

CORPORATE GOVERNANCE REPORT

AUSTRIAN CORPORATE GOVERNANCE CODE

In 2002 the Austrian Corporate Governance Code established 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.

These rules are aimed at ensuring the responsible management and supervision of companies and corporations, with the goal of achieving sustainable and long-term creation of value. The code seeks to create a high level of transparency for all company stakeholders. It creates guidelines for the equal treatment of all shareholders, for transparency, open communication between the Management and Supervisory Boards, the avoidance of conflicts of interest between bodies, and efficient monitoring by the Supervisory Board and the auditor.

Companies voluntarily undertake to comply with the guidelines contained in the current version of the Austrian Corporate Governance Code. The version of the code that was applicable in the 2013 financial year was published in July 2012 and takes into account the 2nd Stability Act of 2012. The Austrian Corporate Governance Code can be viewed on the "www.corporate-governance.at" website.

STATEMENT ON CORPORATE GOVERNANCE

The Semperit Group hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and that it 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 AG Holding complies with all legally binding L-rules (Legal Requirements). Unless otherwise declared, the C-rules (Comply or Explain) will be observed by the relevant bodies and the company.

CORPORATE BODIES OF SEMPERIT AG HOLDING: MANAGEMENT BOARD

Thomas Fahnemann

Chairman of the Management Board since 14 April 2011; previously Deputy Chairman of the Management Board since joining the company on 1 December 2010; period of office ends: 31 December 2016.

Departmental responsibilities: Business Sector Medical (Sempermed), Business Sector Industrial (Semperflex, Sempertrans, and Semperform), Corporate Development & Strategy, Procurement & Logistics, Human Resources, Communications.

Following his studies in business administration in Mainz, Germany, Thomas Fahnemann, born in 1961, completed an Executive MBA Program at Northwestern University in Chicago. Thomas Fahnemann began his professional career with Hoechst AG in Frankfurt in 1983. He subsequently assumed several executive positions in Germany and the USA. In 1995 he was appointed Group Department Manager for Trevira in North Carolina, USA, and starting in 1998 served as Chief Operating Officer for KoSa in Houston, USA. In 2003 he became CEO and Chairman of the Management Board of Lenzing AG in Austria. From 2009 to 2010 he was Chairman of the Management Board of RHI AG, Vienna. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code.

Johannes Schmidt-Schultes

Member of the Management Board since 15 April 2011; Chief Financial Officer (CFO); period of office ends: 30 April 2017.

Departmental responsibilities: Accounting & Reporting, Planning & Financial Controlling, Tax, Treasury, Investor Relations, Information Technology, Internal Audit, Risk Management, Legal, Compliance.

Johannes Schmidt-Schultes, born in 1966, concluded his studies in economics at the University of Hanover in 1993. In 1996 he graduated with a PhD from the Ludwig Maximilian University in Munich, Germany. He studied abroad at Aston University in Birmingham, UK, as well as at the University of California in Berkeley, USA. During his doctoral studies, Johannes Schmidt-Schultes worked for the strategy consultants Bain & Company in Munich. From 1996 to 1999 he served as Head of the Department of Investment Controlling and Group Development at VIAG AG in Munich, and from 1999 to 2001 he was Managing Director of Finance for Kloeckner & Co in Vienna. In 2001 he moved to Deutsche Telekom Group – first as CFO of T-Mobile Austria in Vienna and then, from 2004 to 2007, of T-Mobile UK in Hatfield, UK. From 2007 to 2011 he was Deputy Chief Financial Officer of the Australian telecommunications company Telstra Corporation, which is based in Melbourne. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code.

Richard Ehrenfeldner

Member of the Management Board since 1 October 2001; Chief Technical Officer (CTO); period of office ends: 31 May 2015.

Departmental responsibilities: Technology, Innovation, Operational Excellence, Quality Management.

