Quarterly statement for the period ending 30 September 2018

At a glance

- At m€ 177.0, Group turnover stable year on year
- Group EBIT of m€ 8.7 following m€ 11.3 in previous year
- Turnover and earnings forecast for 2018 lowered
- Optimisation of distribution activities and realignment of product development launched
- Improvement of e-commerce processes and activities initiated
- International Group structures expanded

Key figures of the Group as at 30 September

		2017	2018	Change
Turnover				
Group	m€	177.5	177.0	–0.3%
Brand Business	m€	149.6	150.3	0.5%
Volume Business	m€	27.9	26.7	–4.3%
Foreign share	%	56.5	56.2	–0.3 pps
Profitability				
Gross margin	%	46.2	43.4	–2.8 pps
Cash flow from operating activities	m€	0.1	7.6	> 100%
Free cash flow	m€	–3.2	3.6	> 100%
Foreign currency result	m€	–1.6	0.2	> 100%
EBIT	m€	11.3	8.7	–23.0%
EBIT margin	%	6.4	4.9	–1.5 pps
EBT	m€	10.5	7.9	–24.7%
Net result for the period	m€	7.4	5.5	–25.2%
Investments	m€	5.4	4.0	–25.2%

Foreword

Dear Shareholders,

In the third quarter of 2018, we continued working hard to create the conditions for sustained turnover growth and profitability. We encounter a constant stream of challenges throughout our journey. What matters is that we are gradually making targeted changes within the Leifheit Group in order to advance and enhance our business model.

One focal point is making the processes behind our sales and distribution channels more efficient and doing an even more consistent job of seizing the tremendous potential offered by e-commerce. By systematically analysing data, we intend to optimise our e-commerce business and create a common platform for our activities throughout Europe. Our goal is to be even closer to the consumer, to react to enquiries as quickly as possible and to understand the current needs of our customers. This helps us to improve the functionality of our products and to launch demand-driven innovations. We will continue to encourage interaction with our customers and further the improvement of our product range in the year ahead.

In addition, we are taking further steps to internationalise our company. We are intensifying our distribution activities and plan to invest more in the expansion of our brands in selected Eastern European markets, especially Poland and the Czech Republic. We have also founded a distribution company in China in order to expand our business in the Asia/Pacific region as well.

With regard to our internal process optimisation, we have started the process of integrating our production in the Czech Republic into our SAP system by the end of 2019, plus we have introduced measures aimed at optimising our value chain. In the long term, these steps should help us reduce working capital and shorten our reaction time on the market.

Product innovations and creating a link between our online and offline sales and distribution channels are both essential to our successful business development. These efforts are associated with complex processes that will take time. Through the process optimisation measures now under way, we also aim to improve our ability to plan within the Group so as to continue being able to communicate with the capital market in a more reliable manner moving forward.

Yours faithfully,

The Board of Management

Ivo Huhmann Igor Iraeta Munduate

Quarterly statement for the period ending 30 September 2018

(in accordance with section 53 of the exchange rules for the Frankfurter Wertpapierbörse)

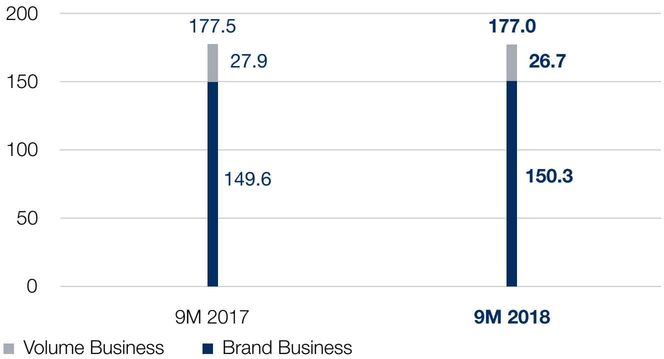
Business performance

Group turnover nearly stable

Leifheit's Group turnover reached m€ 177.0 in the first nine months of the current financial year and was therefore essentially on par with the previous year (m€ 177.5). In its domestic market of Germany, Leifheit saw a moderate increase in Brand Business, but Volume Business recorded a decline in sales in key foreign markets.

