifheit AG with special rights. There are also no employee participation schemes and 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 addition, the articles of incorporation regulate in art. 6. para. 1 that the Board of Management comprises one or more members, and in art. 6. para. 2 that the Supervisory Board appoints the members of the Board of Management, determines their number, appoints acting Board of Management members and may appoint a member of the Board of Management as Chairperson of the Board of Management.

Changes to the articles of incorporation are resolved by the Annual General Meeting according to section 179 AktG. 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 in accordance with 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 Meeting 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 provision 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 with members of the Board of Management or employees that are subject to a change of control condition were established at the balance sheet date.

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 German website at unternehmensfuehrung.leifheit-group.com.

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 reporting period."

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 at the financial year 2013 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 market value multiplier.

The amount paid for short-term variable remuneration is calculated using an EBT multiplier and a market value multiplier. The EBT multiplier is based on the earnings of the Leifheit Group before income tax. The market value 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.

The amount of long-term variable remuneration paid is calculated using an EBIT multiplier and a market value multiplier. The market value multiplier is 2.5% of the growth in the market value of Leifheit AG on the basis of average stock market prices in the last 90 trading days before the beginning of the contract and on the last 90 trading days before the end of the contract. The EBIT multiplier is based on the average performance in the Group‘s EBIT reported in the consolidated financial statements in the respective calendar years. Both the EBIT multiplier and the payment amount are capped. The value of granted long-term variable remuneration 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 payment will be made within four weeks following the adoption of the annual financial statements by the Annual General Meeting of the last contractual year. The Supervisory Board can determine appropriate advance wage payments. As at 31 December 2013 the fair value was k€ 2,103. The recognised provision amounted to k€ 1,540.

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 in accordance with IFRS).

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

The Board of Management contracts do not contain an express commitment to severance payment in the event of early termination. Severance payments can, however, be stipulated in individual termination agreements. 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 financial year 2011.

The remuneration of the active members of the Board of Management amounted in total to k€ 923 in the reporting period. Of this amount, k€ 514 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.

Besides the compensation of their expenses and the value added tax incurred for the Supervisory Board activity, each member of the Supervisory Board shall receive an allowance for meetings in the amount of € 2,500.00 per Supervisory Board meeting day as well as an annual remuneration in the amount of € 20,000.00, which shall be paid out annually after the expiration of the business year. The chairman shall receive three times this remuneration, while his or her deputy shall receive 1.5 times this amount. If a member of the Supervisory Board is only a member for a part of a business year, the annual remuneration shall be paid merely on a pro rata basis. For their membership in a committee, each member of the Supervisory Board shall receive an additional meeting allowance in the amount of € 2,500.00 per committee meeting day. The chairman of a committee shall receive twice this amount. If several Supervisory Board and/or committee meetings take place on one day, a member of the Supervisory Board attending several meetings may not demand more than € 2,500.00 in total.

The foregoing provisions applied for the first time to the remuneration to be granted for the financial year 2013. By the financial year 2012, the remuneration included a variable, dividend-dependent remuneration in addition to a fixed remuneration.

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

The remuneration of the Supervisory Board in the financial year 2013 amounted to k€ 300 and breaks down as follows:

k€	
Helmut Zahn	110.0
Dr Robert Schuler-Voith	62.5
Dieter Metz	27.5
Karsten Schmidt	35.0
Thomas Standke	30.0
Dr Friedrich M. Thomée	35.0

Nassau/Lahn, 17 March 2014

Leifheit Aktiengesellschaft
Board of Management

Thomas Radke Dr Claus-O. Zacharias

CONSOLIDATED FINANCIAL STATEMENTS: STATEMENT OF PROFIT OR LOSS AND STATEMENT OF COMPREHENSIVE INCOME

k€	Notes	2013	restated 2012
Turnover	1	220,903	224,191
Cost of turnover	2	-121,707	-126,423
Gross profit		**99,196**	**97,768**
Research and development costs	3	-3,886	-3,596
Distribution costs	6	-65,434	-69,180
Administrative costs	7	-13,580	-14,277
Other operating income	8	1,102	4,214
Other operating expenses	9	-515	-421
Foreign currency result	10	-1,950	-331
Earnings before interest and taxes (EBIT)		**14,933**	**14,177**
Interest income	11	451	572
Interest expenses	12	-2,066	-2,552
Earnings before taxes (EBT)		**13,318**	**12,197**
Income taxes	13	-3,071	-2,817
Net result for the period		**10,247**	**9,380**

Contributions that are not reclassified in future periods in the statement of profit or loss			
Actuarial gains/losses on defined benefit pension plans	28	108	-13,356
Effect from income tax		-31	3,740
Contributions that may be reclassified in future periods in the statement of profit or loss			
Currency translation of foreign operations		-440	104
Currency translation of net investments in foreign operations		-995	322
Net result of cash flow hedges		-17	-356
Effect from income tax		284	10
Other comprehensive income		**-1,091**	**-9,536**
Comprehensive income after taxes		**9,156**	**-156**
Net result for the period attributable to			
Minority interests	34	-32	-18
Shareholders of the parent company		10,279	9,398
Net result for the period		**10,247**	**9,380**
Comprehensive income after taxes attributable to			
Minority interests	34	-32	-20
Shareholders of the parent company		9,188	-136
Comprehensive income after taxes		**9,156**	**-156**
Earnings per share based on net result for the period (diluted and undiluted)	14	**€ 2.16**	**€ 1.97**
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	14	**€ 1.93**	**€ -0.03**

BALANCE SHEET

k€	Notes	31 Dec 2013	restated 31 Dec 2012	restated 1 Jan 2012
Current assets				
Cash and cash equivalents	15	50,953	33,717	29,511
Financial assets	16	1,001	3,334	10,000
Trade receivables	17	46,685	51,535	46,067
Inventories	18	33,630	39,386	38,382
Income tax receivables		894	1,255	433
Derivative financial instruments	19	403	12	46
Other current assets	20	3,668	4,638	7,183
Total current assets		**137,234**	**133,877**	**131,622**
Non-current assets				
Financial assets	21	–	5	5
Tangible assets	22	35,421	38,844	35,175
Intangible assets	23	18,458	19,489	20,398
Deferred tax assets	13	10,310	10,690	8,027
Income tax receivables	24	2,159	2,852	3,465
Other non-current assets	25	169	186	184
Total non-current assets		**66,517**	**72,066**	**67,254**
Total assets		**203,751**	**205,943**	**198,876**
Current liabilities				
Trade payables and other liabilities	26	39,290	44,949	46,910
Derivative financial instruments	19	1,920	389	585
Income tax liabilities		818	1,338	241
Provisions	27	6,452	5,639	5,061
Other current liabilities		–	–	31
Total current liabilities		**48,480**	**52,315**	**52,828**
Non-current liabilities				
Provisions	27	1,896	2,527	2,524
Employee benefit obligations	28	56,385	56,271	42,261
Deferred tax liabilities	13	1,630	1,976	2,228
Derivative financial instruments	19	547	–	–
Other non-current liabilities		93	88	85
Total non-current liabilities		**60,551**	**60,862**	**47,098**
Equity				
Subscribed capital	29	15,000	15,000	15,000
Capital surplus	30	16,934	16,934	16,934
Treasury shares	31	-7,598	-7,598	-7,813
Retained earnings	32	78,479	75,367	72,212
Other reserves	33	-8,095	-7,004	2,530
Minority interests	34	–	67	87
Total equity		**94,720**	**92,766**	**98,950**
Total equity and liabilities		**203,751**	**205,943**	**198,876**

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 31 December 2011	15,000	16,934	-7,813	72,212	2,521	98,854
Change in accounting principles (IAS 19)	–	–	–	–	9	9
As at 1 January 2012 (restated)	**15,000**	**16,934**	**-7,813**	**72,212**	**2,530**	**98,863**
Issue of treasury shares	–	–	215	-73	–	142
Dividends	–	–	–	-6,170	–	-6,170
Comprehensive income after taxes	–	–	–	9,398	-9,534	-136
of which net result for the period	–	–	–	9,398	–	9,398
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	-9,616	-9,616
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 (restated)	**15,000**	**16,934**	**-7,598**	**75,367**	**-7,004**	**92,699**
Dividends	–	–	–	-7,124	–	-7,124
Acquisition of minority interests	–	–	–	-43	–	-43
Comprehensive income after taxes	–	–	–	10,279	-1,091	9,188
of which net result for the period	–	–	–	10,279	–	10,279
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	77	77
of which currency translation of foreign operations	–	–	–	–	-440	-440
of which currency translation of net investments in foreign operations	–	–	–	–	-716	-716
of which net result of cash flow hedges	–	–	–	–	-12	-12
As at 31 December 2013	**15,000**	**16,934**	**-7,598**	**78,479**	**-8,095**	**94,720**

