

**Board of Management report in accordance with section 71, para. 1, item 8, sentence 5 AktG in conjunction with section 186, para. 4, sentence 2 AktG regarding point 6 on the agenda**

The Annual General Meeting of 21 May 2015 passed a resolution authorising the acquisition and disposal of treasury shares that expired on 20 May 2020. Due to the expiry of the authorisation in the current financial year, a new authorisation is to be provided and will also have a term of validity of five years.

The new authorisation provides that the acquisition may be effected as a purchase on the stock exchange or by means of a public purchase offer addressed to all shareholders. The public purchase offer addressed to all shareholders may also be made by means of an invitation to submit offers. With the purchase offer or the invitation to submit offers, each shareholder of the company willing to sell can decide how many shares and – if a price range is determined – at what price he or she wishes to offer them. If the number of shares tendered or offered at the fixed price exceeds the number of shares requested by the company, acceptance may be based on the ratio of shares tendered or offered. It should be possible to provide for preferential acceptance of small offers or small parts of offers up to a maximum of 100 shares per shareholder. This possibility serves to avoid fractional amounts when determining the quotas to be acquired and small residual amounts, thus facilitating technical processing.

Treasury shares purchased in line with this authorisation or earlier authorisations may be utilised for any purpose permitted by law.

Treasury shares must be resold via the stock exchange or via a public purchase offer to all shareholders. In this way, the principle of equal treatment of shareholders is observed in the resale of shares. If shares are to be sold via a public purchase offer to all shareholders, the Board of Management shall be authorised to exclude shareholders' subscription rights for fractional amounts. This serves to ensure a technically feasible subscription ratio. The fractions of shares excluded from the subscription rights of the shareholders will be sold to the company's greatest possible advantage either via the stock exchange or in another way. The potential dilution effect is minimal due to the restriction to fractional amounts.

The Board of Management shall be authorised to exclude shareholders' subscription rights with the relevant application of section 186 para. 3 sentence 4 AktG for shares to an arithmetic amount of up to 10% of the current share capital as of the time at which this authorisation comes into effect, or – if this amount is lower – at such time as the authorisation is exercised, whereby the 10% limit may not be exceeded, i.e. once any other authorisations have been exercised in accordance with section 186 para. 3 sentence 4 AktG. The resulting opportunity for the exclusion of subscription rights serves the interest of the company to sell treasury shares, for example to institutional investors. This can also help to attract new investor groups in Germany and abroad. The opportunity to exclude subscription rights puts the Board of Management in a position to be able to make use of the opportunities for a fast and cost-effective placement that may come up because of the situation of stock exchanges at the time without offering a subscription right that involves significant efforts in terms of time and costs. In the event that the authorisation is exercised, the Board of Management will keep a possible deduction from the stock exchange price as low as possible in accordance with the market conditions prevailing at the time of placement. Due to the limit imposed on the number of shares and the obligation to ensure that the sales price of the shares mirrors that of the price of shares on the stock market as closely as possible, the shareholders are afforded suitable protection from a dilution of their shares. At the same time, it is ensured that the consideration to be received by the company is reasonable.

It is further proposed that the Board of Management be authorised to transfer treasury shares to third parties, subject to an exclusion of the shareholders' subscription rights, in connection with the acquisition of companies, parts of companies or interests in companies or other assets as well as in connection with mergers. In global competition, Leifheit must always be able to act quickly and flexibly in national and international markets in the interests of its shareholders. This includes the option of acquiring companies, parts of companies, interests in companies or other assets to improve its competitive position by granting treasury shares, or to merge with other companies. In negotiations, for example, it may become necessary to offer shares as consideration rather than money. The possibility of being able to offer shares of the company as consideration is particularly necessary in international competition for interesting acquisition targets and creates the necessary scope to take advantage of opportunities that arise to acquire companies, parts of companies, interests in companies or other assets or to merge with other companies. In the case of mergers with other companies, the legal provisions under which the merger takes place may already require the granting of shares. Practice also shows that the owners of attractive acquisition targets frequently demand the procurement of shares in the acquiring company as consideration for a sale, for example for tax reasons or in order to continue to be (co-)involved in the previous business. The proposed authorisation is intended to give the company the opportunity to quickly and flexibly take advantage of opportunities that arise to acquire companies, parts of companies or interests in companies or other assets, or to merge companies where the consideration consists wholly or partly of shares, both nationally and on international markets. To be able to acquire such acquisition targets, Leifheit AG must be able to grant its own shares as consideration. Disposing of treasury shares for acquisitions also has the advantage for the existing shareholders that their voting rights are not diluted if compared to the situation prior to the company's acquisition of treasury shares.

