

Report of the Executive Committee on agenda item 7 regarding the creation of a new Authorized Capital II/2011 excluding any subscription rights for purposes of issuing shares to employees

The Authorized Capital II/2011 shall replace the Authorized Capital II which expired on April 27, 2011 and enable the Company to continue to issue shares to the employees of the Company or of any of its affiliated enterprises. Therefore, the proposal is submitted to the Annual General Meeting to create a new authorized capital in the aggregate amount of EUR 5,120,000.00 (Authorized Capital II/2011).

Employee shares have been a proven additional incentive system at SGL Group for many years. The Authorized Capital II/2011 of EUR 5,120,000.00 will be used to issue shares to employees of the Company or of any of its affiliated enterprises within the meaning of section 15 AktG. The new shares may also be issued to a bank or to a company providing services in accordance with section 53 (1) sentence 1 or section 53b (1) sentence 1 or para. 7 of the German Banking Act (*Kreditwesengesetz – KWG*) (financial institution) or a syndicate of such banks and/or financial institutions, subject to the obligation to transfer them to employees of the Company or of any of its affiliated enterprises within the meaning of section 15 AktG.

This shall enable the Executive Board to continue using the Company's shares as an additional incentive system and offering employees of the Company or of any of its affiliated enterprises a limited number of new shares, *i.e.* at the most 2,000,000 new no-par value bearer shares, with the aim of strengthening not only their allegiance to the Company but also their sense of shared responsibility for the well-being of the Company. The legislator encourages the issue of employee shares. It helps to integrate employees in the company and encourages them to assume responsibility. Accordingly, the issue of employee shares is in the interests of the Company and its shareholders. For this reason, it is necessary to exclude the subscription rights of the shareholders.

The Executive Committee will exercise due care in examining in each individual case whether or not it should make use of the authorization to increase the capital under exclusion of subscription rights. It will make use of this authorization only if the Executive Board and the Supervisory Board are of the opinion that this lies in the interests of the Company and its shareholders. The Executive Committee acting with the approval of the Supervisory Board will determine the structure and vesting conditions with respect to the shares offered to employees. The Executive Committee will report to the respective subsequent Annual General Meeting as well as in the Company's annual report on each use of this authorization and on the number of shares issued thereunder.

Wiesbaden, March 2011

Executive Committee

gez. Robert J. Koehler

gez. Theodore H. Breyer

gez. Armin Bruch

gez. Jürgen Muth

gez. Dr. Gerd Wingefeld