Quarterly statement for the period ending 31 March 2018

At a glance

- **Despite unfavourable weather conditions, Group turnover almost on a par with the previous year**
- **Strong growth in Germany of almost 5%**
- **Brand Business with slight growth in turnover**
- **Volume Business turnover below the previous year's result**
- **EBIT reaches m€ 4.7**
- **Forecast for 2018 slightly adjusted**

Key figures of the Group as at 31 March

		2017	**2018**	Change
Turnover				
Group	m€	62.5	62.2	−0.4%
Brand Business	m€	52.7	52.8	0.3%
Volume Business	m€	9.8	9.4	−4.1%
Foreign share	%	53.8	51.3	−2.5 pps
Profitability				
Gross margin	%	47.8	44.6	−3.2 pps
Cash flow from operating activities	m€	−4.1	−4.0	3.2%
Free cash flow	m€	−5.9	−4.9	−17.4%
Foreign currency result	m€	0.1	−0.1	>−100%
EBIT	m€	5.1	4.7	−8.3%
EBIT margin	%	8.2	7.5	−0.7 pps
EBT	m€	4.8	4.3	−10.0%
Net result for the period	m€	3.4	3.1	−9.8%
Investments	m€	1.8	0.9	−48.2%

Quarterly statement for the period ending 31 March 2018

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

Business performance

Group turnover almost on a par with the previous year

In the first quarter of 2018, the Leifheit Group's turnover amounted to m€ 62.2, despite unfavourable weather conditions, and was therefore roughly on a par with the previous year (previous year: m€ 62.5). Driven by strong growth in Germany, Brand Business turnover rose slightly in the first three months. At the same time, a decline in turnover was recorded in Eastern and Central Europe, which slowed down the growth in Brand Business. Even in the far smaller Volume Business, we recorded strong growth in our domestic market of Germany. But this was not enough to fully offset the decline in turnover in Central Europe and overseas, which led to a drop in turnover in Volume Business in the first quarter of 2018.

Germany continues on solid growth trajectory

In the first quarter of 2018, we generated total turnover of m€ 30.3 in our domestic market of Germany (previous year: m€ 28.9), which corresponds to an increase of 4.9%. With this positive development, the growth trend of the previous quarters continued. Despite unfavourable weather conditions, domestic business was driven in particular by new products and by good sales figures in the laundry care product category. At 48.7%, the share of total turnover accounted for by domestic business continued to rise in the first three months of 2018 (previous year: 46.2%).

We recorded a drop in foreign business of 4.9% to m€ 31.9 (previous year: m€ 33.6). The development in turnover was mainly due to a lack of turnover volume in Central Europe and is also to be viewed within the context of considerable brand building activities in Eastern Europe in the first quarter of the previous year. Similar campaigns are planned for subsequent quarters of this financial year. In the first quarter of 2018, foreign business generated a 51.3% share of turnover (previous year: 53.8%).

In the Central Europe region, we generated turnover of m€ 24.0 in the first quarter of 2018 (previous year: m€ 24.7), corresponding to a decline of 2.7%. The double-digit growth rates recorded in Scandinavia, the UK and in Brand Business in France were unable to balance out the declines experienced in Luxembourg, Italy, the Netherlands and in Volume Business in France. The Central Europe region accounted for 38.6% (previous year: 39.5%) of Group turnover.

In Eastern Europe, we were forced to accept an overall drop in turnover to m€ 6.2 in the first quarter of 2018, despite strong double-digit growth rates in Slovakia, Romania and Ukraine (previous year: m€ 6.9). The drop of 10.9% should be viewed against the backdrop of brand building activities in the first quarter of the previous year. The share of Group turnover accounted for by the Eastern Europe region was 9.9% (previous year: 11.1%).

The sales markets outside Europe accounted for 2.8% (previous year: 3.2%) of Group turnover. In these regions, a turnover of m€ 1.7 was recorded (previous year: m€ 2.0). Brand Business overseas was mostly stable, with positive developments in Asia and the Middle East, which were offset by slight drops in Australia and the Far East. Our business in the US recorded a significant decline.

Brand Business records slight growth

Brand Business is the strategic core of the Leifheit Group. As the larger of our two segments, it encompasses the activities of our Leifheit and Soehnle branded products. In Brand Business, we were able to boost turnover slightly by 0.3% to m€ 52.8 in the first quarter of 2018 (previous year: m€ 52.7). This segment accounted for an 84.9% share of Group turnover, which corresponded to growth of 0.6 percentage points (previous year: 84.3%).

