

**Report of the Management Board**  
of  
**Semperit Aktiengesellschaft Holding**  
**FN (Commercial Register Number) 112544 g**  
in accordance with Section 65 (1b) in conjunction with Section 170 (2) and 153 (4) of the  
Austrian Stock Corporation Act  
(acquisition and resale of treasury shares by the Company)  
on item 10 of the agenda of the 127th Annual General Meeting

In the 127th Annual General Meeting of Semperit Aktiengesellschaft Holding, FN 112544 g, Modecenterstraße 22, 1031 Vienna (the "**Company**"), which will be held on 26 April 2016, a proposal has been submitted to authorise the Management Board for a period of 30 months from the date of the adoption of the resolution in accordance with Section 65 (1) (8) and Section 65 (1a) and (1b) of the Austrian Stock Corporation Act (AktG), subject to the consent of the Supervisory Board, to acquire own shares of the Company. When doing so, the shares acquired by the Company may not exceed 10% of the share capital of the Company. The consideration to be paid to repurchase the shares must be within a range of  $\pm 25\%$  of the unweighted average closing price over the last 20 trading days prior to the commencement of the corresponding buyback programme.

In addition, the Management Board is to be further authorised, subject to the consent of the Supervisory Board, to retire the acquired treasury shares without an additional resolution by the Annual General Meeting (this also includes the authorisation for the Supervisory Board of the Company to resolve to amend the Articles of Incorporation as a result of the retirement of the shares) or to resell them and to determine the terms and conditions of resale.

These authorisations are to be exercised in whole or in several partial amounts and for one or several purposes by the Company, by a subsidiary (Section 189a (2) of the Austrian Company Code (UGB)) or by third parties acting on behalf of the Company.

Finally, the Management Board is to be authorised for the period of five years as of the date of the adoption of the resolution to decide on the sale of treasury shares, subject to the consent of the Supervisory Board, using a different, legally permitted method of sale than through the stock exchange or via a public tender, also with exclusion of pre-emption rights (subscription rights) of shareholders, and to define the terms and conditions of resale.

As the potential exclusion of pre-emption rights (subscription rights) of shareholders in connection with the sale of shares acquired in accordance with Section 65 of the AktG is materially comparable with a subscription-rights exclusion, the Management Board of the Company, pursuant to the statutory provisions in accordance with Section 65(1b) in conjunction with Section 170 (2) in conjunction with Section 153 (4) of the AktG, hereby issues the following

**REPORT:**

The authorisation of the Management Board to purchase own shares in accordance with Section 65 (1) (8) of the AktG without being bound to a specific purpose enables the Company to react to changing situations in a rapid and flexible manner.

## **1 Authorisation for an off-exchange sale and to exclude the pre-emption rights (subscription rights) of shareholders**

In accordance with Section 65 (1b) in conjunction with Section 47a of the AktG, all shareholders of the Company must be treated equally when acquiring or selling treasury shares. The acquisition or sale on the stock exchange or through a public tender fulfils the duty of equal treatment of shareholders in all cases. In addition, in the 127th Annual General Meeting on 26 April 2016 the Management Board is to be authorised to resell treasury shares in another manner than on the stock exchange or through a public tender, so that – if the statutory requirements and the conditions as set out in this report are fulfilled – the right of shareholders to acquire these treasury shares could be excluded. The possible exclusion of shareholders' pre-emption rights (subscription rights) when selling treasury shares is in the interest of the Company for the following reasons:

- 1.1 Opportunities repeatedly arise for the Company to make acquisitions that are compatible with its strategic planning. In addition, strategic investments in such companies provide the Company's segments with opportunities for potential collaborations.
- 1.2 In many cases, the owners of attractive investment and acquisition targets as well as potential collaboration partners are only willing to conclude a corresponding agreement with the Company if they receive shares in the Company as consideration, either fully or in part.
- 1.3 Besides the necessity of providing own shares as consideration based on the desire of the contractual partner, the use of own shares as a "transaction currency" is also advantageous for the Company for the following reasons:
  - 1.3.1 If the Company has acquired treasury shares at a favourable price and the share price has risen in the meantime, this means a more affordable purchase price can frequently be achieved – in the event of an acquisition for example – than would otherwise be the case in the event of a "pure" cash transaction. This is because when determining the consideration to be paid for the business acquisition, the treasury shares to be paid as (partial) consideration are generally recognised at the current (average) share price or possibly higher intrinsic value, and not with the lower historical cost.
  - 1.3.2 The use of treasury shares is also advantageous for the Company, and therefore for shareholders as well, because the liquidity need for acquisitions can be reduced.
  - 1.3.3 Moreover, in order to optimally exploit the opportunities that arise in the market for the Company, it is often necessary that the Management Board react in a rapid and flexible manner. The possibility of using own shares as a transaction currency prevents the risk that interesting acquisitions or partnerships cannot be concluded because new shares must first be issued – for example as part of a relatively time-consuming cash- or non-cash capital increase.
- 1.4 In order to maximise the value of the treasury shares – especially through the optimal use of the aforementioned benefits to the Company – it is necessary to enable such sales to take place in any manner permitted by law – i.e. off-exchange as well as with the exclusion of pre-emption rights (subscription rights) of shareholders – and in this

respect to authorise the Management Board, subject to the consent of the Supervisory Board, to determine the terms and conditions of sale.