The changes in consolidated equity were as follows:

k€	Shareholders of the parent company	Minority interests	**Total equity**
As at 31 December 2011	98,854	87	98,941
Change in accounting principles (IAS 19)	9	–	9
As at 1 January 2012 (restated)	**98,863**	**87**	**98,950**
Issue of treasury shares	142	–	142
Dividends	-6,170	–	-6,170
Comprehensive income after taxes	-136	-20	-156
of which net result for the period	9,398	-18	9,380
of which actuarial gains/losses on defined benefit pension plans	-9,616	–	-9,616
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 (restated)	**92,699**	**67**	**92,766**
Dividends	-7,124	–	-7,124
Acquisition of minority interests	-43	-35	-78
Comprehensive income after taxes	9,188	-32	9,156
of which net result for the period	10,279	-32	10,247
of which actuarial gains/losses on defined benefit pension plans	77	–	77
of which currency translation of foreign operations	-440	–	-440
of which currency translation of net investments in foreign operations	-716	–	-716
of which net result of cash flow hedges	-12	–	-12
As at 31 December 2013	**94,720**	**–**	**94,720**

STATEMENT OF CASH FLOW

k€	Notes	**2013**	2012
Net result for the period		10,247	9,380
Adjustments for depreciation and amortisation	4	6,816	6,658
Change in provisions		420	1,233
Result from disposal of fixed assets and other non-current assets		24	-721
Change in inventories, trade receivables and other assets not classified as investment or financing activities		11,137	-6,810
Change in trade payables and other liabilities not classified as investment or financing activities		-7,397	-1,377
Other non-cash expenses/income		1,686	-162
Cash flow from operating activities		**22,933**	**8,201**
Investments from the sale of a business unit		–	4,000
Acquisition of tangible and intangible assets	22, 23	-3,572	-9,751
Change in financial assets	16	2,333	6,744
Proceeds from the sale of tangible assets and other non-current assets		1,716	1,359
Cash flow from investment activities		**477**	**2,352**
Change in treasury shares	31	–	71
Dividends paid to the shareholders of the parent company		-7,124	-6,170
Acquisition of minority interests		-78	–
Cash flow from financing activities		**-7,202**	**-6,099**
Effects of exchange rate differences		**1,028**	**-248**
Net change in cash and cash equivalents		17,236	4,206
Cash and cash equivalents at the start of the reporting period		33,717	29,511
Cash and cash equivalents at the end of the reporting period	15	**50,953**	**33,717**
Income taxes paid		-2,315	-1,340
Interest paid		–	–
Interest received		284	357

NOTES: GENERAL ACCOUNTING AND VALUATION PRINCIPLES

General information

Leifheit AG, whose registered office is in Leifheitstraße, Nassau/Lahn, Germany, 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. The parent company of Leifheit AG is Home Beteiligungen GmbH, Munich.

In accordance with section 315a para. 1 HGB, the consolidated financial statements for 2013 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 2013 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 profit or loss was prepared according to the cost of turnover method.

The consolidated financial statements will be presented to the Supervisory Board on 26 March 2014. 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 on the balance sheet, under equity and in the statement of profit or loss 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 fully eliminated. Deferred taxes are recognised for temporary differences from consolidation as required by IAS 12.

The same consolidation methods were used for the financial statements for 2013 and 2012.

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 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. 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) therefore continued to be 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 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 profit or loss. 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

On 29 May 2013, the outstanding 49% of shares in the already controlled and fully consolidated Leifheit Distribution S.R.L., Bucharest, Romania, were acquired from the minority shareholder by Leifheit AG. The acquisition was recorded as a pure equity transaction in the consolidated financial statements. The impact on the annual financial statements is not material. No other changes in the scope of consolidation took place during the reporting period.

As in the previous year, no mergers took place in the reporting period 2013.

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 2013.

	Date of initial consolidation	Interest in equity and voting rights in 2013 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	100.0
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., Hostivice (CZ)**	1 Dec 2011	71.0
Leifheit Polska Sp. z o.o., Warsaw (PL)	11 Oct 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 the 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 2013	31 Dec 2012	**2013**	2012
CZK	27.40	25.12	25.82	25.23
USD	1.38	1.32	1.33	1.29

Assessment of fair value

The fair value is the price which would be received for the sale of an asset or paid for the transfer of a liability in the context of an orderly business transaction between market participants on the measurement date. The assessment of the fair value is based on the presumption that the business transaction in the context of which the asset is sold or the liability is transferred occurs in

- either the primary market for the asset or liability in question
- or, where no primary market exists, the most advantageous market for the asset or liability in question.

The Group must have access to the primary or most advantageous market.

The fair value of an asset or a liability is determined by reference to the assumptions on which the market participants would base their pricing of the asset or liability. In this regard, it is assumed that the market participants would thereby be acting in their own best economic interests.

The assessment of the fair value of a non-financial asset takes account of the market participant's capability to generate economic benefit by opting to use the asset to the greatest and best degree or to sell it to another market participant able to use it to the greatest and best degree. The Group applies valuation techniques which are appropriate in the individual circumstances and for which sufficient data is available for the carrying out of an assessment of the fair value. In this context, relevant and observable input factors are to be applied to the greatest possible extent and the application of non-observable input factors to be kept to a minimum.

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

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

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

Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into a given amount of cash at any time and are subject to an insignificant risk of changes in value. 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, depreciation and amortisation). In particular, costs incurred by the specific cost centres are taken into account.

The risks in holding inventories due to reduced realisable value are taken into account through appropriate write-downs. These write-downs are calculated on the basis of the future sales plan or actual consumption. Depending on the respective inventory item, individual periods are applied and subsequently reviewed and modified on the basis of objective evaluation criteria. The lower net realisable value at the balance sheet date is taken into account in 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 profit or loss.

The cost of an item of tangible assets comprises the purchase price including import duties and non-refundable purchase taxes, and any directly attributable costs 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 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 profit or loss 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.

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 profit or loss.

Development costs are capitalised in accordance with IAS 38 if they can be clearly allocated and both the technical feasibility and marketing of the newly developed products are ensured. 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 (temporary concept). 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 a 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 arising out of the defined benefit plans is based on the projected unit credit method. Revaluations, including actuarial gains and losses, are directly recorded on the balance sheet and included in other reserves (debit or credit balance) via other comprehensive income in the period in which they accrue. Revaluations may not be reclassified as profit or loss in subsequent periods. Any adjustments to the pension plans are recognised in profit or loss.

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

Equity

Treasury shares reduce the equity reported in the balance sheet. The acquisition of treasury shares is shown as a change in equity. Any sale, issue or cancellation of treasury shares is recognised without effects on net result. Consideration received is recognised in the financial statements as a change in equity.

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

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

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

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

Financial assets and financial 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 instruments 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 statement of profit or loss 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. In contrast, the effective part is recorded as not affecting net income in the reserve for hedging cash flows in other reserves. The amounts included in other comprehensive 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 of fluctuations 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 at 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.

Forward foreign exchange transactions and structured foreign exchange and money market products are valued in accordance with the fair value method, with the forward rate and the nominal amount having been discounted to the reporting date, having regard to the interest rates (swap curves). The swap curves applied relate solely to market data.

Furthermore, structured foreign exchange and money market products are valued using the Garman Kohlhagen standard model. Once again, solely market parameters are used in this context.

The applied market values are calculated as market averages.

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 and the risk has thus 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, advertising, sales promotion, market research and customer service costs, as well as outbound freights.

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.

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, depreciation and amortisation periods, deferred taxes, contingent liabilities, impairment tests and recognised income and expenses. The actual figures may differ from these estimates. The most important assumptions and estimates in connection with impairment testing of immaterial assets and tangible assets are stated in Note 23, the assumptions and estimates in connection with the recognition of pension liabilities in Note 28 and the assumptions and estimates in connection with the recognition of deferred taxes in Note 13.

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.

Changes in accounting and valuation principles

Changes were made to the allocation to distribution costs, administrative costs and cost of turnover. The previous year's values were adjusted accordingly. Customs duties and licensing fees in the amount of k€ 1,701 (2012: k€ 1,431) were shifted from distribution costs to cost of turnover. Furthermore, the allocation of costs generated by the foreign distribution companies to administrative and distribution costs was revised. In this process, an amount of k€ 376 (2012: k€ 467) was shifted from distribution costs to administrative costs.

New mandatory accounting standards applicable as of 2013

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 the following effects on the net assets, financial position and results of operations of the Group.

- 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.

  The application of this standard did not have any material effect on the valuation of the assets or liabilities reported at their fair value on the balance sheet.

- 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.

