Financial report for the first half-year ending 30 June 2018

At a glance

- Leifheit Group sees slight turnover growth
- Brand Business turns in stable performance
- Volume Business increases
- Group EBIT on par with previous year
- Annual forecast for 2018 slightly adjusted

Key figures of the Group as at 30 June

		2017	2018	Change
Turnover				
Group	m€	120.9	121.5	0.5 %
Brand Business	m€	103.2	103.4	0.2 %
Volume Business	m€	17.7	18.1	1.9 %
Foreign share	%	54.0	53.3	−0.7 pps
Profitability				
Gross margin	%	47.1	44.0	−3.1 pps
Cash flow from operating activities	m€	−3.5	3.0	> 100 %
Free cash flow	m€	−5.7	1.0	> 100 %
Foreign currency result	m€	−1.1	0.1	> 100 %
EBIT	m€	6.8	6.8	–
EBIT margin	%	5.6	5.6	–
EBT	m€	6.2	6.2	–
Net result for the period	m€	4.4	4.4	–
Employees				
Group (average)	persons	1,103	1,177	6.7 %
Investments	m€	4.0	2.2	−45.0 %

Foreword

Dear Shareholders,

The first half of 2018 did not go as we had imagined. The year got off to a bumpy start, with a slight drop in turnover at Group level, that was mainly due to the weather. In the first half we were able to generate growth overall, but weaker than we had originally expected. We were mainly affected by the weak demand in the overall market for electrical appliances for surface cleaning.

At Group level, we generated turnover of m€ 121.5. Group turnover was therefore up 0.5% year on year. As a result, we were able to turn the slight year on year drop in turnover after the first three months of 2018 into a slight increase by the middle of the year. In addition to the aforementioned weather-related effects and the weakness in the overall market for electrical appliances for surface cleaning, it is also necessary to mention that the first half of the previous year was characterised by extremely strong brand-building activities in Eastern Europe. This year, customers are planning to make such activities available at a later point.

In Germany, we achieved above-average growth of 2.1%, with turnover of m€ 56.7. Both Brand Business and Volume Business, where we were able to position successful promotional business, contributed to this positive development. In Central and Eastern Europe, turnover fell slightly by 0.2% and 0.9% respectively.

At m€ 103.4, turnover in Brand Business saw somewhat positive development. We were able to generate good growth with the new Soehnle brand products for fitness, health and air treatment in particular. Growth was solid in the Leifheit brand's cleaning and laundry care product categories. Our products for floor cleaning and drying made a substantial contribution to this development. At m€ 18.1, turnover in Volume Business was up almost 2% year on year in the first half of 2018. In Germany, we increased turnover significantly in this segment through promotional business.

Following a drop in earnings before interest and taxes (EBIT) in the first quarter, we succeeded in increasing EBIT by 26% to m€ 2.1 (previous year: m€ 1.6) in the second quarter. As a result, we generated EBIT on par with the previous year overall in the first half of 2018 (m€ 6.8). Our lower administrative costs had a particularly positive effect.

The conditions for the second half of the year remain positive on the whole, even though the risks of weaker economic development are on the rise. In the quarterly statement for the period ending 31 March 2018, we adjusted our original forecast for financial year 2018 slightly in light of this and announced plans to provide further details following in-depth analysis upon publication of the half-year financial report. According to our analysis, we continue to expect noticeable growth for the Leifheit Group, primarily due to the launch of new products in our Brand Business. We have also taken steps to further encourage growth in the second half of the year. The weak demand in the overall market for electrical appliances for surface cleaning, however, is likely to have a more lasting impact than initially assumed. We therefore expect Group turnover growth of 2.5% to 3.5% compared to most recently expected growth slightly below of 4% to 5%. In Brand Business, our strategic core business, we now expect an increase in turnover of around 3% to 4%. In Volume Business, our smaller and more volatile segment, we continue to expect turnover on par with 2017.

With regard to our earnings forecast, this means that we expect EBIT of around m€ 16 to m€ 17. In recent times, we had expected EBIT at the lower end of the original forecast of around m€ 17 to m€ 18.

Based on recent findings we currently evolve further new strategies for sustained improvement of growth and profitability. At the same time we are pressing ahead with strategic measures to better seize the opportunities of digitalisation and to pick up the pace for the development of new products in order to continue strengthening the ranges of our brands. In addition, programmes for enhancing the efficiency and effectiveness of sales and distribution and of the entire value chain have been initiated. We will also be stepping up our efforts to expand geographically in the Asian markets in future. Through these measures, we aim to swiftly return to broader sustainable growth.

Leifheit Aktiengesellschaft

The Board of Management

Thomas Radke Ivo Huhmann

Interim management report as at 30 June

Foundations of the Group

The Leifheit Group is one of the leading European brand suppliers of household items. The company offers high-quality and innovative products and solutions that make everyday life at home easier and more convenient.

There were no significant changes in the foundations of the Leifheit Group in the first half of 2018. For further information on the company's structure, business and strategy – as well as on the control system, on innovation and on product development – please see the annual financial report 2017, which is available on our website at financial-reports.leifheit-group.com.

Following the end of the reporting period (30 June 2018), there were no events at the Leifheit Group which can be expected to have a material influence on the net assets, financial position and results of operations of the company.

Economic environment

Global economic growth increases

In its April forecast for 2018, the International Monetary Fund (IMF) expects global economic growth of 3.9%, which corresponds to an increase of 0.2 percentage points compared to the previous forecast in October 2017. The IMF recently (in July) confirmed the forecast predicting 3.9% global economic growth. Although the financial conditions are set to remain stable despite the volatility on capital markets, the IMF's experts have issued a warning about the effects of potential significant interest rate adjustments by central banks due to strong economic development. According to the IMF, new trade barriers – along with the impact of climate change, geopolitical tensions and cybercrime – could have a particularly pronounced negative effect on global economic growth.

"Dark storm clouds over the German economy"

The joint forecast of the five leading economic research institutes from early 2018 points to the growing protectionist tendencies that could further damage the drivers of global economic growth. Moreover, the United States' highly expansive financial policy is giving rise to concerns about even faster benchmark interest rate hikes by the central bank.

In Europe, the upswing remains intact, as attested to by the joint forecast. However, the IMF reduced its 2018 growth forecast from 2.4% to 2.2% for the Eurozone and from 2.5% to 2.2% for Germany in its July update with reference to the increasing risks from the trade dispute between the US and the EU. The ifo Institute reduced the growth expectations for Germany even more dramatically in its summer forecast – from 2.6% in its spring forecast to just 1.8% growth in 2018 – in view of the increasing foreign trade risks. In its summer forecast, the ifo Institute spoke of "dark storm clouds" that are currently gathering over the German economy.

In its spring forecast for the Eurozone, the European Commission anticipates gross domestic product (GDP) growth of 2.3% in 2018 coupled with a moderate inflation rate of 1.5%. At the same time, the Commission sees an overhang of uncertainty factors for the medium term resulting from the yet unresolved conditions of Brexit and the procyclical fiscal policy of the United States.

The positive starting situation in Germany is still reflected in the consumer climate in Germany, which is measured in the GfK market research institute's consumer climate indicator. The consumer climate is derived from the following individual parameters: economic expectations, propensity to buy and income expectations. In the first half of 2018, the consumer climate varied between 10.8 and 11 points, placing it at a stable high level well above the first half of the previous year. Following 10.8 in May, the consumer climate fell slightly to 10.7 points in June due to a significant drop in economic optimism in the wake of the intensification of the trade conflict between the US and the EU.