After concluding his studies in process engineering (chemical plant engineering) at the Graz University of Technology, Richard Ehrenfeldner, born in 1954, commenced his professional career in 1984 with AT&S in Leoben, where he headed the Departments of Production and Expansion with a particular focus on large investments in expanding production capabilities. In 1989 he moved to Semperit AG Holding. As Technical Manager of the Sempermed segment, he was responsible for the expansion of manufacturing facilities as well as the construction and development of new plants in Sopron, Hatyai and Shanghai. He exercises no Supervisory Board mandates in other companies not included in the consolidated financial statements pursuant to C-rule 16 of the Austrian Corporate Governance Code.

Composition and function of the Management Board

The Management Board consists of three members. It has full responsibility for managing the company for the benefit of the enterprise while taking into account the interests of shareholders and employees as well as the public interest (L-rule 13).

Internal rules of procedure govern the allocation of business responsibilities and cooperation between members of the Management Board. Decisions of primary importance are taken by the Management Board as a whole. The Management Board itself takes full responsibility for communication tasks that have a significant impact on how the company is perceived by its stakeholders. Legally binding regulations, the Articles of Association, and the internal rules of procedure laid down by the Supervisory Board form the basis for corporate management. In addition, behavioural guidelines are also contained in the Austrian Corporate Governance Code.

SUPERVISORY BOARD

The Supervisory Board consists of six shareholder representatives and three employee representatives. The Supervisory Board has resolved to establish the following committees consisting of its own members to carry out specific functions: Executive Committee, Remuneration Committee, Audit Committee, Nominating Committee, and Strategy Committee. The authority to make decisions and pass resolutions rests in the hands of the entire Supervisory Board. The Supervisory Board supervises the Management Board and supports it in managing the company, particularly when decisions of primary importance are to be made.

Meetings of the Supervisory Board and its committees

The Supervisory Board convened for five meetings during the 2013 financial year. No member of the Supervisory Board attended less than 50% of the meetings in the course of 2013.

The Audit Committee led by Veit Sorger carried out its activities in accordance with prevailing legal regulations (three meetings), and in particular dealt with the 2012 annual and consolidated financial statements, risk management, corporate governance, and preparation for the audit of the annual and consolidated financial statements for 2013.

The Nominating Committee under the chairmanship of Veit Sorger, met once to deal with appointments for Supervisory Board positions becoming vacant and regarding issues in connection with the extension of the Management Board mandate for Thomas Fahnemann and Johannes Schmidt-Schultes.

The Strategy Committee led by Veit Sorger met once to deal with fundamental questions about the strategic development of the group.

The Remuneration Committee, chaired by Veit Sorger, held five meetings, at which it discussed the objectives of the members of the Management Board and the remuneration system for Management Board members.

In the 2013 financial year, the Supervisory Board conducted a self-evaluation for a second time by distributing a questionnaire focused on issues such as the control function of the Supervisory Board towards the Management Board and the Management Board's adherence to its information-notification duties towards the Supervisory Board. An external provider performed the anonymous evaluation of the questionnaires completed by the Supervisory Board members. The results of the self-evaluation show that the activities of the Supervisory Board are assessed to be good.

The Supervisory Board implemented individual suggestions for improvement from the 2012 self-evaluation process. In addition, a catalogue of measures was established aimed at achieving an even further improvement in the efficiency of the Supervisory Board's activities.

CORPORATE BODIES OF SEMPERIT AG HOLDING: 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 Chairman	^{2) 3) 4) 5)} ^{6) 7) 8)}	1942	26.05.2004	Until the Annual General Meeting resolving upon the 2014 financial year	Lenzing AG, Binder+Co AG
Michael Junghans Deputy Chairman	^{2) 3) 4) 5)} ^{6) 7)}	1967	28.04.2010	Until the Annual General Meeting resolving upon the 2015 financial year	Lenzing AG (Chairman), AMAG Austria Metall AG
Walter Koppensteiner Member	^{2) 8)}	1959	23.04.2012	Until the Annual General Meeting resolving upon the 2014 financial year	–
Patrick Prügger Member	^{2) 5)}	1975	14.04.2011	Until the Annual General Meeting resolving upon the 2013 financial year	Lenzing AG, AMAG Austria Metall AG
Andreas Schmidradner Member	^{2) 5) 7)}	1961	20.05.2008	Until the Annual General Meeting resolving upon the 2015 financial year	Lenzing AG
Ingrid Wesseln Member	^{2) 6) 8)}	1966	23.04.2012	Until the Annual General Meeting resolving upon the 2015 financial year	–
Employee representatives					
Sigrud Haipl		1960	26.03.2012	–	Chairwoman of the Works Council – Staff Employees, Vienna, Member of the Central Works Council of Semperit AG Holding, Member of the European Works Council
Alexander Hollerer	^{5) 6) 7)}	1954	01.07.1998	–	Deputy Chairman of the European Works Council, Chairman of the Central Works Council of Semperit AG Holding, Chairman of the Works Council – Staff Employees, Wimpassing
Andreas Slama	^{5) 7)}	1966	31.01.2009	–	Chairman of the European Works Council, Deputy Chairman of the Central Works Council of Semperit AG Holding, Chairman of the Works Council – Factory Employees, Wimpassing