  The amendment did not have any effect on the net result for the period. As at the transposition date on 1 January 2012, the positive adjustment having no effect on net result amounted to k€ 14 (before deferred taxes). In 2012, the negative adjustment to other comprehensive income having no effect on net result amounted to k€ 13,356 (before deferred taxes). The earnings per share on the basis of total earnings after taxes (undiluted and diluted) fell by € 2.02 per share in 2012.

- 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.

New mandatory accounting standards applied ahead of schedule as of 2013

- Amendment to IAS 36 – Disclosures regarding the Recoverable Amount of Non-Financial Assets
  The amendment to IAS 36 was published in May 2013 and is applicable for the first time in the financial year beginning on or after 1 January 2014. The amendment is intended to remove undesirable effects on the disclosure obligations resulting from the introduction of IFRS 13. Furthermore, the amendment requires disclosure of the recoverable amount for assets or cash-generating units with respect to which a value adjustment was recorded or reversed during the reporting period. The amendment is to be applied retroactively. An application of the amendment ahead of schedule is permissible.

  The changes comprise the correction of disclosure provisions inserted into IAS 36 by the new IFRS 13. Pursuant thereto, the recoverable amount of a cash-generating unit or an asset must only be disclosed if an impairment or increase in value is recorded in the current reporting period.

New accounting standards mandatorily applicable in future

EU endorsement obtained

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 were not yet to be mandatorily applied in the financial year 2013. The Group is not applying these standards and interpretations early.

- IFRS 10 Consolidated Financial Statements

  IFRS 10 was published in May 2011 and is to be applied for the first time 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 future consolidated financial statements by way of full consolidation.

  The application of this standard will not have any effect on the existing scope of 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 the financial year 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.

- IAS 28 Investments in Associates and Joint Ventures (revised 2011)

  The revised IAS 28 was published in May 2011 and is to be applied for the first time in the financial year beginning on or after 1 January 2014. The adoption of IFRS 11 and IFRS 12 also resulted in the extension of the scope of IAS 28 and the application of the equity method to joint ventures as well as associates.

  With regard to the effects thereof, we refer to our statements in relation to IFRS 12.

- 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 guidelines. 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.

EU endorsement outstanding

The IASB has published the standards and interpretations listed below that were not yet to be mandatorily applied in the financial year 2013. These standards and interpretations have not to date been endorsed by the EU and are not applied by the Group.

- IFRS 9 Financial Instruments: Classification and Measurement

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

  The IASB completed the second part of phase I of the project in October 2010. 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 2014. The adoption of the first part of phase I is expected to affect the classification and measurement of the Group's financial assets. The second part of this project phase is not expected to have any material effect on the net assets, financial position and results of operations of the Group. To present a comprehensive view of the potential effects, the Group will only quantify the effect in conjunction with the other phases as soon as these are published.

- IFRS 9 Financial Instruments: Hedge Accounting

  The publication of the provisions relating to hedge accounting in November 2013 represents the continuation of the IASB's project for the development of the new IFRS 9 Financial Instruments. The standard, which is intended as an addendum to or amendment of the previously published version of IFRS 9, contains, in particular, new provisions which amend the previous legal position with respect to the designation of instruments and risks, the requirements for effectiveness, the adjustment and reversal of hedging relations and, to some extent, the reporting of hedging relations on the balance sheet. The standard is applicable from the date of its publication; however, this is subject to the application of IFRS 9 in its entirety and stipulates extensive transitional provisions.

  The third phase of the project, concluded in November 2013, relates to hedge accounting. 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.

- Amendment to IAS 19 – Contributions from Employees

  The amendment to IAS 19 was published in November 2013 and is applicable for the first time in the financial year beginning on or after 1 July 2014. The amendment governs the reporting of contributions to the pension plan from employees or third parties as a reduction of service cost, to the extent that these reflect the services provided during the reporting period. The amendment is to be applied retroactively. An application of the amendment ahead of schedule is permissible.

  The amendment will not have any effect on the Group's reporting.

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 10, IFRS 12 and IAS 27 – Investment Entities
- IFRS 11 Joint Arrangements
- IAS 27 Separate Financial Statements (revised 2011)
- Amendment of IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- Improvements to IFRS (2010-2012)
- Improvements to IFRS (2011-2013)
- IFRIC 21 Levies

SEGMENT REPORTING

The Leifheit Group is divided into divisions for internal management purposes and has two segments which are subject to reporting requirements, the Brand Business and the Volume Business.

Key figures by divisions in 2013		Brand Business	Volume Business	Total
Turnover	€ million	174.2	46.7	220.9
Turnover adjusted[1)]	€ million	172.8	46.7	219.5
Gross margin	%	47.8	34.1	44.9
Contribution margin	€ million	67.8	14.5	82.3
Segment result (EBIT)	€ million	10.7	4.2	14.9
Depreciation and amortisation	€ million	5.7	1.1	6.8
Employees on annual average	persons	735	283	1,018

[1)] adjusted for discontinued operations with Dr Oetker Bakeware

Key figures by divisions in 2012		Brand Business	Volume Business	Total
Turnover	€ million	177.7	46.5	224.2
Turnover adjusted[1)]	€ million	170.9	46.5	217.4
Gross margin	%	45.8	35.3	43.6
Contribution margin	€ million	65.8	14.8	80.6
Segment result (EBIT)	€ million	10.2	4.0	14.2
Segment result (EBIT) adjusted[2)]	€ million	9.0	4.0	13.0
Depreciation and amortisation	€ million	5.3	1.4	6.7
Employees on annual average	persons	726	293	1,019

[1)] adjusted for discontinued operations with Dr Oetker Bakeware
[2)] adjusted for the one-off special effect arising out of the disposal of assets in connection with the termination of a license agreement

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 Board of Management monitors the result generated by the divisions for the purposes of deciding upon the allocation of resources and ascertaining the profitability of the units. The performance of the segments is assessed on the basis of the result generated and evaluated in line with the result as reported in the consolidated financial statements. The financing of the Group (including financial expenses and income) and any income taxes are managed on a uniform Group-wide basis and are not attributed to the individual segments.

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

NOTES TO THE STATEMENT OF PROFIT OR LOSS AND STATEMENT OF COMPREHENSIVE INCOME

(1) Turnover

k€ (by regions)	2013	2012
Domestic	94,231	96,135
Central Europe	97,410	97,130
Eastern Europe	17,992	18,781
Rest of the world	11,270	12,145
	220,903	**224,191**

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

k€ (by divisions)	2013	2012
Brand Business	174,175	177,741
Volume Business	46,728	46,450
	220,903	**224,191**

(2) Cost of turnover

k€	2013	restated 2012
Cost of materials	89,879	95,476
Personnel costs	12,260	11,471
Purchased services	4,639	5,254
Depreciation and amortisation	3,411	3,226
IT costs and other allocations	1,767	1,702
Services	1,699	1,405
Maintenance	1,538	1,418
Energy	1,379	1,127
Consumables and supplies	1,166	1,195
Customs duties	1,025	1,053
Warranty obligations	814	254
Royalties	676	378
Cost of cars, travel and entertainment	182	309
Rent	162	344
Value adjustments for inventories (net change)	-984	-472
Other cost of turnover	2,094	2,283
	121,707	**126,423**

(3) Research and development costs

k€	2013	2012
Personnel costs	1,953	1,856
Fees	694	659
Services	474	376
IT costs and other allocations	314	312
Depreciation and amortisation	130	145
Other research and development costs	321	248
	3,886	**3,596**

(4) Depreciation and amortisation

k€	2013	2012
Tangible assets		
Cost of turnover	3,387	3,215
Research and development costs	44	57
Distribution costs	991	997
Administrative costs	224	169
IT costs and other allocations	878	804
	5,524	**5,242**
Intangible assets		
Cost of turnover	24	11
Research and development costs	86	88
Distribution costs	383	628
Administrative costs	59	59
IT costs and other allocations	740	630
	1,292	**1,416**
Total depreciation and amortisation	**6,816**	**6,658**

(5) Personnel costs/employees

k€	2013	2012
Wages and salaries	33,504	32,793
Social security contributions	8,192	8,446
Cost of post-employment benefits	475	604
	42,171	**41,843**

Employees on annual average	2013	2012
Germany	406	404
Czech Republic	375	377
France	175	174
Other countries	62	64
	1,018	**1,019**

(6) Distribution costs

k€	2013	restated 2012
Personnel costs	17,904	17,840
Advertising costs	14,004	15,011
Outgoing freight	10,626	11,142
Commissions	5,487	5,416
IT costs and other allocations	4,986	5,282
Services	3,711	4,579
Cost of cars, travel and entertainment	2,111	2,436
Depreciation and amortisation	1,374	1,625
Packaging materials	1,078	1,128
Rent	809	1,072
Maintenance	412	601
Insurance	401	304
Payments to customers	345	386
General operating and administrative costs	221	312
Post and telephone costs	192	230
Product sales	176	211
Office and other overhead costs	117	343
Other distribution costs	1,480	1,262
	65,434	**69,180**