At the European level, the GfK consumer climate was somewhat less exuberant in the first half of the year, but has improved again recently. Compared to a value of 21.1 points in December 2017, the EU consumer climate initially fell by 0.5 points to 20.6 between then and the end of March 2018. In June, the consumer climate increased again by 2.6 points to 23.2. Despite rising risks, the GfK attributes the most recent increase to the decreasing propensity to save among European consumers.

Euro exchange rate falls significantly in the second quarter

The US dollar lost value against the euro well into April in the first months of 2018. However, this trend reversed in the second quarter of the year. From a high of around 1.25 US dollars to the euro, the exchange rate fell to around 1.17 US dollars to the euro as at the end of the first half of the year. The main factors behind this development were political uncertainties in Europe in view of growing anti-European tendencies in key EU countries and concerns regarding the looming trade war involving the US, Europe and China. Experts predict that the latter, along with monetary policy, will be the dominant issue for the further development of the euro.

Net assets, financial position and results of operations

Business performance

The turnover figures for the previous year as stated hereinafter do not take into account the IFRS 15 accounting standards, which are applicable from 2018, and therefore correspond to the figures reported in the previous year.

Group turnover up slightly year on year

The Leifheit Group increased turnover by 0.5% to m€ 121.5 (previous year: m€ 120.9) in the first six months of the current financial year, thereby making up for the weather-related slight decline from the first quarter and bringing the company back on track for growth. Business in Germany, in Brand Business and especially in Volume Business, remained robust. By contrast, turnover was down in Eastern and Central Europe, which can mainly be explained by strong promotional business in individual markets in the first half of the previous year. In addition, both the cleaning products business and the market as a whole were characterised by falling demand for electrical appliances for surface cleaning.

In Germany, the Group's largest individual market, we generated turnover in the amount of m€ 56.7 in the first half of the year (previous year: m€ 55.6), corresponding to an increase of m€ 1.1, or 2.1%, year on year. Growth in Brand Business was not the only factor behind the positive development in Germany. Successful campaigns in Volume Business also made a significant contribution.

By contrast, turnover generated outside Germany fell by m€ 0.5 to m€ 64.8 (previous year: m€ 65.3) – a decline of 0.9% – placing the foreign share at 53.3% (previous year: 54.0%) in the first six months of the current year.

Turnover in the sales and distribution region of Central Europe over the past six months totalled m€ 48.4 (previous year: m€ 48.5), remaining largely stable. We primarily succeeded in generating growth in the major sales markets of France, the Netherlands and Scandinavia. By contrast, turnover in Belgium, Luxembourg and Italy fell short of the figures from the previous year.

In Eastern Europe, turnover fell by 0.9% to m€ 12.7 (previous year: m€ 12.8) in the first half of the year. Significant brand-building activities in Hungary in 2017 were the main reason for the decline. Similar campaigns are planned for subsequent quarters of this financial year in Eastern Europe. By contrast, we again generated solid growth in the Czech Republic, our largest individual market in the region. Business in Romania has seen very positive development.

Turnover development remains down outside Europe. In line with the "Leifheit 2020" strategy, our focus is on growth opportunities in Central and Eastern Europe. As a result, we recorded turnover of m€ 3.7 (previous year: m€ 4.0) in markets outside Europe in the first six months of 2018.

Turnover in the first half of 2018 was divided by region as follows: Germany accounted for 46.7% of Group turnover (previous year: 46.0%), Central Europe excluding Germany 39.9% (previous year: 40.1%), Eastern Europe 10.5% (previous year: 10.6%) and markets outside of Europe 2.9% (previous year: 3.3%).

Brand Business turns in stable performance

Brand Business is the larger and strategically more important of the two segments at the Leifheit Group. The segment includes all business activities involving Leifheit and Soehnle branded products. Turnover in the segment rose slightly compared to the first half of 2017 and stood at m€ 103.4 (previous year: m€ 103.2), placing the share of Group turnover attributable to Brand Business at 85.1% (previous year: 85.3%).

We were able to generate robust growth once again in the cleaning and laundry care product categories in the reporting period. Our floor cleaning products and our new drying products deserve special mention here. By contrast, turnover involving electrical appliances for surface cleaning were down significantly year on year. We were also forced to cope with declines in turnover in the kitchen product category. Our new Soehnle brand products for fitness, health and air treatment helped substantially increase the brand's turnover.

Turnover in Brand Business increased disproportionately in our domestic market. By contrast, turnover was down on the whole in Central and Eastern Europe. Solid growth was generated in France, Poland and the Czech Republic in particular. Business was declining in Hungary against the backdrop of brand-building activities in the first half of 2017. Comparable campaigns are now planned for later this year. In target markets outside of Europe, business was stable on balance.

Volume Business sees strong growth in Germany

Volume Business is the second, smaller of the Leifheit Group segments. Development is more volatile than in Brand Business due to a higher share of Project Business (products under customers' own brands.) We manage this business with a focus on opportunities while paying particular attention to profitability. At m€ 18.1, turnover was up by 1.9% year on year in the first half of 2018 (previous year: m€ 17.7). Volume Business accounted for a share of 14.9% of Group turnover (previous year: 14.7%).

Turnover involving Birambeau kitchen products rose significantly in the past six months. As a result, we were even able to more than compensate for a drop in turnover in laundry care products. Promotional business helped substantially increase turnover in Germany. By contrast, falling turnover from Project Business in the US put a damper on development in the first half of the year.

Development of results of operations

Results on par with previous year

We generated earnings before interest and taxes (EBIT) of m€ 6.8 in the first half of 2018, which was exactly on par with the previous year. In the first half of the year, the figure contained expenses from non-recurring effects in the amount of m€ 0.9 (previous year: m€ 1.5). The m€ 3.5 decrease in gross profit was offset by lower non-recurring expenses, the decline in administrative costs and the rise in the foreign currency result.

Earnings before taxes (EBT) stood at m€ 6.2 (previous year: m€ 6.2) in the first six months of 2018. Less taxes, this equalled a net result for the period of m€ 4.4, as in the previous year.

Gross profit

Gross profit fell by m€ 3.5 to m€ 53.5 in the first half of 2018 (previous year: m€ 57.0). Gross profit is calculated as turnover less cost of turnover. The decline was mainly the result of higher purchasing prices for raw materials and goods, of negative currency effects and of product and customer mix effects.

As a result, the gross margin fell by 3.1 percentage points to 44.0% (previous year: 47.1%). It is defined as a ratio of gross profit to turnover.

Research and development costs

Research and development costs mainly include personnel costs, costs for services and patent fees. They came in at m€ 2.8 in the first half of the year, up m€ 0.2 on the previous year's figure. The rise was mainly the result of higher scheduled depreciation.

Distribution costs

Distribution costs, which also include freight out and delivery charges as well as advertising and marketing costs, stood at m€ 36.6 in the reporting period (previous year: m€ 38.8), a decrease of m€ 2.2. This decrease was mainly the result of non-recurring expenses for the restructuring of sales activities in the amount of m€ 2.3 in the previous year, which was offset by non-recurring effects of m€ 0.2 for the release of employees from their duties in the current year.

