

Report of the Supervisory Board

Dear Ladies and Gentlemen,

2019 was shaped by far-reaching changes, both in the Supervisory Board and Board of Management. The largest change, however, was the overall shift in the company's strategic focus. This new beginning was necessary to lead the company back to an organic growth path while also stopping the erosion of margins and earnings seen in recent years.

Based on close and trustful discussions with the Management Board the Supervisory Board has therefore taken advantage of the past few months to develop a corporate strategy that is firmly focused on the future. Our priorities have included focusing the entire company on maximum customer benefits, innovation, sales efficiency, communication, price and conditions policy, reducing complexity and optimising all cost structures. The Board of Management has summarised this new direction in its "Scaling up Success" concept and has already kicked-off its successful implementation.

I would like to inform you below in detail of the work performed by the Supervisory Board in financial year 2019:

The Supervisory Board supported the Board of Management constructively, as well as with critical advice, and fulfilled all of its obligations under the law, the articles of incorporation and the rules of procedure. It was at all times informed promptly and in depth by the Board of Management with regard to business development, strategic measures, corporate planning and transactions requiring approval. The Supervisory Board was directly involved in all decisions of fundamental importance for the company at an early stage. The Supervisory Board made all decisions following thorough examination and discussion of the corresponding resolutions.

The Supervisory Board carefully and constantly monitored the management activities of the Board of Management. It confirms that the Board of Management acted properly, in accordance with the law and economically in every way. The Board of Management used the risk management system in operating, financial and legal matters and was supported in the process by the finance, controlling, legal affairs and auditing departments. The Supervisory Board was informed regularly and comprehensively about risks, opportunities and compliance. The remuneration system is the subject of regular discussion and review by the Supervisory Board in connection with concluding and extending Board of Management contracts. The Board of Management remuneration system was fundamentally revised in 2018.

In financial year 2019, the Supervisory Board met six times in person and held two conference call meetings. With the exception of Ms Wärtgtes, who was unable to attend a meeting of the Nominating Committee prior to her departure from the Board on 28 February 2019, no member of the Supervisory Board attended only half or fewer 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. Furthermore, the Chairman of the Supervisory Board maintained regular personal and telephone contact with the Board of Management. He informed the other members of the Supervisory Board promptly about the results of these discussions. The self-evaluation of the Supervisory Board, which is to be performed regularly, was conducted in 2018. It revealed that all requirements for working efficiently have been met. The Supervisory Board will conduct the next efficiency review in 2020. 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 Chairman of the Supervisory Board held various meetings with shareholders. The meetings focused on the nomination of the Supervisory Board members to be elected during the Annual General Meeting and on an analysis of the company's situation.

Changes in Leifheit AG organs

Supervisory Board

Effective as at 28 February 2019, Ms Wärtgtes resigned from her position as member of the Supervisory Board; effective as at 31 March 2019, Mr Zahn (Chairman) and Mr Gritzuhn (Deputy Chairman) also resigned from their positions on the Supervisory Board.

At the request of the Board of Management, Dr Günter Blaschke was appointed to the Supervisory Board of Leifheit AG with effect from 1 April 2019 by the Local Court [Amtsgericht] of Montabaur and was elected Chairman of the organ by the members of the Supervisory Board on 2 April 2019.

Regular Supervisory Board elections were scheduled for financial year 2019. The following employee representatives on the Supervisory Board were elected on 14 May 2019:

- Joachim Barnert, Zuzenhausen, Head of Maintenance at Leifheit AG
- Thomas Standke, Scheidt, Toolmaker at Leifheit AG

Mr Standke was already a member of the previous Supervisory Board. The previous employee representative, Mr Baldur Groß, stepped down from the Supervisory Board upon the conclusion of the Annual General Meeting on 29 May 2019.

The following shareholder representatives on the Supervisory Board were elected at the Annual General Meeting on 29 May 2019:

- Dr Günter Blaschke, Chairman of the Supervisory Board of WashTec AG (until 14 July 2019), Chairman of the Board of Management (CEO) of WashTec AG (from 15 July 2019 to 31 December 2019)
- Georg Hesse, Chairman of the Board of Management (CEO) of HolidayCheck Group AG
- Karsten Schmidt, Independent consultant
- Dr Claus-O. Zacharias, Independent consultant

The Supervisory Board and the Board of Management of Leifheit AG would like to thank the departing Supervisory Board members for their service and their great commitment to the Board.

Board of Management

Mr Henner Rinsche was appointed Chairman of the Board of Management (CEO) by the Supervisory Board and took office on 1 June 2019.

Important topics discussed at meetings

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.

The Supervisory Board meeting on 18 March 2019 voted on the co-optation of Mr Hesse to the Nominating Committee and the Audit Committee.