(7) Administrative costs

k€	2013	restated 2012
Personnel costs	7,581	7,869
Services	2,577	3,092
IT costs and other allocations	712	743
Maintenance	373	349
Depreciation and amortisation	283	228
Office and other overhead costs	283	221
Cost of cars, travel and entertainment	282	518
Post and telephone costs	276	241
Rent	270	368
General operating and administrative costs	148	130
Other administrative costs	795	518
	13,580	**14,277**

(8) Other operating income

k€	2013	2012
Commission income	631	668
Turnover from the sale of assets	–	2,435
Other operating income (less than k€ 100)	471	1,111
	1,102	**4,214**

(9) Other operating expenses

k€	2013	2012
Other operating expenses (less than k€ 100)	515	421
	515	**421**

(10) Foreign currency result

k€	2013	2012
Result from changes in the fair value of forward foreign exchange transactions	-1,380	540
Losses from foreign currency valuations	-445	-238
Realised exchange rate losses	-125	-633
	-1,950	**-331**

The expenses from changes in the fair values of forward foreign exchange transactions concerned forward foreign exchange transactions for which no hedging relations exist.

(11) Interest income

k€	2013	2012
Interest income from financial instruments	252	390
Interest income from compound interest	164	180
Interest income from taxes	34	–
Other	1	2
	451	**572**

Interest income from financial instruments related to interest income from credit balances at banks as well as income resulting from investments in the form of zero coupon bonds and bonded loans.

(12) Interest expenses

k€	2013	2012
Interest expense from interest on pension obligations	1,912	2,242
Interest expense from compound interest and taxes	154	310
	2,066	**2,552**

(13) Income taxes

k€	**2013**	2012
Corporation tax (Germany)	546	493
Trade tax (Germany)	439	275
Foreign income taxes	1,815	1,224
Deferred income taxes	271	825
	3,071	**2,817**

k€	**2013**	2012
Actual income tax income from other periods	-132	-335
Deferred taxes due to temporary differences and tax loss carry-forwards	271	825
Current tax expense	2,932	2,327
Tax liability	**3,071**	**2,817**

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

The income tax can be reconciled with the theoretical amount applicable in line with the tax rate valid for the country where the company has its headquarters as follows:

k€	**2013**	2012
Earnings before taxes	13,318	12,197
Tax expense based on the tax rate applicable to the parent company	**3,729**	**3,415**
Actual income tax income from other periods	-132	-335
Different foreign tax rates	173	282
Deferred tax assets on loss carry-forwards	-937	-802
Non tax-deductible losses of Group companies	254	168
Non tax-deductible expenses of Group companies	42	28
Others	-58	61
Tax liability	**3,071**	**2,817**

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 in the statement of profit or loss are broken down as follows:

k€	**2013**	2012
Different depreciation or amortisation periods for non-current assets	-64	-141
Measurement of inventories	-66	184
Measurement of receivables and other assets	59	-55
Measurement of pensions	41	-148
Measurement of provision for partial retirement	7	18
Different recognition rules for other provisions	-99	33
Measurement of liabilities	-518	232
Other temporary differences	-11	20
Tax loss carry-forwards	937	692
Foreign currency effects	-15	-10
Deferred taxes	**271**	**825**

Deferred tax assets are only recognised on loss carry-forwards if their utilisation is expected within a five-year period.

No deferred tax assets were created for corporation tax loss carry-forwards in the amount of k€ 14,255 (2012: k€ 13,978) or trade tax loss carry-forwards of k€ 3,411 (2012: k€ 10,085) 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€ 12,180 from corporation tax, as well as k€ 3,411 from trade tax), Belgium (k€ 218 from corporation tax) and Romania (k€ 42 from corporation tax) have an unlimited utilisation period. The utilisation period in Spain (k€ 628 from corporation tax) is 18 years and 5 years in the Czech Republic (k€ 1,187 from corporation tax).

The temporary differences in connection with shares in subsidiaries for which no deferred taxes are recognised amount to k€ -147 (2012: k€ -169).

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

k€	31 Dec 2013 Deferred tax assets	31 Dec 2013 Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	385	3,020
Measurement of inventories	451	5
Measurement of receivables and other assets	54	650
Measurement of pensions	7,022	–
Measurement of provision for partial retirement	5	–
Different recognition rules for other provisions	531	–
Measurement of liabilities	701	-27
Other temporary differences	61	–
Tax loss carry-forwards	3,118	–
Gross amount	**12,328**	**3,648**
Offsetting	2,018	2,018
Balance sheet amount	**10,310**	**1,630**

k€	restated 31 Dec 2012 Deferred tax assets	restated 31 Dec 2012 Deferred tax liabilities
Different depreciation or amortisation periods for non-current assets	419	3,118
Measurement of inventories	396	16
Measurement of receivables and other assets	1	817
Measurement of pensions	7,094	–
Measurement of provision for partial retirement	12	–
Different recognition rules for other provisions	482	49
Measurement of liabilities	220	15
Other temporary differences	50	–
Tax loss carry-forwards	4,055	–
Gross amount	**12,729**	**4,015**
Offsetting	2,039	2,039
Balance sheet amount	**10,690**	**1,976**

(14) 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.

		2013	2012
Shares issued	thousand shares	5,000	5,000
Weighted average number of treasury shares	thousand shares	251	240
Weighted average number of no-par-value bearer shares	thousand shares	**4,749**	**4,760**

		2013	2012
Net result for the period allocated to the shareholders of the parent company	k€	10,279	9,398
Weighted average number of no-par-value bearer shares	thousand shares	4,749	4,760
Earnings per share based on net result for the period (diluted and undiluted)	€	**2.16**	**1.97**

		2013	restated 2012
Comprehensive income after taxes allocated to the shareholders of the parent company	k€	9,188	-136
Weighted average number of no-par-value bearer shares	thousand shares	4,749	4,760
Earnings per share based on comprehensive income after taxes (diluted and undiluted)	€	**1.93**	**-0.03**

NOTES TO THE BALANCE SHEET

(15) Cash and cash equivalents

k€	31 Dec 2013	31 Dec 2012
Credit balances at banks and cash on hand	43,609	21,738
Structured money market instruments	7,344	11,979
	50,953	**33,717**

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 included a structured financial market instrument having special features with regard to its interest yield, duration and/or repayment. It was a time deposit investment in a nominal amount of kUSD 10,000 and an interest rate of 1.75% per year. It was repaid on 28 February 2014 in US dollars, given that the reference rate was quoted above USD/€ 1.34 on 26 February 2014. The valuation was 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 the basis of the forward rate (USD/€ 1.3674), the ECB fixing (USD/€ 1.3791), the EUR interest rate (0.26%) as well as the USD interest rate (0.15%).

(16) Financial assets (current)

The current financial assets are an investment in the form of a bonded loan in the amount of k€ 1,001, which was assessed at the amortised costs in application of the effective interest rate method. The debenture had a term to maturity until 24 February 2014 and bore interest on a quarterly basis at variably increasing rates of between EURIBOR +0.5 percentage points and EURIBOR +0.9 percentage points.

The figures reported for the previous year related to 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 attributable fair values of the bonded loan as well as the zero coupon bond on the basis of their short-term character and the interest yields are approximately equivalent to their book value.

(17) Trade receivables

k€	31 Dec 2013	31 Dec 2012
Trade receivables	44,250	48,837
Trade bills	2,435	2,698
	46,685	**51,535**

As at 31 December 2013, k€ 33,212 were secured by credit on goods insurance policies (2012: k€ 35,590). The cost-sharing amount is normally 10%. Trade receivables in the amount of k€ 2,330 (2012: k€ 1,546) were impaired.

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

k€	2013	2012
As at 1 January	1,546	1,491
Foreign currency differences	149	2
Additions recognised in profit and loss	1,001	436
Utilisation	29	221
Reversal	337	162
As at 31 December	**2,330**	**1,546**

The maturity structure of trade receivables as at 31 December:

k€	2013	2012
Neither overdue nor impaired	**44,689**	**49,942**
Overdue but not impaired		
1 to 30 days	1,445	786
31 to 60 days	232	379
61 to 90 days	21	163
91 to 120 days	79	-111
Over 120 days	-494	-312
Overdue in total but not impaired	**1,283**	**905**
Specific allowances on doubtful accounts (gross)	**3,043**	**2,234**
Value adjustment	**-2,330**	**-1,546**
Trade receivables (net)	**46,685**	**51,535**

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.

