

# SEMPERIT

ANNUAL REPORT 2006



**SEMPERIT**  Aktiengesellschaft Holding

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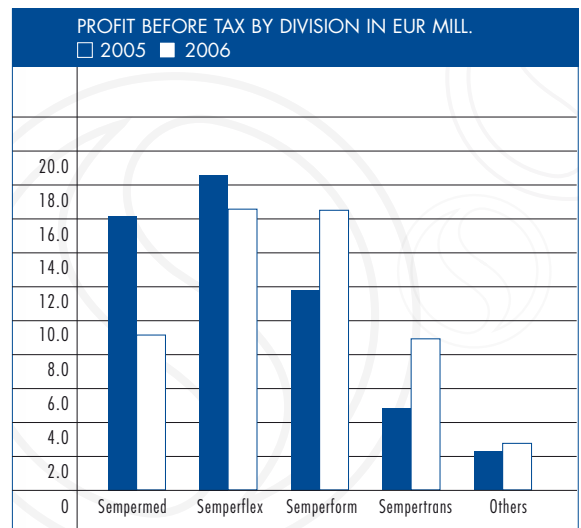
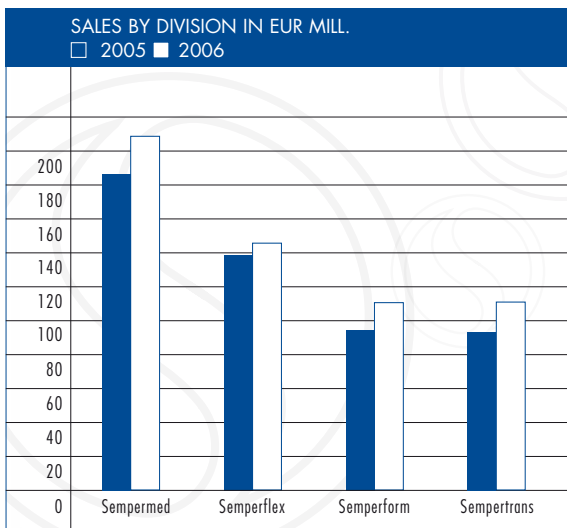
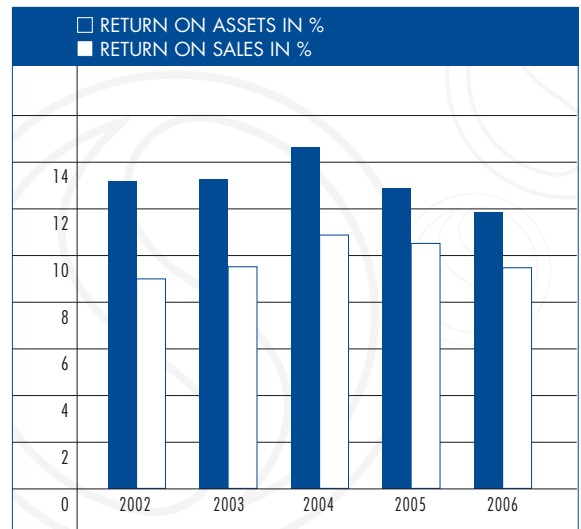
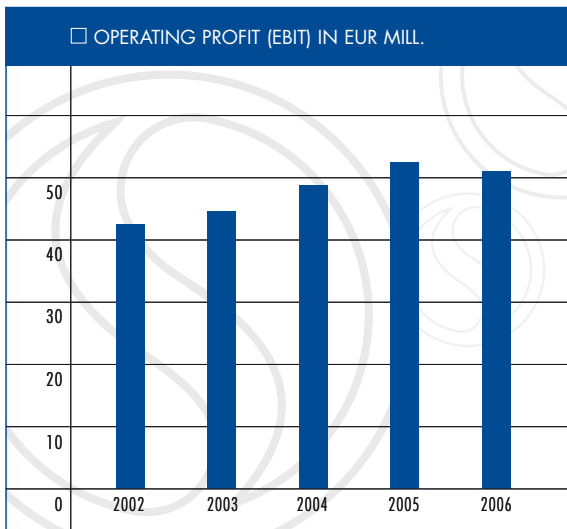
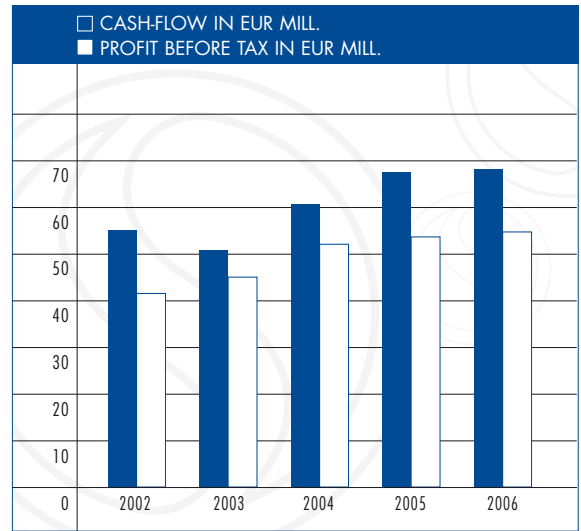
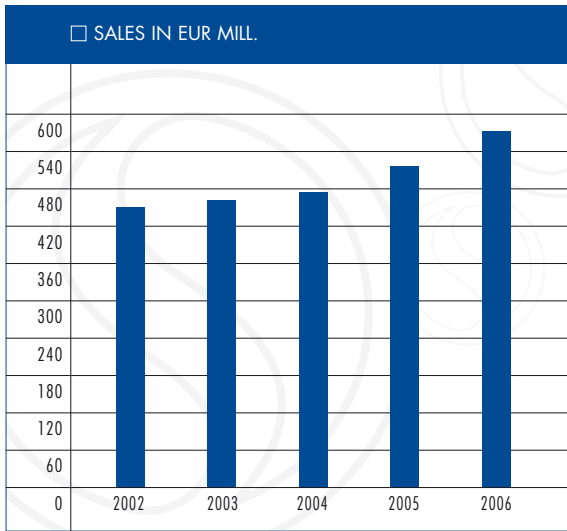
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# SEMPERIT GROUP AT A GLANCE





## KEY FIGURES FOR THE SEMPERIT GROUP

	2002	2003	2004	2005	2006	Change in %
<b>SUMMARY BALANCE SHEET</b>						
<b>ASSETS</b>						
Fixed assets in EUR mill.	146.9	140.3	139.3	190.8	218.6	+14.6
Inventories in EUR mill.	58.4	58.7	67.2	83.5	84.5	+1.3
Trade receivables in EUR mill.	72.8	67.4	65.1	75.0	81.9	+9.2
Other current assets in EUR mill.	47.4	67.5	84.3	65.6	70.7	+7.7
<b>EQUITY AND LIABILITIES</b>						
Equity capital without minority interests in EUR mill.	148.6	155.2	182.1	224.9	252.0	+12.0
Minority interests in EUR mill.	40.9	34.4	35.6	43.7	51.1	+16.8
Provisions including social capital in EUR mill.	80.0	87.5	80.7	70.9	74.9	+5.6
Liabilities in EUR mill.	56.0	56.8	57.5	75.4	77.7	+3.1
Balance sheet total in EUR mill.	325.5	333.9	355.9	414.9	455.7	+9.8

## KEY PERFORMANCE INDICATORS

Sales in EUR mill.	451.2	463.5	477.4	515.0	574.1	+11.5
Production in thousand tons	114	131	144	150	162	+8.0
Depreciation in EUR mill.	24.1	23.2	25.3	23.0	26.0	+13.0
Investments in intangible and tangible fixed assets in EUR mill.	26.1	15.2	25.0	38.8	50.8	+31.0
Investments in financial assets in EUR mill.	6.8	14.3	4.8	27.8	14.2	-49.0
Personnel expenses in EUR mill.	96.4	97.7	94.3	93.2	96.7	+3.7
Number of employees (annual average)	5,691	5,886	5,710	6,185	6,689	+8.1
Cash flow in EUR mill.	55.4	50.7	60.4	67.7	68.5	+1.3
Operating profit (EBIT) in EUR mill.	42.3	43.2	48.2	52.0	50.8	-2.5
Profit before tax in EUR mill.	41.6	44.3	52.0	53.6	54.3	+1.4
Net profit for the year in EUR mill.	23,9	26,9	30,8	36,7	40,0	+9,0

## PROFITABILITY INDICATORS

Return on sales in %	9.2	9.6	10.9	10.4	9.5	-
Return on assets in %	13.2	13.3	14.6	12.9	11.9	-
Return on equity in %	22.0	23.3	23.9	20.0	17.9	-

## STOCK EXCHANGE DATA

Share price high in EUR	12.98	15.49	23.00	27.75	28.37	+2.2
Share price low in EUR	10.41	12.20	13.40	20.56	19.60	-4.7
Share price at year-end in EUR	12.49	13.37	23.00	20.92	28.12	+34.4
Price change at year-end in %	+15.6	+7.0	+72.0	-9.0	+34.4	-
Shares outstanding at year-end in thousands	20,573	20,573	20,573	20,573	20,573	0
Market capitalisation at year-end in EUR mill.	257.0	275.1	473.2	430.4	578.5	+34.4
Earnings per share in EUR	1.18	1.32	1.51	1.79	1.95	+8.9
Dividend payout per share in EUR	0.41	0.54	0.70	0.77	0.84	+9.1
Equity capital without minority interests per share in EUR	7.22	7.54	8.85	10.93	12.25	+12.1
P/E ratio at year-end	10.6	10.1	15.2	11.7	14.4	+23.2

## HIGHLIGHTS

- Profit before tax improves for the 16<sup>th</sup> time in a row
- Sales up by 11.5% to EUR 574.1 million
- Net profit for the year advances 9.0% to EUR 40.0 million
- Dividend increase from EUR 0.77 to EUR 0.84 per share proposed
- Market position improved in all divisions
- Productivity boosted further
- Increased raw materials costs raise materials as a percentage of operating revenue significantly
- Investments in fixed assets totalled roughly EUR 51 million
  - Production capacity for medical examination gloves increased significantly
  - Two new plants opened in China for the manufacture of hoses and handrails
  - Capacity expansions in the plants in the Czech Republic, Thailand (Semperflex) and Poland (Sempertrans)
- Optimistic outlook for 2007: further increases in sales and profits expected

**semperflex** 

**THE COMPANY**

**sempertrans** 

**sempermed**<sup>®</sup> 

**semperform**<sup>®</sup> 

## COMPANY PROFILE

Semperit is one of the world's leading rubber and plastics companies, and with over 180 years of experience can also look back on one of the longest traditions in the industry. The company currently operates 18 production sites and a large number of sales offices on three continents: Europe, Asia and America.

Semperit develops, manufactures and markets a wide range of rubber and plastic products. Business activities in the Group are split into four divisions: SEMPERMED, SEMPERFLEX, SEMPERFORM and SEMPERTRANS.

Semperit's strategic objective is to attain a leading position on the international markets for its products. To attain this objective, the company focuses on the following three factors:

- Concentration on the areas of business specified above
- Internationalisation of the entire value chain
- Cost leadership

A key consideration in all activities is long-term value creation and enhancement in the interests of the company's customers, shareholders and employees.

## MAIN PRINCIPLES OF THE COMPANY

### *Concentration*

Our focus on four distinct divisions allows Semperit to effectively align business activities with the specific market conditions. The allocation of resources on a strategically selected range of products allows us to develop our dynamic innovative power and to continually optimise all value creation processes.

### *Internationalisation*

By continually expanding our position on existing markets and moving into new markets, we are consistently pushing ahead with the internationalisation of the Group and effectively leveraging comparative competitive advantages. Foreign business accounts for around 94% of total Group sales. The increased flexibility in procurement, manufacturing and sales that this makes possible opens up new growth potential and is a source of additional growth impulses.

### *Cost leadership*

One of the most important factors in the success of the Semperit Group is consistent cost management combined with the continual improvement of productivity at all levels of the company. This has enabled the Group's companies to attain international cost leadership in most business segments. The Semperit Group can only ensure its growth and earnings over the long term by maintaining a sustainably competitive cost position.

## DIVISIONS

### SEMPERMED

The Sempermed division is one of the world's leading suppliers of surgical and examination gloves. The division generated EUR 210 million in sales in business year 2006 or over one third of the Group's total annual sales. More than half of Semperit's total staff is employed in the Sempermed division.

While rubber protective gloves were originally only used for medical applications, Semperit now manufactures products for a broad range of customers, including the chemicals and food industries. The product portfolio consists of two main groups. The non-sterile examination gloves make up the largest share of glove sales, and are also used for industrial applications. The second product group is sterile surgical gloves that are solely targeted at medical customers. The product range also includes a selection of protective gloves for the industry and special gloves.

Today, protective gloves are not only manufactured of natural and synthetic rubbers, but also of non-latex plastics. With its Sempermed factories in Thailand, which specialise in the manufacture of examination gloves in various latex variants, Semperit has the largest production facilities in the world in this segment. The rapidly growing market for non-latex gloves is being covered by the production facilities that were acquired in China in 2002. Examination gloves from Semperit are sold around the world and lead the market in Europe and in America. The Group's high-quality, sterile surgical gloves are manufactured exclusively in Austria and are primarily sold in Europe and the Middle East.

### SEMPERFLEX

The Semperflex division develops, manufactures and sells hydraulic hoses, industrial hoses, elastomer sheeting and wear protection products. Semperflex is one of the market leaders in all of its business areas in Europe. The division also enjoys a good position on the markets for hydraulic hoses in North America and Asia. This division's products are manufactured in plants in Austria, the Czech Republic, Italy, Germany, Thailand and China (since 2006).

Hydraulic hoses from Semperit are specially designed to meet the demands of international customers in machine construction, mining and the manufacture of agricultural and construction machinery. They fulfil not only all general standards, but also the specific additional requirements that are unique to the division's various market segments. Products are sold to pure wholesalers as well as to system providers.

Industrial hoses are popular among commercial, industrial and municipal customers for the safe and reliable transport of solid, liquid and gaseous materials. Because of the wide range of different international technical standards that apply depending on the specific location, Semperit manufactures its industrial hoses primarily for Europe. Most products are sold through technical dealers, as well as through OEM partnerships.

Nearly all leading European manufacturers use elastomer sheeting from Semperit as a key raw material for the



production of gaskets and stamped parts. Sheeting is also a key product for many technical dealers. The major customers for elastomer sheeting and wear protection products from Semperit are located in Western Europe.

## **SEMPERFORM**

As one of Europe's leading manufacturers of moulded and extruded rubber as well as plastic products the Semperform division supplies customers in a wide range of industries. Products in the key segments cable car equipment, rail superstructures, special rubber sheeting, moulded articles, construction and industrial profiles, handrails, and foam and sponge rubber are manufactured in Austria, Germany, Hungary, Thailand, China and the USA. Semperform is a valued, long-time partner of many original equipment manufacturers around the world in all of its product segments.

Special products in the rail superstructure segment ensure that freight, passenger and metro trains weighing many tons travel safely and quietly. In its cable car equipment segment, Semperit has been developing elastic damping elements to reduce strain and wear on key components in cooperation with the world's largest cable car manufacturers for more than 60 years. Thanks to its outstanding technology, Semperit is a global market leader in the supply of cable car loops. Semperit is also a virtually exclusive supplier of vibration-damping films for all major manufacturers of skis and snowboards.

As international market leader, Semperit produces handrails on three continents for all of the world's major manufacturers of escalators and moving sidewalks. In the window and door profile segment, Semperit is not only the market leader in Germany, but has also built up a key position on the growth markets of Eastern Europe in recent years.

## **SEMPERTRANS**

The Sempertrans division is one the world's largest manufacturers of conveyor belts. With its range of polyester/polyamide-textile carcass and steel carcass transport and conveyor belts and its heavy steel cable belts in all standard dimensions, the division's three plants in France, Poland and India cover a wide range of market segments including industry, transport, commercial, mining and harbours. New investments have made it possible to manufacture belts with a width of up to approximately 3.2 metres.

State-of-the-art development and manufacturing technologies ensure optimal performance and application flexibility. Continual optimisation at all stages of the manufacturing process guarantee maximum operating safety and long service lives.

Sempertrans also offers its customers conveyor belt installation and maintenance services as well as consulting and development services for the preparation of belt specifications.

## CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

The Semperit Group can look back on another successful business year in 2006. In spite of the difficult conditions, we were able to considerably increase our sales volume and revenue compared to business year 2005. Profits for the year were also satisfactory, taking into account the hefty increases seen in the prices of raw materials and energy. The 1.4% increase in our pre-tax profit to EUR 54.3 million and the 9.0% increase in the Group profit to EUR 40.0 million marks the 16<sup>th</sup> record result in a row.

Business conditions for the Semperit Group remained challenging in 2006. The price of latex shot up in the first half of the year, but fell steadily afterwards. Continual price increases were seen over the entire business year for synthetic rubber, other raw materials and energy. This led to a jump in material expenses that negatively impacted our operating margins. The US dollar also lost further value against the euro, the Thai baht and other important currencies and led to further revenue reductions in our dollar-based markets.

Reductions in material consumption allowed us to further optimise our production costs. We were also able to partially compensate for the massive cost increases by raising our selling prices. In spite of this, we were still forced to absorb a significant share of the higher costs.

Sales developed differently in our various operating regions. We were able to hold our market position in the USA, while we profited from considerable market share gains in Europe. Semperit saw continued growth on all other world markets. In total, we increased our product sales from roughly 150,000 metric tons in 2005 to roughly 162,000 metric tons in 2006.

In spite of these challenging business conditions, the Semperit Group increased its overall sales in 2006 by 11.5% to EUR 574.1 million. The net profit reached a new record high at EUR 40.0 million (a gain of 9.0%).

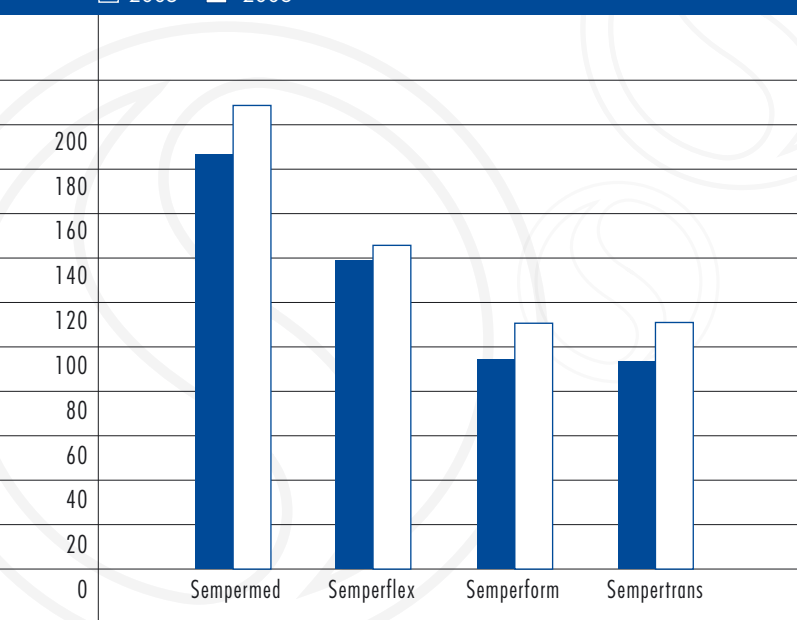
### GROWTH IN ALL DIVISIONS

The Semperit Group's good performance can be attributed to the continual growth of all four divisions.

Business in the **Sempermed division** was dominated by considerably increases in sales volume and revenue in Europe in 2006. Business in the USA was more difficult, and only marginal growth rates were achieved at best. The massive jump in the price of latex was particularly problematic, as was the weakening of the US dollar vis-à-vis the Thai baht.

SALES BY DIVISION IN EUR MILL.

□ 2005 ■ 2006



The **Semperflex division** turned in mixed performance. While all capacities were fully utilised for industrial hoses and significant sales growth was recorded in this segment, the high levels of growth seen for hydraulic hoses last year could not be maintained. Impressive market success and healthy sales growth were achieved in the elastomer sheeting segment in spite of strong competition.

All sites in the **Semperform division** contributed to the unit's growth. The plant in Deggendorf, Germany showed in impressive performance again and made a major contribution to the division's overall profits by increasing its sales by over 35%. The success of the Deggendorf plant can be attributed to a consistent focus on key growth markets, an above-average increase in demand in Eastern Europe, a consistent pricing policy and continual productivity increases.

