

Report of the Supervisory Board

Dear Sir or Madam,



Christoph Kollatz,
Chairman of the
Supervisory Board

The Semperit Group is in the midst of a profound restructuring and transformation process designed to last three years. While for Semperit in general and especially in the Industrial Sector in 2018, improvements have been achieved in operating results, we must continue to work on operating stability in the Medical Sector. The reported negative earnings after taxes and the development of cash flow were unsatisfactory in the past year of 2018. This result was strongly impacted on the one hand by the impairment in the Medical Sector and the costs of closing the production site of Sempertrans in China, and on the other hand by future investments in the Semperflex segment.

In 2018, the **Supervisory Board** was informed by the Management Board on the course of business in seven meetings and discussed with the Management Board the strategic development as well as the restructuring and transformation of the company. In addition, significant business cases and individual measures were discussed, and the necessary resolutions passed.

The Management Board reported to the Supervisory Board on the development of business on a monthly regular basis. Prior to Supervisory Board meetings, detailed written documents about the Group were made available. Furthermore, the Chairman of the Supervisory Board and his Deputy received reports on the business development and the Group's situation on a regular basis beyond the meetings.

The **Audit Committee** held three meetings, focusing particularly on the preparation of the adoption of the annual and consolidated financial statements for 2017, risk management, the internal control system, internal auditing, the compliance organisation, corporate governance and the preparation of the annual and consolidated financial statements for 2018.

In nine meetings, the **Remuneration Committee** focused on the performance assessment and agreement of targets of the members of the Management Board as well as other general remuneration issues of the Management Board. In the reporting year, the remuneration model was also revised.

Furthermore, the Remuneration Committee dealt with the termination agreements relating to the resigned Management Board member Michele Melchiorre, the remuneration system for the newly appointed Management Board member Felix Fremerey, the monitoring of the execution of Management Board agreements as well as bonus system for blue-collar and white-collar workers.

Among other things, the **Nominating Committee** spent six meetings on initiating and securing a management assessment process, succession planning for the levels below the Management Board, and employee turnover. In addition to the talent development process, the focus was on employee diversity. Furthermore, in the course of the resignation of Michele Melchiorre, the Nominating Committee dealt with the definition of the qualification profile for further member of the Management Board.

The **Strategy and Transformation Committee** reviewed in detail the status of corporate transformation and segment strategies during a meeting.

The **Committee on the Sempermed Segment** held one meeting and dealt with the restructuring of the Sempermed segment.

The **Committee for Urgent Issues** has not held a meeting to handle time-sensitive investment projects. However, circular resolutions relating to urgent business cases were made.

In the Annual General meeting of 25 April 2018, Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, was appointed to serve as the auditor of the financial statements and consolidated financial statements for the 2018 fiscal year. The financial statements and consolidated financial statements of Semperit AG Holding as of 31 December 2018 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, which issued an unqualified audit opinion. The management report and the group management report are in accordance with the financial statements and consolidated statements. An independent audit of statements and data was made by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, on non-financial reporting (Sustainability Report) for 2018.

In its meeting held on 14 March 2019, the Audit Committee of the Supervisory Board dealt in particular with the annual financial statements, the consolidated financial statements, the group management report, the corporate governance report and the auditor's report. Moreover, the Committee discussed the results of the audit in detail with the auditor. On the basis of its own audit, the Audit Committee concurred with the auditor's results and reported them to the Supervisory Board. Based on the efficient auditing process for the consolidated financial statements of 2018, the Audit Committee recommended to the Supervisory Board to propose to the Annual General Meeting the reappointment of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, as auditor for 2019.

The Supervisory Board has examined the annual financial statements, the consolidated financial statements, the management report, the group management report, the corporate governance report and the sustainability report, and concurs with the conclusions of the auditor. The Supervisory Board formally approves the annual financial statements for 2018, which are consequently adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act. The corporate governance report, the sustainability report, the management report and consolidated financial statements for 2018 have been approved by the Supervisory Board. The Supervisory Board follows the recommendation of the Audit Committee and proposes to the Annual General Meeting to reappoint Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, for auditing 2019.

Since the Semperit Group achieved negative earnings after tax in 2018, no dividend will be proposed at the Annual General Meeting in accordance with the dividend policy.

On behalf of all Supervisory Board members, I would like to thank the Management Board, the management team and all employees of the Semperit Group for their dedication and commitment. Special thanks also go to the shareholders, customers and partners of Semperit for the trust they have placed in us.

Wien, am 21. März 2019



Christoph Kollatz

Chairman of the Supervisory Board