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

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

³⁾ Executive Committee

⁴⁾ Remuneration Committee

⁵⁾ Audit Committee

⁶⁾ Nominating Committee

⁷⁾ Strategy Committee

⁸⁾ No representation by a shareholder over 10% (C-Rule 54 of the Austrian Corporate Governance Code)

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 interest and could thus influence the member's behaviour.

In evaluating the independence of a Supervisory Board member, the Supervisory Board uses the following guidelines, which correspond to those contained in Appendix 1 of the July 2012 version of the Austrian Corporate Governance Code:

- The Supervisory Board member shall not have served as a member of the Management Board or as a senior 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 business relationships with companies in which the Supervisory Board member has a considerable commercial interest, but not for performance of corporate-body activities in the group. According to L-Rule 48, the approval of individual transactions by the Supervisory Board does not automatically mean that the person is deemed to be not independent.
- The Supervisory Board member shall not have been the 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 serve on the Supervisory Board for more than 15 years. This limitation does not apply to Supervisory Board members who are shareholders in a corporate holding or who represent the interests of such shareholders.
- 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.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

The strategic direction of the company is determined in close cooperation between the Management Board and the Supervisory Board and is discussed in Supervisory Board meetings held at regular intervals. The Supervisory Board determines the division of departments and responsibilities in the Management Board, as well as decides those transactions requiring its explicit authorisation in accordance with statutory provisions. Furthermore, the Supervisory Board supports the Management Board in managing the company, particularly when decisions of primary importance are to be made.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the Management Board encompasses a fixed salary component, a short-term variable, performance-based component, and a long-term variable, performance-based component, as well as remuneration in kind. The assessment for the short-term variable, performance-based salary component of the Management Board is based on net profit (earnings after tax), the return on total assets and personal, qualitative targets.

In line with the stipulations contained in the Austrian Corporate Governance Code, a variable, performance-based salary component has now been integrated into the remuneration of all Management Board members. This is linked to the achievement of sustainable, long-term and multi-year performance criteria. Based on the achievement of the targeted objectives, this bonus is subsequently determined for the past financial year and paid in three equal instalments over a period of three years. If the pre-defined goals are not attained, no bonus is assigned to the variable remuneration category, or, in the case of a premature termination of the Management Board mandate, the remaining unpaid share of the bonus is completely cancelled.

Remuneration paid to the Management Board

in EUR thousand	2012				2013			
	Fixed remuneration (incl. payments in kind and daily allowances)	Variable short-term remuneration	Variable long-term remuneration ("bonus bank")	Total	Fixed remuneration (incl. payments in kind and daily allowances)	Variable short-term remuneration	Variable long-term remuneration ("bonus bank")	Total
Thomas Fahnmann, Chairman	461	258	–	719	461	351	160	972
Richard Ehrenfeldner	376	226	–	602	377	248	10	635
Johannes Schmidt-Schultes	271	85	–	356	282	150	23	455
Richard Stralz ¹⁾	330	169	–	499	–	–	–	–
Total	1,438	738	–	2,176	1,120	749	193	2,062

¹⁾ Resigned from the Management Board on 30.11.2012 (amounts presented above are remuneration paid based on claims for the period until 30.11.2012)

The upper limit for variable, performance-based remuneration components (short- and long-term components) is between 82% and 111% of the annual fixed remuneration. In the 2013 financial year, the remuneration paid to the active members of the Management Board totalled EUR 2,062 thousand (previous year: EUR 2,176 thousand), of which EUR 942 thousand (previous year: EUR 738 thousand) consisted of variable salary components. As a result of changes to the composition of the Management Board during the year, comparing total compensation with the previous year is of limited value.