Administrative costs

Our administrative costs decreased year on year by m€ 1.1 to m€ 7.8 (previous year: m€ 8.9). Aside from personnel expenses and services, administrative costs also include costs incurred in support of our financial and administrative functions. Expenses for long-term Board of Management remuneration decreased by m€ 1.3 in the first half of 2018 compared to the same period in the previous year. This was offset by non-recurring effects of m€ 0.7 for the release of employees from their duties.

Other operating income

Other operating income fell by m€ 0.9 year on year to m€ 0.5. The previous year saw income from the sale of land not used for operating purposes in the amount of m€ 0.8.

Foreign currency result

The foreign currency result increased to m€ 0.1 in the first half of 2018 (previous year: m€ –1.1). It included m€ 0.1 in gains from changes to the fair values of forward exchange transactions (previous year: expenses of m€ 1.2), less than m€ 0.1 in expenses from foreign currency valuations (previous year: m€ 0.1) and realised foreign currency losses of less than m€ 0.1 (previous year: currency gains of m€ 0.2).

Interest and financial result

At m€ –0.5, the interest and financial result remained roughly on par with the previous year (previous year: m€ –0.6) and predominantly included interest expenses from interest on pension obligations.

Taxes

As in the previous year, income taxes amounted to m€ 1.8 in the first six months of 2018. The tax rate stood at 29.4% (previous year: 29.5%). The tax rate is the ratio of income taxes to EBT.

Segment results

In Brand Business, we generated EBIT of m€ 5.4 in the first half of 2018 (previous year: m€ 6.0). Gross profit fell by m€ 3.7 from m€ 51.6 in the previous year to m€ 47.9 due to higher purchasing prices for raw materials and goods, negative currency effects and product and customer mix effects. The m€ 0.6 fall in EBIT in Brand Business was due mainly to the drop in gross margin, lower non-recurring expenses and an improved foreign currency result.

EBIT in Volume Business totalled m€ 1.4 (previous year: m€ 0.8). Gross profit increased from m€ 5.4 in the same period of the previous year to m€ 5.6. The result in France and the improved foreign currency result contributed to this development.

Development of the financial situation

Capital structure

As at 30 June 2018, our debt level came to 57.3% and was therefore 1.1 percentage points higher compared to 31 December 2017. The main reason for this development was the sharper decline in equity (m€ 4.8) than liabilities (m€ 0.8), especially on account of the dividend payment in June.

As at 30 June 2018, our liabilities largely consisted of pension obligations of m€ 69.8, trade payables and other liabilities of m€ 44.9 and provisions of m€ 8.6. As in previous years, we had no liabilities to banks.

The equity ratio – the share of equity in relation to the balance sheet total – came to 42.7% (31 December 2017: 43.8%).

Analysis of Group liquidity

Group liquidity declined by m€ 9.0 in the first six months of the current year and stood at m€ 48.2 as at 30 June 2018 (31 December 2017: m€ 57.2). As at 30 June 2018, we had credit balances of m€ 34.3 (31 December 2017: m€ 28.2). Financial assets included bond funds of m€ 14.0 (31 December 2017: m€ 29.0).

The decline in Group liquidity compared to 31 December 2017 resulted mainly from the dividend payment in the amount of m€ 10.0 and the m€ 4.0 rise in working capital.

Analysis of Group statement of cash flow

Cash inflow from operating activities amounted to m€ 3.0 during the reporting period (previous year: cash outflow of m€ 3.5) and was therefore up m€ 6.5 year on year. The year on year improvement resulted primarily from the payment of long-term variable Board of Management remuneration of m€ 6.2 in the previous year.

Cash inflow from investment activities stood at m€ 13.1 (previous year: m€ 2.7). Adjusted for proceeds from the sale of financial assets, there was a cash outflow by m€ 2.0 (previous year: m€ 2.2). Our investments fell by m€ 1.8 to m€ 2.2 (previous year: m€ 4.0). The previous year saw income from the sale of land not used for operating purposes in the amount of m€ 1.7.

Cash outflow from financing activities stood at m€ 10.0 (previous year: m€ 13.8) relating solely to the respectively paid dividend.

Free cash flow

In the first half of 2018, free cash flow amounted to m€ 1.0 (previous year: m€ –5.7). This key figure indicates how much liquidity was available for the repayment of debt financing or for the distribution of dividends to shareholders. Free cash flow is the total of cash flow from operating activities and cash flow from investment activities, adjusted for incoming and outgoing payments in financial assets as well as, if existing, from the divestiture of business divisions.

Development of net assets

Balance sheet structure as at 30 June 2018

Compared to 31 December 2017, our balance sheet total was down by m€ 5.4, from m€ 224.9 to m€ 219.5.

Current assets stood at m€ 152.6 as at the balance sheet date of 30 June 2018, m€ 4.0 below the figure as at the end of 2017 (31 December 2017: m€ 156.6). Liquidity fell by m€ 9.0 to m€ 48.2, trade receivables increased by m€ 2.0 to m€ 52.7, and inventories increased by m€ 3.3 to m€ 47.7. Contractual assets in the amount of m€ 1.5, which were reported in accordance with IFRS 15 for the first time, include effects from the turnover recognition of the consignment arrangements. This was offset by a m€ 1.2 decline in VAT receivables compared to 31 December 2017.

At m€ 66.9, our non-current assets as at the end of June were down by m€ 1.4 on the figure for 31 December 2017. The decline pertained mainly to assets.

The fair values of all derivative financial instrument assets and liabilities rose by m€ 1.9 to m€ –0.4 in the first six months of the current year (31 December 2017: m€ –2.3) due mainly to the devaluation of the euro against the US dollar.

Current liabilities fell by m€ 0.9 as at the balance sheet date to m€ 52.2 compared to 31 December 2017, whereas non-current liabilities remained approximately on par with the previous year at m€ 73.6.

Equity fell by m€ 4.8 to m€ 93.7 as at 30 June 2018 compared to 31 December 2017 due to a net result for the period of m€ 4.4 and other comprehensive income of m€ 0.4 as well as the payment of a dividend of m€ 10.0.

Investments

A total of m€ 2.2 (previous year: m€ 4.0) was invested in the first six months of 2018. The investments primarily concerned tools for new products, machines, streamlining investments for production plants, and operating and business equipment. There were no further material disposals of assets in the reporting period.

The investment ratio – in other words, additions to assets related to historical procurement and production costs – amounted to 1.2%. We invested m€ 2.0 in Brand Business, while m€ 0.2 of our investments were attributable to Volume Business. Investments were offset by depreciation and amortisation of m€ 3.4 (previous year: m€ 3.2).

As at 30 June 2018, there were contractual obligations to acquire items of tangible assets in the amount of m€ 2.8 that will be financed by 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 use, to a lesser extent, assets which cannot be recorded in the balance sheet. This largely concerns leased goods, such as printers and copiers, as well as rented spaces. As in previous years, we did not use any off-balance sheet financing instruments in the reporting period.

Overall assessment of management in regard to the economic situation

Business development in the first half of 2018 did not completely live up to our expectations. The Group's turnover increased to m€ 121.5 (previous year: m€ 120.9) once again after posting a slight loss in the first quarter of the year.