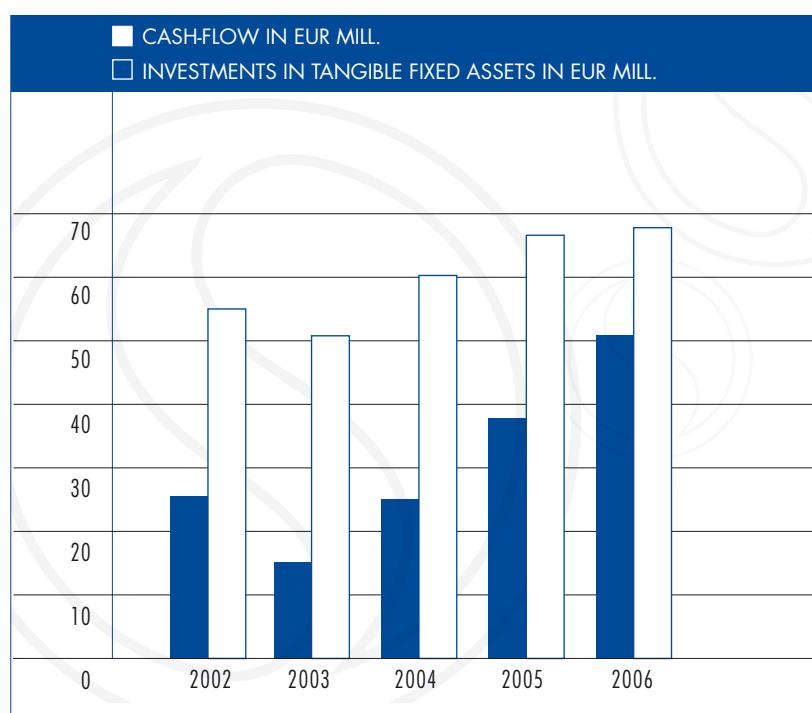
The production capacities of the **Sempertrans division** were fully utilised at all sites thanks to an excellent order level. In addition to strong sales growth the division's profits improved disproportionately. Earnings at the French SFBT plant improved significantly, but the sustainability of this recovery is to be proven in 2007.

### SUCCESSFUL IMPLEMENTATION OF THE GROUP STRATEGY

The fact that Semperit performed so well in spite of the difficult business conditions highlights the rightness of our corporate strategy. Our strategy has been based on strict cost discipline, a concentration on four divisions and a continuous policy of internationalisation for over 20 years. Our perseverance in working towards our ambitious goals has made Semperit what it is today: an international leader in the rubber and plastics industry with high market shares.

One of the results of our strict **cost discipline** is encouraging productivity increases. In 1996, we manufactured 45,500 metric tons of finished goods with 4,281 employees. This is equivalent to 10.7 metric tons per employee per year. By 2006, this figure had increased to 24.2 metric tons per employee. At the same time, personnel expenses as a percentage of sales have fallen successively from 29% in 1996 to roughly 17% in 2006.

Our **concentration on four divisions** and the resulting high degree of specialisation have enabled us to develop exceptional market strength and continually expand the radius of our business activity. We are already one of the biggest market players in Europe for medical gloves and industrial hoses, and are one of the world's leading manufacturers of handrails.

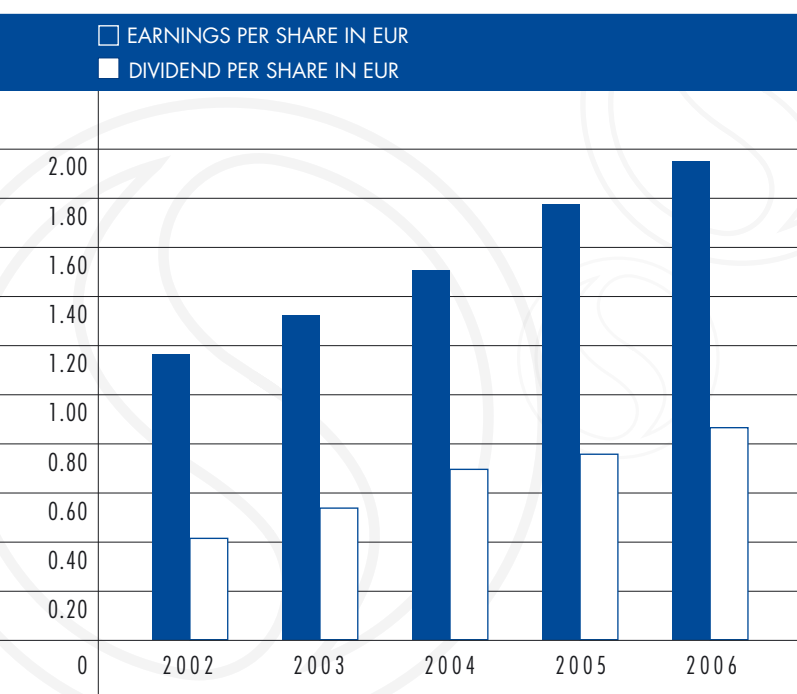


The rapid pace of the **internationalisation** of our production sites and our sales markets continued unabated, and has played a key role in facilitating our sustained and continuous growth over the last fifteen years. This is resulting in an increasingly balanced geographical portfolio with strong regional focuses. It is further a key stabilising factor that balances out economic fluctuations on different continents and in different economic regions.

## INVESTMENTS SPUR GROWTH

In order to push ahead with our expansion strategy, we expanded our production facilities further in 2006:

In **Thailand**, two major investment projects were concluded during the business year, bringing this site up to its currently planned capacity. Production capacity for medical examination gloves in Hatyai was expanded considerably by the completion of the third plant section in 2006. The second major investment in Thailand was the Semperflex Asia hose plant, also in Hatyai, which has been able to produce high-quality spiral hose since the second half of 2006.



We have now turned our focus in Asia to expanding our Chinese bridgehead in Shanghai, which offers us several key advantages. **China** is currently the fastest-growing economy in the world, with steady annual growth rates of 8–10%, and is a very promising sales market for our products in which we have not been present to any notable degree until recently. The Chinese market also offers interesting opportunities for procuring raw and input materials, machines and complete manufacturing systems, both in terms of price and quality. We have set up a separate purchasing group there to tap the potential of this huge procurement market, including to supply our European sites. And last but not least, Shanghai is an excellent base for exporting to North America and the southern Pacific region.

In accordance with these considerations, we invested in two subsidiaries at a new plant site in Shanghai in 2006, thereby creating significant synergies. Semperflex

Shanghai completed most of the work for the construction of a modern hose factory in close cooperation with the main Austrian plant in Wimpassing and other Group plants in 2006. At the same time, Shanghai Rubber & Plastic Products relocated its handrail production operations to the new site, which allowed it to considerably expand its capacity and modernise its systems.

In **Europe**, the Semperflex division's capacities in the Czech Republic and the Sempertrans division's capacities in Poland were significantly expanded.



The company was able to finance these expansion measures from its current cash flow. The equity-to-fixed-assets ratio at the end of 2006 was 115.3%, and the equity ratio was 55.3%. Cash and cash items exceeded financial liabilities by EUR 27.0 million. These figures underscore the Semperit Group's financial strength.

## **CONTINUATION OF THE DIVIDEND POLICY**

In accordance with our traditionally shareholder-friendly dividend policy, we wish to have our shareholders participate in the good development of our Group. For this reason, the Management Board will propose a dividend increase from EUR 0.77 to EUR 0.84 per share for the year 2006 at the next Annual General Meeting, which represents a dividend yield of 3.0%.

## **ON COURSE FOR A NEW RECORD RESULT IN 2007**

In spite of the continued difficult business conditions, we are confident that we will be able to continue our positive growth in 2007. Our current good orders position in nearly all business segments and our strong position on the international markets should bring further increases in sales and profits.

As far as the individual divisions are concerned in 2007, we expect the growth seen by Sempermed in 2006 to continue thanks to increased sales volume and price discipline in sales. Semperflex will again profit from the accelerating growth rates in the industrial hoses segment. The growth of the Semperform division is being fuelled by capacity expansions in the plants in Deggendorf and Shanghai and by the optimisation of the facilities in Wimpassing and Sopron. Sempertrans will profit from its good orders positions at all sites. We are currently working on capacity expansions in India that will begin to take effect in the second half of 2007.

Our efforts to expand into new markets in 2007 will concentrate on Asia, where our new production units in Shanghai have been bringing their capacities up to speed since the beginning of the year. We are implementing a comprehensive sales offensive that should improve our market position in Asia. We are also continuing to pursue a number of acquisition projects, but no concrete results are yet available with regards to their realisation.

## **THANKS TO EMPLOYEES, CUSTOMERS AND SHAREHOLDERS**

Semperit's success is the product of a strong corporate culture that has also spread to all of our foreign subsidiaries. The success of our operating units is made possible by all of our local staff members and managers. The growth of the Group would not be possible without their individual efforts and commitment. Our customers, suppliers and partners all appreciate the quality and reliability that our company stands for.

We would like to express our sincere thanks to all employees and managers in the Group who with their dedication have made it possible for us to achieve satisfactory business performance in spite of the difficult operating conditions. We also hope that we will continue to pull together in the years to come. We thank our customers for their confidence in us and our products and for the business relations that we have enjoyed. Last but not least, we would like to thank our shareholders for the confidence that they place in our company. We hope that you will continue to accompany us on our successful path of growth.

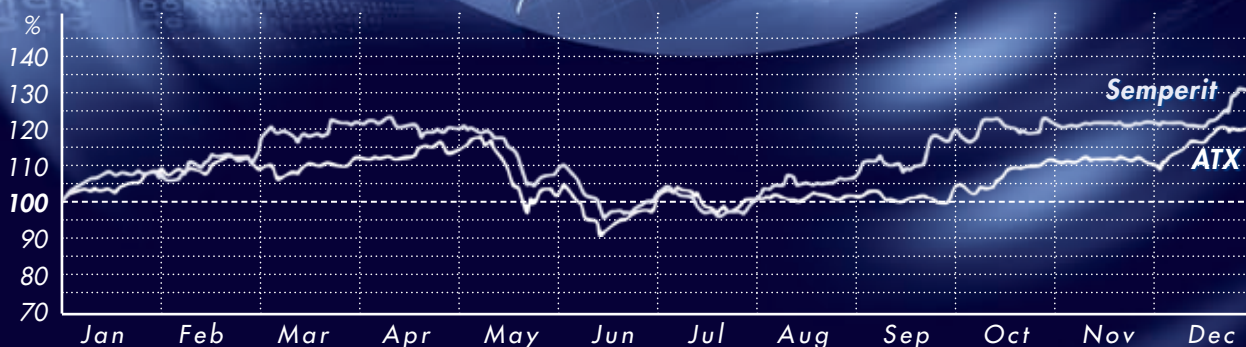


Rainer Zellner

# SEMPERIT SHARE



## PERFORMANCE COMPARISON: SEMPERIT/ATX 2006



STOCK EXCHANGE DATA	2002	2003	2004	2005	2006
Share price high in EUR	12.98	15.49	23.00	27.75	28.37
Share price low in EUR	10.41	12.20	13.40	20.56	19.60
Share price at year-end in EUR	12.49	13.37	23.00	20.92	28.12
Price variation at year-end in %	+15.6	+7.0	+72.0	-9.0	+34.4
Shares outstanding at year-end in 1,000	20,573	20,573	20,573	20,573	20,573
Market capitalisation at year-end in EUR mill.	257.0	275.1	473.2	430.4	578.5
Earnings per share in EUR	1.18	1.32	1.51	1.79	1.95
Dividend per share in EUR	0.41	0.54	0.70	0.77	0.84
Dividend yield in %	3.28	4.04	3.04	3.68	2.99
Dividend payout ratio in %	35.25	41.28	46.76	43.12	43.18
Net assets per share in EUR	7.22	7.54	8.85	10.93	12.25
P/E ratio as at 31 Dec	10.6	10.1	15.2	11.7	14.4

Respectable gains were posted on the international exchanges in 2006. The Dow Jones Industrial gained 16.3% for the year and reached 12,463 points, the highest level ever recorded. The DAX in Germany closed 23.3% higher than at the end of the prior year, and the Austrian ATX also reached an all-time high at 4,463 points (a gain of 21.7%). The Dow Jones Euro Stoxx Chemical Index, which is very representative for the chemicals and rubber industry, rebounded from its annual low in the middle of June and ended 2006 with a total gain of 19.0%.

<b>Annual General Meeting</b>	<b>23 May 2007</b>
<b>Quotation ex dividend</b>	<b>29 May 2007</b>
<b>Dividend payout</b>	<b>1 June 2007</b>

#### Quarterly reports 2007

<b>1<sup>st</sup> quarter</b>	<b>23 May 2007</b>
<b>2<sup>nd</sup> quarter</b>	<b>24 August 2007</b>
<b>3<sup>rd</sup> quarter</b>	<b>23 November 2007</b>

<b>Release of the preliminary year-end results for 2007</b>	<b>week 9, 2008</b>
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The Semperit share price developed analogously. After posting gains at the beginning of the year as a result of our outstanding performance in business year 2005, our share lost considerably up until the middle of June under the influence of the general slide on the Vienna stock exchange. Good business development and positive analyses from international investment companies then kicked off an impressive rally that brought the Semperit share to EUR 28.12 by the end of the year. This also increased the company's market capitalisation from EUR 430.4 million to EUR 578.5 million within one year. Trading volume for the Semperit share grew from EUR 309.3 million in 2005 to EUR 425.2 million in 2006. The attractiveness of the Semperit share increased further for private and institutional investors in 2006.

#### SHAREHOLDER STRUCTURE

Semperit AG Holding is listed on the prime market of the Vienna stock exchange with 20,573,434 nonpar bearer shares. B&C Holding GmbH, Vienna, is a stable core shareholder of the Group with a stake of over 50%. The remaining shares are in free float.

#### DIVIDEND INCREASE FOR 2006

The dividend policy of Semperit AG Holding is based on the long-term development of the company and strives to ensure that its shareholders can participate appropriately in the Group's success. For this reason, the Management Board will propose a dividend increase from EUR 0.77 in 2005 to EUR 0.84 per share for 2006 at the coming Annual General Meeting. This is equivalent to a dividend payout ratio of 43.2% of the net profit.

#### INVESTOR RELATIONS POLICY

Our relationship with our shareholders and the general public is based on long-term trust. Being listed since 1890, Semperit is one of the oldest companies on the Vienna stock exchange and is also traded on the German exchanges in Frankfurt, Berlin-Bremen and Stuttgart. The objective of our transparent communication policy is to provide our shareholders and the international stock markets with a true and accurate picture of the Group and its business performance, taking the necessary care and caution into account.

The investor relations agendas are handled by a separate staff unit in the Finance department. Semperit's primary investor relations instruments are the annual report, the quarterly reports and regular press releases. All relevant information including current reports, press releases, the development of the share price, our financial calendar and much more is published on our web site, [www.semperit.at](http://www.semperit.at). The management also makes information available through press conferences and road shows. In order to meet the needs of financial specialists, Semperit also participated in investor conferences, company presentations and meetings with analysts. On 22 September 2006, Semperit held an "open house" in Wimpassing that allowed over 1,000 interested persons to tour our main plant.

# CORPORATE GOVERNANCE

The Austrian Corporate Governance Code establishes a regulatory framework for the management and monitoring of Austrian joint-stock companies. The Code contains internationally adopted standards for good corporate governance, as well as significant regulations in this context regarding the Austrian Share, Stock Exchange and Capital Market Acts, while its basic principles include the OECD guidelines for Corporate Governance.

The rules are aimed at achieving responsible management as well as inspecting companies and corporations with the goal of achieving sustainable creation of value in the long-term.

The code helps to create a high degree of transparency for all of the company's stakeholders. It creates guidelines for the equal treatment of all shareholders, for transparency, open communication between the Management and Supervisory Boards, avoiding conflicts of interest between bodies and efficient checks by the Supervisory Board and auditors.

Companies voluntarily undertake to comply with the guidelines of the Austrian Corporate Governance Code as amended.

The Code is normally reviewed once per year and amended as needed to keep it in line with national and international developments.

## **THE CODE COVERS THE FOLLOWING CATEGORIES OF RULES:**

1. Legal Requirement (L): The rule is based on compulsory legal regulations
2. Comply or Explain (C): The rule should be observed; a deviation must be explained and justified, in order to achieve a level of conduct that complies with the code.
3. Recommendation (R): Rule with the character of a recommendation; non-compliance does not have to be explained or justified.

In issuing the following statement, Semperit AG Holding accepts the Austrian Corporate Governance Code as a component of company management and thereby voluntarily undertakes to observe this set of regulations.

## **SEMPERIT – STATEMENT ON CORPORATE GOVERNANCE**

Semperit AG Holding hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and that it also intends to observe the code in future or justify any deviations from it.

The Supervisory Board has also reached a corresponding unanimous decision.

Unless otherwise declared, Comply or Explain rules (C-rules) are to be observed by the affected bodies and companies.



## **NOTES ON THE C-RULES OF THE CORPORATE GOVERNANCE CODE**

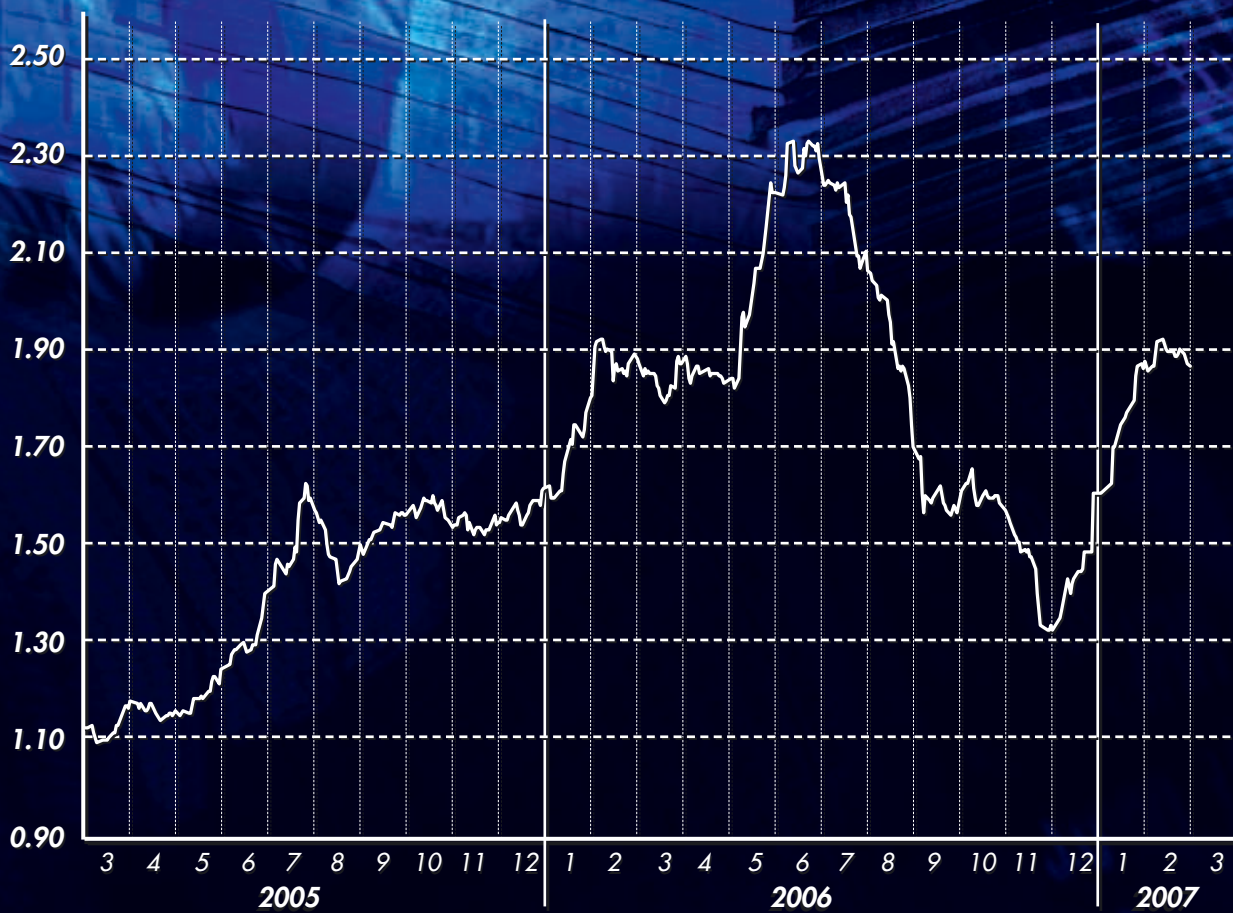
The following statement applies to C-rule number 64 concerning quarterly reports:

The obligatory quarterly financial report is issued as laid out in Annex B to the rules on the Prime Market of Wiener Börse AG.

The current edition of the Austrian Corporate Governance Code can be inspected at any time at **[www.corporate-governance.at](http://www.corporate-governance.at)**.