In addition, in financial year 2013 payments amounting to EUR 271 thousand were made to the former Management Board member Richard Stralz. In 2012 payments totalling EUR 847 thousand were made on termination of his employment relationship.

The remuneration paid to the former Chairman of the Management Board Rainer Zellner amounted to EUR 727 thousand in 2013 (2012: EUR 1,008 thousand). In 2013 payments totalling EUR 838 thousand were made on termination of his employment relationship.

The expenses for pensions and severance payments for the active Management Board members amounted to EUR 114 thousand (previous year: EUR 210 thousand).

For all members of the Management Board, retirement benefits are either specified in the Articles of Association, which prescribe pension plan reinsurance using the defined contribution principle, or specified in the respective contract using the defined contribution principle.

In the case of termination of the employment contract of a Management Board member, the respective member is entitled to a severance payment in accordance with the Salaried Employees Act or the Corporate Employee and Self-Employed Pension Act. A Directors and Officers (D&O) insurance has been taken out for the members of the Management Board and senior executives – no deductible is due from Management Board members in the event of a claim; the company bears the related costs.

REMUNERATION OF THE SUPERVISORY BOARD

On 30 April 2013 the Annual General Meeting resolved the following components for the remuneration of members of the Supervisory Board for the financial year 2012:

- Base remuneration of EUR 20,000 (additional premium of 50% for the Chairman and 25% for the Deputy Chairman)
- Remuneration of EUR 2,500 per each membership in a committee
- Attendance fee of EUR 1,000 per each meeting of the Supervisory Board and EUR 500 per each committee meeting

A Directors and Officers (D&O) insurance has been taken out for the members of the Supervisory Board; the company bears the related costs.

Remuneration paid in the 2013 financial year to shareholder representatives in the Supervisory Board¹⁾

in EUR	Base remuneration	Remuneration for membership of the committee	Attendance fee	Total
Veit Sorger	30,000	10,000	10,000	50,000
Michael Junghans	25,000	10,000	10,000	45,000
Walter Koppensteiner	13,883	0	4,000	17,883
Patrick Prügger	20,000	2,500	6,500	29,000
Andreas Schmidradner	20,000	5,000	6,500	31,500
Ingrid Wesseln	13,883	0	4,000	17,883
	122,766	27,500	41,000	191,266

¹⁾ Employee representatives receive no remuneration.

Furthermore, in the 2013 financial year payments totalling EUR 14,234 were made to former members of the Supervisory Board.

COMPLIANCE DIRECTIVE

In order to implement and ensure compliance with all relevant securities regulations, Semperit has issued its own Compliance Policy designed to prevent the misuse or dissemination of insider information. Compliance is monitored and administered by a specially designated Compliance Officer who reports directly to the Management Board. The Compliance Directive can be viewed at the following link:

www.semperitgroup.com/en/ir/corporate-governance/compliance-code.

CODE OF CONDUCT

In order to strengthen and expand existing compliance tools beyond securities compliance, in 2012 a compliance organisation was implemented that covers all corporate units. A Group Compliance Officer receives support in fulfilling his responsibilities from 15 compliance officers working in the largest subsidiaries of the Semperit Group. The Group Compliance Officer reports any incidents to the Compliance Committee, which is directly subordinate to the Management Board. The Compliance Committee meets regularly twice a year and also on an ad-hoc basis.

The Code of Conduct that was adopted in 2012 applies to all employees and managers. Its most important objectives are to avoid corruption, money laundering, human rights violations and insider trading. In addition, it deals with aspects of data protection, export restrictions and the protection of the interests of all stakeholders. These requirements for behaviour are further specified in thematic compliance guidelines that are available to all employees in more than ten languages. The contents of these guidelines are also taught in regular training sessions. The employees were instructed profoundly and close to practice in totally about 30 coachings focusing on all matters stipulated in the Code of Conduct. Additionally, they were informed timely and regularly about current issues and particular incidents. The Code of Conduct can be viewed at the following website:

www.semperitgroup.com/en/ir/corporate-governance/code-of-conduct.