- 1.5 The proposed authorisation for the Management Board, enabling it to adopt a different method of sale, also with the exclusion of pre-emption rights (subscription rights) of shareholders, will enable the Management Board to utilise opportunities that arise at the time of sale in a rapid, flexible and cost-effective manner. The possibility of reselling treasury shares while excluding the pre-emption rights (subscription rights) of shareholders is especially important for the Company because when opportunities arise in a quickly changing environment and in new markets, the Company must be able to exploit them in a rapid and flexible manner and cover the resulting needs on short notice. By eliminating the time-consuming and cost-intensive handling of pre-emption rights (subscription rights) of shareholders, the market opportunities that arise can be optimally utilised in the interest of the Company and its shareholders to achieve corporate policy objectives. The exclusion of subscription rights and the sale of treasury shares by means other than via the stock exchange or through a public tender is ultimately reasonable because the Company regularly has a special interest in acquiring applicable companies or making investments in applicable companies. The interests of existing shareholders are safeguarded because when acquiring a company, a proportionate amount of shares – usually determined based on the performance of a company valuation – is utilised. The value of the acquired company or of the investment in this company is compared to the value of Semperit Aktiengesellschaft Holding; based on this ratio the investor making a non-cash contribution receives treasury shares from the Company. Existing shareholders also participate in the future profits of the acquired company. Semperit Aktiengesellschaft Holding also avoids a corresponding outflow of liquid assets by using treasury shares as consideration for the acquired company. As a result, this cash remains with the current shareholders.
- 1.6 Even when excluding pre-emption rights (subscription rights) the reasons listed above demonstrate that the interests of the Company overall outweigh the interests of shareholders. An exclusion of the general subscription possibility therefore appears justified. Moreover, the authorisation for the Management Board regarding the proposed usage, i.e. the sale of treasury shares, is consistent with the statutory requirement that treasury shares are not left with the Company but rather returned to the market.
- 1.7 The sale of treasury shares while excluding the possibility that existing shareholders may acquire these shares also does not result in the “typical” dilution of the ownership interest of shareholders. Initially, the ownership interest of existing shareholders, i.e. the voting rights of the shares of the existing shareholders, actually “increases” because the Company acquires its own shares and the rights associated with these acquired shares are suspended as long as they are held by the Company as treasury shares. A reduction in the individual shareholder’s ownership interest occurs only if the Company resells the treasury shares with an exclusion of the subscription right of shareholders. In the case of such a sale with an exclusion of shareholder subscription rights, the shareholder then once again has the status that he had before the Company acquired the treasury shares. In this context it should be noted that due to the quantitative restrictions on the acquisition of own shares, an acquirer purchasing the treasury shares generally cannot obtain a “controlling” interest in the Company.

The interests of the Company and the shareholders are in particular safeguarded by the fact that when acquiring own shares and then reselling them at a later date – regardless of whether this resale takes place on-exchange or via a public tender or in some other manner – and when determining the terms and conditions of resale, the Management Board must obtain the prior consent of the Supervisory Board. In this context it should be mentioned that the granting of an authorisation to the Management Board to resell treasury shares with the approval of the Supervisory Board, potentially by means other than via the stock exchange or by public tender, is a customary and generally accepted business practice among many listed Austrian (and German) companies for the purpose of using treasury shares as consideration in a business combination, i.e. as consideration for the acquisition of companies, businesses, business units or investments in one or more companies both domestically and abroad, as well as for the realisation of any similar strategic objective. This is also reflected in Section 5 (2) (7) of the Austrian Disclosure Regulation (VeröffentlV), according to which a disclosure must be made at the appropriate time containing information on the nature and purpose of the repurchase and/or the sale of treasury shares, in particular, whether the repurchase and/or the sale is to take place on- or off-exchange.

- 1.8 The Management Board will utilise the authorisation to resell treasury shares in a manner other than via the stock exchange or through a public tender with the exclusion of the pre-emption rights (subscription rights) of shareholders and to determine the terms and conditions for the resale only if the previously described requirements as well as all other applicable statutory provisions have been fulfilled. In addition, the Management Board shall determine the consideration of the resold treasury shares with the consent of the Supervisory Board, taking into account the interests of the Company and shareholders. Likewise, when acquiring and/or reselling treasury shares (with or without the possibility for shareholders to purchase said shares), the Management Board shall comply with all relevant disclosure and notification duties as defined in exchange and securities regulations.