# FINANCIAL REPORT

TRENDS IN RAW MATERIAL PRICES (NATURAL RUBBER) IN EUR/KG



## GLOBAL ECONOMIC CONDITIONS

The global economy (excluding the euro zone) grew very impressively at a rate of 5.3% in 2006. Key factors in this growth in the second half of the year were the declining oil price, which peaked in August, the low long-term interest rate level and the continued strong growth in China. The unexpected acceleration of global trade in 2006 resulted in healthy annual exports growth of 7.6%.

In Asia, China was again the motor of economic development and added 10.7% to its GDP. In addition to exports and investment, consumption also grew substantially. The Japanese economy saw an expansion of 2.7% as a result of robust domestic demand and dynamic exports. In the USA, the high growth rates seen at the beginning of the year dropped off markedly, and the overall growth rate for 2006 barely surpassed that of 2005 at +3.3%.

The euro economy gained speed as the year progressed and posted 2.7% overall growth for 2006, nearly double that achieved in 2005. This expansion was driven by industry and exports, which successively boosted investment activity. The consumption-dependent sectors in the EU zone recovered more slowly than the industrial sectors because demand from private households remained weak. The production boom was driven primarily by the development of industry in Germany, which profited from healthy global demand because of its strong focus on capital goods and its high competitive strength in price terms. Investments also took on an important role later in the year.

Monetary conditions in the euro zone were less advantageous, especially towards the end of the year, as the stronger growth data relative to the USA pushed the euro up from USD 1.18 to USD 1.32 by year end. The European Central Bank (ECB) had significantly increased the short-term interest rate level since October 2005. Both of these effects will dampen growth over the medium term.

In Austria, the gross domestic product (GDP) increased by 3.3% in real terms, whereby economic growth in the fourth quarter of 2006 slowed to 3.2% after reaching 4.1% in the third quarter. Strong export growth continued through to the end of the year. Investment activity slowed in contrast. Private consumption was also noticeably dampened by significantly higher oil prices, worries about job security and necessary adjustments in the pension system. Conditions on the labour market improved, with the number of jobs growing by more than 2% as unemployment fell. Roughly two-thirds of the increase in jobs was attributed to part-time positions.

### HEFTY JUMPS IN RAW MATERIALS PRICES

The commodity price index for industrial raw materials from the Hamburg Institute of International Economics rose continuously over the course of 2006 and was up by 36.8% in annual comparison at year end. The price of latex rose disproportionately. The average market price increased by 40% year-on-year from the beginning of the year to the third quarter. After this, the price fell sharply, but too late to improve the Group's results for the year. In addition to latex, which is a direct raw material, crude oil is one of the most important inputs for many product materials such as synthetic rubber, carbon black and chemicals. The crude oil market was dominated by increasing prices for the fourth year in a row in 2006. After starting off the year at just under USD 58, the price climbed to a historical high of roughly USD 78 per barrel (159 litres) by the middle of August 2006. The average price for the whole year was USD 64.20, while a barrel cost only USD 30 at the beginning of 2004.



## ANALYSIS OF RESULTS

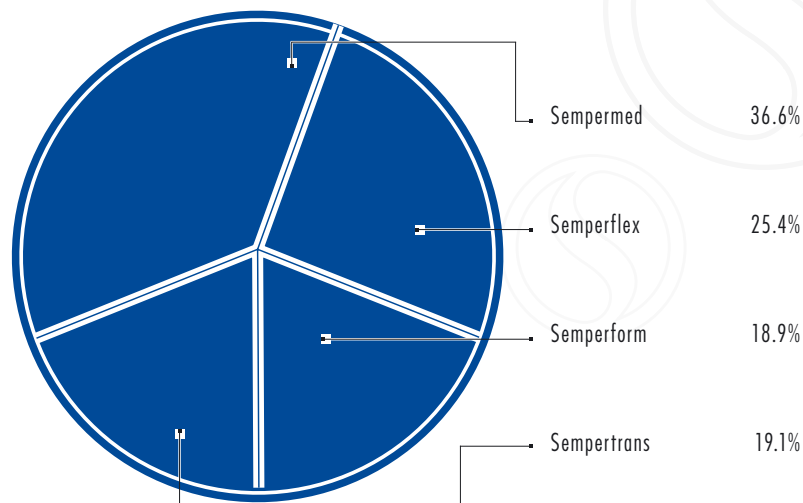
### SALES

The consistent implementation of our Group strategy and the further expansion of our capacities under good economic conditions made it possible for Semperit to continue its growth in business year 2006. Group sales rose by 11.5% year-on-year to EUR 574.1 million. While the performance of each of the four divisions varied, all made a satisfactory contribution to this result.

The largest division, Sempermed, posted a sales gain of 12.6% to EUR 209.9 million, whereby this division was impacted most significantly by the exchange rate fluctuations because it settles such a large share of its business in non-European currencies.

The Semperflex division increased its sales by 4.8% to EUR 145.7 million in 2006, primarily by increasing its market share in Europe.

#### SALES BY DIVISION

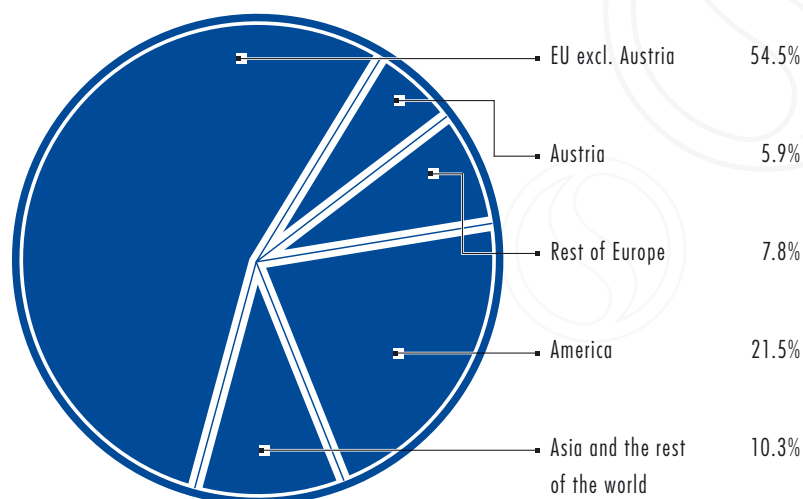


The Semperform division also enjoyed healthy sales growth thanks to the good performance of all of its sites, whereby the Deggendorf plant had an especially satisfactory year. Total division sales were up to EUR 108.6 million, a 14.4% increase over 2005.

The strongest relative growth in the Semperit Group was achieved by Sempertrans, which boosted its annual sales by 15.6% to EUR 109.2 million.

With a 36.6% share of Group sales, business with medical and industrial gloves contributed the largest portion of revenues. Semperflex accounted for 25.4% of total Group sales at the end of 2006, followed by the Sempertrans and Semperform divisions, which had nearly equal shares at 19.1% and 18.9% respectively.

#### SALES BY REGION



Sales development by region was similar to the situation in 2005: More than two-thirds of all sales were generated in Europe. America saw 21.5% of total sales, a marginally lower share than the prior year but still greater sales in terms of absolute volume than in 2005. The remainder of the sales, 10.3%, were generated in Asia and the rest of the world.



## SUMMARY OF THE PROFIT AND LOSS ACCOUNT

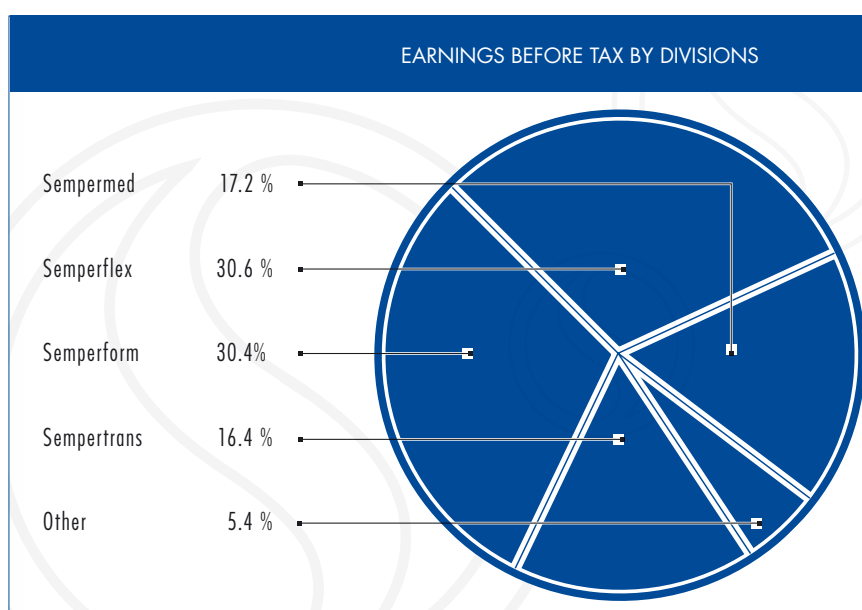
in EUR mill.	2005	2006	Change in %
Sales	515.0	574.1	+ 11.5
Differences between opening and closing stocks	2.5	1.1	- 56.0
Own work capitalised	0.7	0.9	+ 24.2
Operating revenues	518.2	576.1	+ 11.2
Other operating income	10.9	10.5	- 3.5
Cost of material	- 270.1	- 323.7	+ 19.9
Personnel costs	- 93.2	- 96.7	+ 3.7
Depreciation	- 23.0	- 26.0	+ 13.0
Other operating expenses	- 90.8	- 89.4	- 1.5
Operating profit (EBIT)	52.0	50.8	- 2.5
Financial result	1.6	3.5	+ 127.0
Profit before tax	53.6	54.3	+ 1.4
Taxes on income	- 9.9	- 12.8	+ 30.4
Profit after taxes	43.7	41.5	- 5.2
Minority interests	- 7.0	- 1.5	- 79.4
Net profit	36.7	40.0	+ 9.0

## EARNINGS

The Semperit Group has now improved its earnings for the 16<sup>th</sup> year in a row by improving its profit before tax by 1.4% to EUR 54.3 million. This result is equivalent to a return on sales of 9.5% (2005: 10.4%) at an equity return of 17.9% (2005: 20.0%) and a return on total assets of 11.9% (2005: 12.9%). Earnings and earnings development were different in each of the divisions. While the result for the Sempermed division fell to EUR 9.3 million, Semperform and Sempertrans both posted healthy growth rates and pushed their results to EUR 16.5 million and EUR 8.9 million respectively. In spite of its slight decline, the Semperflex division made the greatest contribution to the income, in the amount of EUR 16.6 million. The other operating results totalled EUR 3.0 million.

The operating profit (EBIT) fell by 2.5% to EUR 50.8 million as a result of the enormous impact of higher raw materials prices and currency effects. The EBIT margin was also down from 10.1% in 2005 to 8.8% in 2006.

On the cost side, further hefty increases in the prices of energy, raw materials and petroleum-derivative-based feedstock again increased the share of materials as a percentage of operating revenues. Material expenses in the Group increased by 19.9% to EUR 323.7 million, and from 52.1% to 56.2% of the operating revenues. This increased cost burden could only be partially offset by productivity increases and selling price increases.



The number of employees increased by 8.1% on annual average to 6,689. This increased personnel expenses by 3.7% to EUR 96.7 million, but these expenses fell from 18.1% to 16.8% of the operating revenues.

Depreciation and amortisation increased by 13.0% to EUR 26.0 million as a result of the increased level of investment in recent years. The financial result was considerably better than in 2005 at EUR 3.5 million.

The Group tax ratio increased from 18.4% to 23.7% as a result of the fact that Group companies in Europe and other higher-tax regions made a greater contribution to the overall Group result than the Asian subsidiaries, which had a lower tax burden because of investment credits in 2006. This reduced the profit after tax slightly to EUR 41.5 million (2005: EUR 43.7 million), but the net profit after minorities increased by 9.0% to EUR 40.0 million. The earnings per share amounted to EUR 1.95, 8.9% higher than in the previous year.

For information on risk management, the environment and events after the balance sheet date, please consult the corresponding information in the notes to the financial statements starting on page 63.

## ASSET AND FINANCIAL POSITION

The balance sheet total of the Semperit Group increased by EUR 40.8 million or 9.8% to EUR 455.7 million in 2006. The ratio of fixed assets to the balance sheet total is 48% (2005: 46%), and the ratio of current assets to the balance sheet total is 52% (2005: 54%).

Fixed assets increased from EUR 190.8 million to EUR 218.6 million, whereby property, plant and equipment increased by 19.2% to EUR 169.5 million, and financial assets by 2.8% to EUR 46 million. Property, plant and equipment includes prepayments and assets under construction at a value of EUR 22.8 million.

Inventories reported in the balance sheet totalling EUR 84.5 million are EUR 1.0 million more than in the prior year (2005: EUR 83.5 million). Trade receivables increased from EUR 75.0 million to EUR 81.9 million. Working capital, consisting of inventories plus receivables minus trade payables, was up 2.8% on the previous year at EUR 132 million. Please see page 51 in the notes to the financial statements for information on the allocated emission certificates. Liquid assets amounted to EUR 49.9 million at the balance sheet date, up 36.4% on the previous year.

### SUMMARY BALANCE SHEET

in EUR mill.	2005	2006	Change in %
<b>ASSETS</b>			
Fixed assets	190.8	218.6	+ 14.6
Inventories	83.5	84.5	+ 1.3
Trade receivables	75.0	81.9	+ 9.2
Other current assets including deferred taxes	65.6	70.7	+ 7.7
Equity and liabilities	414.9	455.7	+ 9.8
<b>LIABILITIES</b>			
Equity capital without minority interests	224.9	252.0	+ 12.0
Minority interests	43.7	51.1	+ 16.8
Reserves and social capital	70.9	74.9	+ 5.6
Liabilities	75.4	77.7	+ 3.1
Balance sheet total	414.9	455.7	+ 9.8

## SUMMARY CASH FLOW STATEMENT

in EUR mill.	2005	2006	Change in %
Gross cash flow	67.7	68.5	+ 1.3
Cash flow from operating activities	40.9	69.3	+ 69.3
Cash flow from investing activities	- 65.8	- 43.8	- 33.4
Cash flow from financing activities	- 5.9	- 15.3	> + 100.0
Change to cash fund	- 30.7	10.2	> - 100.0
Cash fund at end of period	36.6	49.9	+ 36.4

Group equity without minority interests in the amount of EUR 252 million (+12.0%) includes inflows of capital from the Group result of EUR 40.0 million and outflows for dividend payments to shareholders of EUR 15.8 million and currency translation differences of EUR 2.6 million. The equity ratio of the Semperit Group as a benchmark of the Group's financial independence rose from 54.2% to 55.3% year-on-year. Shareholder capital covers Semperit Group's fixed assets by 115.3% (2005: 117.9%).

The increase in provisions of EUR 4.0 million to EUR 74.9 million resulted primarily from increased tax provisions and other short-term provisions, while the provision requirements for future pension payments fell again. Liabilities came in 3.1% higher than in 2005 at EUR 77.7 million. This increase can be attributed to short-term trade payables and other short-term liabilities. Cash and cash items exceeded financial liabilities by EUR 27.0 million (2005: EUR 11.4 million).

## CASH FLOW

Gross cash flow as an indicator of the Group's self-financing ability increased by 1.3% to EUR 68.5 million. Cash flow from operating activities, which also takes into account changes in working capital, rose to EUR 69.3 million, a 69.3% increase on the previous year. Cash flow from investment activity amounted to minus EUR 43.8 million. Expansion, replacement, rationalisation and environmental investments in intangible and tangible fixed assets totalled EUR 50.8 million. Investments in financial assets resulted in a net capital inflow of EUR 5.8 million. The cash flow from financing activities in the amount of minus EUR 15.3 million comprises primarily the dividend payment for business year 2005 in the amount of EUR 15.8 million. The remaining payments concerned repayments of financial liabilities. Payments received in the amount of EUR 3.1 million can be attributed to the initial consolidation of the joint venture Semperflex Shanghai, which was established in 2005. Taking into account exchange rate movements, total liquid capital at the balance sheet date amounted to EUR 49.9 million, EUR 13.3 more than in the previous year.

As an indicator of a company's ability to finance investments from its own income and therefore ensure its continued growth, the cash flow ratio is calculated as the proportion of the gross cash flow as a percentage of sales. For 2006, the Semperit Group achieved a cash flow ratio of 11.9% (2005: 13.1%).

## INVESTMENTS

Investments in intangible and tangible fixed assets totalled EUR 50.8 million in 2006. The greatest share of this was put into capacity expansions and the modernisation of existing facilities. Of the investments in property, plant and equipment and intangible assets, EUR 16.9 million can be attributed to Sempermed, EUR 23.3 million to Semperflex, EUR 9.2 million to Semperform, and EUR 1.4 million to Sempertrans.

### SEMPERIT GROUP

The consolidated financial statements for 2006 for the Semperit Group are shown in detail on pages 38 to 65.

### THE FOUR OPERATING DIVISIONS

Group business activities are concentrated in four divisions: Sempermed, Semperflex, Semperform and Sempertrans. Corresponding operating subsidiary companies are assigned to the relevant divisions. Activities that cannot be clearly allocated are reported in an additional section of the financial statements under the collective heading „Other Activities and Group Eliminations“ in line with International Financial Reporting Standards (IFRS). The individual economic positions of the four divisions are described in detail on pages 22 to 29.

### SEMPERIT AG HOLDING

Semperit AG Holding is the listed holding company for the Semperit Group. Its functions comprise the financial interest in the legally independent subsidiaries as well as the strategic guidance of the Group as a whole. The holding also operates the Group's central Finance, Purchasing and Legal departments.

Please see page 11 of the Annual Report for information on the shareholder structure. No other disclosure requirements apply as per §243a Austrian Commercial Code (UGB).

Semperit AG Holding reported net income for the year 2006 of EUR 17.5 million. The Management Board will propose to the Annual General Meeting that a dividend distribution of EUR 0.84 per share be made for business year 2006 on this basis. A detailed presentation of the company's balance sheet and income statement can be found on pages 70 to 71.

### SEMPERIT TECHNISCHE PRODUKTE GMBH

Semperit Technische Produkte GmbH & Co KG was merged into Semperit Technische Produkte GmbH in business year 2006. Semperit Technische Produkte GmbH now runs the main Wimpassing plant in Austria, which is the only Group plant to manufacture for three divisions – namely Sempermed, Semperflex and Semperform. It also manages the Group's real estate, equity holdings and licences and provides technical services to Group companies. This wholly owned subsidiary of Semperit AG Holding reported sales of EUR 281.2 million for business year 2006. The balance sheet total increased by 140.4% to EUR 195.5 million as a result of the merger of Semperit Technische Produkte GmbH & Co KG. Equity capital including untaxed reserves amounted to EUR 108.4 million at the balance sheet date.