The slightly positive development overall in Brand Business was driven in particular by new products and by good sales of laundry care and wellbeing products. By contrast, reduced demand on the market as a whole for electrical cleaning products for surfaces had a negative impact on the cleaning products business, which saw a decrease year on year. The kitchen product category recorded a slight drop in turnover due to losses in revenue for one of our major clients in the Netherlands, whereas turnover in Germany rose.

Turnover in Volume Business down year on year

Volume Business is the second, significantly smaller segment at the Leifheit Group. The segment is characterised by a high share of special offers and Project Business, and is managed with a clear focus on profitability. Alongside France, Germany and the US are the strongest markets. Turnover volume in the first quarter of 2018 amounted to m€ 9.4 in Volume Business, corresponding to a fall of 4.1% (previous year: m€ 9.8). While the segment recorded a strong increase in turnover in Germany, turnover in France and the US was lower than in the first quarter of the previous year. This was due in particular to a lack of volume at Herby in France. By contrast, there were positive developments in turnover from Birambeau kitchen products and steam iron products from the laundry care category.

Net assets, financial position and results of operations

In the first three months of 2018, we generated earnings before interest and taxes (EBIT) of m€ 4.7 (previous year: m€ 5.1), which corresponds to a decrease of m€ 0.4.

This was mainly due to gross profit, which fell by m€ 2.1 year on year as a result of currency effects from forward foreign exchange transactions, sales deductions and price increases for materials. Our improvements in distribution and administration costs were unable to fully balance out the drop in gross profit. Overall, distribution and administration costs fell by m€ 1.9, mainly as a result of lower advertising costs and lower long-term Board of Management remuneration. In addition, the m€ 0.2 drop in the foreign currency result affected the EBIT development.

Earnings before taxes (EBT) amounted to m€ 4.3 (previous year: m€ 4.8). Less taxes, this equalled a net result for the period of m€ 3.1 (previous year: m€ 3.4) for the first three months of the year.

Group liquidity declined by m€ 4.9 million in the first three months of 2018 and stood at m€ 52.3 as at 31 March 2018. The decline mainly pertained to the seasonal rise in working capital. The cash flow from operating activities remained virtually unchanged in the reporting period at m€ 4.0 (previous year: m€ 4.1). At m€ 0.9, investments were significantly lower in the first quarter of 2018 than the previous year's value of m€ 1.8. As a result, free cash flow improved to m€ –4.9 (previous year: m€ –5.9).

Between 31 December 2017 and 31 March 2018, our balance sheet total rose by m€ 8.4 to m€ 233.3, due mainly to the seasonal rise in receivables and inventories on the assets side of the balance sheet and the increase in payables and equity on the liabilities side. As a result of the initial application of IFRS 15, the balance sheet items contractual assets and contractual liabilities were included, which contain the amended turnover amount regarding consignment arrangements and the gross statement for the expected take-back obligations of products.

Forecast for 2018 slightly adjusted

For business year 2018 the Group expects to generate turnover growth slightly below the forecast of around 4% to 5%. After some weaknesses in March, respectively in Central Europe, the Board of Management will analyse the further business development very carefully and will concretise the turnover forecast for the half-year reporting. The earnings before interest and taxes (EBIT) for the financial year 2018 is expected to be at the lower end of the forecast of around m€ 17 to m€ 18.

Statement of profit or loss and statement of comprehensive income

k€	1 Jan to 31 Mar 2017	**1 Jan to 31 Mar 2018**
Turnover	62,471	62,226
Cost of turnover	–32,615	–34,501
Gross profit	**29,856**	**27,725**
Research and development costs	–1,258	–1,296
Distribution costs	–18,836	–17,968
Administrative costs	–4,841	–3,848
Other operating income	233	254
Other operating expenses	–122	–54
Foreign currency result	85	–119
EBIT	**5,117**	**4,694**
Interest income	13	5
Interest expenses	–311	–309
Net other financial result	–	–51
EBT	**4,819**	**4,339**
Income taxes	–1,422	–1,274
Net result for the period	**3,397**	**3,065**
Contributions that may be reclassified in future periods in the statement of profit or loss		
Currency translation of foreign operations	–16	–3
Currency translation of net investments in foreign operations	–6	41
Income taxes from currency translation of net investments in foreign operations	2	–12
Net result of cash flow hedges	–1,227	–458
Income taxes from cash flow hedges	154	138
Net result from the sale of financial assets available	–10	–8
Income taxes from the sale of financial assets available	3	2
Other comprehensive income	**–1,100**	**–300**
Comprehensive income after taxes	**2,297**	**2,765**
Earnings per share based on net result for the period (diluted and undiluted) [1]	**€ 0.36**	**€ 0.32**

