

Corporate Governance Report

Voluntary commitment to the Austrian Corporate Governance Code

Austrian Corporate Governance Code

The Austrian Corporate Governance Code establishes a regulatory framework for the management and monitoring of Austrian joint stock companies. This code contains internationally adopted standards, as well as significant related regulations stipulated in the Austrian Stock Corporation, Stock Exchange and Capital Markets Acts and the basic principles encompassed in the OECD Guidelines for Corporate Governance. The rules are aimed at ensuring the responsible management and supervision of companies and corporations with the goal of achieving a sustainable and long-term creation of value. The code helps to create a high level of transparency for all of the company's stakeholders. It creates guidelines for the equal treatment of all stakeholders, for transparency, open communication between the Management and Supervisory Boards, the avoidance of conflicts of interest between bodies and efficient checks by the Supervisory Board and auditors. Companies voluntarily undertake to comply with the guidelines contained in the Austrian Corporate Governance Code in the current and binding version. The Austrian Corporate Governance Code was last amended in January 2010. The Austrian Corporate Governance Code can be viewed at the website www.corporate-governance.at.

Compliance with the code

Statement on corporate governance

The Semperit Group hereby declares that it will voluntarily observe the Austrian Corporate Governance Code, and also intends to observe the code in the future or justify any deviations from it. The Supervisory Board also reached a corresponding unanimous decision. Semperit Holding AG complies with all legally binding L-rules (Legal Requirement). Unless otherwise declared, the C-rules (Comply-or-Explain) will be observed by the relevant bodies and companies.

Responsible corporate management

Cooperation between Management Board and Supervisory Board

The Management Board of the Semperit Group consists of four members (see page 21). It has full responsibility to manage the company, taking account of the interests of shareholders and employees as well as the public interest. The strategic direction of the company is determined in close cooperation with the Supervisory Board and discussed in meetings held at regular intervals. The Management Board itself carries out essential communications tasks. The basis for corporate management is the legally binding regulations, the Articles of Association and the internal rules of procedure applying to the Supervisory Board. In addition, behavioural guidelines are also contained in the Austrian Corporate Governance Code.

The Supervisory Board determines the division of responsibilities in the Management Board, as well as those transactions requiring its authorisation. Furthermore, the Supervisory Board supports the Management Board in managing the company, particularly in the decisions of primary importance. The Supervisory Board resolved to establish committees consisting of its own members to carry out specific functions: Executive Committee, Remuneration Committee, Audit Committee and Nominating Committee (see page 22). The authority to make decisions and pass resolutions rests in the hands of the entire Supervisory Board.

Remuneration of Management Board and Supervisory Board

The remuneration of the Management Board encompasses fixed and variable, performance-based salary components, as well as remuneration in kind. The assessment base for the variable salary component of the Management Board are the earnings after tax and the dividend amount that is distributed. In line with the stipulations contained in the Austrian Corporate Governance Code, a third salary component was integrated in the remuneration for the new Management Board member Thomas Fahnemann which is linked to the achievement of sustainable, long-term and multi-annual performance criteria. Based on the achievement of the targeted objectives, the bonus is subsequently determined for the past financial year and paid in three equal installments over a period of three years. If the pre-defined goals are not attained, no bonus is assigned to the variable remuneration category, or else the still unpaid share of the bonus is either reduced or completely cancelled. The variable remuneration components (the performance-based share and the third salary component) may not exceed more than 111% of the annual fixed remuneration.

In the 2010 financial year, the remuneration paid to the Management Board totalled TEUR 2,716 (previous year: TEUR 2,276), of which TEUR 1,540 (previous year: TEUR 1,231) consisted of variable salary components. A contractual agreement stipulating direct retirement benefits for the Chairman of the Management Board was concluded on his initial appointment to this position. For the other members of the Management Board, the Articles of Association prescribes pension plan reinsurance in the form of a defined contribution. In the case of termination of an employment contract, the respective member of the Management Board is entitled to severance payments in accordance with the Salaried Employees Act. No share options have been granted. A Directors and Officers (D&O) insurance has been taken out for the members of the Management Board and senior executives.

Remuneration of the Supervisory Board is governed in Section 15 of the Articles of Association. Accordingly, each member of the Supervisory Board receives an attendance fee for each session totalling EUR 120 as compensation for expenses, as well as a fixed annual fee amounting to EUR 4,360. Both fees are linked to the consumer price index (basis: CPI 2000, annual average 2004 = 108.1), therefore the fees for 2010 are slightly higher than the aforementioned amounts. The fixed annual fee is increased by 100% for the Chairman of the Supervisory Board and 50% for the Deputy Chairman. In addition to the fixed and attendance fees, the members of the Supervisory Board as a whole (excluding employee representatives) receive 0.15% of the earnings after tax as a performance-based profit-sharing bonus, after the consolidated financial statements have been granted an unqualified opinion by the auditors. This profit-sharing bonus is divided among the Supervisory Board members so that each member receives an equal share, the Chairman an additional 100% of this share and the Deputy Chairman an additional 50%. Moreover, the performance-based component may not exceed 2.5 times the annual fixed fee (excluding attendance fees) for each Supervisory Board member.