## SEMPERIT GROUP COMPANIES

### SEMPERIT AG HOLDING

### SEMPERIT TECHNISCHE PRODUKTE GMBH

#### SEMPERMED

SEMPERIT TECHNISCHE PRODUKTE  
GMBH, VIENNA

SIAM SEMPERMED CORPORATION LTD.,  
HATYAI, THAILAND

SHANGHAI FOREMOST PLASTIC  
INDUSTRIAL CO. LTD., SHANGHAI, CHINA

SEMPERMED KFT.,  
SOPRON, HUNGARY

ISOTRON DEUTSCHLAND GMBH,  
ALLERSHAUSEN, GERMANY

#### SEMPERFLEX

SEMPERIT TECHNISCHE PRODUKTE  
GMBH, VIENNA

SEMPERFLEX OPTIMIT SRO,  
ODRY, CZECH REPUBLIC

SEMPERFLEX ASIA CORPORATION LTD.,  
HATYAI, THAILAND

SEMPERFLEX ROITER S.R.L.,  
ROVIGO, ITALY

SEMPERFLEX RIVALIT GMBH,  
WALDBÖCKELHEIM, GERMANY

SEMPERFLEX A.H. SRO,  
ODRY, CZECH REPUBLIC

SEMPERFLEX SHANGHAI LTD.,  
SHANGHAI, CHINA

#### SEMPERFORM

SEMPERIT TECHNISCHE PRODUKTE  
GMBH, VIENNA

SEMPERIT GUMMIWERK DEGGENDORF  
GMBH, DEGGENDORF, GERMANY

SEMPERFORM KFT.,  
SOPRON, HUNGARY

SEMPERFORM PACIFIC CORPORATION LTD.,  
HATYAI, THAILAND

SHANGHAI SEMPERIT RUBBER & PLASTIC  
PRODUCTS CO. LTD., SHANGHAI, CHINA

SEMPERIT INDUSTRIAL PRODUCTS INC.,  
NEW JERSEY, USA

#### SEMPERTRANS

SEMPERTRANS FRANCE BELTING  
TECHNOLOGY S.A.S., ARGENTEUIL, FRANCE

SEMPERTRANS BELCHATOW S.A.,  
BELCHATOV, POLAND

SEMPERTRANS NIRLON LTD.,  
ROHA, INDIA

FABRYKA LIN „STOLIN“ SP.Z.O.O.  
BELCHATOV, POLAND

SEMPERTRANS MAINT. FRANCE NORD E.U.R.L.,  
ARGENTEUIL, FRANCE

SEMPERTRANS MAINT. FRANCE MED. E.U.R.L.,  
PORT DE BOUC, FRANCE

SEMPERIT CONVEYOR SERVICES LTD.,  
WALSALL, UNITED KINGDOM

### PRODUCTION COMPANIES

### DISTRIBUTION COMPANIES

SEMPERIT TECHNISCHE PRODUKTE GMBH,  
GEVELSBERG, GERMANY

SEMPERIT (FRANCE) S.À.R.L.  
ARGENTEUIL, FRANCE

SEMPERIT INDUSTRIAL PRODUCTS LTD.  
DAVENTRY, UNITED KINGDOM

SEMPERMED MAGYARORSZÁG KFT.,  
BUDAPEST, HUNGARY

SEMPERMED USA INC.  
CLEARWATER, USA

SEMPERIT TECHNISCHE PRODUKTE GMBH,  
GEVELSBERG, GERMANY

SEMPERIT (FRANCE) S.À.R.L.  
ARGENTEUIL, FRANCE

SEMPERIT INDUSTRIAL PRODUCTS INC.  
NEW JERSEY, USA

SEMPERIT INDUSTRIAL PRODUCTS LTD.  
DAVENTRY, UNITED KINGDOM

SEMPERIT TEKNISKA PRODUKTER AB  
SKÅRHOLMEN, SWEDEN

SEMPERMED MAGYARORSZÁG KFT.,  
BUDAPEST, HUNGARY

MANGUERAS TÉCNICAS ROITER S.A.,  
BARCELONA, SPAIN

SEMPERIT INDUSTRIAL PRODUCTS  
SINGAPORE PRIVATE LTD., SINGAPORE

SEMPERIT (FRANCE) S.À.R.L.  
ARGENTEUIL, FRANCE

SEMPERIT INDUSTRIAL PRODUCTS INC.  
NEW JERSEY, USA

SEMPERIT INDUSTRIAL PRODUCTS LTD.  
DAVENTRY, UNITED KINGDOM

SEMPERIT TEKNISKA PRODUKTER AB  
SKÅRHOLMEN, SWEDEN

SEMPERIT TECHNISCHE PRODUKTE GMBH,  
GEVELSBERG, GERMANY

SEMPERIT INDUSTRIAL PRODUCTS INC.  
NEW JERSEY, USA

SEMPERIT TEKNISKA PRODUKTER AB  
SKÅRHOLMEN, SWEDEN

SEMPERIT INDUSTRIAL PRODUCTS  
SINGAPORE PRIVATE LTD., SINGAPORE

The Sempermed division further expanded its international position as a provider of surgical and examination gloves and industrial and work gloves in business year 2006. Capacities were well utilised at most sites throughout the year. Sales development varied from region to region. The very good market conditions in Europe were contrasted by currency-related difficulties in the USA.

Sales of examination gloves were satisfactory in Europe, the Middle East and Asia, while only minor gains were achieved in the USA. Operation glove sales increased nicely in the core market of Europe as well as in the export markets North Africa, the Middle East and Latin America.

The division's consolidated sales reached EUR 209.9 million, 12.6% over 2005, but the profit before tax only came in at EUR 9.3 million, a decline of 42.3%. The division's contribution to total Group sales increased slightly to 36.6%, while its share of the Group's result fell to 17.2%.

## SEGMENT REPORTING SEMPERMED

in EUR mill.	2005	2006
Sales	186.4	209.9
Profit before tax	16.2	9.3
Cash flow	23.2	17.7
Assets	124.6	131.9
Liabilities	44.0	43.4
Capital expenditures	16.1	17.1
Employees	3,433	3,839

Earnings were negatively impacted by the extreme jumps in the price of latex during the year because the cost increases could only be passed on to the customers in part, and after considerable time delays. The weakening of the US dollar also hurt this division's earnings. The excess international capacities in the sector are continuing to fuel aggressive competition.

### SEMPERIT TECHNISCHE PRODUKTE, WIMPASSING

Production at the main plant in Wimpassing, Austria, focuses on high-quality surgical gloves. Investments in the production systems during the business year further increased the degree of automation in the plant. Sales were dominated by healthy demand for examination gloves in Europe that also made it possible to raise prices without sacrificing selling volume. On the surgical gloves market, Semperit's success with powder-free supreme-quality gloves in the highest price segment continued, including considerable contracts won from the Middle East in spite of stiff competition. Sales also increased for standard models.

### SIAM SEMPERMED

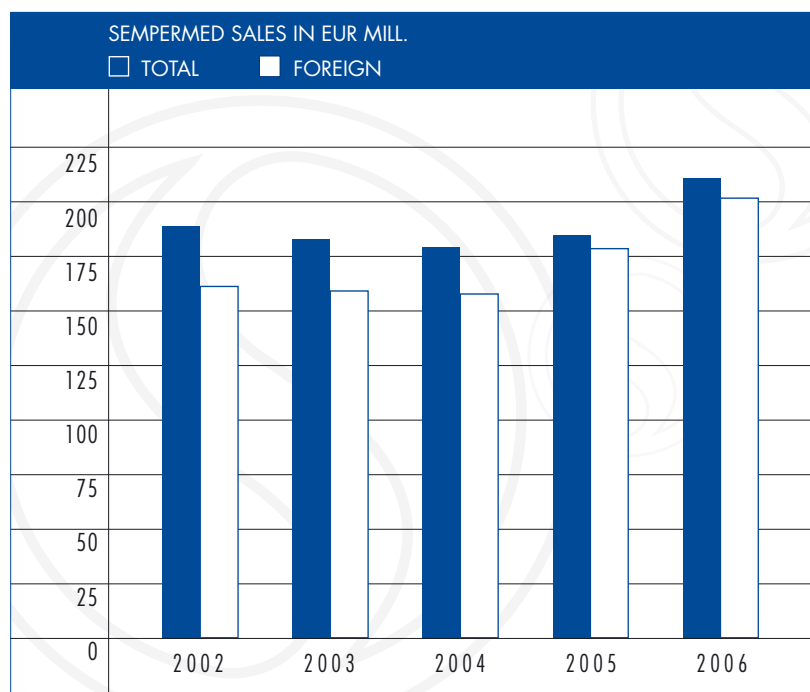
Healthy demand on the European markets also gave a boost to container business with examination gloves from our Siam Sempermed facility in Thailand. After the facility expansions during the business year, capacities were not fully utilised in the second half of the year. The cost-cutting measures that were enacted in the manufacturing processes, product design and material consumption were unfortunately countered by the extreme increases in the costs for latex. The fall in the price of latex in the second half of the year slightly reduced cost pressure in the fourth quarter.

### SHANGHAI FOREMOST

Business at Shanghai Foremost in China, which manufactures non-latex medical and industrial gloves using PVC, was heavily impacted by a rapid increase in the prices of input materials, in part in excess of 50%, and rising energy costs. Capacity was not completely utilised because of the difficult cost conditions. For this reason, the performance indicators remained roughly at the same levels as in 2005.

### SEMPERMED USA

Sales of examination gloves from our Thai facilities through our distributor Sempermed USA stagnated after the Thai baht posted strong gains against the US dollar and made our products less attractive under the heavy price competition that is typical of the US market. The cost increases brought about by the rising raw materials prices could only be marginally passed on to the customers under these conditions. We therefore dispensed with transactions involving insufficient margins, especially in the lower-price segment.





## SEMPERFLEX DIVISION

The Semperflex division has been maintaining an impressive level of organic growth for many years, including 2006, and increased its sales in the year by 4.8% to EUR 145.7 million. The division's profit before tax was EUR 16.6 million (minus 10.5%). Semperflex's share of total Group sales fell slightly to 25.4%, and of the Group's overall result to 30.6%.

### SEMPERFLEX SEGMENT REPORTING

in EUR mill.	2005	2006
Sales revenues	139.1	145.7
Profit before tax	18.5	16.6
Cash flow	27.3	26.5
Assets	107.3	130.3
Liabilities	33.7	34.4
Capital expenditures	12.5	23.3
Employees	1,275	1,344

This growth was especially driven by the industrial hose and elastomer sheeting segments. The industrial hoses segment reported full capacity utilisation at all three of its manufacturing sites. Market share gains and positive business conditions, especially in Eastern Europe and the main market of Germany, allowed the unit to surpass its operating targets. Growth in the hydraulic hoses segment slowed down compared to previous years. The unit was faced with increased competition and very aggressive pricing on the market. This was especially the case in the markets in Asia and the USA. Thanks to positive economic conditions in the main markets in Western Europe and Semperit's long-time position as a supplier of high-quality products, the elastomer sheeting segment enjoyed better and better business as the year progressed.



## SEMPERIT TECHNISCHE PRODUKTE, WIMPASSING

Manufacturing capacity utilisation was good at Semperit Technische Produkte GesmbH in Wimpassing, Austria. Disproportionate increases in demand were reported in the industrial hoses segment. It was only possible to partially meet this demand by continually ramping up production volumes and by running extra shifts. Capacity utilisation in the hydraulic hoses segment was satisfactory. Weekend shifts had to be set up in the elastomer sheeting segment to meet the higher demand in the second half of the year.

## SEMPERFLEX OPTIMIT

The Czech subsidiary Semperflex Optimitt significantly increased its sales volume and revenue from industrial hoses in business year 2006, primarily thanks to good demand for long-length hoses. The hydraulic hose manufacturing facilities were expanded with the addition of equipment for the production of extreme-high-pressure hoses. However, the plant's earnings were negatively affected by the rising raw materials prices and the increase in the value of the Czech koruna.

## SEMPERFLEX SHANGHAI

Production started at the new hydraulic hose factory Semperflex Shanghai at the end of October. Modern production systems and Austrian know-how ensure maximum product quality. A dedicated sales organisation was created at the beginning of 2007 to serve the domestic Chinese market.

## SEMPERFLEX ASIA

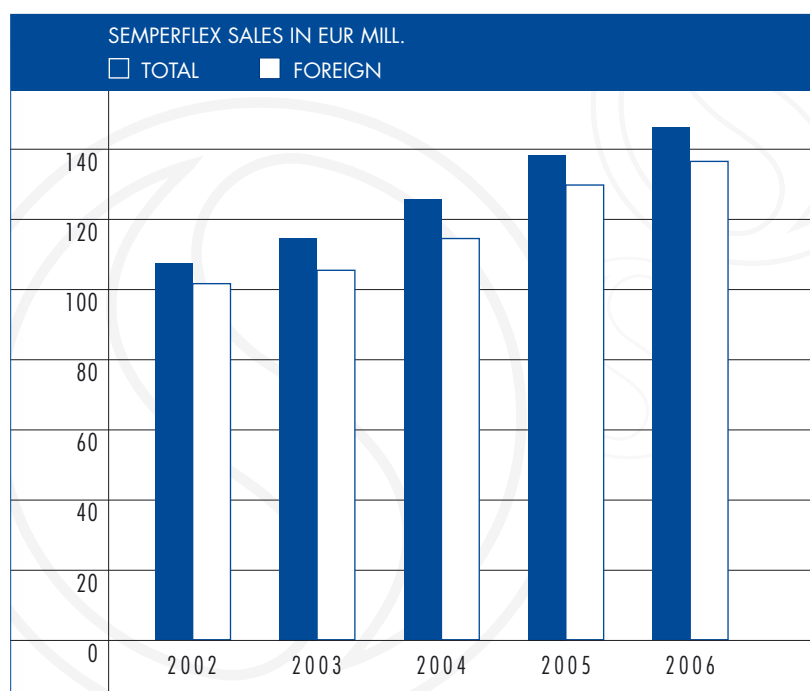
The Thai hose manufacturer Semperflex Asia was only able to partially adapt to the massive volume increases seen in recent years. In part because of intense competition in Asia and the USA, Semperflex Asia was not able to meet its operating targets. Earnings were also negatively impacted by the strong increases in the value of the Thai baht against the US dollar.

## SEMPERFLEX ROITER

The Italian hose manufacturer Semperflex Roiter reported good capacity utilisation during the business year. Continued strong demand for special hoses and large sizes brought increased sales volume and revenue with exports to all of Europe. In contrast, conditions on the company's home market of Italy were difficult because of market share gains made by low-cost import products.

## SEMPERFLEX RIVALIT

The German subsidiary Semperflex Rivalit specialised in the manufacture of hydraulic hose assemblies profited from the good economic conditions in Germany. Sales and profits increased compared to last year.



## SEMPERFORM DIVISION

The Semperform division is one of Europe's leading manufacturers of moulded rubber and plastic articles, elastomer profiles, handrails for escalators, foam rubber and vibration-damping films. Sales revenue rose by 14.4% to EUR108.6 million and the profit before tax by 39.4% to EUR 16.5 million in business year 2006. The division's share of total Group sales increased slightly to 18.9%, and of the Group's overall result to 30.4%.

### SEMPERFORM SEGMENT REPORTING

in EUR mill.	2005	2006
Sales revenues	94.9	<b>108.6</b>
Profit before tax	11.9	<b>16.5</b>
Cash flow	17.1	<b>21.8</b>
Assets	53.2	<b>62.5</b>
Liabilities	23.0	<b>25.4</b>
Capital expenditures	5.5	<b>9.2</b>
Employees	748	<b>760</b>

The fact that all sites contributed positively to this growth was encouraging, whereby the German plant in Deggendorf was a standout with 35% better sales volume and revenue.

### SEMPERIT TECHNISCHE PRODUKTE, WIMPASSING

Semperform's manufacturing capacities in the Wimpassing plant were well utilised during the business year, whereby growth was especially seen in the special segments for cable car equipment and handrails. Additional project orders strengthened the railway superstructure segment. The moulded articles and elastomer sheeting segments developed nearly

in line with the operating targets. Customers generally accepted price increases to compensate for the in part massive rises in the prices of raw materials, though these price increases could not completely cover the additional costs.

### SEMPERIT GUMMIWERK DEGGENDORF

The Deggenndorf plant in Germany profited from the general upswing in construction on its home market, but was also able to increase its market share thanks to its improved competitive position. The second key factor in the significant sales increases was the focus on Eastern European growth markets, where significant sales volume growth was achieved. The new high-capacity extrusion system was in full use over the entire year. New processes were also introduced using the existing equipment to further increase productivity, which significantly boosted the plant's daily output. The sales teams were also able to take advantage of the good orders position to make satisfactory price increases to cover the higher energy and raw materials costs.

### SEMPERFORM IN HUNGARY

Positive business development was reported by Semperform in Hungary throughout the year. The main drivers of the growth in sales volume and revenue were the automobile components supply industry and demand for sanitary gaskets in Western Europe. Productivity increases and the restructuring measures that were implemented in 2005 led to disproportionate increases in profits.

### SEMPERFORM PACIFIC

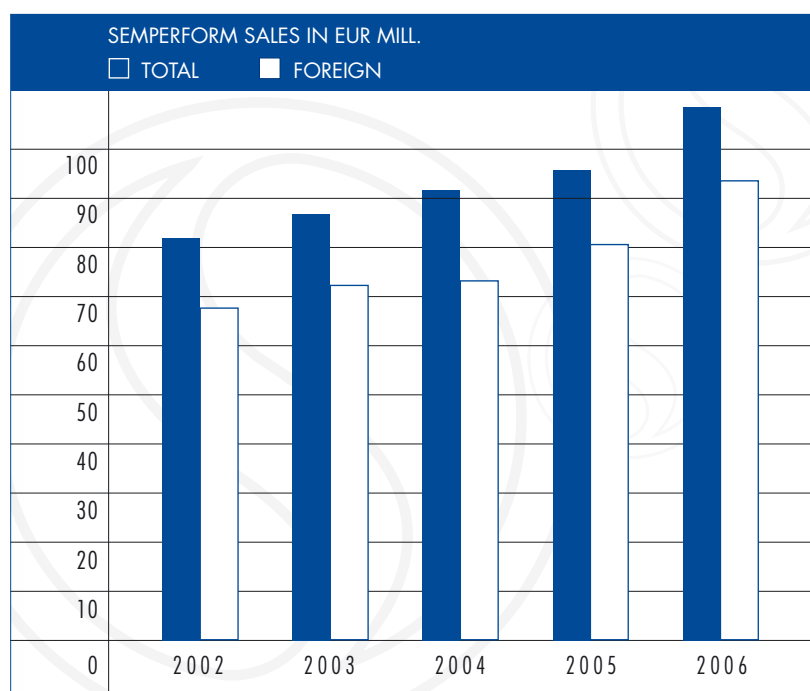
The Thai manufacturing company Semperform Pacific continued its expansion.

### SHANGHAI SEMPERIT RUBBER & PLASTIC PRODUCTS

The primary focus of business in Shanghai remained the supply of handrails to manufacturers of escalators and moving sidewalks, alongside the sale of replacement parts. In spite of the purchasing power of the concentrated escalator manufacturers and fierce competition from local companies, double-digit sales and profit growth were achieved. In December, Shanghai Semperit Rubber & Plastic Products relocated to the new Semperit site right next to the new hose factory and immediately resumed production without losses in output. This new site will allow the future expansion of the company.

### SEMPERIT INDUSTRIAL PRODUCTS

The American manufacturing company Semperit Industrial Products was again confronted with a stagnating sales market for escalator handrails in the USA.





## SEMPERTRANS DIVISION

With its three international production facilities Sempertrans is one of the largest conveyor belt manufacturers in Europe. The division's products cover all types of transport and conveyor belts in a wide range of qualities and sizes. With its decades of experience and extensive know-how, the Sempertrans specialists manufacture

not only standard products in all common dimensions according to uniform specifications, but also innovative and special customer-specific solutions. The engineering units in our plants also assist our customers in the planning and design of their conveyor belts. The division's polyester/polyamide-textile carcass and steel carcass transport and conveyor belts and its heavy steel cable belts are sold worldwide.

Business development in 2006 was very encouraging with excellent orders levels and full capacity utilisation. The booming demand for raw materials brought especially satisfying orders from customers in the mining sector.

### SEMPERTRANS SEGMENT REPORTING

in EUR mill.	2005	2006
Sales revenues	94.5	<b>109.2</b>
Profit before tax	4.8	<b>8.9</b>
Cash flow	7.0	<b>11.5</b>
Assets	76.6	<b>83.3</b>
Liabilities	18.3	<b>23.0</b>
Capital expenditures	4.8	<b>1.4</b>
Employees	702	<b>726</b>



Sales revenue in the division rose by 15.6% to EUR 109.2 million and the profit before tax by 85.6% to EUR 8.9 million in the business year. The division's share of total Group sales increased to 19.1%, and of the Group's profit before tax to 16.4%.

All three division companies exceeded their sales targets. In spite of the fact that purchasing prices for inputs such as natural rubber, synthetic rubber and reinforcing materials such as steel cable, nylon and polyester-nylon continued to rise over most of the year and the fact that material costs make up as much as 75% of the total costs of manufacturing conveyor belts, the company was able to improve its profits satisfactorily thanks to extraordinary efficiency increases.

### SEMPERTRANS FRANCE BELTING TECHNOLOGY (SFBT)

Restructuring measures at SFBT in France have begun to show positive effects in spite of a go-slow strike in September. These measures have brought a noticeable improvement in profits, but it remains to be seen how sustainable this development will be. This company's growth is being facilitated by the set-up of a structured sales system in Southern Europe, rising demand in Germany and increasing exports to South America.

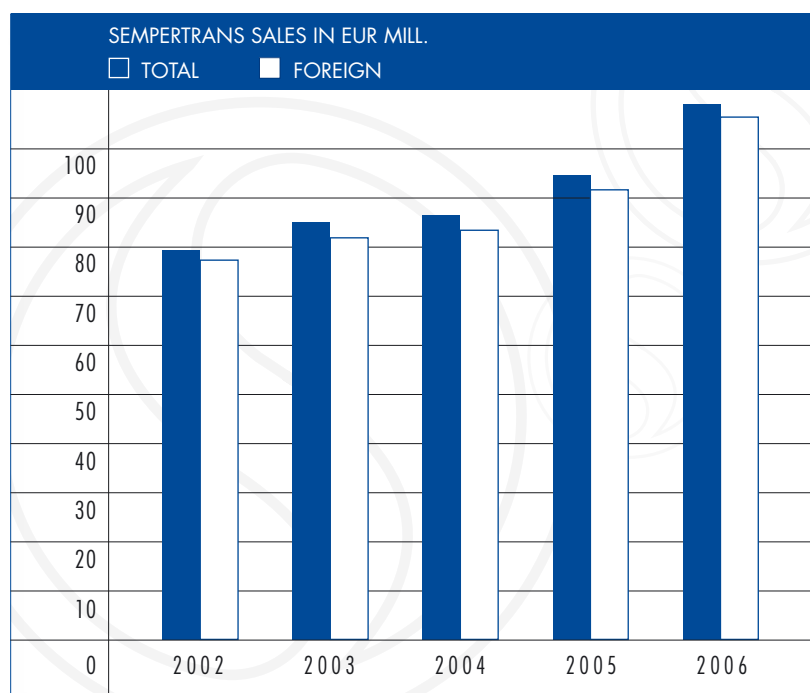
### SEMPERTRANS BELCHATOV

The installation of one of the largest presses in the world for the manufacture of conveyor belts with a width of up to 3.2 metres allowed Sempertrans Belchatov in Poland not only to significantly increase its production capacity, but also to expand into a new market segment. Other significant investments were made in the steel cable manufacturing systems and in the expansion of the delivery area.