In the reporting period, we generated EBIT of m€ 6.8, which was exactly on par with the previous year, including expenses from non-recurring effects in the amount of m€ 0.9 (previous year: m€ 1.5). The decrease in gross profit of m€ 3.5 was offset by lower non-recurring expenses, the decline in administrative costs and the rise in the foreign currency result.

Group liquidity declined by m€ 9.0 in the first six months of the current year and stood at m€ 48.2 as at 30 June 2018 (31 December 2017: m€ 57.2). The decline in Group liquidity compared to 31 December 2017 resulted mainly from the dividend payment and the rise in working capital. As in previous years, there were no liabilities to banks. With an equity ratio of 42.7% as at the balance sheet date, the Group continues to have a solid financial position.

Non-financial performance indicators

Employees

The Leifheit Group employed an average of 1,177 people in the first six months of 2018 (previous year: 1,103), 1,012 of them in the Brand Business segment and 165 of them in the Volume Business segment.

In Germany, the reorientation of sales activities meant switching from commercial agents to in-house employees. In the Czech Republic, the number of production staff increased as the result of new products and insourcing projects and due to the replacement of subcontractors with in-house employees.

Employees by region (average figure)

Locations	1 Jan to 30 Jun 2017	**1 Jan to 30 Jun 2018**
Germany	422	448
Czech Republic	451	502
France	166	165
Other countries	64	62
	1,103	**1,177**

A total of 38.1% of our employees are located in Germany, 42.7% in the Czech Republic and 14.0% in France. The remaining 5.2% of employees are spread among a variety of European countries.

Opportunities and risks report

The opportunities and risks for the Leifheit Group were described in detail in the combined management report as at 31 December 2017. Please refer to these disclosures. During the reporting period, there were no major changes in the material opportunities and risks for the remaining months of the financial year, either in terms of probability of occurrence or potential positive or negative implications. As before, we do not anticipate any individual or aggregated risks that could jeopardise the existence of the company as a going concern.

Related party transactions

For details on related party transactions, please see the selected explanatory notes.

Forecast

Conditions unchanged

In our business development forecast for the current year, we anticipate continued yet slightly weakening global economic growth in the key sales markets for our company. We expect private consumption to remain the driver of growth against the backdrop of declining unemployment and rises in real income. The risks include further escalation in the looming trade war among the US, Europe and China, an increase in inflation in the Eurozone, and geopolitical tensions and conflicts.

Turnover and earnings forecast for the current financial year

In the quarterly statement for the period ending 31 March 2018, we adjusted our original forecast for financial year 2018 slightly and announced plans to provide further details following in-depth analysis upon publication of the half-year financial report. According to our analysis, we continue to expect growth for the Leifheit Group, primarily due to the launch of new products in our Brand Business. We have also taken steps to stimulate growth in the second half of the year. The weak demand in the overall market for electrical appliances for surface cleaning, however, is likely to have a more lasting impact than initially assumed.

Against this backdrop, we expect Group turnover growth of 2.5% to 3.5% compared to most recently expected growth slightly below of 4% to 5%. In Brand Business, our strategic core business, we expect an increase in turnover of around 3% to 4%. In Volume Business, our smaller and more volatile segment, we continue to expect turnover on par with 2017.

With regard to our earnings forecast, this means that we expect EBIT of around m€ 16 to m€ 17. We had most recently expected EBIT at the lower end of the original forecast of around m€ 17 to m€ 18.

Explanations of the economic conditions as well as further 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. It is available on our website at financial-reports.leifheit-group.com.

Legal information

The legal information is described in detail in the combined management report as at 31 December 2017.

Art. 12 of the articles of incorporation (Supervisory Board remuneration) was amended in the reporting period by resolution of the Leifheit AG Annual General Meeting on 30 May 2018. The full text of the resolution can be found in Item 7 of the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on 18 April 2018.

Unaudited condensed interim consolidated financial statements as at 30 June

Statement of profit or loss and statement of comprehensive income

k€	1 Apr to 30 Jun 2017	**1 Apr to 30 Jun 2018**	1 Jan to 30 Jun 2017	**1 Jan to 30 Jun 2018**
Turnover	58,414	59,261	120,885	121,487
Cost of turnover	−31,311	−33,491	−63,926	−67,992
Gross profit	**27,103**	**25,770**	**56,959**	**53,495**
Research and development costs	−1,378	−1,496	−2,636	−2,792
Distribution costs	−19,947	−18,605	−38,783	−36,573
Administrative costs	−4,036	−3,956	−8,877	−7,804
Other operating income	1,184	241	1,417	495
Other operating expenses	−115	−86	−237	−140
Foreign currency result	−1,174	194	−1,089	75
EBIT	**1,637**	**2,062**	**6,754**	**6,756**
Interest income	18	15	31	20
Interest expenses	−308	−313	−619	−622
Net other financial result	22	133	22	82
EBT	**1,369**	**1,897**	**6,188**	**6,236**
Income taxes	−403	−557	−1,825	−1,831
Net result for the period	**966**	**1,340**	**4,363**	**4,405**
Contributions that are not reclassified in future periods in the statement of profit or loss				
Actuarial gains/losses on defined benefit pension plans	1,673	−509	1,673	−509
Income taxes from actuarial gains/losses on defined benefit pension plans	−487	148	−487	148
Contributions that may be reclassified in future periods in the statement of profit or loss				
Currency translation of foreign operations	151	−130	135	−133
Currency translation of net investments in foreign operations	507	−328	501	−287
Income taxes from currency translation of net investments in foreign operations	−148	95	−146	83
Net result of cash flow hedges	−4,543	2,005	−5,770	1,547
Income taxes from cash flow hedges	1,555	−601	1,709	−463
Net result from the sale of financial assets available [1]	39	–	29	−8
Income taxes from the sale of financial assets available [1]	−11	–	−8	2
Other comprehensive income	**−1,264**	**680**	**−2,364**	**380**
Comprehensive income after taxes	**−298**	**2,020**	**1,999**	**4,785**
Earnings per share based on net result for the period (diluted and undiluted) [2]	**€ 0.10**	**€ 0.14**	**€ 0.46**	**€ 0.46**

[1] Due to materiality reasons, the reclassification of effects to retained earnings as part of the conversion to IFRS 9 was waived.
[2] Based on 10 million no-par-value bearer shares.

Balance sheet

k€	31 Dec 2017	30 Jun 2018
Current assets		
Cash and cash equivalents	28,221	34,257
Financial assets	29,008	13,971
Trade receivables	50,783	52,736
Inventories	44,474	47,726
Income tax receivables	1,149	1,020
Derivative financial instruments	74	302
Contractual assets	–	1,517
Other current assets	2,910	1,080
Total current assets	**156,619**	**152,609**
Non-current assets		
Tangible assets	37,760	36,410
Intangible assets	19,585	19,214
Deferred tax assets	10,844	10,999
Derivative financial instruments	–	184
Other non-current assets	127	127
Total non-current assets	**68,316**	**66,934**
Total assets	**224,935**	**219,543**
Current liabilities		
Trade payables and other liabilities	43,824	44,908
Derivative financial instruments	1,818	823
Income tax liabilities	651	216
Other provisions	6,785	6,205
Total current liabilities	**53,078**	**52,152**
Non-current liabilities		
Provisions for pensions and similar obligations	69,502	69,841
Other provisions	2,296	2,375
Deferred tax liabilities	978	1,354
Derivative financial instruments	552	73
Total non-current liabilities	**73,328**	**73,643**
Equity		
Subscribed capital	30,000	30,000
Capital surplus	17,026	17,026
Treasury shares	–7,445	–7,445
Retained earnings	76,081	70,920
Other reserves	–17,133	–16,753
Total equity	**98,529**	**93,748**
Total equity and liabilities	**224,935**	**219,543**