Reference is made to Note 37 (Default/credit risk) with respect to the default/credit risk in relation to trade receivables.

(18) Inventories

k€	31 Dec 2013	31 Dec 2012
Raw materials, consumables and supplies	4,524	5,700
Unfinished products	1,394	1,256
Finished products and goods purchased and held for resale	27,712	32,430
	33,630	**39,386**

k€	31 Dec 2013	31 Dec 2012
Raw materials, consumables and supplies measured at fair value	242	360
Unadjusted raw materials, consumables and supplies	4,282	5,340
Total raw materials, consumables and supplies	**4,524**	**5,700**
Unfinished products measured at fair value	21	604
Unadjusted unfinished products	1,373	652
Total unfinished products	**1,394**	**1,256**
Finished products and goods purchased and held for resale measured at fair value	2,518	3,912
Unadjusted finished products and goods purchased and held for resale	25,194	28,518
Total finished products and goods purchased and held for resale	**27,712**	**32,430**

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

(19) Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts for buying and selling US dollars and Hong Kong dollars for the financial years 2014 and 2015 measured at fair value.

The following liabilities from forward foreign exchange transactions were recorded on the balance sheet as at 31 December 2013:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	€ 63.9 million	USD 85.0 million	€ 61.7 million
of which hedge accounting	€ 11.3 million	USD 15.0 million	€ 10.9 million
Sell USD/€	€ 14.9 million	USD 20.0 million	€ 14.5 million
Buy HKD/€	€ 4.7 million	HKD 49.0 million	€ 4.5 million

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

	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

The adjustments for the credit risk relating to counterparties (credit value adjustment) in the amount of k€ 1 and the adjustments for the credit risk relating to the Group itself (debt value adjustment) in the amount of k€ 2 were omitted on grounds of insignificance.

The maturities of the forward exchange contracts as at 31 December 2013 were as follows:

	less than 1 year	1 to 2 years
Buy USD/€	USD 64.4 million	USD 20.6 million
Sell USD/€	USD 20.0 million	–
Buy HKD/€	HKD 43.0 million	HKD 6.0 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	–

(20) Other current assets

k€	31 Dec 2013	31 Dec 2012
VAT receivables	2,598	1,105
Creditors with debit balances	262	287
Supplier bonuses	233	338
Current prepayments and accrued income	225	274
Receivables from other passed-on costs	166	73
Advances on inventories	156	83
Purchase price receivables	–	1,839
Other current assets (less than k€ 100)	28	639
	3,668	**4,638**

(21) Financial assets (non-current)

The financial assets related to an equity interest in Industrie-Lehrwerkstatt Koblenz eG. The shares were sold in 2013.

(22) 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 2012	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**
Foreign currency differences	-1,092	-1,151	-133	-36	-2,412
Additions	51	251	1,438	1,539	3,279
Disposals	5	650	3,490	90	4,235
Reclassification	63	1,076	173	-1,312	–
As at 31 December 2013	**53,651**	**37,891**	**41,990**	**979**	**134,511**
Cumulative write-downs as at 1 January 2012	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**
Foreign currency differences	-454	-898	-44	–	-1,396
Additions	1,428	1,994	2,097	5	5,524
Disposals	5	641	3,427	–	4,073
Reclassification	–	–	–	–	–
As at 31 December 2013	**31,089**	**33,120**	**34,824**	**57**	**99,090**
Net book value					
As at 1 January 2012	23,039	5,157	5,506	1,473	35,175
As at 31 December 2012	24,514	5,700	7,804	826	38,844
As at 31 December 2013	**22,562**	**4,771**	**7,166**	**922**	**35,421**

The additions to depreciation on tangible assets included extraordinary depreciation on tools and operating and office equipment that are no longer used amounting to k€ 71 (2012: k€ 88).

Of the k€ 35,421 tangible assets as at the balance sheet date (2012: k€ 38,844), k€ 16,992 were located in Germany (2012: k€ 18,063), k€ 11,712 in the Czech Republic (2012: k€ 13,626), k€ 5,480 in France (2012: k€ 5,924) and k€ 1,237 in other countries (2012: k€ 1,231).

(23) Intangible assets

k€	Brands	Enterprise or company value (goodwill)	Other intangible assets	Advances paid	Total
Costs					
as at 1 January 2012	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**
Foreign currency differences	–	–	-49	–	-49
Additions	–	–	148	145	293
Disposals	27	–	131	–	158
Reclassification	–	–	93	-93	–
As at 31 December 2013	**7,224**	**11,821**	**17,853**	**156**	**37,054**
Cumulative write-downs					
as at 1 January 2012	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**
Foreign currency differences	–	–	-17	–	-17
Additions	–	–	1,292	–	1,292
Disposals	27	–	131	–	158
Reclassification	–	–	–	–	–
As at 31 December 2013	**2,420**	**–**	**16,176**	**–**	**18,596**
Net book value					
As at 1 January 2012	4,804	11,821	3,663	110	20,398
As at 31 December 2012	4,804	11,821	2,760	104	19,489
As at 31 December 2013	**4,804**	**11,821**	**1,677**	**156**	**18,458**

The additions to depreciation on tangible assets included extraordinary depreciation on software in the amount of k€ 76 (2012: k€ 0).

Of the intangible assets in the amount of k€ 18,458 as at the balance sheet date (2012: k€ 19,489), k€ 7,253 were located in Germany (2012: k€ 7,913), k€ 1,197 in the Czech Republic (2012: k€ 1,282), k€ 10,000 in France (2012: k€ 10,282) and k€ 8 in other countries (2012: k€ 12).

The remaining amortisation period of significant other intangible assets are:

- ERP-Software of Leifheit AG 1.5 years
- Customer base of Leifheit CZ a.s. 7 years

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/Soehnle"
- "Birambeau"
- "Herby"

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

In order to determine the recoverable amount of the cash-generating unit in question, the value in use is determined using cash flow forecasts. Assumptions are made for future trends in turnover and costs on the basis of the 2014 budget, which covers the next two years in the scope of 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 between 4% and 10% annually with a corresponding rise in earnings were assumed for the cash-generating unit "Leifheit/Soehnle" owing to margin increases and efficiency improvements in structures and production/logistics processes.

The discount rate used for the cash flow forecasts for the purposes of the determination of the value in use are based on the average costs of capital at the time of the impairment test in the amount of 6.57% after taxes (2012: 6.0%) whereas a risk-free interest rate of 2.75% (2012: 2.3%), a market risk prime of 6.0% (2012: 6.0%) and a beta factor of 0.67 (2012: 0.8) as well as debt capital costs of 3.29% (2012: 3.5%) were assumed. A growth rate of 1.0% (2012: 1.0%) was assumed.

As at 30 September 2013, 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/Soehnle", "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 balance sheet date, the book value of goodwill and brands were as follows:

	Goodwill		Brands	
k€	**31 Dec 2013**	31 Dec 2012	**31 Dec 2013**	31 Dec 2012
Birambeau	3,299	3,299	–	–
Herby	6,441	6,441	–	–
Leifheit/ Soehnle	872	872	–	–
Pressure steam ironing	1,209	1,209	–	–
Soehnle brand	–	–	4,804	4,804
	11,821	**11,821**	**4,804**	**4,804**

(24) Income tax receivables

Non-current income tax receivables related to the non-current portion of a Leifheit AG corporation tax credit in the amount of k€ 2,159 (2012: k€ 2,852).

(25) Other non-current assets

k€	**31 Dec 2013**	31 Dec 2012
Other non-current assets (less than k€ 100)	169	186
	169	**186**

Of the other non-current assets in the amount of k€ 169 as at the balance sheet date (2012: k€ 186) k€ 4 were located in Germany (2012: k€ 6) and k€ 165 in other countries (2012: k€ 180).

(26) Trade payables and other liabilities

k€	**31 Dec 2013**	31 Dec 2012
Trade payables	13,476	19,073
Employees	8,522	7,738
Customer bonuses	5,146	4,867
Advertising cost subsidies	3,351	4,211
Other taxes (excluding income taxes)	1,551	1,546
Debtors with credit balances	1,400	1,416
Outstanding invoices	1,144	1,203
Social security contributions	911	928
Commission obligations	510	533
Annual financial statement costs	431	415
Customer discounts	386	468
Royalties	333	128
Tax advice	320	200
Purchase commitments	281	810
Energy costs	155	163
Severance payments to sales representatives	147	189
Insurance premiums	101	35
Other liabilities (less than k€ 100)	1,125	1,026
	39,290	**44,949**

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

Liabilities to employees related in particular to December wages paid in January, residual holiday and overtime entitlements, as well as severance payments and bonuses.

(27) 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 related to purchase commitments.

