

# Report of the Supervisory Board

## *Dear Ladies and Gentlemen*

In the financial year 2015, the Supervisory Board fulfilled its obligations under the law, the articles of incorporation and the rules of procedure. It also regularly advised the Board of Management on its activities and continuously monitored the management of the company. At all times, the Supervisory Board was able to convince itself of the legality and expedience of said activities. The Supervisory Board was directly involved in all decisions of fundamental importance for the company at an early stage.

The Board of Management fulfilled its obligation to provide information and informed the Supervisory Board regularly, in a timely manner and comprehensively, both in writing and orally, about all relevant issues regarding corporate planning, strategic development, the course of business, events and measures relevant to the company, the situation of the Group, the risk situation and risk management, and compliance. Discrepancies between business performance and the guidance were explained in detail to the Supervisory Board and discussed intensively by the Supervisory Board. The members of the Supervisory Board had sufficient opportunity at all times to critically examine the reports and draft resolutions submitted to it. The strategic focus of the company was discussed in depth with the Board of Management, as were all significant transactions. In particular, transactions requiring approval were reviewed in depth and decided on by the Supervisory Board.

The Chairman of the Supervisory Board was in close and regular contact with the Board of Management to exchange information and ideas, even between Supervisory Board meetings, and discussed with it issues regarding the company's strategy, planning, business development, risk situation, risk management and compliance.

The Supervisory Board was informed about projects and plans that were of particular importance for the company or required its immediate attention, even between Super-

visory Board meetings, and was asked in writing for its approval, to the extent necessary.

Four Supervisory Board meetings and three committee meetings were held in the financial year 2015. Attendance at the meetings of the Supervisory Board and its committees averaged 93%. Dr Thomée was prevented from attending one Supervisory Board meeting as well as the Audit Committee meeting. Otherwise, all members of the Supervisory Board took part in all meetings of the Supervisory Board and its committees. As a result, no member of the Supervisory Board attended only half or less of the meetings of the Supervisory Board or of the committees of which he or she is a member. The members of the Board of Management took part in Supervisory Board meetings, barring other decisions by the Chairman of the Supervisory Board.

The Supervisory Board meetings regularly covered the development of turnover, results and employment at the Group, as well as the segments, the financial position, the main interests, the strategic focus of the company, potential acquisitions and the risk situation.

At the meeting on 25 March 2015, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual financial statements, the management reports of the Leifheit Group and Leifheit AG, the report on relationships with related parties, the draft resolution regarding the report of the Supervisory Board and the agenda of the Annual General Meeting on 21 May 2015. A distribution analysis for the products by the brands Leifheit and Soehnle was also presented and discussed. In addition, the findings of the Supervisory Board's self-evaluation in December 2014 were presented.



**HELMUT ZAHN**  
Chairman of the Supervisory Board

Marketing communication – in addition to the preparations for the Annual General Meeting – was the main topic of the Supervisory Board meeting on 21 May 2015.

The medium-term planning for the period from 2016 to 2018 was discussed in depth at the meeting on 17 September 2015. In addition, the Supervisory Board discussed currency hedging, benchmark analyses, succession planning at management level, the recommendations of the German corporate governance code and the adjustment of the rules of procedure for the Supervisory Board and the Board of Management. Furthermore, the targets for the quota of women in the Board of Management and the Supervisory Board were resolved.

The meeting on 9 December 2015 dealt with the planning for 2016, product quality, the programme of initiatives for development from 2017 to 2020, the latest product developments and the strategic focus of Volume Business in France.

Additional topics were the performance of the Supervisory Board's self-evaluation and the resolution of the corporate governance declaration of conformity.

The Supervisory Board has formed an Audit Committee and a Personnel Committee. The Audit Committee met twice to discuss the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the annual audit (in particular, the independence of the auditor, the services provided additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of the focal points of the audit and the fee agreement) and compliance. The auditors were present at both of the Audit Committee's meetings and reported in detail on all events that arose during performance of the audit that have a direct bearing on the work of the Supervisory Board. The Personnel Committee met once. The Personnel Committee examines all employment contracts for the members of the Board of Management, including remuneration and the

remuneration system as well as other Board of Management matters. Particular attention in the financial year 2015 was paid to succession planning.

In the reporting period, there was no indication of conflicts of interest among the members of either the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board and the Annual General Meeting.

The financial statements and management report of the Leifheit Group for the financial year 2015, which have been prepared in accordance with section 315a of the German commercial code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as well as the financial statements and the management report of Leifheit AG for the financial year 2015, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, and have not led to any reservations in its audit opinion. The audit – as reflected in the audit reports – did not result in any grounds for objection.

The documents pertaining to the financial statement, as well as the audit reports and the Board of Management's proposal for the appropriation of the balance sheet profit, were handed out to all members of the Supervisory Board. The documents pertaining to the financial statement and the audit reports were discussed in depth at the Audit Committee meeting on 29 March 2016; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance-sheet meeting on 30 March 2016, the Audit Committee and its chairman presented an in-depth report to all members of the Supervisory Board. The auditors took part in the meetings and reported on the key findings of their audit. Furthermore, they presented their findings on the internal control system and risk management with regard to the accounting process and found that the Board of Management had set up an appropriate information and monitoring system that was capable of promptly identifying developments that jeopardise the company's continued existence. The auditors were available for further questions and information.

In addition, the Supervisory Board reviewed the report on relationships with related parties presented by the

Board of Management. The auditor also reviewed this report and issued the following opinion: "After due review and assessment, we confirm that 1. the factual statements in the report are correct and that 2. the company's services rendered in connection with the legal transactions listed in the report were not inappropriate in terms of their scope."

Based on its own examination of the annual financial statements, the consolidated financial statements, the management reports and the dependent-company report, including the final declaration by the Board of Management, as well as the report and the recommendations of the Audit Committee, the Supervisory Board approved the findings of the audit by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board has approved both the financial statements and the consolidated financial statements. The financial statements in accordance with section 172 of the German stock corporation act (AktG). The Board of Management and the Supervisory Board discussed the Board of Management's proposal for the appropriation of the balance sheet profit during their meeting on 30 March 2016. Due to the company's good level of liquidity the Board of Management and the Supervisory Board decided to propose in addition to a dividend of € 2.00 per no-par-value bearer share a special dividend of € 0.75 per share and to carry forward the remainder to new account.

The Supervisory Board would like to thank all of the employees of the Group, the Board of Management and the workforce representatives for their dedicated commitment and their work in the past financial year. We would also like to thank our customers and shareholders for their trust and support.

Nassau/Munich, 30 March 2016

The Supervisory Board



Helmut Zahn  
Chairman