Statement of changes in equity

k€	Subscribed capital	Capital surplus	Treasury shares	Retained earnings	Other reserves	Total
As at 1 Jan 2017	15,000	17,026	–7,445	91,991	–11,956	104,616
Change from capital increase	15,000	–	–	–15,000	–	–
Dividends	–	–	–	–13,788	–	–13,788
Comprehensive income after taxes	–	–	–	4,363	–2,364	1,999
of which net result for the period	–	–	–	4,363	–	4,363
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	1,186	1,186
of which currency translation of foreign operations	–	–	–	–	135	135
of which currency translation of net investments in foreign operations	–	–	–	–	355	355
of which from cash flow hedges	–	–	–	–	–4,061	–4,061
of which from the sale of financial assets available	–	–	–	–	21	21
As at 30 Jun 2017	**30,000**	**17,026**	**–7,445**	**67,566**	**–14,320**	**92,827**
As at 31 Dec 2017	30,000	17,026	–7,445	76,081	–17,133	98,529
Transition effects from IFRS 15 and IFRS 9	–	–	–	418	–	418
As at 1 Jan 2018	30,000	17,026	–7,445	76,499	–17,133	98,947
Dividends	–	–	–	–9,984	–	–9,984
Comprehensive income after taxes	–	–	–	4,405	380	4,785
of which net result for the period	–	–	–	4,405	–	4,405
of which actuarial gains/losses on defined benefit pension plans	–	–	–	–	–361	–361
of which currency translation of foreign operations	–	–	–	–	–133	–133
of which currency translation of net investments in foreign operations	–	–	–	–	–204	–204
of which from cash flow hedges	–	–	–	–	1,084	1,084
of which from the sale of financial assets available [1]	–	–	–	–	–6	–6
As at 30 Jun 2018	**30,000**	**17,026**	**–7,445**	**70,920**	**–16,753**	**93,748**

[1] Due to materiality reasons, the reclassification of effects to retained earnings as part of the conversion to IFRS 9 was waived.

Statement of cash flow

k€	1 Jan to 30 Jun 2017	**1 Jan to 30 Jun 2018**
Net result for the period	4,363	4,405
Depreciation and amortisation	3,173	3,405
Change in provisions	–1,626	–157
Result from disposal of fixed assets and other non-current assets	–814	15
Change in inventories, trade receivables and other assets not classified as investment or financing activities	–6,741	–4,336
Change in trade payables and other liabilities not classified as investment or financing activities	–3,549	183
Other non-cash income/expenses	1,670	–538
Cash flow from operating activities	**–3,524**	**2,977**
Proceeds from the sale of tangible assets and other non-current assets	1,782	166
Proceeds from the sale of financial assets	4,966	15,036
Outflow for the acquisition of tangible assets and intangible assets	–4,025	–2,151
Cash flow from investment activities	**2,723**	**13,051**
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	–14,589	6,044
Change in cash and cash equivalent due to exchange rates	–15	–7
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	**30,903**	**34,258**

Selected explanatory notes

General information

Leifheit AG is a publicly listed corporation with its registered office in Nassau/Lahn, Germany. These condensed interim consolidated financial statements of Leifheit AG and its subsidiaries relate to the period from 1 January 2018 to 30 June 2018.

The interim consolidated financial statements were prepared by the Board of Management of Leifheit AG and approved for publication by the CFO on 9 August 2018.

Reporting principles

These condensed interim consolidated financial statements have been prepared for interim reporting purposes according to section 115 para. 3 of the German securities trading act (WpHG) and in line with International Financial Reporting Standards (IFRS), particularly according to IAS 34 and the related interpretations of the International Accounting Standards Board (IASB), as these are applicable in the European Union. These financial statements forming part of the interim financial report therefore do not contain all of the information and notes to be included in accordance with IFRS in consolidated financial statements prepared at the end of a financial year, and therefore must be read in conjunction with the consolidated financial statements as at 31 December 2017.

These condensed interim consolidated financial statements and the interim management report have been neither audited nor subjected to review by an auditor. In the view of the Board of Management, the financial statements include any necessary adjustments to ensure that they provide an accurate depiction of the actual results of operations on an interim basis. No conclusions as to future results can necessarily be drawn on the basis of the results for the reporting period ended on 30 June 2018.

The Board of Management is required, in the context of the preparation of interim consolidated financial statements in line with IAS 34, to make assessments and estimates and also to adopt assumptions which could affect the application of accounting principles in the Group and the reporting of assets and liabilities or income and expenses. The actual amounts of such items may diverge from these estimates.

In the interim consolidated financial statements, income taxes are recognised on the basis of the best estimate of the income tax rate expected for the entire financial year.

Cyclical and seasonal factors are described, where essential, in the “Business performance” section.

The accounting and valuation principles applied in the condensed interim consolidated financial statements are, with the exception of those accounting standards to be applied for the first time, in line with those applied in the most recent consolidated financial statements as at the end of the financial year. A detailed description of the accounting principles is published in the notes to the consolidated financial statements included in our annual financial report 2017.

Heubeck AG published a new, updated set of tables (RT 2018 G) on 20 July 2018. The new tables were not yet used in the valuation of pension obligations as at 30 June 2018. According to Heubeck AG’s press release, a moderate rise in pension provisions can be expected. The transition effect will be recorded as not affecting net income in other reserves upon application of the new tables.

The standards and interpretations published by the IASB that are not yet to be mandatorily applied during financial year 2018 have not been applied.

New accounting standards applied for the first time

The effects of the material standards and interpretations applied for the first time in financial year 2018 were as follows:

IFRS 9: Financial instruments

Leifheit applied the new provisions of IFRS 9 for the classification and measurement of financial instruments and for their value adjustment retroactively starting with financial year 2018 and took advantage of the option not to adjust comparative information for preceding periods. Accordingly, the opening balance sheet was adapted in accordance with the requirements of IFRS 9 as at 1 January 2018.

– Classification

IFRS 9 contains three important classification categories for financial assets: valued at amortized cost, at fair value with changes in value in profit or loss, and at fair value changes in value measured in other comprehensive income. For financial liabilities, the main categories of classification are financial liabilities measured at amortized cost or financial liabilities measured at fair value with changes in value in profit or loss.

In addition to hedging instruments for hedge accounting purposes, Leifheit only has financial assets with a debt capital character. Upon initial recognition of the requirements of IFRS 9, these are generally classified into the categories: measured at amortized cost and at fair value.

The introduction of IFRS 9 marks the application of a standardised model for categorising financial assets that classifies financial assets to one of the aforementioned categories. Two criteria were essential to proper classification of financial assets with a debt capital character: the business model and the cash flow criteria. Within a business model, steps were taken to review whether the financial assets were held in order to hold the instruments and to collect the contractual cash flows, whether the instruments were held and partially sold or whether a different kind of business model applied. As part of the cash flow criterion, steps were taken to determine whether the cash flows consisted solely of interest and principal repayments or whether they exhibited additional aspects such as value assurance clauses or leverage.