In addition to generally good levels of new orders from domestic customers and established markets in Western and Eastern Europe, significant deliveries were also made to the newly tapped brown coal extraction market in Germany. Efforts to grow exports to Latin America, India and the rest of Asia were also stepped up, whereby the company scored successes with project orders. The quality and capacity of the company's mixing operations was recently leveraged so supply further companies in other divisions for the first time.

### SEMPERTRANS NIRLON

The Indian subsidiary Sempertrans Nirlon ran at its capacity limits in 2006 but succeeded in increasing its output through extraordinary productivity gains. The excellent level of new orders made it possible for the management to apply a tailored pricing and product policy and to thereby attain handsome margin improvements while concentrating fully on its domestic market. As a result, Nirlon recorded a disproportionate increase in profits.



The research and development centre in Wimpassing is the Group's technology hub, at which teams of highly qualified experts are working on a wide range of projects to continually develop and refine materials and to improve manufacturing processes and product quality.

For the Sempermed division, research was conducted in business year 2006 into improving material properties and processes to reduce the amount of material required for glove manufacture. New packaging was also developed for operation and examination gloves to rationalise the overall production processes. Several projects were also completed to make other manufacturing processes more efficient. The fundamental project for the development of new networking systems was also continued.

Projects for the Semperflex division included the extension of the finite-element calculation model for the interaction between hose and fitting, developments for hydraulic and industrial hoses, and the optimisation of the design of hoses.

The Semperform division commissioned the R & D centre with the further development of products, materials and processes. Other projects concerned railway superstructure products, construction profiles, industrial articles and moulded industrial parts. One of the key focuses of work was on the testing of lower-cost alternative raw materials.

The development of conveyor belts for the Sempertrans division to meet specific customer requirements and the implementation of the initial results of the ongoing fundamental project for the description of steel-rubber adhesion were also completed during the business year.

## COLLABORATION WITH EXTERNAL INSTITUTIONS

Semperit has a long tradition of collaboration with universities and non-university research institutions in development projects, and continued this tradition in 2006. The knowledge gained through such projects is implemented and applied in the Semperit Group, and makes an important contribution to boosting the Group's profits, among other things. The following fundamental projects were pursued in 2006 in cooperation with Austrian and foreign universities and so-called Kplus centres (University of Leoben, Graz Technical University, Vienna University of Technology, Leoben Polymer Competence Centre, Politechnika Wroclawska, ITC Zlin):

- Research into predicting the service life of dynamically loaded articles
- Alternative networking in latex systems
- A description of the extrusion process and tool design for the extrusion process
- The evaluation of different raw materials groups and their uses in elastomers
- A description of the calendaring process, dependencies on the latex materials and influence on the elastomer properties
- Fundamental research on the structure of conveyor belts

## KEY RESEARCH AREAS IN 2007

In addition to the projects from business year 2006 that have not yet been completed, work in 2007 will include new research and development projects for all divisions.

In the Sempermed division, we are working on the continuation of process and product optimisation projects for the manufacture of operation and examination gloves. The fundamental project for the development of new networking systems and the implementation of the findings will be concluded. Additional research will be conducted into alternative materials for glove manufacture and glove surface finishing to improve skin protection and skin care properties, and also into further developments in the packaging of operation and examination gloves.

The Semperflex division will concentrate on expanding its range of extreme-high-pressure hydraulic hoses and on providing process support for the further expansion of capacities at its manufacturing sites. Work in the industrial hoses segment will focus on the development and introduction of new products.

New product development projects for the rail superstructure segment, new product, material and process development projects for the construction profile and industrial article segments and cost-cutting projects for the construction profile segment are underway for the Semperform division. The broad range of work also includes material and product development projects for moulded industrial parts, materials and process development for customers in the pipe construction, construction and railway superstructure segments, and the continuation of the project for low-burr/no-burr injection moulding systems for moulded rubber parts. The further development of handrails is motivated in part by new customer requirements, but also by the need to cut costs and by the creation of an entirely revised design.

Specific customer requirements and requirements contained in technical standards must also be taken into account in the further development of conveyor belts for the Sempertrans division. The knowledge gained from the fundamental project for the description of steel-rubber adhesion is also being implemented, and product and process optimisation projects for the manufacture of steel-cable and textile belts are being continued.

The number of employees in the Group has increased steadily with its expansion over the past years and reached 7,036 by the end of 2006, an increase of 10% compared to the end of 2005.

Semperit faces fierce global competition in its needs to provide suitably qualified staff for all levels and areas of its operations. Cooperation projects with universities in Austria and the Czech Republic are especially being stepped up to establish contacts with university graduates early on. Professors are invited to the main plant, students assisted with their dissertations, and presentations and talks held at universities and technical academies.

### **CLEARLY DEFINED CORPORATE CULTURE**

The corporate culture of the Semperit Group revolves around the desire to solidify its position as a leading European manufacturer in its core areas of the rubber and plastic products industry. A three-pillar policy has been defined to facilitate the constant improvement of the Group's competitive strength:

- The simplification of structures, processes and organisations
- A concentration on high-volume segments in the product and market areas with existing competitive advantages with a limited number of niche products and small-scale customers to ensure optimum customer benefit
- Consistency with regards to profit-orientation, reliability and an action-based culture



A catalogue of company principles has been formulated to facilitate the achievement of these goals. In order to ensure the anchoring of these principles in the cultures of the various Group companies, extensive personnel guidelines have been drawn up that govern various aspects ranging from working hours through individual employment relationships, wage policies, training and further education all the way to travel regulations and communication issues.

A set of tools was developed and established to guarantee our staff the best possible training and continuing job education. The types of training have since been harmonised on the basis of Group standards that were developed in the main Wimpassing plant and that are being applied successively to the other Group companies.

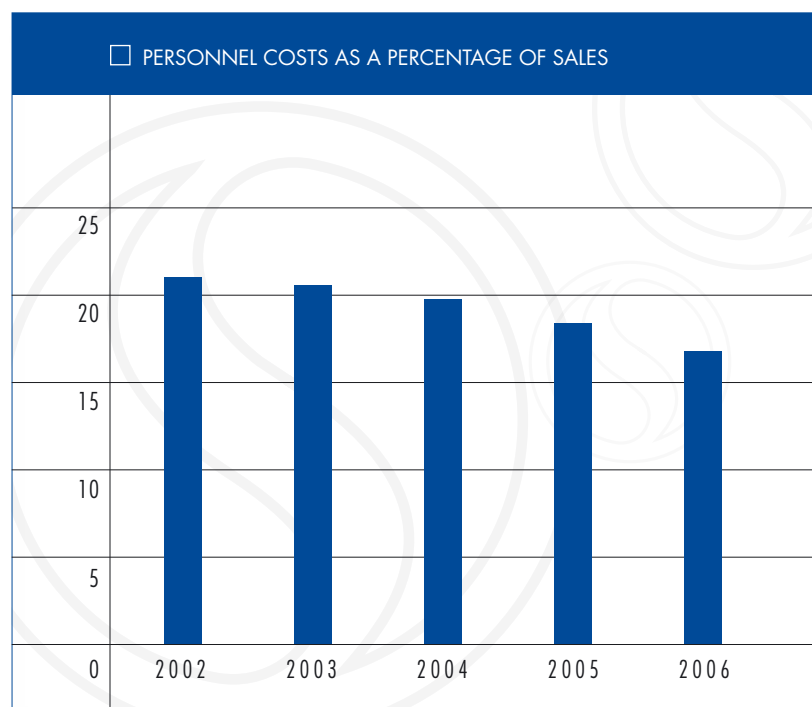
The internal management programme for all Group managers is run in cooperation with the St. Gallen Management Centre in Switzerland to better prepare our executives to master the current challenges posed by international competition. The knowledge imparted in this programme includes the definition of the role and responsibilities of a manager and the principles of effective and efficient leadership, the benefits of fostering and challenging employees, the cultivation of reliable decision-making methods, success factors in team leadership, and personal time management.

We run a trainee programme for new employees that covers both general and job-specific aspects. Another focus is internal job rotation within the Group for managers, technicians and internal sales staff over a period of four to eight weeks. Group-specific know-how is disseminated by means of international technical seminars. These especially cover the topics of rubber technology, quality assurance, SAP software and sales. Regular seminars are also held to improve the staff's skills in English as the Group language and in French.

Shift foreman seminars and safety training are mandatory for all positions in manufacturing. Other management seminars are offered for legal issues, controlling and business administration.

In order to foster personal development, we offer seminars on time management and work organisation, presentation techniques, innovation and change, and training programmes on successful teamwork and conflict management. Individual external specialist seminars are held in the Management Summer School at the St. Gallen Management Centre in Switzerland. Members of management and selected employees outside of Austria are offered individual English courses. New chemists are provided with training in latex technology at the German Institute of Rubber Technology in Hannover after working in the company for one to two years.

Master-workman training is also provided in cooperation with the Lower Austrian chamber of labour at the main plant in Wimpassing as needed to qualify shift supervisors.



The global economy is expected to remain robust for the first half of 2007. This is especially true of the euro zone, where year-on-year economic growth accelerated from 2.7% to 3.3% in the fourth quarter of 2006.

After a minor slide last year, the world economic climate indicator published by the Ifo Institute in Munich climbed from 104.7 points in the fourth quarter of 2006 to 106.5 points in the first quarter of 2007, but was still nearly three points lower than in the first quarter of 2006. For Western Europe, this indicator came in 2.6 points higher than the 102.4 points registered in the fourth quarter of 2006, and remained above the long-term average of 91 points. The assessment of the current economic conditions was especially positive in Germany, Belgium and Austria. The sub-index for Asia also rose. Expectations for the United States were not as optimistic because the economy was being weighed down by considerable uncertainty as regards the effects of the more restrictive monetary policy.

The GDP growth projections of the Austrian Institute of Economic Research (Wifo) for 2007 indicated a slow-down to 2.4% for the OECD countries at the beginning of the year. Growth of 2.3% was assumed for the USA, Japan and the EU-25, 2.1% (down from 2.6%) for the euro zone and 2.7% (down from 3.2%) for Austria.

#### **SEMPERIT REMAINS ON ITS PATH OF GROWTH**

This overall economic outlook will bring few changes in the business conditions for the Semperit Group. The current level of orders in all four divisions supports our expectations of continued healthy demand in our sales markets. The problems of disadvantageous and volatile exchange rates will further affect our operations. The

energy and raw materials markets will continue to be dominated by major uncertainty with regards to prices and temporary shortages, for example on the world metal markets, even if conditions improved somewhat at the beginning of the year. We also expect the volatility to continue with increasingly marked spikes, for example for latex prices as well as for energy prices as a result of the unstable geopolitical situation in the Middle East.

Our focus in the Sempermed division will be on further expanding sales of examination gloves, whereby we will especially target markets in which we currently still hold only a small share. In Europe, we will strive to expand our market position further in spite of our leadership. In order to help reach these ambitious sales goals, considerable investments are being made in the automation and expansion of the manufacturing systems for operation gloves in Wimpassing. The construction of the third manufacturing area will be completed at the Hatyai facility in Thailand. The expansions that we have been carrying out in these three factories since last year have increased our installed capacity by around 50%. We are successively increasing our output of synthetic gloves (e.g. nitrile) in response to market demand.

In the Semperflex division, the industrial hose segment will again be the largest source of growth in 2007. We should be able to secure additional market share gains for elastomer sheeting in spite of the fierce competition. Hydraulic hose business will focus on the acquisition of new markets and customers. Planning at Optimit is based on full capacity utilisation for industrial and hydraulic hoses. Semperflex Asia is expecting the difficult market conditions to continue in Asia and North America, whereby the development of the US dollar-Thai baht exchange rate also bears additional risk potential. The new Semperflex Shanghai hose factory has been gradually ramping up its capacity since the beginning of the year. This plant will primarily serve the Chinese market, but exports dominate until our products are approved for use in China.

After the disproportionate growth recorded in 2006, Semperform has been continuing its healthy sales volume and revenue increases since the beginning of 2007 and should be able to hold this course for the rest of the year. Capacity expansions in the Deggendorf and Shanghai plants as well as the industrial optimisation between Wimpassing and Sopron will form the basis for this expected development.

The Sempertrans division can expect the strong demand to continue this year and should enjoy good sales volume, revenue and profits as a result. Additional measures to increase productivity are being implemented at the Polish plant in Belchatov. The focus at SFBT in France is on ensuring the sustainability of the first restructuring successes and on strengthening the company's earnings. Major investments are underway at the Indian subsidiary Sempertrans Nirlon to double capacity and enable the company to meet the enormous demand from the booming Indian industry.

Overall, we expect that sales volume, sales revenue and profits will increase again in 2007.

Vienna, 14 March 2007

The Management Board

Rainer Zellner  
Chairman

Richard Ehrenfeldner

Richard Stralz







**CONSOLIDATED FINANCIAL STATEMENTS**



# PROFIT AND LOSS ACCOUNT

in TEUR	Note	2005	2006
<b>SALES</b>	(5.1)	<b>514,997.7</b>	<b>574,071.3</b>
Differences between opening and closing stocks		2,478.1	1,090.2
Own work capitalised		749.2	930.2
<b>OPERATING REVENUES</b>		<b>518,225.0</b>	<b>576,091.7</b>
Other operating income	(5.2)	10,920.3	10,536.7
Cost of materials	(5.3)	-270,104.0	-323,734.4
Personnel expenses	(5.4)	-93,187.6	-96,676.1
Depreciation		-23,007.7	-26,008.7
Other operating expenses	(5.5)	-90,822.6	-89,458.8
<b>OPERATING PROFIT (EBIT)</b>		<b>52,023.4</b>	<b>50,750.4</b>
Income from companies in which the Group has a participating interest		88.7	136.8
Interest result		474.1	-127.0
Other financial results		1,007.9	3,555.3
<b>FINANCIAL RESULTS</b>	(5.6)	<b>1,570.7</b>	<b>3,565.1</b>
<b>PROFIT BEFORE TAX</b>		<b>53,594.1</b>	<b>54,315.5</b>
Tax on income	(5.7)	-9,856.8	-12,850.5
<b>PROFIT AFTER TAX</b>		<b>43,737.3</b>	<b>41,465.0</b>
Minority interests		-7,002.5	-1,441.9
<b>NET PROFIT FOR THE PERIOD</b>		<b>36,734.8</b>	<b>40,023.1</b>
<hr/>			
Earnings per share in EUR (outstanding shares)	(7.1)	1.79	1.95
Earnings per share in EUR (weighted average number of shares)		1.79	1.95
Paid or recommended dividend per share		0.77	0.84

The following notes to the financial statements form an integral part of this Profit and Loss Account.

# CASH FLOW STATEMENT

in TEUR	Note	2005	2006
Profit after tax		43,737.3	41,465.0
Depreciation and amortisations/write ups of fixed assets		23,044.3	23,451.8
Changes in non-current provisions	(4.6)	-6,168.6	1,506.3
Changes in non-cash items resulting from currency translation differences, changes in minority interests and others		7,040.2	2,086.9
<b>GROSS CASH FLOW</b>		<b>67,653.2</b>	<b>68,510.0</b>
Increase/decrease in inventories	(4.2)	-16,301.9	-1,050.0
Increase/decrease in trade receivables	(4.3)	-9,909.2	-6,880.5
Increase/decrease in other receivables and deferred charges	(4.3)	-2,886.7	1,631.5
Increase/decrease in trade payables and prepayments	(4.7)	1,895.1	4,038.4
Increase/decrease in other liabilities, current provisions and deferred charges	(4.7)	492.0	3,046.8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>40,942.5</b>	<b>69,296.2</b>
Proceeds from the sale of assets		7,466.4	14,511.9
Purchase of tangible and intangible fixed assets		-38,755.5	-50,782.5
Investments in financial assets		-27,832.6	-14,204.2
Net flows from changes in marketable securities		-6,677.3	6,646.0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-65,799.0</b>	<b>-43,828.8</b>
Net redemptions of short-term and long-term borrowings	(4.7)	11,871.6	-2,251.0
Dividends		-14,401.1	-15,841.5
Dividends to minority interests		-2,607.8	0.0
Changes in financial liabilities resulting from currency translation differences		-725.1	-290.1
Capital increases		0.0	3,127.0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-5,862.4</b>	<b>-15,255.6</b>
<b>CHANGE OF CASH AND CASH EQUIVALENTS</b>		<b>-30,718.9</b>	<b>10,211.8</b>
Effect of exchange rate fluctuations on cash and cash equivalents		2,433.8	-922.6
Cash and cash equivalents at the beginning of the year		64,859.3	36,574.2
Changes in the consolidation range		0.0	4,031.9
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>36,574.2</b>	<b>49,895.3</b>

Cash and cash equivalents correspond to cash resources.

The following notes to the financial statements form an integral part of this Cash Flow Statement.

# BALANCE SHEET

## Assets

in TEUR	Note	31.12.2005	31.12.2006
Intangible assets	(4.1)	3,830.5	3,029.8
Tangible assets	(4.1)	142,158.3	169,504.2
Financial assets	(4.1)	44,829.2	46,084.2
Non-current trade receivables	(4.3)	19.8	29.6
Other non-current receivables	(4.3)	835.5	809.0
Other deferred charges	(4.3)	629.4	577.7
<b>NON-CURRENT ASSETS</b>		<b>192,302.7</b>	<b>220,034.5</b>
Inventories	(4.2)	83,499.6	84,549.5
Current trade receivables	(4.3)	75,018.3	81,889.0
Other current receivables	(4.3)	11,450.0	9,759.8
Cash and cash equivalents		36,574.2	49,895.3
Marketable securities		6,677.3	31.3
Other deferred charges	(4.3)	1,088.5	1,435.6
Deferred tax	(4.4)	8,306.2	8,096.0
<b>CURRENT ASSETS</b>		<b>222,614.1</b>	<b>235,656.5</b>
<b>ASSETS</b>		<b>414,916.8</b>	<b>455,691.0</b>

## Equity and liabilities

in TEUR			
Issued capital		21,359.0	21,359.0
Share premium		21,503.2	21,503.2
Retained earnings		180,720.9	205,237.2
Currency translation differences		1,335.4	3,918.1
Minority interests		<b>43,736.0</b>	<b>51,070.6</b>
<b>EQUITY</b>	(4.5)	<b>268,654.5</b>	<b>303,088.1</b>
Provisions for pensions and severance payments	(4.6)	45,231.2	44,374.3
Provisions for deferred tax	(4.4)	1,700.9	2,793.5
Other non-current provisions	(4.6)	11,668.3	12,939.0
Non-current liabilities due to banks	(4.7)	8,317.4	6,115.0
Non-current trade payables		2.1	20.6
Other non-current payables		2,218.1	1,164.6
Deferred charges		344.2	292.0
<b>NON-CURRENT PROVISIONS AND LIABILITIES</b>		<b>69,482.2</b>	<b>67,699.0</b>
Provisions for current taxes	(4.6)	146.5	1,221.9
Other current provisions	(4.6)	12,186.4	13,585.7
Current liabilities due to banks	(4.7)	16,830.4	16,781.8
Current trade payables		30,051.0	34,424.9
Prepayments received		592.2	238.1
Other current payables		16,574.9	18,538.1
Deferred charges		398.7	113.4
<b>CURRENT PROVISIONS AND LIABILITIES</b>		<b>76,780.1</b>	<b>84,903.9</b>
<b>EQUITY AND LIABILITIES</b>		<b>414,916.8</b>	<b>455,691.0</b>

The following notes to the financial statements form an integral part of this Balance Sheet.