## **2 Use of treasury shares to service convertible bonds**

- 2.1 In the 127th Annual General Meeting of the Company, which will take place on 26 April 2016, the Management Board is also to be authorised in accordance with Section 174 (2) of the AktG for a period of five years to issue convertible bonds. These convertible bonds are to be serviced either through conditional capital that is likewise to be adopted at the 127th Annual General Meeting pursuant to Section 159 (2) (1) of the AktG and/or via treasury shares.
- 2.2 Depending on the configuration of the convertible bond it is possible that unfavourable subscription conditions may occur that would tend to make it difficult to exercise subscription rights, particularly for investors with only limited holdings. The resolution to be adopted to authorise the Management Board to issue convertible bonds therefore also stipulates that the subscription rights of shareholders' may be limited, subject to the consent of the Supervisory Board, in order to prevent the formation of fractional subscription rights. Such a limitation of subscription rights in order to prevent the formation of fractional shares is therefore permitted in principle and typically in the interest of minority shareholders.

- 2.3 As the exclusion of subscription rights to avoid the formation of fractional shares in connection with the issue of the convertible bond is typically in the interest of the minority shareholders and therefore justified in principle, this also applies to the issue of treasury shares in connection with the servicing of the convertible bonds.
- 2.4 It follows from the above that if convertible bonds are to be serviced with treasury shares of the Company, mostly only those shareholders of the Company who have already voluntarily surrendered their subscription rights when the convertible bond was issued would not receive treasury shares.

### **3 Authorisation to retire treasury shares**

- 3.1 The Management Board is to be authorised to retire treasury shares with the consent of the Supervisory Board without an additional resolution of the Annual General Meeting. In addition, the Supervisory Board is to be authorised to adopt those changes to the Articles of Association that result from such a retirement. In particular, the retirement of treasury shares can be advantageous for the Company and its shareholders from an accounting perspective because reserves must be established for treasury shares. If the treasury shares that were permitted to be acquired are no longer needed and should there be no better option available for their use than to retire them, then the advance authorisation of the Management Board to retire the treasury shares and the advance authorisation of the Supervisory Board to adopt the appropriate amendments to the Articles of Association in the case of actual retirement are an appropriate means to avoid the time-consuming and costly convening of another Annual General Meeting that would otherwise have to be held to adopt these measures.
- 3.2 The Management Board will utilise the authorisation to retire treasury shares that were permitted to be acquired only if the previously described statutory requirements as well as any other applicable statutory provisions are fulfilled. Likewise, when retiring treasury shares the Management Board shall comply with all relevant disclosure and notification duties related to exchange and securities regulations. The same applies to the adoption of the resolution on the corresponding amendments to the Company's Articles of Association.

### **4 Summary**

If the 127th Annual General Meeting of the Company resolves to adopt the resolutions to authorise the Management Board as described at the outset, first, to purchase own shares in accordance with Section 65 (1) (8) of the AktG and to resell and retire them, and second, in accordance with Section 65 (1b) of the AktG in the event of the sale of the treasury shares to utilise a manner other than via the stock market or by public tender, the Management Board will be given an effective tool to respond rapidly to advantageous market opportunities that may arise. The interests of existing shareholders are not exposed to any special risks because of this. Shareholders' interests are safeguarded because, first, the Management Board is obliged to obtain the consent of the Supervisory Board both before the acquisition of own shares as well as before the retirement or resale of treasury shares. This means the Management Board must therefore agree in advance the purchase and sales arrangements with the Supervisory Board. In addition, due to the approach taken to acquire own shares and the subsequent resale of these shares with the exclusion of the pre-emption rights (subscription rights) of existing shareholders, no dilution of their shareholdings in the

Company will take place. Due to the quantitative restriction on the purpose-free acquisition of own shares in accordance with Section 65 (1) (8) of the AktG to 10% of the share capital of the Company, there are no grounds for concern that a new shareholder may obtain a “controlling” interest in the Company through the acquisition of the treasury shares. In addition, the principles contained in Section 65 of the AktG and the aforementioned Veröffentlichung regarding the extensive disclosure requirements in connection with the acquisition and sale of own shares – also in regard to any additional disclosure requirements that apply to listed companies such as Semperit Aktiengesellschaft Holding – provide for full transparency with respect to the acquisition and sale of treasury shares. It can therefore be said, in summary, that the adoption of the resolutions to authorise the Management Board as described at the outset will enable the Management Board to react quickly to any advantageous opportunities for the Company without creating any significant disadvantages for current individual shareholders.

Vienna, April 2016

The Management Board