Financial assets whose cash flows consisted solely of interest and principal repayments were classified by Leifheit depending on the business model. Financial assets, such as trade receivables, that were attributable to a business model that envisaged holding the asset in order to collect the contractual cash flows were valued at their amortised cost. Assets were measured at fair value without effects on the net profit for the period if the business model principally envisaged holding the assets while also permitting sales, for example in order to cover a certain liquidity requirement.

Financial assets that contained solely interest and principal repayments but were not held within one of the two aforementioned business models were measured at fair value through profit or loss.

Financial assets whose cash flows did not consist solely of interest and principal repayments were measured at fair value through profit or loss.

– Value adjustments

IFRS 9 has introduced a model for determining value adjustments on the basis of expected credit losses. In accordance with this model, value adjustments for expected credit losses have been recorded for financial assets that were classified as at amortised cost. This included the use of forward-looking information and estimations. For reasons of materiality, the separate disclosure of the impairment recognized in the reporting period was omitted in the income statement in accordance with IAS 1.82 (ba).

The approach taken for the expected credit losses made use of a general three-level process for the allocation of value adjustments:

Level 1: Expected credit losses within the next twelve months
Level 1 included all contracts without a significant rise in the credit risks since the first recognition. The expected credit losses of an instrument that were attributable to a default within the next twelve months were recognised.

Level 2: Expected credit losses throughout the entire term – creditworthiness not impaired
A financial asset was classified to Level 2 if it had experienced a material increase in credit risks without being negatively affected in terms of creditworthiness since its initial recognition. The expected credit losses attributable to default events throughout the entire term of the financial asset were recognised as a value adjustment.

Level 3: Expected credit losses throughout the entire term – creditworthiness impaired
Financial assets whose creditworthiness were impaired or that were subject to default were classified to Level 3. The expected credit losses over the entire term of the financial asset were recognised as a value adjustment.

The estimation of the default probabilities took into account both external information and the associated default probabilities as well as internal information regarding the credit quality of the financial asset.

For trade receivables and contractual assets in accordance with IFRS 15, Leifheit applied the simplified approach under IFRS 9, according to which the amount of the value adjustment from the first recognition of the receivable was measured based on the credit losses expected over the term. The majority of Leifheit's counterparties were subject to an individual review according to the credit default probabilities stated by external information. The external information used contained individual and constantly updated data regarding the counterparties and forward-looking information.

Transition effects

The transition effects of IFRS 9 are shown in the following tables. Fundamentally speaking, it is possible to divide the effects into a reclassification effect and a valuation effect. Reclassification effects stem from a deviating classification and valuation category between IAS 39 and IFRS 9 and were therefore a part of the reconciliation of financial assets and liabilities under IAS 39 as at 31 December 2017 to the new categories in accordance with IFRS 9 as at 1 January 2018. Valuation effects resulted from IFRS 9 valuation standards that deviate from IAS 39, such as the new impairment approach.

In accordance with IFRS 9, k€ 75 for the foreign currency risk associated with the expected purchases of non-financial assets for the hedging of cash flows was included directly in acquisition costs, as at 30 June 2018.

k€	Book value IAS 39 31 Dec 2017	New valuation category (IFRS 9)	Reclassification	Valuation	**IFRS 9 book value 1 Jan 2018**
Financial assets					
Held for trading					
Forward foreign exchange transactions (not designated as hedging transactions)	30	at fair value through profit or loss	–	–	30
Available for sale					
Current financial assets (fund shares)	29,008	at fair value in comprehensive income without affecting net income	–29,008	–	–
Current financial assets (fund shares)	–	at fair value through profit or loss	29,008	–	29,008
Fair value (hedging instruments)					
Forward foreign exchange transactions (designated as hedging transactions)	44	for purposes hedge accounting	–	–	44
Loans and receivables					
Trade receivables, other receivables	51,859	amortised cost	–	–75	51,784
Cash and cash equivalents	28,221	amortised cost	–	0	28,221
Financial liabilities					
Held for trading					
Forward foreign exchange transactions (not designated as hedging transactions)	293	at fair value through profit or loss	–	–	293
Fair value (hedging instruments)					
Forward foreign exchange transactions (designated as hedging transactions)	2,077	for purposes hedge accounting	–	–	2,077
Loans and receivables					
Trade payables and other liabilities	34,613	other financial liabilities	–	–	34,613

The following table shows the transition effect without affecting net income of IFRS 9 on the value adjustments of cash and cash equivalents, contractual assets and trade receivables:

k€	Value adjustment
Cumulated value adjustments (IAS 39) as at 31 Dec 2017	692
Effect of initial application of IFRS 9 without effect on net income	75
Cumulated value adjustment (IFRS 9) as at 1 Jan 2018	767

IFRS 15 and amendment to IFRS 15: Turnover from contracts with customers, clarification

IFRS 15 specifies the broad scope for determining whether, how much and when turnover will be reported. It replaces the existing guidelines on reporting of turnover, including IAS 18 Turnover, IAS 11 Joint Arrangements and the corresponding interpretations. We applied the modified retrospective method recognising the cumulative adjustment amounts as at 1 January 2018 as part of the transition to IFRS 15.

Sale of goods

For contracts with our customers, it is generally expected that the sale of products is almost exclusively the sole contractual obligation. According to IFRS 15, turnover is reported as soon as a customer obtains the control or power of disposal over the goods. When applying IFRS 15 at Leifheit, the following aspects were taken into consideration:

– Consignment arrangements

The consignment stock agreements with our customers are structured so that customers obtain the power of disposal over the products in the consignment warehouse. This means that, according to IFRS 15, the turnover was already reported at the time of delivery to the consignment warehouse and no longer at the time of removal from the consignment warehouse. As at 1 January 2018, this resulted in contractual assets amounting to k€ 1,357 and an equity effect of k€ 471.

– Sale with a right of return

If a contract with a customer includes the right to return the products within a certain time frame, turnover for these contracts is reported in the way practised up to now, provided it is not likely that a considerable correction of the reported turnover will take place. In the past, the obligation to take back appeared netted in the provisions. Under IFRS 15, the reimbursement obligation and an asset for the right to take products back from a customer were reported separately in the balance sheet.

– Advance consideration received from customers

In principle, we receive short-term advance consideration from customers only in exceptional cases for purchase contracts without cancellation option, which do not contain any financing components and which are reported upon payment as part of the trade payables and other liabilities. Under IFRS 15, the receivable due from the contractual obligations was recognised right at the point of concluding the contract without cancellation option. As at 1 January 2018 and 30 June 2018, there were no contracts without cancellation option that would have led to payment demands falling due.

– Contracts with more than one contractual component

In a few cases, contracts with overseas customers receive the Incoterm “CIF” (cost, insurance and freight). These represent several contractual obligations. While turnover was reported in the past only at the time of transfer of risk, the delivery and insurance contractual obligations were already reported pro rata temporis before procuration of the power of disposal under IFRS 15. As at 1 January 2018 and 30 June 2018 there were no contracts with more than one contractual component.