# CAPITAL AND RESERVES

in TEUR	Issued capital	Share premium	Retained earnings	Revaluation reserve	Treasury shares	Currency translation differences	Minority interests	Total
<b>Balance as of 31.12.2004</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>148,176.6</b>	<b>98.3</b>	<b>-1,349.9</b>	<b>-7,679.3</b>	<b>35,570.8</b>	<b>217,678.7</b>
Net profit			36,734.8	-36.7			7,002.5	43,700.6
Change in treasury shares					1,349.9			1,349.9
Valuation gains/losses for financial assets				62.8				62.8
Transfer of bad will			10,086.2					10,086.2
Dividend payments			-14,401.1				-2,607.8	-17,008.9
Currency translation adjustments						9,014.7	3,770.5	12,785.2
<b>Balance as of 31.12.2005</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>180,596.5</b>	<b>124.4</b>	<b>0.0</b>	<b>1,335.4</b>	<b>43,736.0</b>	<b>268,654.5</b>
Net profit			40,023.1				1,441.9	41,465.0
Valuation gains/losses for financial assets				-179.8				-179.8
Dividend payments			-15,841.5					-15,841.5
Other			514.5					514.5
New minority interest							5,209.0	5,209.0
Currency translation differences						2,582.7	683.7	3,266.4
<b>Balance as of 31.12.2006</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>205,292.6</b>	<b>-55.4</b>	<b>0.0</b>	<b>3,918.1</b>	<b>51,070.6</b>	<b>303,088.1</b>

The following notes to the financial statements form an integral part of this schedule of Capital and Reserves.



# CHANGES IN FIXED AND FINANCIAL ASSETS 2005

## ACQUISITION/CONSTRUCTION COSTS

in TEUR	Balance as of 1.1.2005	Change in consolidation range	Currency translation differences	Additions	Disposals	Transfers	Balance as of 31.12.2005
<b>I. INTANGIBLE ASSETS</b>							
Software licenses, industrial property rights and similar rights	10,413.3	0.0	180.9	194.8	-16.6	156.1	10,928.5
Goodwill	4,934.7	0.0	84.2	0.0	-2,860.9	0.0	2,158.0
Bad will	-12,727.0	0.0	0.0	0.0	12,727.0	0.0	0.0
Prepayments	97.6	0.0	15.0	0.0	0.0	0.0	112.6
	<b>2,718.6</b>	<b>0.0</b>	<b>280.1</b>	<b>194.8</b>	<b>9,849.5</b>	<b>156.1</b>	<b>13,199.1</b>
<b>II. TANGIBLE ASSETS</b>							
Land and buildings, including buildings on land owned by third parties	98,675.9	0.0	3,730.1	1,869.1	-749.1	525.5	104,051.5
Machinery and equipment	214,668.6	0.0	6,340.7	7,141.2	-4,248.0	6,357.5	230,260.0
Fixtures, fittings, tools and equipment	50,495.2	0.0	2,273.4	3,070.1	-2,833.8	2,383.3	55,388.2
Prepayments and assets under construction	5,688.8	0.0	434.8	26,480.2	-29.7	-9,422.4	23,151.7
	<b>369,528.5</b>	<b>0.0</b>	<b>12,779.0</b>	<b>38,560.6</b>	<b>-7,860.6</b>	<b>-156.1</b>	<b>412,851.4</b>
<b>III. FINANCIAL ASSETS</b>							
Investments in subsidiaries	416.3	0.0	0.0	2,088.3	0.0	0.0	2,504.6
Investments in associated companies	191.9	0.0	0.0	0.0	0.0	0.0	191.9
Other investments	294.3	0.0	59.6	0.0	-294.9	0.0	59.0
Securities	20,926.5	0.0	67.5	25,737.8	-6,661.8	0.0	40,070.0
Loans granted	99.4	0.0	-0.6	6.5	-18.8	0.0	86.5
	<b>21,928.4</b>	<b>0.0</b>	<b>126.5</b>	<b>27,832.6</b>	<b>-6,975.5</b>	<b>0.0</b>	<b>42,912.0</b>
	<b>394,175.5</b>	<b>0.0</b>	<b>13,185.6</b>	<b>66,588.0</b>	<b>-4,986.6</b>	<b>0.0</b>	<b>468,962.5</b>

Note: Rounding differences may arise from the automatic processing of data.  
The following notes to the financial statements form an integral part of this schedule.

## DEPRECIATION/WRITE-UPS

## CARRYING AMOUNTS

Balance as of 1.1.2005	Change in consolidation range	Currency translation differences	Depreciation for the year 2005	Disposals	Transfers	Write-ups for the year 2005	Changes not recognised to the profit and loss account in 2005	Balance as of 31.12.2005	Carrying amount as of 31.12.2005	Carrying amount as of 31.12.2004
7,782.5	0.0	131.8	1,358.3	-16.6	0.0	0.0	0.0	9,256.0	1,672.5	2,630.8
2,821.7	0.0	39.2	0.0	-2,860.9	0.0	0.0	0.0	0.0	2,158.0	2,113.0
-2,640.8	0.0	0.0	0.0	2,640.8	0.0	0.0	0.0	0.0	0.0	-10,086.2
97.6	0.0	15.0	0.0	0.0	0.0	0.0	0.0	112.6	0.0	0.0
<b>8,061.0</b>	<b>0.0</b>	<b>186.0</b>	<b>1,358.3</b>	<b>-236.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9,368.6</b>	<b>3,830.5</b>	<b>-5,342.4</b>
49,325.5	0.0	1,376.6	2,798.6	-289.4	41.1	0.0	0.0	53,252.4	50,799.1	49,350.4
157,938.4	0.0	4,099.4	14,186.3	-3,962.4	-5.1	0.5	0.0	172,257.1	58,002.9	56,730.2
41,406.3	0.0	1,892.6	4,664.5	-2,758.4	-36.0	0.0	0.0	45,169.0	10,219.2	9,088.9
19.8	0.0	-3.6	0.0	0.0	0.0	-1.6	0.0	14.6	23,137.1	5,669.0
<b>248,690.0</b>	<b>0.0</b>	<b>7,365.0</b>	<b>21,649.4</b>	<b>-7,010.2</b>	<b>0.0</b>	<b>-1.1</b>	<b>0.0</b>	<b>270,693.1</b>	<b>142,158.3</b>	<b>120,838.5</b>
369.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	369.0	2,135.6	47.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.9	191.9
136.5	0.0	23.8	16.4	-165.0	0.0	0.0	0.0	11.7	47.3	157.8
-2,397.7	0.0	67.4	1,311.9	5.7	0.0	-1,296.3	-62.8	-2,371.8	42,441.8	23,324.2
74.3	0.0	-0.4	5.7	-5.7	0.0	0.0	0.0	73.9	12.6	25.1
<b>-1,817.9</b>	<b>0.0</b>	<b>90.8</b>	<b>1,334.0</b>	<b>-165.0</b>	<b>0.0</b>	<b>-1,296.3</b>	<b>-62.8</b>	<b>-1,917.2</b>	<b>44,829.2</b>	<b>23,746.3</b>
<b>254,933.1</b>	<b>0.0</b>	<b>7,641.8</b>	<b>24,341.7</b>	<b>-7,411.9</b>	<b>0.0</b>	<b>-1,297.4</b>	<b>-62.8</b>	<b>278,144.5</b>	<b>190,818.0</b>	<b>139,242.4</b>

# CHANGES IN FIXED AND FINANCIAL ASSETS 2006

## ACQUISITION/CONSTRUCTION COSTS

in TEUR	Balance as of 1.1.2006	Change in consolidation range	Currency translation differences	Additions	Disposals	Transfers	Balance as of 31.12.2006
<b>I. INTANGIBLE ASSETS</b>							
Software licenses, industrial property rights and similar rights	10,928.5	0.0	34.1	144.3	-596.9	119.7	10,629.7
Goodwill	2,158.0	0.0	-33.3	0.0	0.0	0.0	2,124.7
Prepayments	112.6	0.0	-11.2	122.4	0.0	-119.7	104.1
	<b>13,199.1</b>	<b>0.0</b>	<b>-10.4</b>	<b>266.7</b>	<b>-596.9</b>	<b>0.0</b>	<b>12,858.5</b>
<b>II. TANGIBLE ASSETS</b>							
Land and buildings, including buildings on land owned by third parties	104,051.5	0.0	1,713.5	2,401.3	-1,229.4	7,222.4	114,159.3
Machinery and equipment	230,260.0	0.0	3,031.2	9,061.9	-3,916.6	21,322.5	259,759.0
Fixtures, fittings, tools and equipment	55,388.2	0.0	1,380.1	3,205.0	-3,874.0	8,764.9	64,864.2
Prepayments and assets under construction	23,151.7	195.6	956.0	35,847.6	-2.8	-37,309.8	22,838.3
	<b>412,851.4</b>	<b>195.6</b>	<b>7,080.8</b>	<b>50,515.8</b>	<b>-9,022.8</b>	<b>0.0</b>	<b>461,620.8</b>
<b>III. FINANCIAL ASSETS</b>							
Investments in subsidiaries	2,504.6	-2,088.2	0.0	0.0	-12.5	0.0	403.9
Investments in associated companies	191.9	0.0	0.2	97.4	0.0	0.0	289.5
Other investments	59.0	0.0	6.2	0.0	-53.3	0.0	11.9
Securities	40,070.0	0.0	0.0	14,190.8	-13,550.9	0.0	40,709.9
Loans granted	86.5	0.0	0.1	13.4	-14.8	0.0	85.2
	<b>42,912.0</b>	<b>-2,088.2</b>	<b>6.5</b>	<b>14,301.6</b>	<b>-13,631.5</b>	<b>0.0</b>	<b>41,500.4</b>
	<b>468,962.5</b>	<b>-1,892.6</b>	<b>7,076.9</b>	<b>65,084.1</b>	<b>-23,251.2</b>	<b>0.0</b>	<b>515,979.7</b>

Note: Rounding differences may arise from the automatic processing of data.  
The following notes to the financial statements form an integral part of this schedule.

## DEPRECIATION/WRITE-UPS

## CARRYING AMOUNTS

Balance as of 1.1.2006	Currency translation differences	Depreciation for the year 2006	Disposals	Write-ups for the year 2006	Changes not recognised to the profit and loss account	Balance as of 31.12.2006	Carrying amount as of 31.12.2006	Carrying amount as of 31.12.2005
9,256.0	31.5	1,036.7	-596.9	0.0	0.0	9,727.3	902.4	1,672.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,124.7	2,158.0
112.6	-11.2	0.0	0.0	0.0	0.0	101.4	2.7	0.0
<b>9,368.6</b>	<b>20.3</b>	<b>1,036.7</b>	<b>-596.9</b>	<b>0.0</b>	<b>0.0</b>	<b>9,828.7</b>	<b>3,029.8</b>	<b>3,830.5</b>
53,252.4	869.9	3,534.2	-390.0	0.0	0.0	57,266.5	56,892.8	50,799.1
172,257.1	2,308.2	16,335.2	-3,738.9	0.0	0.0	187,161.6	72,597.4	58,002.9
45,169.0	1,200.9	5,040.4	-3,796.7	0.0	0.0	47,613.6	17,250.6	10,219.2
14.6	-1.9	62.2	0.0	0.0	0.0	74.9	22,763.4	23,137.1
<b>270,693.1</b>	<b>4,377.1</b>	<b>24,972.0</b>	<b>-7,925.6</b>	<b>0.0</b>	<b>0.0</b>	<b>292,116.6</b>	<b>169,504.2</b>	<b>142,158.3</b>
369.0	0.0	0.0	0.0	0.0	0.0	369.0	34.9	2,135.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	289.5	191.9
11.7	6.6	9.0	-7.8	-7.6	0.0	11.9	0.0	47.3
-2,371.8	0.0	269.0	-374.6	-2,739.0	179.8	-5,036.6	45,746.5	42,441.8
73.9	0.1	9.2	-11.3	0.0	0.0	71.9	13.3	12.6
<b>-1,917.2</b>	<b>6.7</b>	<b>287.2</b>	<b>-393.7</b>	<b>-2,746.6</b>	<b>179.8</b>	<b>-4,583.8</b>	<b>46,084.2</b>	<b>44,829.2</b>
<b>278,144.5</b>	<b>4,404.1</b>	<b>26,295.9</b>	<b>-8,916.2</b>	<b>-2,746.6</b>	<b>179.8</b>	<b>297,361.5</b>	<b>218,618.2</b>	<b>190,818.0</b>



# SEGMENT REPORTING

## STRATEGIC AREAS (PRIMARY SEGMENTS)

in TEUR	Sempermed	Semperflex	Semperform	Sempertrans	Other and consolidation	Group
<b>2006</b>						
Sales <sup>1)</sup>	209,864.4	145,749.0	108,575.3	109,197.8	684.8	574,071.3
Profit before tax	9,333.3	16,607.2	16,524.0	8,914.0	2,937.0	54,315.5
Financial results	-892.9	-201.9	173.1	296.0	4,190.8	3,565.1
Depreciation	-8,338.8	-9,868.5	-5,227.2	-2,540.0	-34.2	-26,008.7
Assets	131,876.3	130,273.2	62,514.7	83,265.3	47,761.5	455,691.0
there of financial assets	9,473.6	10,669.1	13,853.2	15,397.1	187.6	49,580.6
Liabilities	43,385.5	34,408.7	25,441.0	23,019.5	26,348.2	152,602.9
there of liabilities due to banks	14,966.6	6,530.0	1,357.3	42.9	0.0	22,896.8
Investments	17,082.8	23,300.6	9,221.8	1,403.9	14,075.0	65,084.1
Employees	3,839	1,344	760	726	20	6,689
<b>2005</b>						
Sales <sup>1)</sup>	186,431.6	139,128.7	94,931.5	94,491.5	14.4	514,997.7
Profit before tax	16,163.4	18,549.9	11,851.7	4,803.0	2,226.1	53,594.1
Financial results	-233.3	-28.4	95.8	170.4	1,566.2	1,570.7
Depreciation	-7,007.0	-8,705.4	-5,286.6	-2,154.3	145.7	-23,007.7
Assets	124,645.2	107,310.6	53,181.2	76,618.7	53,161.1	414,916.8
there of financial assets	9,904.9	6,772.9	10,215.2	9,587.0	59.9	36,539.9
Liabilities	44,003.0	33,732.9	22,974.2	18,277.1	27,275.1	146,262.3
there of liabilities due to banks	16,057.3	7,091.6	1,939.8	58.8	0.3	25,147.8
Investments	16,119.9	12,507.9	5,465.6	4,809.0	27,685.6	66,588.0
Employees	3,433	1,275	748	702	27	6,185

According to the „management approach“ upon which IAS 14 is based, the company segments are to be defined in compliance with the internal reporting structures in primary segment reports. In regional segment reporting, sales are segmented according to the area of delivery. Assets and investments are classified by company headquarters.

Information on business developments in the individual divisions is included in the Financial Report. The allocation of assets, liabilities, financial result and sales has already been adjusted for consolidation at the business division level.

## REGIONS (SECONDARY SEGMENTS)

in TEUR	2005			2006		
	Assets <sup>3)</sup>	Investments	Sales <sup>1)</sup>	Assets <sup>3)</sup>	Investments	Sales <sup>1)</sup>
Austria	141,469.5	35,186.5	32,369.6	152,519.3	21,171.1	33,903.5
EU excluding Austria <sup>2)</sup>	146,305.7	13,424.6	272,407.8	154,878.7	10,109.5	312,802.6
Total EU	287,775.2	48,611.1	304,777.4	307,398.0	31,280.6	346,706.1
Rest of Europe	0.0	0.0	43,886.4	0.0	0.0	44,638.1
Total Europe	287,775.2	48,611.1	348,663.8	307,398.0	31,280.6	391,344.2
The Americas	40,536.7	91.3	117,456.4	30,160.5	68.4	123,721.9
Asia and the rest of the world	90,661.2	17,885.6	48,877.5	120,839.7	33,735.1	59,005.2
Consolidation	-4,056.3	0.0	0.0	-2,707.2	0.0	0.0
<b>Group</b>	<b>414,916.8</b>	<b>66,588.0</b>	<b>514,997.7</b>	<b>455,691.0</b>	<b>65,084.1</b>	<b>574,071.3</b>

<sup>1)</sup> After elimination of inter-company sales

<sup>2)</sup> Hungary, the Czech Republic and Poland included in EU from annual report 2005

<sup>3)</sup> Consolidation entries are assigned to the regions wherever possible

# NOTES TO THE FINANCIAL STATEMENTS

## I. General Information

### 1.1. General Principles

#### International Financial Reporting Standards (IFRS)

These financial statements as at 31 December 2006 were prepared in keeping with the principles set forth by the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In view of § 245 a UGB (Austrian Enterprise Code, Austrian Commercial Code [HGB] until 31 December 2006) in connection with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council from 19 July 2002, all listed companies are required to prepare their financial statements in accordance with IFRS for all fiscal years starting after 31 December 2004.

The consolidated financial statements are presented in thousands of euros (TEUR).

The following standards were published before the preparation of the annual financial statements for 31 December 2006:

IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

As the regulations specified above are not binding for fiscal years beginning before 1 January 2007 in accordance with the provisions of the standards and we did not opt for voluntary application for fiscal year 2006, these regulations will not be applied until next year. We do not expect these new regulations to have a significant effect on the Semperit Group.

The following interpretations were recently issued by the IFRIC:

IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions (IFRS 2)
IFRIC 12	Service Concession Arrangements

These interpretations are not relevant for the Semperit Group at this time.

### 1.2. Major Differences Between Austrian and IFRS Accounting Rules

#### Major Differences

Austrian accounting principles and International Financial Reporting Standards are based on fundamentally different principles. The Austrian accounting principles set out in the Commercial Code (UGB) emphasise the principle of prudence and protection of creditors. The primary objective of accounting according to the principles of IFRS is to provide information upon which investors and shareholders may base their decisions; for that reason, greater importance is attached to the comparability of annual financial statements prepared in accordance with IFRS than is the case with those based upon the Austrian Enterprise Code. Those specific differences that are of particular importance for these consolidated financial statements are set out below:

### Financial Assets

According to Austrian reporting principles, financial assets must be reported at the cost of acquisition or market value, whichever is lower. According to IAS 39, financial assets of the Semperit Group must be reported at their market value. Gains and losses from the valuation of securities that are classified as „available for sale“ are not reported in the profit and loss account, but directly in equity until the asset is written off. At this point, the cumulated gain or loss that was reported in equity must be reported in the result for the period.

### Deferred Tax

The Austrian Enterprise Code requires the creation of deferred tax provisions for temporary differences if a tax liability is expected to arise when these differences are reversed. IFRS requires the creation of deferred taxes on all temporary differences that arise between financial statements prepared for tax purposes and IFRS financial statements using the currently applicable tax rate. Under IFRS, deferred tax assets must also be recorded for tax loss carry-forwards that are expected to be offset against taxable profits in the future.

### Other Provisions

With respect to provisions, IFRS interprets the principle of prudence differently from the Austrian Enterprise Code. IFRS generally place stricter requirements on the probability of relevant events occurring and estimating the amount of the provision.

### Provisions for Personnel Accruals

Under IFRS, provisions for employees are calculated using the projected unit credit method with a capital market interest rate of 4.0% and taking into account the expected salary increases and contractual inflation adjustments.

### Foreign Exchange Valuation

The two accounting systems require different treatments for unrealised profits arising from the valuation of foreign exchange items as at the balance sheet date. According to Austrian law, unrealised losses must be accounted in compliance with the imparity principle, while IFRS also require the recognition of unrealised profits.

## 1.3. General Information on the Consolidated Financial Statements

Semperit Aktiengesellschaft Holding is an internationally manufacturing company with its headquarters in Vienna, Austria. Its business activities are divided into four strategic business divisions:

Sempermed (medical gloves, industrial gloves),  
Semperflex (hydraulic and industrial hoses, elastomer sheeting),  
Semperform (escalator handrails, elastomer profiles, moulded articles),  
Sempertrans (conveyor belts).

To enhance the clarity of the presentation, individual items of the balance sheet and income statement have been reported together. The notes to the financial statements provide a detailed presentation. Rounding differences in the totalling of rounded amounts and percents may arise from the automatic processing of data.

The financial statements of all major or fully consolidated companies in Austria and abroad that are subject to statutory audits were audited by independent auditors and were awarded unqualified opinions. The statutory transition of commercial balance sheets to individual IFRS financial statements was also certified by local auditors.

#### **1.4. Consolidation Principles and Methods**

The financial statements of the individual companies included in Austria and abroad were drawn up as at the balance sheet date 31 December 2006.

Items 3.1. and 3.2. of the notes to the financial statements provide an overview of the fully consolidated companies. Semperflex Shanghai Ltd., which was founded by the Semperit Group, subject to first time consolidation in the Semperit Group.

Capital consolidation involves offsetting the acquisition costs of the participatory shares against the book value of the subsidiaries' shareholder's equity.

Asset-side balancing items originating from first-time consolidation are reported as goodwill on the asset side of the balance sheet in accordance with IFRS 3, liability-side balancing items from first-time consolidation resulting from a lower acquisition price are recognised immediately in the income statement.

Companies in which the Semperit Group holds a 50% stake are fully consolidated if the Group has a dominant influence.