At the meeting on 25 March 2019, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual statements, the

combined management report of Leifheit Aktiengesellschaft and the Leifheit Group, the draft resolution regarding the report of the Supervisory Board and the agenda of the Annual General Meeting on 29 May 2019.

The constitutive meeting of the new Supervisory Board was held following the Annual General Meeting on 29 May 2019. It appointed members to the committees, set up rules for the working relationship between the Supervisory Board and the Board of Management, and adopted the focal points for the Supervisory Board and its committees.

The Supervisory Board meeting on 21 June 2019 discussed personnel matters related to the Board of Management and the age limit for Supervisory Board members, as well as the leadership culture and the mission statement.

The Supervisory Board meeting on 1 August 2019 focused on the reports by all of the committees, scheduling, the corporate governance code and personnel matters.

The meeting on 20 September 2019 discussed the status of strategic projects and succession planning at management level. In addition, the Supervisory Board addressed top customers and authorised procurement.

The conference call on 4 November 2019 focused on the quarterly statement, the draft resolution regarding the reduction of the Board of Management to two members and the adjustment of the Board of Management's allocation of duties.

The Supervisory Board meeting on 13 December 2019 focused on approving the budget planning for 2020 and on the logistics strategy. The corporate governance declaration of conformity was also approved.

A variety of other topics were discussed and voted on in writing outside of Supervisory Board meetings.

Work of the committees

In addition to the existing Audit, Personnel and Nominating Committees, the Supervisory Board in office since 29 May 2019 formed two additional committees: the Sales/Marketing Committee and the Product Range/Innovation Committee.

The **Audit Committee** met six times in financial year 2019 to discuss the monitoring of accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the annual audit and compliance. The Audit Committee also presented a recommendation on the choice of auditor, monitored the auditor's independence, issued the audit engagement to the auditor, determined certain focal points of the audit and agreed the auditor's fee. The Board of Management and the Financial Director attended the Audit Committee meetings and gave an in-depth presentation of the annual financial statements as well as all reports to be published, explained them and answered the committee members' questions. Furthermore, the internal control system and the risk management system were examined, and the findings of the internal audits were presented and discussed. The auditors were also present at two meetings and reported in detail on all events that arose during performance of the audit which have a direct bearing on the work of the Supervisory Board. The financial statements were presented and discussed by the Chief Financial Officer, and questions from the members of the committee were answered.

The **Personnel Committee** examined all employment contracts for the members of the Board of Management, including remuneration and the remuneration system. The Personnel Committee met four times in financial year 2019. It looked intensively into the issue of succession planning for the Board of Management and into the Board of Management's remuneration system. A focus was placed on appointing a new CEO and on the departure of the CFO.

The tasks of the **Nominating Committee** include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. To this end, the Nominating Committee held two meetings in financial year 2019. Leifheit AG's Nominating Committee became inquorate in the first quarter of 2019 following the departure of Ms Wärtges, Mr Zahn and Mr Gritzuhn and was therefore unable to propose suitable candidates to the Supervisory Board. As a result, the Supervisory Board approved its proposal for the election of Supervisory Board candidates in April 2019 without a prior recommendation from the Nominating Committee.

The **Sales and Marketing Committee** met twice in financial year 2019 and discussed sales planning, the marketing strategy and the marketing budget, as well as the price and conditions strategy.

The **Product Range and Innovation Committee** met twice in financial year 2019 and discussed the innovation strategy and the current innovation pipeline.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2019, which have been prepared in accordance with section 315e of the German commercial code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as well as the financial statements of Leifheit AG for financial year 2019, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, 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 statements, 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 statements and the audit reports were discussed in depth at the Audit Committee meeting on 23 March 2020; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 24 March 2020, the Audit Committee and its chair presented an in-depth report to the 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 audit opinion was discussed with the auditors. The most significant audit matters in the consolidated financial statements were the impairment testing of the brand rights of the Soehnle cash generating unit, the completeness of the liabilities related to customer conditions, the realisation of turnover and the turnover recognition cut-off. The auditor confirmed that the procedures, accounting and underlying assumptions and parameters are appropriate and in accordance with the applicable valuation principles in all three key audit matters.

The auditors were available for further questions and information. The Supervisory Board also reviewed and approved the separate non-financial report of the Group (sustainability report).

Based on its own examination of the annual financial statements, the consolidated financial statements and the combined management report, 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. On 25 March 2020, the Supervisory Board has approved both the financial statements and the consolidated financial statements. The financial statements are therefore adopted in accordance with section 172 of the German stock corporation act (AktG). The Supervisory Board has examined the Board of Management's proposal for the appropriation of the balance sheet profit for the financial year 2019.

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/Buchloe, 25 March 2020

The Supervisory Board



Dr Günter Blaschke
Chairman