Balance sheet effects in k€	30 Jun 2017 without IFRS 15	31 Dec 2017 without IFRS 15	Effects of initial application of IFRS 15	1 Jan 2018 under IFRS 15	**30 Jun 2018 under IFRS 15**	30 Jun 2018 without IFRS 15
Inventories	45,912	44,474	–224	44,250	47,726	47,766
Contractual assets	–	–	1,357	1,357	1,517	–
Other non-current provisions	6,568	6,785	–282	6,503	6,205	6,574
Trade payables and other liabilities	47,057	43,824	751	44,575	44,908	43,797
Deferred tax liabilities	1,648	978	193	1,171	1,354	1,140
Equity	92,827	98,529	471	99,000	93,748	93,227

Statement of profit or loss effects in k€	1 Jan to 30 Jun 2017 without IFRS 15	**1 Jan to 30 Jun 2018 under IFRS 15**	1 Jan to 30 Jun 2018 without IFRS 15
Turnover	120,885	121,487	121,327
Cost of turnover	–63,926	–67,992	–67,903
Gross profit	56,959	53,495	53,424
Earnings before interest and taxes	6,754	6,756	6,685
Net result for the period	4,363	4,405	4,355

New material accounting standards to be applied by Leifheit in future

IFRS 16: Leases

IFRS 16 will replace the current regulations on leases, including IAS 17 Leases and the respective interpretations. The standard is to be applied for the first time for financial years that start on or after 1 January 2019. It is not applied earlier. Leifheit intends to apply IFRS 16 as of 1 January 2019 for the first time, using the modified retrospective method.

IFRS 16 establishes a uniform accounting model whereby leases are to be reported in the lessee's balance sheet. A lessee reports a right of use, which constitutes a right to use the underlying asset, and a liability from the lease, which describes its lease payment obligations. There are exemptions for short-term leases and regarding lower assets.

The potential impact on the consolidated financial statements was analysed as part of the conversion project. The detailed assessment has not yet been finalised. The actual impact from the application of IFRS 16 on the consolidated financial statements at the time of the initial application will depend on future economic conditions, e.g. the Group's interest rate as at 1 January 2019, the breakdown of the leasing portfolio at that time, the estimation of the Group regarding the exercise of extension options and the extent to which exemptions and projection exemptions will be utilised.

One material impact has been identified in the fact that the Group will report new assets and liabilities for its operating leases mainly via leased office premises and company cars. As at 30 June 2018, future minimum lease payments for operating leases without cancellation option stood at (on non-discounted basis) k€ 510.

Leifheit does not use finance leases.

Scope of consolidation

The wholly owned subsidiary Guangzhou Leifheit Trading Co., with its registered office in Guangzhou, China, was founded in Q2 2018. The company has not yet commenced business operations.

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

Segment reporting

Key figures by divisions as at 30 Jun 2018		**Brand Business**	**Volume Business**	**Total**
Turnover	m€	103.4	18.1	121.5
Gross profit	m€	47.9	5.6	53.5
Segment result (EBIT)	m€	5.4	1.4	6.8
Employees (average)	persons	1,012	165	1,177

Key figures by divisions as at 30 Jun 2017		Brand Business	Volume Business	Total
Turnover	m€	103.2	17.7	120.9
Gross profit	m€	51.6	5.4	57.0
Segment result (EBIT)	m€	6.0	0.8	6.8
Employees (average)	persons	931	172	1,103

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

Notes to the balance sheet and the statement of profit or loss

Turnover

Turnover is almost exclusively a result of the sale of household goods. They are broken down by geographic region and major country as well as by category. The location of the customer's registered offices is decisive for the regional attribution of the turnover.

Turnover in the amount of m€ 237.4 was generated in the period from 1 July 2017 to 30 June 2018 (1 July 2016 to 30 June 2017: m€ 236.8).

Additional notes on the major changes to items in the balance sheet and the statement of profit or loss as compared with the figures for the previous year, as well as developments in the reporting period, are presented in the interim management report.

	30 Jun 2017 [1]			**30 Jun 2018**		
Turnover by region in m€	Brand Business	Volume Business	Total	**Brand Business**	**Volume Business**	**Total**
Domestic	53.7	1.9	55.6	54.5	2.2	56.7
Central Europe	34.1	14.4	48.5	33.6	14.8	48.4
Eastern Europe	12.8	–	12.8	12.7	–	12.7
Rest of the world	2.6	1.4	4.0	2.6	1.1	3.7
	103.2	**17.7**	**120.9**	**103.4**	**18.1**	**121.5**

[1] Without IFRS 15.

	30 Jun 2017 [1]			**30 Jun 2018**		
Turnover by product categories in m€	Brand Business	Volume Business	Total	**Brand Business**	**Volume Business**	**Total**
Laundry care	46.3	7.1	53.4	45.9	6.8	52.7
Cleaning	40.2	–	40.2	40.7	–	40.7
Kitchen goods	8.0	10.5	18.5	7.8	11.3	19.1
Wellbeing	8.7	0.1	8.8	9.0	–	9.0
	103.2	**17.7**	**120.9**	**103.4**	**18.1**	**121.5**

1 Without IFRS 15.

Subscribed capital

The subscribed capital of Leifheit AG in the amount of k€ 30,000 (previous year: k€ 30,000) is denominated in euros and is divided into 10,000,000 no-par-value bearer shares. This corresponds to a theoretical value per no-par-value bearer shares of € 3.00. All shares accord the same rights. Shareholders receive dividends as resolved 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.

The Annual General Meeting of Leifheit AG on 24 May 2017 authorised the Board of Management to increase the share capital on one or more occasions by a total of up to k€ 15,000 until 23 May 2022 by issuing up to 5,000,000 new no-par-value bearer shares – also excluding subscription rights – in exchange for cash and/or non-cash contributions with the approval of the Supervisory Board. The full text of the resolution can be found in Item 7 of the invitation to the Annual General Meeting, which was published in the Federal Gazette (Bundesanzeiger) on 12 April 2017.

Treasury shares

No treasury shares were acquired or used in the current reporting period or in the reporting period of the previous year.

Including the treasury shares acquired and issued in previous years, Leifheit held 490,970 treasury shares on 30 June 2018. This corresponds to 4.91% of the share capital. The corresponding interest in the share capital was k€ 1,473. An amount of k€ 7,445 was expended for this.

There are no subscription rights for members of Group organs and employees in accordance with section 160 para. 1 No. 5 AktG (German stock corporation act).

Dividends paid

Resolution of the Annual General Meeting on	25 May 2017	**30 May 2018**
Dividend per no-par-value bearer share [1]	€ 1.45	€ 1.05
Balance sheet profit	k€ 13,969	k€ 10,000
Distribution of dividends	k€ 13,788	k€ 9,984
Retained earnings	k€ 181	k€ 16

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

Commitments

The Group companies have not entered into any commitments.

Financial instruments

A detailed overview of the other financial instruments, the financial risk factors and the management of financial risks is provided under note 33 of our annual financial report 2017. No material changes in our financial risk profile have occurred since 31 December 2017.

Cash flow hedges

Derivative financial instruments include forward foreign exchange transactions and foreign exchange swaps, measured at fair value, for buying US dollars, HK dollars and Chinese renminbi in financial years 2018 to 2019.