Although Brand Business with the Leifheit and Soehnle labels posted substantial gains in Central Europe, sales were down in Eastern Europe and overseas. At the same time, the Leifheit Group was able to further expand its international structures, thereby improving the conditions for future sustained turnover growth. The newly founded distribution company in China and brand-building activities in selected Eastern European markets, which is being supported by local Group-owned distribution companies, contributed to this development.

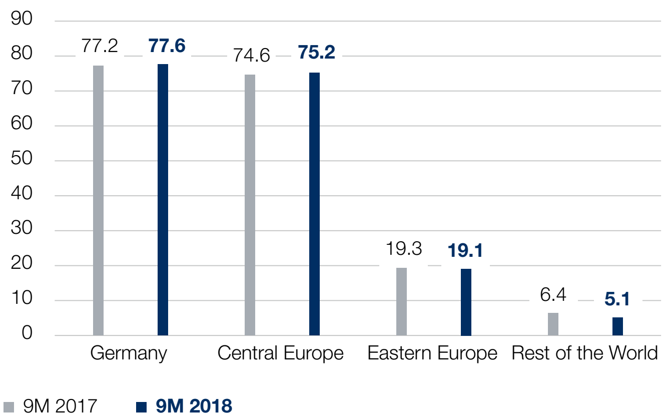
Group turnover by segment
in m€



In the far smaller Volume Business, the Leifheit Group generated strong growth in Germany and a slight increase in turnover in France. However, the significant drop in turnover in other Central European markets and overseas meant that Volume Business was down year on year.

Domestic market Germany sees moderate growth

Group turnover by region
in m€



Domestic: Turnover at the Leifheit Group increased by 0.4% to m€ 77.6 in Germany in the first nine months of 2018 (previous year: m€ 77.2). As a result, the domestic market accounted for 43.8% of turnover (previous year: 43.5%).

Foreign: Foreign turnover declined slightly by 0.8% to m€ 99.4 (previous year: m€ 100.3). Sales fell in Eastern Europe and overseas in particular. As a result, the foreign share stood at 56.2% (previous year: 56.5%).

Turnover in the Central Europe region grew by 0.9% to m€ 75.2 in the first three quarters of 2018 following m€ 74.6 in the same period in the previous year. Growth was driven by significant turnover increases in France, the Netherlands and Italy. However, this development was curbed by lower turnover in Luxembourg and Belgium.

In Eastern Europe, we recorded a slight decline in turnover of 1.1% to m€ 19.1 in the first nine months of 2018 (previous year: m€ 19.3). The strong growth in Poland and Romania was unable to fully compensate for declines in Slovakia and Hungary, where turnover was influenced by significant brand-building activities in the same period in 2017.

The share of Group turnover generated outside Europe reached 2.9% in the first three quarters of 2018 following 3.6% in the same period in the previous year. Turnover fell by 19.7% from m€ 6.4 to m€ 5.1 in this period. A small portion of the decline was attributable to Brand Business, whereas a large portion was due to Volume Business. While the Group achieved gains in Oceania, the Far East and Africa, business in the US posted a significant decline.

Brand Business sees slight turnover growth

In the first nine months of 2018, the Leifheit Group generated slight turnover growth of 0.5% in Brand Business, the strategic core of the Group's business, with the Leifheit and Soehnle brands. Turnover volume stood at m€ 150.3 following m€ 149.6 in the same period in the previous year. The share of Group turnover grew by 0.6 percentage points to 84.9% in this period (previous year: 84.3%).

In Brand Business, the market for electrical appliances for cleaning glass surfaces saw increasing saturation. The kitchen and laundry care sectors recorded a decline in demand. By contrast, the substantial increase in cleaning products and the newly launched wellbeing products contributed to growth in Brand Business.

Volume Business sees decline in turnover

In its significantly smaller segment, the Leifheit Group recorded a 4.3% decline in turnover to m€ 26.7 in the first nine months of 2018 (previous year: m€ 27.9). Volume Business generated solid turnover growth domestically and posted slight gains in the core market of France as well, which was offset by a substantial decline in Austria as well as a drop in turnover at the Herby subsidiary and in Project Business in the US. By contrast, kitchen products brought turnover growth to the Birambeau subsidiary in France.