Other provisions contained 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 was k€ 57 (2012: k€ 168).

The provisions for warranties, compensation payments and litigation costs of k€ 4,637 (2012: k€ 4,696) reflected uncertainties regarding the amount and/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 2013		
k€	Total	of which current	of which non-current
Warranties	4,290	3,558	732
Personnel	1,443	279	1,164
Onerous contracts	70	70	–
Other provisions	2,545	2,545	–
Balance sheet amount	**8,348**	**6,452**	**1,896**

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

	Current provisions			
k€	Warranties	Personnel	Onerous contracts	Other current provisions
As at 1 January 2013	3,294	–	35	2,310
Currency differences	3	–	–	14
Reclassification	–	707	–	–
Utilisation	3,251	428	–	1,608
Reversal	–	–	–	359
Addition	3,518	–	35	2,216
As at 31 December 2013	**3,558**	**279**	**70**	**2,545**

	Non-Current provisions			
k€	Warranties	Personnel	Onerous contracts	Other non-current provisions
As at 1 January 2013	732	1,795	–	–
Foreign currency differences	–	–	–	–
Reclassification	–	-707	–	–
Utilisation	–	–	–	–
Reversal	–	–	–	–
Addition	–	76	–	–
As at 31 December 2013	**732**	**1,164**	**–**	**–**

(28) Employee benefit obligations

The pension obligations within the Leifheit Group comprise defined post-employment benefit commitments and included both obligations from current pensions and vested benefits in pensions to be paid in the future.

The commitments included retirement, disability and survivor benefits. The defined pension obligations are based on post-employment provisions with benefit commitments related to length of service and final salary. There are furthermore post-employment provisions in the form of direct commitments along the lines of defined benefit commitments. The entitlement to benefits arises out of an insurance contract in the amount of a one-time payment made upon the commencement of the post-employment benefit commitment.

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

The plan assets solely comprise reinsurance policies and largely relate to the defined pension commitments.

The pension obligations are subject to risks relating to changes in inflation rates, interest rates and the life expectancy of the persons entitled to a pension. The plan assets consist of reinsurance policies which are subject to interest rate risks.

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

k€	**31 Dec 2013**	31 Dec 2012
Present value of defined benefit obligations (DBO)	56,409	56,335
Fair value of plan assets	-883	-838
Recognised net liability from pension obligations in Germany	**55,526**	**55,497**
Pension obligations in France	859	774
Employee benefit obligations	**56,385**	**56,271**

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

k€	**2013**	2012
Current service cost	555	355
Service cost to be subsequently offset	-262	–
Interest expense on the obligation	1,912	2,242
Expected income from plan assets	-7	-6
Total cost of post-employment benefits	**2,198**	**2,591**

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

k€	**2013**	2012
Actuarial gains/losses due to adjustment of the obligation to reflect historical data	-108	-26
Actuarial gains/losses due to changes in actuarial assumptions	–	13,381
Amount by which the actual income from the plan assets in the current financial year falls short of the income calculated on the basis of the discount rate	–	1
Adjustment effects recognised in other comprehensive income	**-108**	**13,356**

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

k€	**2013**	2012
Net liability at start of year	55,497	41,568
Net expense recognised in net result for the period	2,198	2,591
Net expense recognised in other comprehensive income	-108	13,356
Payments to beneficiaries	-2,061	-2,018
Recognised net liability at end of year	**55,526**	**55,497**

In addition, contributions of k€ 2,423 were paid to government pension providers (2012: k€ 2,373).

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

k€	**2013**	2012
DBO at start of year	56,335	42,357
Current service cost	555	355
Service cost to be subsequently offset	-262	–
Interest expense	1,912	2,242
Benefit payments	-2,061	-2,018
Actuarial gains/losses	-108	13,356
Others	38	43
DBO at end of year	**56,409**	**56,335**

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

k€	**2013**	2012
Fair value of plan assets at start of year	838	790
Expected income from plan assets	7	6
Others	38	42
Fair value of plan assets at end of year	**883**	**838**

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:

	31 Dec 2013	31 Dec 2012
Discount rate	3.5%	3.5%
Future income trend	2.5%	2.5%
Future pension trend	2.0%	2.0%
Mortality tables Prof. Dr K. Heubeck	2005 G	2005 G
Arithmetical final age	RVAG AnpG 2007	RVAG AnpG 2007

The following amounts will probably be paid out in the context of these obligations in the next few years:

k€	**2013**	2012
Within the next 12 months (following financial year)	2,142	2,110
Between 2 and 5 years	9,690	9,237
Between 5 and 10 years	14,244	14,008

The following depicts a sensitivity analysis of the most important assumptions as at 31 December 2013:

k€	Basic value	Sensitivity	Effect on the DBO
Discount rate	3.5%	-0.25 pps	2,106
Discount rate	3.5%	+0.25 pps	1,990
Inflation rate/pension trend	2.0%	-0.5 pps	3,180
Inflation rate/pension trend	2.0%	+0.5 pps	3,474
Future salary increase	2.5%	-0.5 pps	709
Future salary increase	2.5%	+0.5 pps	754
Life expectancy		+1 year	2,384

Upon application of the corridor method in accordance with IAS 19 (unamended), there would have been a net liability to be recognised on the balance sheet in the amount of k€ 43,264 (2012: k€ 42,154) and additionally actuarial net losses to be recognised with effects on net result in the amount of k€ 973 (2012: k€ 0) as at the balance sheet date.

The payment-weighted duration of the defined post-employment benefit obligations amounted to 15.2 years (2012: 15.7 years).

(29) Subscribed capital

The subscribed capital of Leifheit AG in the amount of k€ 15,000 (2012: 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 paras. 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.

(30) Capital surplus

The capital surplus in the amount of k€ 16,934 (2012: k€ 16,934) represents the premium on the capital increase in autumn 1989.

(31) Treasury shares

Including the treasury shares acquired and issued in previous years, Leifheit held 250,525 treasury shares on 31 December 2013. This corresponds to 5.01% of the share capital. The corresponding interest in the share capital was 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.

As in the previous year, no treasury shares were acquired in the reporting period.

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

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

(32) Retained earnings

The retained earnings include the statutory reserve in the amount of k€ 1,023 (2012: k€ 1,023), other retained earnings in the amount of k€ 67,177 (2012: k€ 64,946) as well as the net result for the period allocated to the shareholders of the parent company in the amount of k€ 10,279 (2012: k€ 9,398). The other retained earnings include the part of consolidated net result earned in past years which was not distributed to shareholders. In the reporting period, the dividend for the financial year 2012 was paid in the amount of € 1.50 per share, or a total of k€ 7,124 (2012: k€ 6,170).

(33) Other reserves

k€	2013	2012
Actuarial gains/losses on defined benefit pension plans	-9,530	-9,607
Currency translation of foreign operations	457	897
Currency translation of net investments in foreign operations	1,246	1,962
Net result of cash flow hedges	-268	-256
	-8,095	**-7,004**

With regard to the hedging of cash flows, k€ 273 (2012: k€ 0) before deferred taxes were shifted from other reserves to net result for the period. k€ 19 (2012: k€ 0) were reclassified as costs of inventories.

(34) Minority interests

The reporting in the previous year of the minority interests and their share of earnings in the statement of profit or loss related to the 49% interest of a shareholder in Leifheit Distribution S.R.L., Bucharest, Romania. These shares were acquired by Leifheit AG in May 2013.

(35) Proposal for the appropriation of balance sheet profit

The dividend distribution of Leifheit AG (ISIN DE0006464506) 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 2013 amounts to € 17,370,000.00.

The following proposal for the appropriation of the balance sheet profit makes allowance for 250,525 treasury shares of Leifheit AG which are not eligible to receive dividends. Should the number of no-par-value bearer shares which are eligible to receive dividends change in the period up to the Annual General Meeting, a correspondingly adapted draft resolution, with the same dividend amount per share, for the carrying forward of the amount of the balance sheet profit not allocated to the dividend payment to the next accounting period will be circulated and proposed at the Annual General Meeting.

The Board of Management and Supervisory Board will propose the following resolution to the Annual General Meeting on 22 May 2014:

From the balance sheet profit of the company for financial year 2013 in the amount of € 17,370,000.00, a dividend of € 1.65 per no-par-value bearer share eligible to receive dividends – this is a total of € 7,836,633.75 due to 4,749,475 no-par-value bearer shares – will be distributed to the shareholders. The remaining amount of € 9,533,366.25 will be carried forward to new account.

(36) 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.