The remuneration paid to the Management and Supervisory Boards is not disclosed separately for each member but for the board as a whole (pursuant to Rules 31 and 51). Publication of the individual remuneration is the personal decision of each member of the Management and Supervisory Boards and is therefore not disclosed.

Fixed and variable remuneration

Statutory remuneration of the Supervisory Board

Meetings of the Supervisory Board and its committees

The Supervisory Board convened for five sessions during the 2010 financial year. The Audit Committee led by Veit Sorger intensified its activities within the context of two meetings in accordance with prevailing legal regulations, and in particular dealt with the company's Internal Control System (ICS). The Nominating Committee, also with Veit Sorger as its Chairman, met once to carry out the preparatory work in relation to finding a successor for CEO Rainer Zellner. The functions assigned to the Remuneration Committee as well as urgent decisions were carried out by the entire Supervisory Board in the 2010 financial year, due to the composition of the Supervisory Board consisting of six members. An explicit and formal self-evaluation (in accordance with Rule 36) did not take place in the 2010 financial year. However, the Supervisory Board regularly focused on its own work and its consequences for the company, and is working on its own further development. It is planned to install a structured self-evaluation process in the 2011 financial year. Information on the composition of the Supervisory Board and its committees, further mandates and the declarations of independence on the part of Supervisory Board members can be found on page 22. Criteria for the independence of Supervisory Board members correspond to the guidelines contained in Appendix 1 of the January 2010 version of the Corporate Governance Code, and are described on page 23 following the listing of Supervisory Board members.

Compliance Directive

Own compliance officer

Semperit has issued its own compliance guidelines designed to prevent the misuse or dissemination of insider information. Compliance is monitored and evaluated by a specially designated compliance officer reporting directly to the Management Board. The Compliance Directive has been published on the website at www.semperit.at.

Advancement of women

Increased proportion of women

The Semperit Group attaches considerable importance to ensuring the strict equal treatment of men and women. In recent years, the number of women employed in qualified positions within the Semperit Group has continually increased. In Austria women already comprise one-third of the employees participating in junior management development programmes. Moreover, if the respective job position allows for it, Semperit promotes the compatibility of family and career on the basis of flexible working time models and teleworking.

Director's dealings

Disclosure of Director's Dealings

In accordance with Section 48d of the Austrian Stock Exchange Act, share purchases or sales by members of the Management and Supervisory Boards must be reported to the Austrian Financial Market Authority within five working days following conclusion of the transaction, and published on its website.

Internal auditing and risk management

Internal control system

The Internal Auditing unit reports directly to the Management Board, and prepares an audit plan and annual activity reports for the previous financial year. The Management Board discusses these documents with the members of the Supervisory Board. The effectiveness of the company's risk management system is evaluated by the auditor on the basis of the prepared documents. This auditor's report is presented to the Management Board as well as to the Supervisory Board. The Audit Committee of Semperit contracted an external evaluation to examine the effectiveness of the company's risk management system. The results were reported to the Supervisory Board. The internal control system (ICS) established in the Semperit Group serves to ensure the effectiveness and profitability

of business operations, the integrity and reliability of financial reporting and adherence to important laws and regulations. It is being continually updated and expanded by the internal auditing unit and the related departments in the company as a means of supporting the early identification and ongoing monitoring of risk. In the 2010 financial year, the ICS was subject to an external evaluation, the results of which were reported to the Supervisory Board.

External evaluation

In accordance with Rule 62 of the Austrian Corporate Governance Code, Semperit has its compliance with the stipulations contained in the code and the accuracy of its public reporting evaluated by an external institution. The most recent evaluation carried out by KPMG at the beginning of 2011 did not discover any facts which are inconsistent with the declaration of the Management Board and Supervisory Board found in the Corporate Governance Report of the company with respect to its compliance with the C-Rules and R-Rules of the Austrian Corporate Governance Code.