Net assets, financial position and results of operations

In the first nine months of 2018, the Leifheit Group generated earnings before interest and taxes (EBIT) of m€ 8.7 (previous year: m€ 11.3), which corresponds to a decrease of 23.0%.

This development was mainly attributable to the performance of gross profit, which declined by m€ 5.2 year on year due to currency effects related to foreign exchange forward contracts, sales deductions, price increases for materials and negative product and customer mix effects. The lower distribution and administrative costs, as well as an improved foreign currency result, were unable to compensate for the decline in gross profit. Leifheit lowered distribution costs by m€ 1.2. In the previous year, the distribution costs included non-recurring expenses of m€ 2.0 for the reorganisation of the field sales force in Brand Business. Lower advertising costs were offset by higher expenses for shipping, freight out and contractual penalties. Administrative costs fell by m€ 0.9, primarily due to lower Board of Management remuneration. However, they contained expenses related to Board of Management changes of roughly m€ 0.9. The foreign currency result increased by m€ 1.8, mainly from the valuation of foreign exchange forward contracts.

Earnings before taxes (EBT) fell accordingly to m€ 7.9 (previous year: m€ 10.5). Less taxes, this equalled a net result for the period of the first nine months of m€ 5.5 (previous year: m€ 7.4).

Group liquidity declined by m€ 6.4 in the first nine months of 2018 and stood at m€ 50.8 as at 30 September 2018. The decline was primarily due to the payment of a dividend in the amount of m€ 10.0. In the reporting period, the Group recorded cash inflow from operating activities in the amount of m€ 7.6 (previous year: m€ 0.1) thanks to the optimisation of inventories and the lower decline in liabilities. At m€ 4.0, investments were down from the previous year's figure of m€ 5.4 in the first three quarters of 2018. Free cash flow improved to m€ 3.6 (previous year: m€ –3.2).

As at the balance sheet date of 30 September 2018, the balance sheet total stood at m€ 219.3, compared to m€ 224.9 as at the end of 2017. The decline was mainly due to dividends paid.

Turnover and earnings forecast for the current financial year

In the light of the development of turnover as at 30 September 2018 in connection with the dismissal of the chairman from the Board, the Board of Management of Leifheit AG again adjusted the earnings and turnover forecast for the current financial year on 15 October 2018.

In the months ahead in financial year 2018, we expect slightly weakening economic growth in the key sales markets for our company. The risks for the global economy have increased, due in particular to the trade conflict involving the US, the possibility of a disorderly withdrawal of the UK from the EU and a potential debt crisis in Italy. In contrast to its spring forecast, the International Monetary Fund (IMF) now only expects growth of 3.7%, rather than 3.9%, for 2018. According to the autumn forecast by the leading economic institutions, German gross domestic product will grow by just 1.7% this year; in spring, the institutions still expected growth of 2.2%. The development of private household income remains positive, however, and consumer demand in Germany is still intact despite slight declines.

Leifheit now expects turnover to be approximately on par with the previous year in financial year 2018 (previous year: m€ 236.8). Until recently, Group turnover had been expected to grow by 2.5% to 3.5%. We expect slight growth in Brand Business. In Volume Business, our smaller and more volatile segment, we expect turnover to be down slightly on the level seen in 2017.

The changes to the Board of Management have led to provisions for personnel expenses with a negative impact on earnings. Coupled with other non-recurring effects, the lack of turnover growth has magnified this effect and reduced the operating result. The Leifheit Group therefore now expects earnings before interest and taxes (EBIT) of m€ 13 to m€ 14 in financial year 2018. Previously, the Group had forecast EBIT of roughly m€ 16 to m€ 17.

Explanations of the parameters of the forecast for the current financial year can be found in the most recently published annual financial report for the Leifheit Group for financial year 2017. The report is available at financial-reports.leifheit-group.com on our website.