(37) Financial instruments

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 23% (2012: 24%) of the Group turnover was earned in foreign currencies, 39% (2012: 39%) of the costs were 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 US 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 income tax and Group equity are as follows:

	Currency performance	Effects as at 31 Dec 2013	Effects as at 31 Dec 2012
US dollar	+5%	3,638	4
	-5%	-4,021	-5
	+10%	6,945	8
	-10%	-8,488	-10
Czech koruna	+5%	269	401
	-5%	-298	-443
	+10%	514	766
	-10%	-628	-936
Hong Kong dollar	+5%	215	–
	-5%	-238	–
	+10%	411	–
	-10%	-502	–

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 2013**	Effects as at 31 Dec 2012
US dollar	+5%	518	1,077
	-5%	-572	-1,190
	+10%	989	2,056
	-10%	-1,208	-2,513
Czech koruna	+5%	474	685
	-5%	-523	-758
	+10%	904	1,308
	-10%	-1,105	-1,599

- Cash flow hedges

The Group also has derivative financial instruments. Among these are foremost currency forward contracts as described in more detail on page 66 of the General accounting and valuation principles. The aim of these derivatives is to hedge against currency risk arising from the Group's operations.

As at 31 December 2013, there were forward exchange contracts for future payment obligations in US dollars, 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 to December 2014 from suppliers in the Far East amounting to kUSD 15,000. An unrealised expense of k€ 17 on hedging instruments and an effect from income tax thereon of k€ -5 was recognised in equity with no impact on net result for the period as at 31 December 2013.

Further information can be found in Note 19.

- 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 17). 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.

Derivative financial assets in the amount of k€ 403 (2012: k€ 12) as well as derivative financial liabilities in the amount of k€ 2,467 (2012: k€ 389) were included at their attributable fair value on the balance sheet as at 31 December 2013. All financial instruments recorded at fair value are classified into three categories defined as follows:

Level 1: quoted market prices
Level 2: assessment procedure (input parameters observed on the market)
Level 3: assessment procedure (input parameters not observed on the market)

All financial assets and liabilities to be measured at fair value must be assigned to level 2. There was no reclassification among the levels in the reporting period. Trade payables in the amount of k€ 13,476 (2012: k€ 19,073) and other financial liabilities in the amount of k€ 14,829 (2012: k€ 15,664) as well as derivative financial liabilities (designated as hedging transactions) in the amount of k€ 396 (2012: k€ 368) are due within one year. Of the derivative financial liabilities (not designated as hedging transactions), k€ 1,524 (2012: k€ 21) are due within one year and k€ 547 (2012: k€ 0) are due in between one and two years.

As at the balance sheet date, short-term lines of credit in the amount of € 11.5 million (2012: € 11.5 million) were available. Of this amount, € 1.5 million (2012: € 2.6 million) were used in the form of draft guarantees as at the balance sheet date. Current account credit lines not drawn down thus amounted to € 10.0 million (2012: € 8.9 million).

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

		Book value		Fair value	
k€	Valuation category pursuant to IAS 39	**31 Dec 2013**	31 Dec 2012	**31 Dec 2013**	31 Dec 2012
Financial assets					
Cash and cash equivalents	a)	43,609	21,738	43,609	21,738
Structured money market instruments	d)	7,344	11,979	7,344	11,979
Trade receivables	a)	46,685	51,535	46,685	51,535
Derivative financial assets (not designated as hedging transactions)	d)	403	–	403	–
Derivative financial assets (designated as hedging transactions)	c)	–	12	–	12
Other financial assets	a)	1,846	6,593	1,846	6,593
Financial liabilities					
Trade payables	b)	13,476	19,073	13,476	19,073
Derivative financial liabilities (not designated as hedging transactions)	d)	2,071	21	2,071	21
Derivative financial liabilities (designated as hedging transactions)	c)	396	368	396	368
Other financial liabilities	b)	14,829	15,664	14,829	15,664

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 result for the period
d) financial assets and liabilities measured at fair value with effects on net result for the period

In the case of the current assets and liabilities, the book value represents an appropriate approximate value for the fair value. No allocation to levels 1 to 3 in accordance with IFRS 7 was therefore carried out.

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

		From subsequent measurement				
k€	Interest	Currency translation	Value adjustment	Change in fair value	**2013**	2012
Cash and cash equivalents	213	-198	-	-	15	71
Structured money market instruments	-	-	-	1	1	-21
Trade receivables	-	-278	-664	-	-942	-448
Derivative financial assets*	-	625	-	391	1,016	1,800
Other financial assets	39	-	-	-	39	82
Trade payables	-	-2	-	-	-2	64
Derivative financial liabilities*	-	-818	-	-1,670	-2,488	-1,776
Other financial liabilities	-147	-	-	-	-147	-310

* the net result of the derivative financial assets and liabilities shown as currency translations resulting from realised foreign currency gains and losses as well as from the valuation at fair value

Furthermore, the currency translation expense for derivative assets and liabilities recognised in other comprehensive income amounted to k€ -17 (2012: k€ -356).

(38) Commitments

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

(39) Contingencies and other financial liabilities

There were rental and leasing agreements for business premises, IT and telephone equipment, vehicles and similar assets and licensing agreements with an annual expense of € 3.2 million (2012: € 3.8 million). The future minimum payments on the basis of lease and rental agreements without cancellation option amount to € 2.6 million up to one year (previous year: € 2.8 million), and between one and five years € 0.6 million (2012: € 1.0 million). As in the previous year, there were no corresponding payment obligations for more than five years. The leases constitute operating leases in the definition of IAS 17.

As at 31 December 2013, purchase commitments totalled € 1.2 million (2012: € 1.1 million).

There were contractual obligations to acquire items of tangible assets in the amount of € 2.1 million (2012: € 1.6 million), relating in particular to tools and forklift trucks.

A contingent liability in the amount of € 1.2 million of Leifheit-Birambeau S.A.S. in France exists from a tax audit that is still pending.

(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€ 923 (2012: k€ 1,938), of which variable remuneration amounted to k€ 514 (2012: k€ 1,368). 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 2013 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 in the reporting period.

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.

In the financial year 2013, the company granted 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 before income tax of the Leifheit Group. 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 is paid within four weeks of the resolutions on the appropriation of profits by the Annual General Meeting.

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 prior to the commencement of the contract and the last 90 trading days prior to the expiration of the contract. The EBIT multiplier is based on the average performance of the Group's reported EBIT in the relevant contractual years. Both the EBIT multiplier and the payment amount are capped. The value of the paid long-term variable remuneration 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. It is paid within four weeks of the resolutions on the appropriation of profits by the Annual General Meeting for the previous contractual year. The Supervisory Board may determine in favour of appropriate advance payments. As at 31 December 2013, the fair value amounted to k€ 2,103 (2012: k€ 1,880). The provision recorded on the balance sheet amounted to k€ 1,540 (2012: k€ 975). The total cost recognised in the reporting period amounted to k€ 565 (2012: k€ 635).

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€ 300 (2012: k€ 285).

(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 total remuneration of the former members of the Board of Management amounted to k€ 605 in the reporting period (2012: k€ 402). Provisions created for the current pensions (DBO according to IFRS) in the financial year 2013 amounted to k€ 7,439 (2012: k€ 7,492).

(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:

July 2013

"1. Home Beteiligungen GmbH, Munich, Germany, informed us on 22 July 2013 in accordance with section 21 para. 1 WpHG that its share of the voting rights in Leifheit AG, Nassau, Germany, exceeded the threshold of 50% of the voting rights on 19 July 2013 and amounted to 55.28% on this date (this corresponds to 2,763,884 voting rights).

5.01% of the voting rights (this corresponds to 250,525 voting rights) are attributable to Home Beteiligungen GmbH in accordance with section 22 para. 1, sentence 1 no. 1 WpHG via the following company, which is controlled by Home Beteiligungen GmbH and whose share of the voting rights in Leifheit AG amounts to 3% or more: Leifheit AG, Nassau, Germany.

2. Vermögensverwaltung Schuler-Voith GbR, Munich, Germany, informed us on 22 July 2013 in accordance with section 21 para. 1 WpHG that its share of the voting rights in Leifheit AG, Nassau, Germany, exceeded the threshold of 50% of the voting rights on 19 July 2013 and amounted to 55.28% on this date (this corresponds to 2,763,884 voting rights).

All of the aforementioned voting rights are attributable to Vermögensverwaltung Schuler-Voith GbR in accordance with section 22 para. 1, sentence 1 no. 1 WpHG via the following companies, which are controlled by Vermögensverwaltung Schuler-Voith GbR and whose share of the voting rights in Leifheit AG amounts to 3% or more: Leifheit AG, Nassau, Germany, and Home Beteiligungen GmbH, Munich, Germany.

3. Dr Robert Schuler-Voith, Germany, informed us on 22 July 2013 in accordance with section 21 para. 1 WpHG that his share of the voting rights in Leifheit AG, Nassau, Germany, exceeded the threshold of 50% of the voting rights on 19 July 2013 and amounted to 55.28% on this date (this corresponds to 2,763,884 voting rights).

