

Report of the Supervisory Board

Dear Ladies and Gentlemen

I would like to inform you below of the work performed by the Supervisory Board in financial year 2018:

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. In 2018, the Personnel Committee and the Supervisory Board focused on revising the remuneration system for the Board of Management.

In 2018, the Supervisory Board held four regular meetings and one extraordinary meeting. 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, revealed that all requirements for working efficiently have been met. 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 and analysts. The focus was on the performance and composition of the Board of Management, the remuneration system for the Board of Management and the forthcoming elections of shareholder representatives to the Supervisory Board.

Changes in Leifheit AG organs

Mr Karsten Schmidt resigned his seat on the Supervisory Board with effect as at 31 January 2018. The Supervisory Board and the Board of Management of Leifheit AG would like to thank Mr Schmidt for his 11 years Supervisory Board service and his great commitment to the board.

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 to serve 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.

With effect from 28 February 2019, Ms Sonja Wärtges resigned her seat as a member of the Supervisory Board. The Supervisory Board and the Board Management of Leifheit AG would like to thank Ms Wärtges for her work on the Supervisory Board and her great commitment to the board.

Mr Ansgar Lengeling resigned his seat on the Board of Management in April 2018. The Chairman of the Board of Management, Thomas Radke, and Board of Management member Ivo Huhmann took over responsibility for operations on an interim basis until 15 October 2018.

Mr Thomas Radke (Chairman of the Board of Management) was dismissed from the Board of Management with effect from 15 October 2018. Board of Management member Ivo Huhmann (CFO) headed the company as the sole member of the Board of Management until 31 October 2018.

The Supervisory Board would like to thank the two outgoing members of the Board of Management for their commitment and their work.

Mr Igor Iraeta Munduate was appointed to the Board of Management (COO) by the Supervisory Board with effect from 1 November 2018. Since then, Mr Huhmann and Mr Iraeta Munduate have headed the company together on an interim basis and will continue to do so until a successor for Mr Radke has been appointed.

The Supervisory Board has appointed Mr. Henner Rinsche as Chief Executive Officer (CEO). Mr. Rinsche will take office no later than 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.

At the meeting on 23 March 2018, 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 30 May 2018. Other topics included the report from the Board of Management on market shares and distribution, the adjustment to the "Leifheit 2020" strategy and the status of other key strategic projects, currency hedging and authorised representation. The results of the Supervisory Board's self-evaluation were presented and discussed.

The Supervisory Board meeting on 30 May 2018 dealt with the preparations for the Annual General Meeting. Following the Annual General Meeting, the Supervisory Board dealt with the reports of the Board of Management regarding the progress made in strategic projects, quality management, marketing concepts and communication, medium-term planning and the EU General Data Protection Regulation.

The extraordinary Supervisory Board meeting on 14 August 2018 resolved on the appointment of Mr Igor Iraeta Munduate as a member of the Board of Management.

The new strategy and medium-term planning were discussed in the meeting on 26 September 2018. In addition, the Supervisory Board addressed succession planning at management level and the German Corporate Governance Code.

The Supervisory Board's meeting on 6 December 2018 focused on operative planning for 2019 and new products and new product projects. The corporate governance declaration of conformity was also approved. The plenary session of the Supervisory Board also dealt with the remuneration system of the Board of Management members prepared by the Personnel Committee.

Work of the committees

The Supervisory Board has formed Audit, Personnel and Nominating Committees.

The Audit Committee met twice 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 both 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 both 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. In addition, the Audit Committee also addressed the two quarterly statements and the half-yearly financial report in three conference call meetings. The financial statements were presented by the Chief Financial Officer and discussed, and questions from the members of the committee were answered. The Audit Committee held two further conference call meetings with the auditors.

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 five times in person and held two conference call meetings in financial year 2018. It looked intensively into the issue of succession planning for the Board of Management and into the Board of Management's remuneration system. Other focal points were the departure of Mr Lengeling and Mr Radke and filling the resulting vacancies.

The Nominating Committee's tasks include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. The Nomination Committee met once in person and held two conference call meetings in financial year 2018. In these meetings, the Nomination Committee focused on finding a successor for a Supervisory Board member in May 2018 and on the upcoming Supervisory Board elections in May 2019.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2018, 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 2018, 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 25 March 2019; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 25 March 2019, the Audit Committee and its chair 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 audit opinion was discussed with the auditors. The most significant audit issues in the consolidated financial statements were the impairment testing of the brand rights and goodwill of the Soehnle cash generating unit, the completeness and accuracy of the other liabilities from customer bonuses and advertising cost subsidies, and the revenue recognition in the appropriate period. An impairment loss of m€ 0.4 was recognised for the Soehnle cash generating unit as of 31 December 2018. 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 issues.

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. 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). On the recommendation of the Audit Committee, and following its own examination, the Supervisory Board endorses the Board of Management's proposal for the appropriation of the balance sheet profit involving the payment of a dividend of € 1.05 per dividend-entitled no-par-value bearer share for financial year 2018.

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/Starnberg, 25 March 2019

The Supervisory Board



Helmut Zahn
Chairman