Statement of profit or loss and statement of comprehensive income

k€	1 Jul to 30 Sep 2017	**1 Jul to 30 Sep 2018**	1 Jan to 30 Sep 2017	**1 Jan to 30 Sep 2018**
Turnover	56,640	55,552	177,525	177,039
Cost of turnover	–31,572	–32,240	–95,498	–100,232
Gross profit	**25,068**	**23,312**	**82,027**	**76,807**
Research and development costs	–1,254	–1,198	–3,890	–3,990
Distribution costs	–16,358	–17,355	–55,141	–53,928
Administrative costs	–2,944	–3,147	–11,821	–10,951
Other operating income	478	324	1,895	819
Other operating expenses	102	–57	–135	–197
Foreign currency result	–497	104	–1,586	179
EBIT	**4,595**	**1,983**	**11,349**	**8,739**
Interest income	29	3	60	23
Interest expenses	–303	–305	–922	–927
Net other financial result	–	–6	22	76
EBT	**4,321**	**1,675**	**10,509**	**7,911**
Income taxes	–1,275	–541	–3,100	–2,372
Net result for the period	**3,046**	**1,134**	**7,409**	**5,539**
Contributions that are not reclassified in future periods in the statement of profit or loss				
Actuarial gains/losses on defined benefit pension plans	5	1,048	1,678	539
Income taxes from actuarial gains/losses on defined benefit pension plans	–	–305	–487	–157
Contributions that may be reclassified in future periods in the statement of profit or loss				
Currency translation of foreign operations	1	106	136	–27
Currency translation of net investments in foreign operations	139	181	640	–106
Income taxes from currency translation of net investments in foreign operations	–40	–51	–186	32
Net result of cash flow hedges	–2,146	126	–7,916	1,673
Income taxes from cash flow hedges	634	–39	2,343	–502
Net result from the sale of financial assets available	10	8	39	–
Income taxes from the sale of financial assets available	–3	–2	–11	–
Other comprehensive income	**–1,400**	**1,072**	**–3,764**	**1,452**
Comprehensive income after taxes	**1,646**	**2,206**	**3,645**	**6,991**
Earnings per share based on net result for the period (diluted and undiluted) [1]	**€ 0.32**	**€ 0.12**	**€ 0.78**	**€ 0.58**

[1] Based on 10 million no-par-value bearer shares.

Balance sheet

k€	31 Dec 2017	30 Sep 2018
Current assets		
Cash and cash equivalents	28,221	36,868
Financial assets	29,008	13,965
Trade receivables	50,783	52,313
Inventories	44,474	43,947
Income tax receivables	1,149	2,064
Derivative financial instruments	74	584
Contractual assets	–	1,594
Other current assets	2,910	902
Total current assets	**156,619**	**152,237**
Non-current assets		
Tangible assets	37,760	37,112
Intangible assets	19,585	19,048
Deferred tax assets	10,844	10,726
Derivative financial instruments	–	37
Other non-current assets	127	127
Total non-current assets	**68,316**	**67,050**
Total assets	**224,935**	**219,287**
Current liabilities		
Trade payables and other liabilities	43,824	44,233
Derivative financial instruments	1,818	837
Income tax liabilities	651	46
Other provisions	6,785	5,705
Total current liabilities	**53,078**	**50,821**
Non-current liabilities		
Provisions for pensions and similar obligations	69,502	68,649
Other provisions	2,296	2,379
Deferred tax liabilities	978	1,484
Derivative financial instruments	552	–
Total non-current liabilities	**73,328**	**72,512**
Equity		
Subscribed capital	30,000	30,000
Capital surplus	17,026	17,026
Treasury shares	–7,445	–7,445
Retained earnings	76,081	72,060
Other reserves	–17,133	–15,687
Total equity	**98,529**	**95,954**
Total equity and liabilities	**224,935**	**219,287**