The Board of Management shall also be in a position to be able to issue treasury shares, offer them for sale and transfer them to company employees or to employees of companies affiliated with Leifheit AG with the exclusion of the shareholders' subscription rights. Leifheit AG promotes an ownership culture within the company and enables employees to participate in the company and its development. This kind of participation is welcomed under the law and supported in several ways. The issuance of shares to employees of Leifheit AG or an affiliated company aims to boost employee identification with the company. This increases their sense of loyalty and enables them to participate in the company's development over the long term as shareholders. This aims to strengthen the understanding for and willingness to assume greater, primarily economic, responsibility in the interests of the company and its shareholders.

In addition, the exclusion of subscription rights should also be possible in order to be able to carry out scrip dividends under ideal conditions. For scrip dividends, the shareholders are given the opportunity to surrender in whole or in part the right to payment of the dividends as set out in the resolution on the appropriation of profits by the Annual General Meeting in order to acquire treasury shares in the company as consideration. Scrip dividends may be carried out while maintaining statutory subscription rights. In this case, only full shares are offered to shareholders. With regard to the part of the dividend claim that falls short of the subscription price for a full share (or, alternatively, that exceeds it), shareholders shall refer to the payment of cash dividends and will therefore not receive any shares. The issue of fractional rights is not envisaged, and neither is establishing a trading system for subscription rights or fractional subscription rights. This is justified and proportionate because shareholders receive a proportionate cash dividend in place of the acquisition of treasury shares. In individual cases, and depending on the capital market situation, it may be in the interests of the company and its shareholders to offer and grant a scrip dividend with the exclusion of statutory subscription rights. The exclusion of subscription rights enables a scrip dividend to be carried out under more flexible conditions. For this reason, the Board of Management shall be authorised to fully exclude shareholders' subscription rights in order to grant a scrip dividend. In such cases, the Board of Management shall also be authorised to offer treasury shares to all shareholders holding dividend-bearing shares in exchange for their dividend rights, either fully or in part, regardless of

the comprehensive exclusion of subscription rights. In view of the situation whereby all shareholders with dividend-bearing shares are offered treasury shares with the remaining portion of the dividend settled with the payment of the cash dividend, this appears justified and proportionate, including with regard to the exclusion of subscription rights.

Finally, the Board of Management shall be authorised to withdraw treasury shares acquired in line with this authorisation or earlier authorisations, without requiring any further resolution by the Annual General Meeting. The proposed authorisation specifies that the Board of Management may withdraw the shares without reducing capital. By withdrawing the shares without reducing capital, the proportional amount of the remaining shares in the company's share capital is increased. The Board of Management is thus authorised to adapt the articles of incorporation with regard to the changing number of no-par-value bearer shares.

The Board of Management shall be guided by the interests of the shareholders in its decision regarding the exclusion of subscription rights and will carefully assess whether the exclusion of subscription rights is necessary in the interests of the company. Only if this is the case, subscription rights will be excluded. In addition, the prior approval of the Supervisory Board is required for the exclusion of subscription rights. Taking into account all circumstances, authorisation to exclude subscription rights is granted in the interests of the company and deemed appropriate under the conditions set out above.

The Board of Management will report to the Annual General Meeting on the utilisation of the authorisation.