Vienna, March 1, 2011

The Management Board



Rainer Zellner
Chairman



Thomas Fahnemann
Deputy Chairman



Richard Ehrenfeldner



Richard Stralz

Management Board



Richard Ehrenfeldner, Rainer Zellner, Thomas Fahnmann, Richard Stralz (from left to right)

Management Board

	Year of birth	First appointed	End of current term of office	Responsibilities	Supervisory Board positions in other companies
Rainer Zellner ¹⁾ Chairman	1947	March 1, 1983 (Chairman since October 1, 1989)	May 31, 2013	Finance, Law, PR and IR, Technical Engineering	—
Thomas Fahnmann ²⁾ Deputy Chairman	1961	December 1, 2010	November 30, 2013	Strategy, M&A, Purchasing, Human Resources	—
Richard Ehrenfeldner	1954	October 1, 2001	May 31, 2012	Production, Quality Control, R&D	—
Richard Stralz	1963	June 1, 2004	May 31, 2013	Marketing and Sales	—

¹⁾ Retirement from the Management Board at April 14, 2011.

²⁾ Appointment as Chairman of the Management Board planned for April 14, 2011.

Supervisory Board

	Year of birth	First appointed	End of current term of office ¹⁾	Supervisory Board positions in other listed companies
Shareholder representatives				
Veit Sorger ^{2) 3) 4) 5) 6) 7)} Chairman	1942	May 26, 2004	Until the Annual General Meeting (AGM) resolving upon the 2011 financial year	Lenzing AG
Michael Junghans ^{2) 3) 4) 5) 6)} Deputy Chairman (until April 28, 2010)	1967	April 28, 2010	Until the AGM resolving upon the 2012 financial year	Lenzing AG Allgemeine Baugesellschaft – A. Porr AG
Winfried Braumann ^{2) 3) 4) 5) 6)} Deputy Chairman (until April 28, 2010)	1956	May 20, 2008	Until April 28, 2010	
Walter Lederer ²⁾	1961	June 7, 2002	Until the AGM resolving upon the 2010 financial year	Lenzing AG Allgemeine Baugesellschaft – A. Porr AG UBM Realitätenentwicklung AG Imperial Hotels Austria AG
Martin Payer ^{2) 7)}	1978	May 24, 2007	Until the AGM resolving upon the 2011 financial year	Lenzing AG
Andreas Schmidradner ²⁾	1961	May 20, 2008	Until the AGM resolving upon the 2012 financial year	Lenzing AG
Anton Schneider ^{2) 7)}	1951	April 30, 2009	Until the AGM resolving upon the 2011 financial year	Linz Textil AG
Employee representatives				
Alexander Hollerer ^{5) 6)}	1954	July 1, 1998	—	—
Andreas Slama	1966	January 31, 2009	—	—
Matthias Unkrig ⁸⁾	1968	April 5, 2005	—	—

¹⁾ One fifth of the members of the Supervisory Board automatically leave their positions every year at the end of the Annual General Meeting, pursuant to the Articles of Association.

²⁾ Have declared their independence vis-à-vis the Supervisory Board in accordance with Rule 53 of the Austrian Corporate Governance Code.

³⁾ Executive Committee

⁴⁾ Remuneration Committee

⁵⁾ Audit Committee

⁶⁾ Nominating Committee

⁷⁾ No representation by a shareholder over 10% (Rule 54 of the Austrian Corporate Governance Code).

⁸⁾ Attended less than half of the Supervisory Board meetings.

Guidelines for the independence of Supervisory Board members

A member of the Supervisory Board shall be deemed independent if he/she has no business or personal relations with the company or its Management Board that would constitute a material conflict of interests, and thus could influence the member's behaviour.

In evaluating the independence of a Supervisory Board member, the Supervisory Board orients itself to the following guidelines:

- The Supervisory Board member shall not have served as a member of the Management Board or as a manager of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the Supervisory Board member. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board according to Sect. 95 (5) Stock Exchange Act does not automatically mean the person is qualified as not independent.
- The Supervisory Board member shall not have been auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the Management Board of another company, in which a Management Board member of the company is a Supervisory Board member.
- The Supervisory Board member shall not be a close relative (direct offspring, spouse, partner, parent, uncle, aunt, sibling, niece, nephew) of a Management Board member or of persons in one of the aforementioned positions.

Imprint

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We have prepared this Annual Report and verified the information contained in it with the greatest possible care. In spite of this, rounding, typesetting and printing errors cannot be ruled out. Rounding of differences in the totalling of rounded amounts and percentages may arise from the automatic processing of data.

The forecasts, plans and forward-looking statements contained in this report are based on the knowledge and information available and the assessments made at the time that this report was prepared. As is true of all forward-looking statements, these statements are subject to risk and uncertainties. As a result, the actual events may deviate significantly from these expectations. No liability whatsoever is assumed for the accuracy of projections or for the achievement of planned targets or for any other forward-looking statements.

Statements referring to people are valid for both men and women.

This Annual Report was prepared in German and English. In case of doubt, the German version shall take precedence.