ADVANCEMENT OF WOMEN

In keeping with its self-understanding as a fair and responsible employer, Semperit would like to steadily expand equal opportunity within the company. As a traditional industrial company with a technical focus, the share of women in Austria was somewhat more than 20% at the end of 2013; group-wide, the percentage stood at more than 35%. The share of women in management (Management Board, Executive Committee, department heads) totalled 13%. Using flexible work models such as flexitime and part-time work, as well as special arrangements for employees with young children, the group aims to continuously increase the proportion of female employees.

DIRECTORS' 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 at: www.fma.gv.at/en/companies/issuers/directors-dealings/directorsdealings-database.html.

INTERNAL AUDIT & RISK MANAGEMENT

The Internal Audit & Risk Management department reports directly to the Management Board and prepares an audit plan and an annual activity report for the previous financial year. The Management Board discusses these reports with the members of the Supervisory Board. In addition, the department performs risk management tasks. This includes, in particular, the central coordination and monitoring of risk management processes for the group as a whole, as well as risk assessment and comprehensive reporting to the Management and Supervisory Boards. The effectiveness of the company's risk management system is evaluated by the group's auditor on the basis of the reports and other documents provided. The auditor's report is presented to the Management Board as well as to the Supervisory Board.

The purpose of the Internal Control System (ICS) of the Semperit Group is to ensure the effectiveness and efficiency of business operations, the reliability of financial reporting, and adherence to applicable laws and regulations. It also supports the early recognition and monitoring of risks from inadequate monitoring systems and fraudulent actions and is revised and expanded on an ongoing basis by the Internal Audit & Risk Management department together with the relevant specialist departments. Accordingly, in 2013 the accounting-related processes were subject to another comprehensive, systematic review, with Internal Audit & Risk Management taking the lead role, in order to ensure an effective ICS. All companies in the group throughout the world are required to comply with the minimum standards derived from this review. In 2013 these standards were rolled out to Europe, with additional countries to follow in 2014.

EXTERNAL EVALUATION

In accordance with R-Rule 62 of the Austrian Corporate Governance Code, the Semperit Group engages an external institution to evaluate its compliance with the stipulations contained in the code and the accuracy of its related public reporting. This evaluation, which was most recently performed by KPMG at the start of 2011, did not identify any facts 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. In accordance with R-Rule 62, a new evaluation will take place in 2014.

Vienna, 25 March 2014

The Management Board



Thomas Fahnemann,
Chief Executive Officer
Chairman



Johannes Schmidt-Schultes,
Chief Financial Officer



Richard Ehrenfeldner,
Chief Technical Officer

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Financial Calendar 2014

27.3.2014	Publication of FY 2013 and press conference
29.4.2014	Annual general meeting, Vienna
6.5.2014	Ex-dividend day
8.5.2014	Dividend payment day
20.5.2014	Report on the first quarter of 2014
19.8.2014	Half-year financial report 2014
18.11.2014	Report on the first three quarters of 2014

ADDRESSES OF SEMPERIT GROUP

www.semperitgroup.com/en/contact

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Ownership and publisher: Semperit Aktiengesellschaft Holding, Modecenterstrasse 22, 1031 Vienna, Austria.
Produced inhouse with FIRE.sys.
Concept, consulting, project management: Mensalia Unternehmensberatungs GmbH, 1070 Vienna.
This annual report was prepared by Mensalia (www.mensalia.at) on behalf of Semperit AG Holding.

DISCLAIMER

In this report, the terms "Semperit" or "Semperit Group" refer to the group; "Semperit AG Holding" or "Semperit Aktiengesellschaft Holding" is used to refer to the parent company (individual company).

We have prepared this 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 (editorial deadline: 25 March 2014). 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.

This report has been produced in German and English. In case of doubt, the German version shall take precedence.

Photography: www.andreas-hofer-fotograf.at, www.ludwigschedl.com, www.pinckers.com, www.vyhnalek.com,
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