Statement of cash flow

k€	1 Jan to 30 Sep 2017	**1 Jan to 30 Sep 2018**
Net result for the period	7,409	5,539
Depreciation and amortisation	4,840	5,050
Change in provisions	–1,965	–1,848
Result from disposal of fixed assets and other non-current assets	–1,061	7
Change in inventories, trade receivables and other assets not classified as investment or financing activities	–6,666	–311
Change in trade payables and other liabilities not classified as investment or financing activities	–4,353	–454
Other non-cash income/expenses	1,866	–416
Cash flow from operating activities	**70**	**7,567**
Proceeds from the sale of tangible assets and other non-current assets	2,086	38
Proceeds from the sale of financial assets	4,956	15,043
Outflow for the acquisition of tangible assets and intangible assets	–5,368	–4,014
Cash flow from investment activities	**1,674**	**11,067**
Dividends paid to the shareholders of the parent company	–13,788	–9,984
Cash flow from financing activities	**–13,788**	**–9,984**
Change in cash and cash equivalents	–12,044	8,650
Change in cash and cash equivalents due to exchange rates	–11	–3
Cash and cash equivalents at the start of the reporting period	45,507	28,221
Cash and cash equivalents at the end of the reporting period	**33,452**	**36,868**

Segment reporting

Key figures by divisions as at 30 September 2018		**Brand Business**	**Volume Business**	**Total**
Turnover	m€	150.3	26.7	177.0
Gross profit	m€	68.6	8.2	76.8
Segment result (EBIT)	m€	6.6	2.1	8.7

Key figures by divisions as at 30 September 2017		Brand Business	Volume Business	Total
Turnover	m€	149.6	27.9	177.5
Gross profit	m€	73.2	8.8	82.0
Segment result (EBIT)	m€	9.0	2.3	11.3

Information on the segments and their management is available in our annual financial report 2017.

Additional information

This quarterly statement was neither audited by an auditor, nor was it subject to an audit review. The results of the current reporting quarter do not necessarily make it possible to draw conclusions regarding the development of future results.

With the exception of accounting regulations to be applied for the first time, the accounting and valuation principles used by Leifheit correspond to those of the most recently published consolidated financial statements as at the end of the past financial year. A detailed description can be found in the notes to the 2017 annual financial report of the Leifheit Group, which is available on our website at financial-reports.leifheit-group.com.

The wholly owned subsidiary Guangzhou Leifheit Trading Co., Ltd, with its registered office in Guangzhou, China, was founded in Q2 2018. The company has commenced business operations in Q4 2018. There were no further changes in the scope of consolidation or major changes in the organisational structure or business model in the reporting period.

The reporting period saw personnel changes in Leifheit AG organs:

Mr Karsten Schmidt resigned from his seat on the Supervisory Board with effect as at 31 January 2018. At the Annual General Meeting of Leifheit AG on 30 May 2018, the shareholders elected Mr Georg Hesse to the Supervisory Board by a large majority to serve until the end of the Annual General Meeting that will decide on the approval of the actions of the Supervisory Board for financial year 2018.

Mr Ansgar Lengeling resigned from his seat on the Board of Management in April 2018. The Chairman of the Board of Management, Thomas Radke, and Board of Management member Ivo Huhmann took over responsibility for operations on an interim basis until 15 October 2018.

Mr Thomas Radke (Chairman of the Board of Management) was dismissed from the Board of Management with effect from 15 October 2018. Board of Management member Ivo Huhmann (CFO) headed the company as the sole member of the Board of Management until 31 October 2018.

Mr Igor Iraeta Munduate was appointed to the Board of Management (COO) by the Supervisory Board with effect from 1 November 2018. Since then, Mr Huhmann and Mr Iraeta Munduate have headed the company together on an interim basis and will continue to do so until a successor for Mr Radke has been appointed.

Disclaimer, financial calendar

Forward-looking statements

This quarterly statement 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 or other uncertain or unforeseeable factors occur, or if 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.

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

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

Financial calendar

26–28 Nov 2018	Presentation to investors and analysts, German Equity Forum, Frankfurt/Main, Germany Presentation on 28 November 2018 at 2:00 p.m. in the Oslo room
28 Mar 2019	Annual financial reports 2018
14 May 2019	Quarterly statement for the period ending 31 March 2019
29 May 2019	Annual General Meeting, 10:30 a.m. (CEST), German National Library, Frankfurt/Main, Germany
13 Aug 2019	Financial report for the first half-year ending 30 June 2019
12 Nov 2019	Quarterly statement for the period ending 30 September 2019

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