The same capital consolidation principles as for full consolidation apply to the associated companies included according to the equity method. A valuation in line with uniform Group methods was not carried out on these companies because of immateriality.

In the course of debt consolidation, receivables and liabilities between companies included in full in the consolidated accounts are fully netted off. Inter-company profits from intra-Group deliveries are eliminated by means of a surcharge method if they are of significance.

In the course of expenses and income elimination, all inter-company income and expenses that arise from the sale of goods or services between Group companies are eliminated.

Subsidiaries outside the euro zone are regarded as financially independent companies. In compliance with the functional currency concept, the assets and liabilities reported in the individual annual financial statements of these companies, including goodwill and value adjustments resulting from first-time consolidation, are translated at mean exchange rates at the balance sheet date. The items of the profit and loss account are translated using the average exchange rates of the fiscal year. Resulting foreign currency gains and losses are reported in equity under the item currency translation differences.



## II. Accounting and Valuation Methods

### 2.1. Date of Sales and Profit Realisation

Sales and income are generally considered realised upon transfer of risk (at transfer date of risks and utilisation) or provision of service. Interest income is realised pro rata temporis taking into account the effective rate; licences and rental revenues are treated in the same way.

### 2.2. Tangible and Intangible Fixed Assets

Intangible assets are valued at their cost of acquisition less scheduled straight-line amortisation. A period of 4 to 10 years is applied as a basis for their useful life.

Tangible fixed assets are valued at their cost of acquisition or construction less scheduled depreciation. Costs of construction in the case of assets produced by the company itself included pro rated overhead costs in addition to the direct costs. Scheduled depreciation by the straight-line method is calculated on the basis of the useful lives specified in the following table:

	Useful life in years
Buildings	25 – 50
Outdoor plant	10
Technical equipment, plant and machinery	5 – 10
Office furniture	5 – 10
Office equipment	5 – 10
IT hardware	3 – 5
Storage and workshop equipment	5 – 10
Vehicles	4 – 5

Depreciation is calculated from the date the asset is put into initial operation.

In accordance with IAS 36 (Impairment of Assets), assets are checked on the balance sheet date for evidence of a loss in value. If there is such evidence, the present value or the higher net disposal income for the asset in question is entered. If this value lies below the book value for this asset, an unscheduled depreciation is made on this value. For doing this, the individual Semperit Group sites are defined as cash-generating units.

Regular impairment tests are completed in accordance with IAS 36 and IFRS 3 to ensure that goodwill is carried at no more than its recoverable amount. For this, the discounted cash flows expected to be generated by the respective cash-generating unit, in other words the individual subsidiary to which the goodwill can be allocated, are compared with the carried goodwill amount. Taking the results for the current year, the expected discounted cash flows are estimated on the basis of multi-period calculations using projections of the future development of business. The expected business development for each cash-generating unit is ascertained on the basis of the market-specific conditions of the subsidiary's operating market, as well as on the basis of the individual cost structure and the development of the relevant raw materials prices. The discount rate is determined using the weighted average cost of capital (WACC) on the basis of the expected target capital structure and the associated capital costs, taking into account an adequate risk premium.

### **2.3. Investments in Associated Companies**

Investments in associates are reported using the equity method, according to which the proportionate net profit or loss of the subsidiary is recognised in the profit and loss account and by increasing or decreasing the investment's carrying value by this amount.

### **2.4. Financial Assets**

Financial assets are not held for trading purposes. Securities are either classified as available for sale or as held for portfolio management purposes (at fair value through profit and loss) in accordance with IAS 39. They are valued at historic cost at the time of acquisition, in later periods at their current market value. The associated gains and losses are reported in the profit and loss account for investments managed on a performance-oriented basis. Gains and losses for securities that are not managed on a performance-oriented basis are reported directly in equity. The market values of the securities are calculated on the stock exchange price at the balance sheet date.

### **2.5. Emission Certificates**

In accordance with the Emission Certificate Act, emission certificates were allocated to Semperit Technische Produkte GmbH and Semperflex Optimit S.R.O. at no charge in fiscal year 2006. The certificates are not reported in the balance sheet (net method). The companies were allocated 29,501 certificates at no charge for fiscal year 2006. The companies used 23,380 certificates in fiscal year 2006 and did not purchase or sell further certificates. The unused 9,350 certificates for fiscal year 2005 and 2006 had a market value of TEUR 52.4 as of 31 December 2006.

### **2.6. Inventories**

Stocks are valued at their cost of acquisition or manufacture taking into account the strict lower of cost or market value. Adequate write-downs are taken into consideration for stock risks resulting from duration of storage or impaired usability. The valuation is generally based on the moving average method.

Manufacturing includes direct expenses as well as all variable and fixed overheads incurred by production. The costs of borrowed capital are reported as expenses for the period in which they are incurred.

### **2.7. Receivables and Other Assets**

Receivables and other assets are valued at their face value insofar as no lower value needs to be set to cover discernible risks. Receivables expressed in foreign currencies are valued at the mean exchange rates of the balance sheet date.

### **2.8. Tax Accrual and Deferral**

In agreement with IAS 12, the provision for deferred taxes includes all temporary valuation and accounting differences arising between financial statements prepared for tax purposes and IFRS financial statements. The expected tax rates applicable upon reversal of differences are applied for the provision for deferred tax – based on the local tax rate of the relevant subsidiary.

## 2.9. Provisions

Severance payment provisions are created for legal and contractual claims and correspond to actuarially calculated provision requirements based on a standard national rate of interest of 4.0% and an adequate staff turnover deduction in compliance with IAS 19. Salaries are expected to increase by 3.4% p.a. Actuarial gains and losses are reported in the profit and loss account for the period in which they are incurred.

Provisions for current pensions and anticipated pensions are created along actuarial lines according to the projected unit credit method. Calculations are based on an interest rate of 4.0%. Anticipated salary increases of 3.4% p.a. are taken into account for the valuation of pension commitments. Pension obligations are based on written individual contracts with board members and senior personnel as well as on the statutory pension rules and regulations. Contractual inflation adjustments are taken into account. Actuarial gains and losses are reported in the profit and loss account for the period in which they are incurred.

Company pension obligations for the Chairman of the Management Board take the form of a direct contractual pension payment commitment entered into upon appointment as Chairman. The company charter stipulates reinsurance on the basis of the defined contribution model for the other members of the Management Board. Upon leaving the Management Board, existing board members are awarded severance pay in accordance with the Austrian Employee Act.

Provisions for liabilities similar to severance payments are created for jubilee bonuses. Provisions are calculated according to actuarial principles in accordance with IAS 19 using a standard national rate of interest of 4.0% and an adequate staff turnover deduction. Other provisions are created in the amount of the presumable claim according to the principle of prudence. They take into account all discernible risks and future liabilities of as yet uncertain amount and are valued at the most likely amount after careful investigation of the facts.

## 2.10. Liabilities

Liabilities are recorded at their repayment value. Liabilities expressed in foreign currency are valued at the mean exchange rates of the balance sheet date.

## 2.11. Other

Earnings per share are based on Group profit after minority interest, divided by the number of outstanding shares (less treasury stocks).

If required, estimations are made for the Consolidated Annual Financial Statements that influence the assets and liabilities reported in the balance sheet, the posting of other obligations on the balance sheet date and the reporting of earnings and expenditures during the period under review. The actual amounts may diverge from these estimations.

## III. Consolidation Range

### 3.1. Group Companies (Fully Consolidated)

Domestic	Currency	Authorised share capital in thousands	Investment in %
Semperit AG Holding. Vienna	EUR	21,359.0	-
Semperit Technische Produkte GmbH. Vienna	EUR	10,900.9	100
Arcit HandelsgmbH. Vienna	EUR	36.3	100
<b>Foreign</b>			
Semperflex A,H, S,R,O,. Odry. Czech Republic	CZK	100.0	100
Semperflex Optimit S,R,O,. Odry. Czech Republic	CZK	470,318.0	100
Mangueras Técnicas Roiter S,A,. Barcelona. Spain	EUR	156.0	100
Semperflex Roiter S,r,l,. Rovigo. Italy	EUR	750.0	100
Semperflex Rivalit GmbH. Waldböckelheim. Germany	EUR	1,281.3	100
Sempermed Kft,. Sopron. Hungary	EUR	3,680.0	100
Semperit (France) S,A,R,L,. Argenteuil. France	EUR	495.0	100
Semperit Gummiwerk Deggendorf GmbH. Deggendorf. Germany	EUR	2,050.0	100
Semperit Technische Produkte GmbH. Gevelsberg. Germany	EUR	511.3	100
Sempertrans France Belting Technology S,A,S,. Argenteuil. France	EUR	3,165.0	100
Sempertrans Maintenance France Méditerranée E,U,R,L,. Port de Bouc. France	EUR	165.0	100
Sempertrans Maintenance France Nord E,U,R,L,. Argenteuil. France	EUR	176.0	100
Shanghai Semperit Rubber & Plastic Products Co Ltd,. Shanghai. China	EUR	2,471.0	90
Semperit Conveyor Services Ltd,. Walsall. United Kingdom	GBP	100.0	100
Semperit Industrial Products Ltd,. Daventry. United Kingdom	GBP	750.0	100
Semperform Kft,. Sopron. Hungary	HUF	243,000.0	100
Sempermed Magyarország Kft,. Budapest. Hungary	HUF	3,000.0	100
Sempertrans Nirlon Ltd,. Maharashtra. Roha. India	INR	230,769.0	74
„DOM“ Sp,z,o,o,. Belchatow. Poland	PLN	2,610.0	100
Fabryka Lin „Stolin“ Sp,z,o,o,. Belchatow. Poland	PLN	800.0	100
Sempertrans Belchatow S,A,. Belchatow. Poland	PLN	7,300.5	100
Semperit Tekniska Produkter AB. Skärholmen. Sweden	SEK	800.0	100
Semperit Industrial Products Singapore Private Ltd,. Singapore	SGD	190.8	100
Semperflex Asia Corp, Ltd,. Hatyai. Thailand	THB	380,000.0	50
Semperform Pacific Corp, Ltd,. Hatyai. Thailand	THB	60,000.0	50
Siam Sempermed Corp, Ltd,. Hatyai. Thailand	THB	200,000.0	50
Semperit Industrial Products Inc,. Fair Lawn. New Jersey. USA	USD	1.0	100
Sempermed USA Inc,. Clearwater. Florida. USA	USD	4,000.0	50
Shanghai Foremost Plastic Industrial Co Ltd,. Shanghai. China	USD	6,000.0	50
Semperflex Shanghai Ltd,. Shanghai. China	USD	15,000.0	50



### 3.2. Associated Companies (Equity Method)

Foreign	Currency	Authorised share in thousand	Investment in %
Isotron Deutschland GmbH, Allershausen, Germany	EUR	511.6	37.5

The net book value of Isotron Deutschland GmbH at 31 December 2006 was TEUR 289.5 (2005: TEUR 191.9). Associated companies are included at equity in the consolidated accounts if the Semperit Group holds between 20% and 50% of the shares and these companies are material for an accurate representation of the asset, financial and earnings situation.

Isotron Deutschland has a different balance sheet date, namely 30 June. The company is included in the consolidated financial statements according the equity method as follows (100%):

ASSETS AND LIABILITIES in TEUR	30.06.2005	30.06.2006
Non-current assets	3,326.2	4,529.5
Current assets	338.9	375.3
	3,665.1	4,904.8
Equity	748.2	771.2
Non-current provisions	286.5	283.7
Non-current liabilities	1,500.0	1,500.0
Current provisions	193.6	233.7
Current liabilities	936.8	2,116.2
	3,665.1	4,904.8
	2004/05	2005/06
Sales	2,270.5	2,517.7
Profit after tax	236.6	259.6

### 3.3. Group Companies Excluded from the Consolidated Financial Statements

Foreign	Currency	Authorised share capital in thousands	Investment in %
Wohlfahrtseinrichtung für die Arbeiter und Angestellten der Semperit GmbH, Vienna	EUR	36.3	100

SPT Kaučuk Kft, Budapest, Hungary was liquidated in fiscal year 2006.

The consolidated financial statements of the Semperit Group include subsidiaries in Austria and abroad in which Semperit AG Holding directly or indirectly holds the majority of the voting rights. Group companies with an immaterial impact on the Group's asset, financial, and earnings situation are not included in the consolidated accounts. Companies in which the Semperit Group holds a 50% stake are fully consolidated if the Group has a dominant influence.

### 3.4. Changes in the Consolidation Range

Semperflex Shanghai Ltd. was consolidated for the first time in fiscal year 2006. The table below details the effect of this first-time consolidation on the consolidated balance sheet for 31 December 2006.

ASSETS	in TEUR	LIABILITIES	in TEUR
Non-current assets	10,351.8	Equity	9,756.0
Current assets	1,605.3	Current liabilities	2,201.1
	11,957.1		11,957.1
		Profit after tax	-366.5

## IV. Notes to the Balance Sheet

### 4.1. Fixed and Financial Assets

The composition of fixed assets is shown under Changes in Fixed and Financial Assets.

Land with buildings includes real estate assets totalling TEUR 7,065.6 (2005: TEUR 6,600.2).

The following obligations apply as a result of non-terminable tenancies or leases resulting from the use of assets not reported in the balance sheet:

in TEUR	2005	2006
in the following year	742.0	693.4
in the following five years	1,708.9	1,371.0
over five years	589.2	496.2

### 4.2. Inventories

The balance sheet item Inventories is comprised as follows:

in TEUR	2005	2006
Raw materials and supplies	27,713.7	31,059.2
Work in progress	8,129.9	9,215.7
Finished goods	47,370.9	44,113.8
Services not yet ready for invoicing	236.3	137.1
Down payments made	48.8	23.7
	<b>83,499.6</b>	<b>84,549.5</b>

### 4.3. Accounts Receivable and Other Assets

The necessary valuation adjustments are made to all receivables. Receivables from related companies not included in the consolidated accounts amounting to TEUR 3.5 (2005: 2.4) and from associated companies amounting to TEUR 562.5 (2005: TEUR 562.5) result from loans and the provision of goods and services. Receivables in the amount of TEUR 5,934.3 (2005: TEUR 5,814.1) are secured by bills of exchange.

in TEUR	2005			2006		
	Total	Of which less than 1 year to run	Of which more than 1 year to run	Total	Of which less than 1 year to run	Of which more than 1 year to run
Trade receivables	75,035.7	75,015.9	19.8	81,915.1	81,885.5	29.6
Accounts due from associated companies (not consolidated)	2.4	2.4	0.0	3.5	3.5	0.0
Accounts due from associated companies (equity method)	562.5	0.0	562.5	562.5	0.0	562.5
Other receivables and assets	11,723.0	11,450.0	273.0	10,006.3	9,759.8	246.5
Deferred charges	1,717.9	1,088.5	629.4	2,013.3	1,435.6	577.7
	<b>89,041.5</b>	<b>87,556.8</b>	<b>1,484.7</b>	<b>94,500.7</b>	<b>93,084.4</b>	<b>1,416.3</b>

#### 4.4. Deferred Taxes

Tax deferrals are calculated using the balance sheet liability method for all temporary differences between the valuations of the balance sheet items in the IFRS Group financial statements and the tax values at the individual companies. Furthermore, the tax advantage that can probably be realised from existing loss carry-forwards is included in the calculation. Exceptions to this comprehensive tax deferral are non-tax-deductible goodwill and temporary differences relating to equity interests. Prepaid taxes are not reported if it is unlikely that the tax advantage they include can be realised. Prepaid taxes for fiscal year 2006 were calculated using the tax rate of 25% applicable in Austria.

in TEUR	2005		2006	
	Assets	Equity and liabil.	Assets	Equity and liabil.
Intangible assets	31.8	0.0	10.6	-0.9
Property, plant and equipment	702.8	-1,737.1	638.0	-2,155.2
Financial assets	233.8	-649.8	16.7	-1,130.5
Inventories	1,646.4	-10.1	1,413.7	-20.6
Receivables	641.3	-226.6	643.3	-5.1
Other assets	10.5	-0.2	12.2	-24.7
Untaxed reserves	0.0	-241.8	0.0	-253.1
Provisions for personnel	5,678.6	0.0	5,285.4	0.0
Other provisions	2,147.5	-97.4	2,214.4	-585.4
Trade liabilities	330.7	0.0	134.9	-4.7
Other liabilities	215.5	2.6	398.5	0.0
Tax loss carry forwards	281.5	0.7	324.7	0.0
Total deferred tax assets / liabilities	11,920.4	-2,959.7	11,092.4	-4,180.2
Valuation allowance for tax assets	-2,355.4	0.0	-1,609.7	0.0
Offset of deferred tax assets and liabilities	-1,258.8	1,258.8	-1,386.7	1,386.7
<b>Net deferred tax assets and liabilities</b>	<b>8,306.2</b>		<b>8,096.0</b>	
<b>Deferred tax liabilities</b>		<b>-1,700.9</b>		<b>-2,793.5</b>

## 4.5. Equity

The development of the shareholders' equity is presented in detail in the consolidated financial statements.

The share capital of Semperit AG Holding amounts to EUR 21,358,996.53 and is divided into 20,573,434 shares. Each share represents an equal interest in the equity capital.

The participation of the minority shareholders in Semperflex Shanghai Ltd. as of 31 December 2005 and in the 2006 capital increase is reported under „Addition of minority interest“ in Capital and Reserves.

## 4.6. Provisions

Provisions for pensions primarily take into account pension commitments resulting from individual contracts and the pension rules and regulations of the Austrian companies. These were adopted in 1997 and define the obligation of granting company pensions to active employees who began employment before 1 January 1991 upon fulfilment of the remaining requirements (vesting period, maximum employment age). The entitlements stemming from the pension regulations were paid in 2006 with few exceptions.

Depending on their seniority, Austrian employees are entitled to a statutory lump-sum payment upon retirement or dismissal by the employer. Provisions were formed for these future obligations.

The other provisions are made up as follows:

in TEUR	1.1.2006	Currency translation differences	Release	Use	Addition	31.12.2006
Severance payments	22,066.5	2.3	0.0	-735.1	687.5	22,021.2
Pensions	23,164.7	25.6	0.0	-837.2	0.0	22,353.1
Deferred tax	1,700.9	59.3	0.0	-110.5	1,143.8	2,793.5
Current tax	146.5	12.3	0.0	-193.3	1,256.4	1,221.9
Other	23,854.7	47.1	-1,693.7	-10,221.8	14,538.4	26,524.7
	<b>70,933.3</b>	<b>146.6</b>	<b>-1,693.7</b>	<b>-12,097.9</b>	<b>17,626.1</b>	<b>74,914.4</b>

The other provisions are made up as follows:

in TEUR	1.1.2006	Currency translation differences	Release	Use	Addition	31.12.2006
Stake risks/ restructuring	5,641.6	0.0	-407.0	0.0	0.0	5,234.6
Jubilee bonuses	3,658.2	-6.1	0.0	-23.6	134.4	3,762.9
Unused vacations	2,820.9	4.4	0.0	-2,006.8	2,685.2	3,503.7
Warranties	2,059.7	9.6	-327.1	-461.0	1,364.2	2,645.4
Bonuses	1,036.8	-19.5	0.0	-982.5	1,266.1	1,300.9
Other	8,637.5	58.7	-959.6	-6,747.9	9,088.5	10,077.2
	<b>23,854.7</b>	<b>47.1</b>	<b>-1,693.7</b>	<b>-10,221.8</b>	<b>14,538.4</b>	<b>26,524.7</b>

The other miscellaneous provisions mainly consist of provisions for litigation, miscellaneous provisions for personnel and commission payments.

#### 4.7. Liabilities and Deferred Charges

The residual maturity of liabilities to banks are as follows:

in TEUR		EUR	USD	THB	Book value	Of which Collateralised
Up to one year	thereof with fixed interest	1,631.9	0.0	0.0	1,631.9	1,425.0
	thereof with variable interest	372.4	0.0	14,777.5	15,149.9	356.3
Between one year and two years	thereof with fixed interest	1,425.0	0.0	0.0	1,425.0	1,425.0
	thereof with variable interest	178.1	0.0	0.0	178.1	178.1
Between two years and three years	thereof with fixed interest	712.5	3,799.4	0.0	4,511.9	712.5
	thereof with variable interest	0.0	0.0	0.0	0.0	0.0
Between three years and four years	thereof with fixed interest	0.0	0.0	0.0	0.0	0.0
	thereof with variable interest	0.0	0.0	0.0	0.0	0.0
Between four years and five years	thereof with fixed interest	0.0	0.0	0.0	0.0	0.0
	thereof with variable interest	0.0	0.0	0.0	0.0	0.0
Longer than five years	thereof with fixed interest	0.0	0.0	0.0	0.0	0.0
	thereof with variable interest	0.0	0.0	0.0	0.0	0.0
		<b>4,319.9</b>	<b>3,799.4</b>	<b>14,777.5</b>	<b>22,896.8</b>	<b>4,096.9</b>

Because fair market interest rates are applied, it can be assumed that the book values of the liabilities to banks correspond to their fair values.