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

Balance sheet

k€	31 Dec 2017	31 Mar 2018
Current assets		
Cash and cash equivalents	28,221	23,366
Financial assets	29,008	28,949
Trade receivables	50,783	60,325
Inventories	44,474	47,750
Income tax receivables	1,149	1,359
Derivative financial instruments	74	145
Contractual assets	–	2,419
Other current assets	2,910	1,337
Total current assets	**156,619**	**165,650**
Non-current assets		
Tangible assets	37,760	37,120
Intangible assets	19,585	19,500
Deferred tax assets	10,844	10,952
Other non-current assets	127	127
Total non-current assets	**68,316**	**67,699**
Total assets	**224,935**	**233,349**
Current liabilities		
Trade payables and other liabilities	43,824	47,238
Derivative financial instruments	1,818	2,393
Contractual liabilities	–	918
Income tax liabilities	651	903
Other provisions	6,785	6,307
Total current liabilities	**53,078**	**57,759**
Non-current liabilities		
Provisions for pensions and similar obligations	69,502	69,355
Other provisions	2,296	2,329
Deferred tax liabilities	978	818
Derivative financial instruments	552	661
Total non-current liabilities	**73,328**	**73,163**
Equity		
Subscribed capital	30,000	30,000
Capital surplus	17,026	17,026
Treasury shares	–7,445	–7,445
Retained earnings	76,081	80,279
Other reserves	–17,133	–17,433
Total equity	**98,529**	**102,427**
Total equity and liabilities	**224,935**	**233,349**

Statement of cash flow

k€	1 Jan to 31 Mar 2017	**1 Jan to 31 Mar 2018**
Net result for the period	3,397	3,065
Depreciation and amortisation	1,577	1,704
Change in provisions	–434	–408
Result from disposal of fixed assets and other non-current assets	1	13
Change in inventories, trade receivables and other assets not classified as investment or financing activities	–11,526	–12,117
Change in trade payables and other liabilities not classified as investment or financing activities	2,298	3,743
Other non-cash income	560	7
Cash flow from operating activities	**–4,127**	**–3,993**
Proceeds from the sale of tangible assets and other non-current assets	61	78
Outflow for the acquisition of tangible assets and intangible assets	–1,808	–937
Outflow for the acquisition of financial assets	–5,011	–
Cash flow from investment activities	**–6,758**	**–859**
Change in cash and cash equivalents	–10,895	–4,852
Change in cash and cash equivalents due to exchange rates	–10	–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	**34,612**	**23,366**

Segment reporting

Key figures by divisions as at 31 March 2018		**Brand business**	**Volume Business**	**Total**
Turnover	m€	52.8	9.4	62.2
Gross profit	m€	24.8	2.9	27.7
Segment result (EBIT)	m€	4.2	0.5	4.7
Depreciation and amortisation	m€	1.5	0.2	1.7

Key figures by divisions as at 31 March 2017		Brand business	Volume Business	Total
Turnover	m€	52.7	9.8	62.5
Gross profit	m€	26.8	3.1	29.9
Segment result (EBIT)	m€	4.3	0.8	5.1
Depreciation and amortisation	m€	1.4	0.2	1.6

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 previous 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.

There were no changes in the scope of consolidation or major changes in the organisational structure or business model during the reporting period.

Personnel changes were made in Leifheit AG organs during the reporting period:

Mr Karsten Schmidt resigned from his seat on the Supervisory Board on 21 December 2017 with effect as at 31 January 2018.

Mr Ansgar Lengeling, Board of Management member responsible for the business unit Operations (COO), has left the company in April. The chairman of the Board, Thomas Radke, and the Board member Ivo Huhmann have temporarily taken over responsibility for the units of the Operations department.

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 statement.

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

Financial calendar

30 May 2018	Annual General Meeting 10:30 a.m. (CEST), German National Library, Frankfurt/Main, Germany
14 Aug 2018	Financial report for the first half-year ending 30 June 2018
14 Nov 2018	Quarterly statement for the period ending 30 September 2018

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