The following liabilities from foreign exchange transactions were recorded on the balance sheet as at 30 June 2018:

	Value of liability	Foreign currency	Nominal value
Buy USD/€	k€ 25,161	kUSD 29,875	k€ 25,209
of which hedge accounting	k€ 24,418	kUSD 28,875	k€ 24,358
Buy HKD/€	k€ 5,440	kHKD 49,825	k€ 5,365
of which hedge accounting	k€ 3,570	kHKD 33,325	k€ 3,577
Buy CNH/€	k€ 12,487	kCNH 97,500	k€ 12,219
of which hedge accounting	k€ 12,487	kCNH 97,500	k€ 12,219

The maturities of foreign exchange transactions were as follows:

	less than 1 year	1 to 3 years
Buy USD/€	mUSD 25.1	mUSD 4.8
Buy HKD/€	mHKD 39.8	mHKD 10.0
Buy CNH/€	mCNH 84.5	mCNH 13.0

Overall changes in value for currency translation of derivative assets and liabilities amounting to k€ –1,547 (previous year: k€ –5,770) were recorded in comprehensive income in the current period without affecting profit or loss.

Financial assets and financial liabilities

The book values of the derivative financial assets and financial liabilities correspond to their fair values. The other book values all correspond to amortised cost.

Derivative financial assets in the amount of k€ 486, as well as derivative financial liabilities in the amount of k€ 896, were included at their attributable fair value on the balance sheet as at 30 June 2018.

All financial instruments are recorded at fair value. The fair value is determined on the basis of present value under consideration of current exchange rates as well as the underlying interest curves of the respective currencies and therefore on the basis of input parameters observed in the market (level 2). There was no reclassification among the levels in the reporting period.

For current assets and liabilities, the book value is always assumed to be a reasonable approximation of the fair value (IFRS 7.29 a).

Short-term revolving lines of credit in the amount of k€ 11,500 were available as at 30 June 2018 (previous year: k€ 11,500). Thereof, k€ 436 were used in the form of guarantees (previous year: k€ 360). Unused lines of credit were therefore k€ 11,064 (previous year: k€ 11,140).

The following table shows the book values of financial assets and financial liabilities as at the balance sheet date 30 June 2018 (IFRS 9). The book values correspond to fair values, which were all allocated to level 2 of the fair value hierarchy.

k€	At fair value through profit or loss	Purposes for hedge accounting	Other financial liabilities	Amortised cost	30 Jun 2018
Financial assets measured at fair value					
Forward foreign exchange transactions (designated as hedging transactions)	–	177	–	–	177
Forward foreign exchange transactions (not designated as hedging transactions)	309	–	–	–	309
Fund shares	13,971	–	–	–	13,971
Financial assets not measured at fair value					
Trade receivables, other receivables	–	–	–	53,283	53,283
Cash and cash equivalents	–	–	–	34,258	34,258
Financial liabilities measured at fair value					
Forward foreign exchange transactions (designated as hedging transactions)	–	873	–	–	873
Forward foreign exchange transactions (not designated as hedging transactions)	24	–	–	–	24
Financial liabilities not measured at fair value					
Trade payables and other liabilities	–	–	33,872	–	33,872

The following table shows the corresponded book values as at 31 December 2017 (IAS 39).

k€	Held for trading	Available for sale	Fair value (hedging instruments)	Held to maturity	Loans and receivables	31 Dec 2017
Financial assets measured at fair value						
Forward foreign exchange transactions (designated as hedging transactions)	–	–	44	–	–	44
Forward foreign exchange transactions (not designated as hedging transactions)	30	–	–	–	–	30
Fund shares	–	29,008	–	–	–	29,008
Financial assets not measured at fair value						
Trade receivables, other receivables	–	–	–	–	51,859	51,859
Cash and cash equivalents	–	–	–	–	28,221	28,221
Financial liabilities measured at fair value						
Forward foreign exchange transactions (designated as hedging transactions)	–	–	2,077	–	–	2,077
Forward foreign exchange transactions (not designated as hedging transactions)	293	–	–	–	–	293
Financial liabilities not measured at fair value						
Trade payables and other liabilities	–	–	–	–	34,613	34,613

Operating leases

As lessee, Leifheit rents or leases office premises, shops, office equipment and company cars as part of operating leases. The rental and lease agreements usually have a term of less than five years. Lease payments are renegotiated at regular intervals in order to reflect standard market terms. Some rental agreements provide for rent payments based on changes in value of regional price indices. No subletting arrangements have been made.

As at 30 June 2018, future minimum lease payments for leases without cancellation option stood at k€ 510 (previous year: k€ 577), of which k€ 290 within a year (previous year: k€ 293) and k€ 220 longer than one and up to five years (previous year: k€ 284). In the reporting period, the statement of profit or loss reported k€ 290 (previous year: k€ 293) as rental and leasing expenditure.

Other financial liabilities

As at 30 June 2018, there were contractual obligations arising out of contracts without cancellation option, e.g. maintenance, service and insurance agreements, in the amount of k€ 1,293 (previous year: k€ 1,836). The future minimum payments on the basis of these agreements without a cancellation option amount to k€ 962 up to a term of one year (previous year: k€ 1,005) and k€ 331 between one and five years (previous year: k€ 831). As in the previous year, there were no corresponding payment obligations with a term of more than five years.

As at 30 June 2018, purchase commitments for raw materials totalled k€ 1,473 (previous year: k€ 1,159).

There were contractual obligations to acquire items of tangible assets in the amount of k€ 2,781 (previous year: k€ 2,073), relating to facilities, tools and fire protection systems in particular. Moreover, there were contractual obligations arising out of contracts relating to marketing measures in the amount of k€ 255 (previous year: k€ 713) and other agreements in the amount of k€ 2,245 (previous year: k€ 1,548).

Personnel changes in Leifheit AG organs

Mr Karsten Schmidt resigned his seat on the Supervisory Board on 21 December 2017 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 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.

Ansgar Lengeling, the member of the Board of Management responsible for operations, has resigned from his position on the Management Board in April. The Chairman of the Board of Management, Thomas Radke, and Board of Management member Ivo Huhmann have taken over responsibility for the board department's units on an interim basis.

There were no further personnel changes in Leifheit AG organs in the reporting period.

Related party transactions

The employment relationship for the former member of the Management Board Ansgar Lengeling ends at the latest by the end of October 2019, while the obligation to provide services is released and the fixed monthly remuneration and the proportionate short-term variable remuneration continue to be paid. As at 30 June 2018, a provision of k€ 535 was recognized for this.

There were no further reportable relationships or transactions with related companies or persons outside the Group in the reporting period.

Material events after the period covered in the interim financial report

Material events after completion of the reporting period are detailed in the interim management report. No material events are known at the present time.

Nassau/Lahn, August 2018

Leifheit Aktiengesellschaft

The Board of Management

Thomas Radke Ivo Huhmann

Responsibility statement

The Board of Management declares that, to the best of its knowledge and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements, in compliance with generally accepted accounting principles, give a true and fair view of the net assets, financial position and results of operations of the Group and that the interim consolidated management report presents a true and fair view of the business, business result and situation of the Group, together with the principal opportunities and risks associated with the expected development of the Group for the remaining course of the financial year.

Nassau/Lahn, August 2018

Leifheit Aktiengesellschaft

The Board of Management

Thomas Radke Ivo Huhmann

Disclaimer

Forward-looking statements

This financial report for the first half-year 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.

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 for the half-year 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 half-year financial report and the German version, the German version shall take precedence.

Note on rounding

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

Financial calendar

14 NOVEMBER 2018

QUARTERLY STATEMENT

for the period ending 30 September 2018

26 – 28 NOVEMBER 2018

PRESENTATION TO INVESTORS AND ANALYSTS

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