All of the aforementioned voting rights are attributable to Dr Schuler-Voith in accordance with section 22 para. 1, sentence 1 no. 1 WpHG via the following companies, which are controlled by Dr Schuler-Voith and whose share of the voting rights in Leifheit AG in each case amounts to 3% or more: Leifheit AG, Nassau, Germany, Home Beteiligungen GmbH, Munich, Germany, and Vermögensverwaltung Schuler-Voith GbR, Munich, Germany."

February 2009

"In accordance with section 21 para. 1 WpHG, Mr. Manuel Knapp-Voith, Germany, informed us on 4 February 2009 that his share of the voting rights in our company exceeded the 10% threshold on 23 July 2008 and amounted to 10.03% on this date (this corresponds to 501,432 voting rights).

These 10.03% of the voting rights (501,432 voting rights) are attributable to him via MKV Verwaltungs GmbH, Grünwald, in accordance with section 22 para. 1, sentence 1 no. 1 WpHG.

In accordance with section 21 para. 1 WpHG, MKV Vermögensverwaltungs GmbH, Grünwald, 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)."

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 in accordance with section 161 AktG (German Corporate Governance Code)

In December 2013, 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 corporate-governance.leifheit-group.com.

(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 under takeover law 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 2013, amounted to k€ 270 for the audit of the financial statements (2012: k€ 261), k€ 3 for other certification services (2012: k€ 3), k€ 197 for tax advising services (2012: k€ 292), and k€ 91 for other services (2012: k€ 95).

ORGANS OF LEIFHEIT AG

Members of the Board of Management

	Thomas Radke	Chairman of the Board of Management of Leifheit AG (since 1 January 2014)
	Dr Claus-O. Zacharias	Chief Financial Officer of the Board of Management of Leifheit AG
	Georg Thaller	Chairman of the Board of Management of Leifheit AG (until 31 May 2013)

Members of the Supervisory Board

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

* 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 organs of other companies:

Thomas Radke	Böck Silosysteme GmbH, Tacherting	Chairman of the Advisory Board
Dr Claus-O. Zacharias	Peacock Capital GmbH, Düsseldorf	Member of the Advisory Board (since 1 May 2013)
Dr jur. Robert Schuler-Voith	Schuler AG, Göppingen	Chairman of the Supervisory Board (until 14 February 2013)
Helmut Zahn	Schuler AG, Göppingen	Member of the Supervisory Board (until 14 February 2013)
	Flossbach von Storch AG, Cologne	Deputy Chairman of the Supervisory Board
	Maschinenbau Oppenweiler Binder GmbH & Co. KG, Oppenweiler	Member of the Advisory Board
	Emerging Markets Online Food Delivery Holding S.a.r.l., Luxembourg	Member of the Advisory Board (since 12 July 2013)

Nassau/Lahn, 17 March 2014

Leifheit Aktiengesellschaft
The Board of Management

Thomas Radke

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, 17 March 2014

Leifheit Aktiengesellschaft
The Board of Management

Thomas Radke 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 profit or loss as well as 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 2013 to 31 December 2013. 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 2014

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

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

LEGAL NOTICE

Published by

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56371 Nassau/Lahn, Germany

Concept/design/execution

Kirchhoff Consult AG, Hamburg, Germany

Photography

Sascha Erdmann, Hanau, Germany
Kirchhoff Consult AG, Hamburg, Germany
Leifheit AG, Nassau/Lahn, Germany

Printing

Johnen Druck, Bernkastel-Kues, Germany

Text

Kirchhoff Consult AG, Hamburg, Germany
Leifheit AG, Nassau/Lahn, Germany

Note on financial report
The financial report is also available in German. In case of discrepancies, the German version shall take precedence.
You can find the online edition of our financial report at: financial-reports.leifheit-group.com.

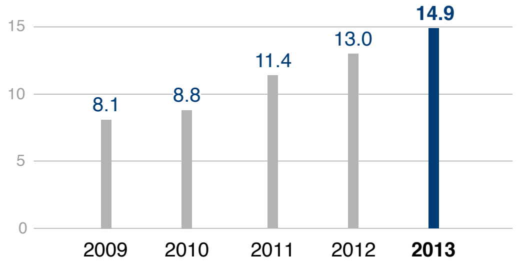
Note on rounding
Minor differences may occur when using rounded amounts and percentages due to commercial rounding.

KEY FIGURES OF THE GROUP

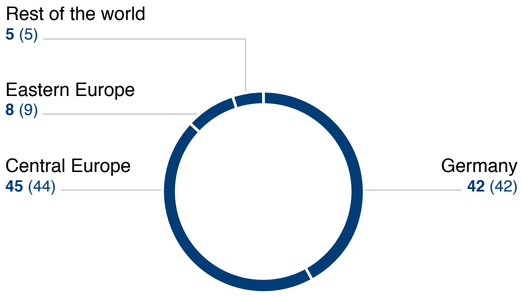
		2010	2011	2012	**2013**	Change
Turnover						
Group	€ million	210.9	222.1	224.2	220.9	-1.5%
Group adjusted[1]	€ million	205.2	215.8	217.4	219.5	+1.0%
Brand Business[1]	€ million	158.5	164.2	170.9	172.8	+1.1%
Volume Business	€ million	46.7	51.6	46.5	46.7	+0.6%
Foreign share	%	57.8	56.5	57.1	57.3	+0.2 pps
Profitability						
Gross margin	%	42.4	43.0	43.6	44.9	+1.3 pps
Cash flow from operating activities	€ million	12.0	12.8	8.2	22.9	>100.0%
Free cash flow	€ million	5.7	7.7	-1.4	19.5	>100.0%
EBIT	€ million	8.8	13.9	14.2	14.9	+5.3%
EBIT adjusted[2]	€ million	8.8	11.4	13.0	14.9	+15.2%
EBIT margin[2]	%	4.2	5.1	5.8	6.8	+1.0 pps
Earnings before income taxes (EBT)	€ million	6.0	12.2	12.2	13.3	+9.2%
Net result for the period	€ million	5.5	12.1	9.4	10.2	+9.2%
Net return on sales	%	2.7	5.6	4.3	4.6	+0.3 pps
Return on equity[5]	%	5.3	12.2	10.1	10.8	+0.7 pps
Return on total capital	%	2.6	6.1	4.6	5.0	+0.4 pps
ROCE	%	7.8	9.7	10.2	12.6	+2.4 pps
Share						
Net result for the period, per share[3]	€	1.15	2.55	1.97	2.16	+9.6%
Free cash flow, per share[3]	€	1.20	1.63	-0.28	4.11	>100.0%
Dividend per share	€	1.00	1.30	1.50	1.65[4]	+10.0%
Special dividend per share	€	2.00	–	–	–	–
Employees at the end of the year						
Group	persons	1,141	1,032	1,025	1,026	+0.1%
Brand Business	persons	751	726	741	741	–
Volume Business	persons	390	306	284	285	+0.4%
Investment in tangible assets	€ million	**4.4**	**5.4**	**9.3**	**3.3**	**-64.7%**
Investment ratio	%	3.0	4.1	5.8	2.0	-3.8 pps
Depreciation on tangible assets	€ million	**5.4**	**5.3**	**5.3**	**5.5**	**+5.4%**
Balance sheet total[5]	€ million	**207.0**	**198.9**	**205.9**	**203.8**	**-1.1%**
Equity[5]	€ million	**101.5**	**98.9**	**92.8**	**94.7**	**+2.1%**
Equity ratio[5]	%	49.0	49.7	45.0	46.5	+1.5 pps

[1] turnover adjusted for discontinued business with Dr Oetker Bakeware
[2] EBIT 2011 adjusted for a one-time extraordinary effect from the acquisition of a controlling interest in Leifheit CZ a.s.,
EBIT 2012 adjusted for a one-time extraordinary effect from the sale of assets relating to the termination of a license agreement
[3] not including repurchased treasury shares
[4] proposal to the Annual General Meeting
[5] from 2012 in accordance with IAS 19 (revised in 2011)

Development of the operative result (EBIT)[2]
in € million



Group turnover by region
in % (previous year's figures)



FINANCIAL CALENDAR

14 May 2014	Quarterly financial report for the period ending 31 March 2014
22 May 2014	Annual General Meeting, 10.30 a.m. (CEST) Leifheit AG Customer and Administrative Centre, Nassau/Lahn, Germany
13 August 2014	Financial report for the half-year ending 30 June 2014
10 November 2014	Quarterly financial report for the period ending 30 September 2014
24–26 November 2014	Presentation at the German Equity Forum, Frankfurt/Main, Germany

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