Collateral primarily involves pledged securities.

The current trade accounts payable include TEUR 2.4 (2005: TEUR 24.8) payable to affiliated companies. The other liabilities include TEUR 54.6 (2005: TEUR 47.5) payable to associated companies.

#### 4.8. Contingent Liabilities

The contingent liabilities pertain to the following items which need not be carried as liabilities on the balance sheet:

in TEUR	2005	2006
Guarantee/security	306.8	444.8
Other	178.6	0.0
	<b>485.4</b>	<b>444.8</b>



## V. Notes to the Profit and Loss Account

### 5.1. Sales

Detailed information on the sales revenues of the various divisions and regions is provided in the segment reporting.

### 5.2. Other Operating Income

in TEUR	2005	2006
Exchange rate gains	4,997.9	3,897.0
Rental revenues	843.5	926.5
Reversal of value adjustments	637.4	214.1
Other operating income	4,441.5	5,499.1
	<b>10,920.3</b>	<b>10,536.7</b>

The other operating income entry includes various reimbursements (energy and other charges).

### 5.3. Cost of Materials

in TEUR	2005	2006
Cost of materials	244,629.3	291,889.4
Third party services	25,474.7	31,845.0
	<b>270,104.0</b>	<b>323,734.4</b>

### 5.4. Personnel Expenses

Personnel expenses include the following items:

in TEUR	2005	2006
Wages	40,467.6	42,338.2
Salaries	29,675.6	31,807.2
Severance payments	2,813.3	1,647.6
Pensions	127.3	1,203.1
Statutory social security contributions and other compulsory wage-related payments	19,102.2	18,371.4
Other social security contributions	1,001.6	1,308.6
	<b>93,187.6</b>	<b>96,676.1</b>

Pension expenditures include the following items:

in TEUR	2005	2006
<b>PENSIONS:</b>		
Present value of the obligations (DBO) as at 1 January	31,092.5	23,164.7
Service cost	424.4	280.6
Interest cost	1,363.5	876.1
Actuarial gains/losses	-1,660.6	46.4
Total pension expenses	127.3	1,203.1
Payments	-8,055.1	-2,014.7
<b>Present value of the obligations (DBO) as at 31 December</b>	<b>23,164.7</b>	<b>22,353.1</b>
<b>SEVERANCE PAYMENTS:</b>		
Present value of the obligations (DBO) as at 1 January	20,878.5	22,066.5
Service cost	1,277.0	814.2
Interest cost	943.7	914.5
Actuarial gains/losses	592.6	-81.1
Total severance expenses	2,813.3	1,647.6
Payments	-1,625.3	-1,692.9
<b>Present value of the obligations (DBO) as at 31 December</b>	<b>22,066.5</b>	<b>22,021.2</b>
<b>JUBILEE BONUSSES:</b>		
Present value of the obligations (DBO) as at 1 January	3,591.3	3,658.2
Service cost	212.1	177.0
Interest cost	143.3	131.4
Actuarial gains/losses	-41.5	-71.2
Total jubilee bonus expenses	313.9	237.2
Payments	-247.0	-132.5
<b>Present value of the obligations (DBO) as at 31 December</b>	<b>3,658.2</b>	<b>3,762.9</b>

Actuarial gains and losses are recognised in the year in which they are incurred. Changes to provisions are reported under item 4.6.

The average number of employees in the Semperit Group can be broken down as follows:

	2005	2006
Blue collar employees	4,890	5,345
White collar employees	1,295	1,344
	<b>6,185</b>	<b>6,689</b>

The average number of staff employed in Austria totalled 851, essentially the same as in 2005 (852).

The Management Board's remuneration amounted to TEUR 2,128.2, which included TEUR 1,200.0 in variable shares, in fiscal year 2006. The number of variable shares awarded is determined on the basis of the net profit for the year and the dividend paid to the shareholders. Former members of the Management Board and their surviving dependents received TEUR 450.1 in 2006. Severance and pension expenses for members of the Management Board and executive employees amounted to TEUR 1,404.7, and for other employees to TEUR 1,446.0 in 2006.

## 5.5. Other Operating Expenses

Other operating expenses include the following items:

in TEUR	2005	2006
Outgoing freight	27,919.6	25,080.8
Maintenance and third-party services	22,223.8	21,134.5
Commission and advertising costs	6,931.7	7,252.0
Exchange rate losses	6,341.3	8,382.5
Travel expenses	4,204.0	4,407.8
Insurance premiums	3,400.0	2,672.0
Cost of rent and leases	2,481.6	2,727.6
Other taxes	1,565.0	1,733.7
Guarantees	1,540.1	1,831.4
Auditing and consultancy fees	1,409.6	1,636.0
Fees, subscriptions, donations	996.8	1,706.4
Losses of accounts receivable	674.3	748.0
Other	11,134.8	10,146.1
	<b>90,822.6</b>	<b>89,458.8</b>

The Supervisory Board received attendance fees of TEUR 88.0 (2005: TEUR 114.0) in 2006.

## 5.6. Financial Results

in TEUR	2005	2006
Income from associated companies	88.7	97.4
Income from non-consolidated subsidiaries	0.0	39.4
<b>Income from participations</b>	<b>88.7</b>	<b>136.8</b>
Interest income and similar income	1,059.3	1,253.3
Interest expenses and similar expenses	-585.2	-1,380.3
<b>Interest result</b>	<b>474.1</b>	<b>-127.0</b>
Income from other securities and loans	966.2	932.3
Write-ups on financial assets	1,296.3	2,746.6
Profit/loss on the disposal of financial assets	141.7	163.6
Depreciation on financial assets	-1,396.3	-287.2
<b>Other financial results</b>	<b>1,007.9</b>	<b>3,555.3</b>
	<b>1,570.7</b>	<b>3,565.1</b>

Net interest income in the reporting year amounted to TEUR 190.0 in cash outflow. Net interest income in 2005 amounted to TEUR 348.7 in cash inflow.

## 5.7. Tax on Income

Income tax expenses reported for the fiscal year include income tax for the individual companies calculated on the basis of taxable income and the applicable tax rate in the relevant countries („actual tax“) and the changes to tax deferrals.

in TEUR	2005	2006
Current tax expense	9,753.0	11,623.9
Deferred tax expense	103.8	1,226.6
	<b>9,856.8</b>	<b>12,850.5</b>

The cash outflow for income taxes in 2006 amounted to TEUR 11,667.9 (2005: TEUR 13,320.9).

The effective tax rate in the reporting year was 23.7% (2005: 18.4%). The Group tax ratio is a weighted average of the local income tax rates of all consolidated subsidiaries. The translation of the profit before tax to the current Group tax expenses from income and earnings is as follows:

in TEUR	2005	2006
Profit before tax	53,594.1	54,315.5
Tax expense/earnings (-/+ ) at 25%	-13,398.5	-13,578.9
Different tax rates in other countries	-358.3	266.6
Non-temporary differences	3,899.7	280.2
Value adjustments for non-deferred tax on losses, loss carry-forwards and tax credits that have not been applied to deferred tax	0.3	-81.2
Changes to tax rates	0.0	262.8
<b>Effective tax expense</b>	<b>-9,856.8</b>	<b>-12,850.5</b>
Effective tax rate in %	18.4%	23.7%
Thereof from deferred tax:	-103.8	-1,226.6

## VI. Risk Management and Financial Instruments

Business is always subject to risk. The strong globalisation of Semperit's activities understandably has an inherent dimension of risk to which the Group is paying increased attention. At Semperit, risk management ensures that future risks in all areas of activity are analysed and are kept as neutral as possible by taking appropriate measures.

### Market Risk

In recent years, Semperit has considerably reduced risks on its key sales markets by opening local operating units. While global business risks still exist, the Group's differentiated structure based on four divisions has clearly reduced this risk, especially in times of weak business activity, while its favourable cost structure also ensures that competitiveness is maintained.

### Acquisition Risk

The manufacturing sector's ongoing dependence on the availability and cost of various raw materials is a significant cost factor. Semperit's increased focus at all of its international production sites is therefore on constantly optimising production processes with the aim of exploiting all opportunities for minimising the amount of materials used in its manufacturing processes. The internationalisation of business activity also offers Semperit new opportunities for reducing costs.

### Customer Risk

The risk of customers defaulting on payments is small, as purchasers' creditworthiness is constantly checked, and the broad customer base avoids risk being concentrated on individual customers. Furthermore, the risk of default is extensively limited by taking out credit insurance as well as by obtaining collateral.

### Foreign Exchange Risk

The exchange rates of the most important currencies for Semperit against the euro changed during 2006 as follows:

FX RATES FOR 1 EUR	2005	2006	2005	2006
	Average Rates		Year End Rates	
US dollar	1.24	1.26	1.18	1.32
Thai baht	49.85	47.40	48.55	46.30
Polish zloty	4.03	3.90	3.86	3.86
Czech koruna	29.87	28.27	29.05	27.35
Hungarian forint	248.69	263.82	252.45	250.20
British pound sterling	0.68	0.68	0.69	0.67

Financial instruments in the form of targeted derivatives are used to limit the foreign exchange risk posed by the different accounting currencies used throughout the Group. Financial management also works hard to avoid foreign exchange risks by controlling payment streams wherever possible.

The management of financial risk is regulated by Group guidelines. An internal controlling system has been established in order to monitor and steer existing financial risks according to the needs of the Group.



IFRS distinguishes between primary financial instruments and derivative financial instruments.

## 6.1. Primary Financial Instruments

Primary financial instruments held by the Group are shown on the balance sheet. The amounts stated represent both the maximum credit risk and risk of loss. The credit risk is limited by the fact that the Semperit Group portfolio is comprised almost entirely of securities issued by Austrian corporations and the fact that the Semperit Group works only with financial institutions with an excellent credit rating.

The fixed asset securities can be broken down as follows:

	2005			2006		
	in TEUR Book value	in TEUR Market value	in % average effect. interest rate	in TEUR Book value	in TEUR Market value	in % average effect.interest rate
Shares, funds, portfolios	41,048.2	41,048.2	5.5	44,467.2	44,467.2	6.8
Other	1,393.6	1,393.6	0.2	1,279.3	1,279.3	0.0
	<b>42,441.8</b>	<b>42,441.8</b>		<b>45,746.5</b>	<b>45,746.5</b>	

The Semperit Group had the following financial liabilities on the balance sheet date:

	Currency	Face value in thousands	Book value in TEUR	Effective interest rate in %
Loans	EUR	7,200	4,096.9	2.2
Loans	THB	684,200	14,777.5	5.7
Loans	USD	5,000	3,799.4	6.1
			<b>22,673.8</b>	
Bills	EUR	205	205.1	3.9
Other	EUR	-	17.9	-
			<b>22,896.8</b>	

## 6.2. Derivative Financial Instruments

Individual foreign currency exchange risks are hedged through forward exchange agreements, foreign currency swaps and foreign currency options. No derivative financial instruments were held on the balance sheet date.

## VII. Other Information

### 7.1. Earnings per Share, Recommendation for the Distribution of Profits

The number of shares outstanding is 20,573,434.

Number of shares	2005	2006
Shares issued	20,573,434	20,573,434
Weighted shares	20,528,544	20,573,434

In accordance with the provisions of the Austrian Stock Corporation Act, the financial statements of Semperit AG Holding and prepared in compliance with Austrian accounting principles form the basis for the dividend payment. These financial statements show a net profit of TEUR 17,501.0. The Management Board recommends that the Annual General Meeting approve a dividend payment of EUR 0.84 per share and carry forward the remaining TEUR 219,3.

### 7.2. Transactions with Related Parties and Individuals

B & C Holding GmbH has a dominating influence over the company. B & C Holding and its associated companies are therefore in a group relationship with the Semperit Group.

The companies in Thailand and China recorded in the full consolidation undertake business transactions with our joint venture partner Sri Trang Agro plc under established market conditions. Insignificant business transactions were carried out with related parties and individuals at arm's length business conditions.

### 7.3. Environment

The Semperit Group operates an internal management system in its subsidiaries to monitor and ensure compliance with all legal environmental protection requirements. All preventative measures and investments required for this are completed on the basis of evaluations. This also ensures that all Semperit Group plants comply with all applicable regulations and laws in this area.

### 7.4. Other

There were no results to report after the balance sheet date.

Vienna, 14 March 2007

The Management Board

Rainer Zellner  
Chairman

Richard Ehrenfeldner

Richard Stralz

# AUDITOR'S REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **Semperit Aktiengesellschaft Holding (Semperit Group), Vienna**, for the financial year from 1 January 2006 to 31 December 2006. These consolidated financial statements comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2006, and of its financial performance and its cash flows for the financial year from 1 January 2006 to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU.

## Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 14 March 2007

Eidos Deloitte  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH

Harald Breit  
Auditor and Tax Advisor

Erich Kandler  
Auditor and Tax Advisor







**FINANCIAL STATEMENTS OF SEMPERIT AG HOLDING**

# BALANCE SHEET

## Assets

in TEUR	31.12.2005	31.12.2006
Intangible assets	0.0	0.0
Tangible fixed assets	93.5	92.7
Financial assets	49,352.2	50,285.8
<b>FIXED AND FINANCIAL ASSETS</b>	<b>49,445.7</b>	<b>50,378.5</b>
Accounts receivable from affiliated companies	31,031.8	35,075.2
Other accounts receivable and assets	2,063.2	2,658.3
Marketable securities	6,677.3	0.0
Cash in banks	41.7	126.5
<b>CURRENT ASSETS</b>	<b>39,814.0</b>	<b>37,860.0</b>
Prepaid expenses and deferred charges	166.9	13.6
<b>ASSETS</b>	<b>89,426.6</b>	<b>88,252.1</b>

## Equity and liabilities

in TEUR		
Issued capital	21,359.0	21,359.0
Share premium	21,539.5	21,539.5
Statutory retained earnings	999.3	999.3
Net retained earnings	16,106.6	17,501.0
<b>EQUITY CAPITAL</b>	<b>60,004.4</b>	<b>61,398.8</b>
<b>PROVISIONS</b>	<b>23,681.2</b>	<b>25,692.8</b>
Trade accounts payable	110.2	78.3
Liabilities to affiliated companies	5,314.2	810.8
Other liabilities	316.6	271.4
<b>LIABILITIES</b>	<b>5,741.0</b>	<b>1,160.5</b>
<b>EQUITY AND LIABILITIES</b>	<b>89,426.6</b>	<b>88,252.1</b>

Bank guarantees and other contractual obligations	2,654.2	2,761.0
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# PROFIT AND LOSS ACCOUNT

in TEUR	2005	2006
<b>SALES</b>	<b>5,506.2</b>	<b>6,606.9</b>
Other operating income	300.7	304.7
Cost of materials	-11.2	-11.5
Personnel expenses	-5,046.7	-5,222.7
Depreciation	-32.9	-25.6
Other operating expenses	-6,702.1	-3,268.7
<b>OPERATING PROFIT (EBIT)</b>	<b>-5,986.0</b>	<b>-1,616.9</b>
Income from subsidiaries	21,647.3	17,920.2
Net interest result	399.3	397.6
Other financial results	1,235.4	403.8
<b>FINANCIAL RESULTS</b>	<b>23,282.0</b>	<b>18,721.6</b>
<b>PROFIT BEFORE TAX</b>	<b>17,296.0</b>	<b>17,104.7</b>
Tax on income	-2,442.9	131.3
<b>PROFIT FOR THE YEAR</b>	<b>14,853.1</b>	<b>17,236.0</b>
Release of reserves	1,134.2	0.0
Profit carried forward	119.3	265.0
<b>NET PROFIT</b>	<b>16,106.6</b>	<b>17,501.0</b>

The Annual Financial Statements of Semperit AG Holding, which were prepared in accordance with generally accepted Austrian accounting principles, were audited by Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH and awarded an unqualified opinion, and will be submitted with all associated documents to the trade register of the Vienna Commercial Court under number 112544 g. These Annual Financial Statements can be requested free of charge from Semperit Aktiengesellschaft Holding, Modecenterstraße 22, A-1030 Vienna, and are available for inspection at the Annual General Meeting.

The Management Board recommends the Annual General Meeting to pay a dividend of EUR 0.84 per share from the net profit of TEUR 17,501.0 and to carry forward the remaining amount.

Vienna, 14 March 2007

The Management Board

Rainer Zellner  
Chairman

Richard Ehrenfeldner

Richard Stralz

# MANAGEMENT AND SUPERVISORY BOARD

## MANAGEMENT BOARD

Rainer Zellner Chairman

Richard Ehrenfeldner

Richard Stralz

## SUPERVISORY BOARD

	First appointment to Supervisory Board	Duration of appointment <sup>1)</sup>	Supervisory board posts in listed companies
Erich Hampel <sup>2) 3) 4) 5)</sup> <i>Chairman</i>	11.06.1997	Until the Annual General Meeting voting on fiscal year 2007	
Karl Schmutzer <sup>2) 3) 4) 5)</sup> <i>Deputy Chairman</i>	26.06.2001	Until the Annual General Meeting voting on fiscal year 2009	Lenzing AG <i>Chairman</i> Allgemeine Bauges.-A.Porr AG <i>Deputy Chairman</i>
Walter Lederer <sup>2) 5)</sup>	07.06.2002	Until the Annual General Meeting voting on fiscal year 2010	Lenzing AG <i>Deputy Chairman</i> Allgemeine Bauges.A.Porr AG UBM Realitätenentwicklung AG Imperial Hotels AG
Veit Sorger <sup>2) 6)</sup>	26.05.2004	Until the Annual General Meeting voting on fiscal year 2008	Lenzing AG Oberbank AG
Karl Weißkopf <sup>2) 6)</sup>	26.06.2001	Until the Annual General Meeting voting on fiscal year 2009	

Delegated from the workers council:

Alexander Hollerer <sup>4) 5)</sup> 01.07.1998

Anton Höller <sup>5)</sup> 20.12.2004

Matthias Unkrig 05.04.2005

<sup>1)</sup> One fifth of the members of the Supervisory Board leave their posts every year

<sup>2)</sup> Have declared their independence vis-à-vis the Supervisory Board in accordance with rule 53 of the Austrian Corporate Governance Code

<sup>3)</sup> Executive Committee and Remuneration Committee

<sup>4)</sup> Financial Audit Committee

<sup>5)</sup> Nomination Committee

<sup>6)</sup> No representation of a shareholder with a stake of over 10% (rule 54 of the Austrian Corporate Governance Code)

## Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is governed in § 15 of the Company Charter:

§ 15 (1) Every member of the Supervisory Board shall receive attendance fees as compensation for his or her expenses for every meeting and also a fixed annual fee.

The attendance fee for every meeting shall be EUR 120.

The annual fixed fee shall be EUR 4,360.

The fixed annual fee shall be increased by 100% for the Chairman and by 50% for the Deputy Chairman. These fees shall be linked to the consumer price index (basis: CPI 2000 annual average 2004 = 108.1).

(2) In addition to the fixed fee and the attendance fees, the Supervisory Board as a whole (without employee representatives) shall receive 0.15% of the net consolidated profit after taxes upon unqualified confirmation by the auditor and minority shares as a performance-dependent profit-sharing bonus.

The performance-dependent part of the profit-sharing bonus shall be divided among the Supervisory Board members so that each member receives an equal share, and the Chairman an additional 100% of this share and the Deputy Chairman an additional 50% of this share.

The performance-dependent part of the profit-sharing bonus per Supervisory Board member shall not exceed 2.5 times the annual fixed fee (without attendance fees) as specified in item (1).

(3) If members of the Supervisory Board fulfil special functions in the interests of the company as part of their appointment to the Supervisory Board, the Annual General Meeting can vote to provide special remuneration for this.

(4) The Company shall bear all special payments and contributions associated with the remuneration of the Supervisory Board members.



# REPORT OF THE SUPERVISORY BOARD

In fiscal year 2006 the Supervisory Board carried out the duties placed upon it by law and the company statutes at five meetings as well as in other forms. There was also one meeting of the Financial Audit Committee. The Management Board reported regularly on the progress of business and the situation of the company.

The annual financial statements of Semperit AG Holding and the management report were audited by Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, on the basis of the Group's accounts. The auditor confirmed that the annual financial statements meet the statutory requirements and the supplementary provisions of the company charter and give as accurate an account of the assets and financial position of the company as possible as at 31 December 2006 and of the earnings position of the company for the fiscal year started on 1 January 2006 and ended on 31 December 2006 in accordance with Austrian Generally Accepted Accounting Principles, and that the management report is in agreement with the annual financial statements. The annual financial statements for 2006 were awarded an unqualified audit opinion.

Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, audited the annual financial statements that were prepared in compliance with the International Financial Reporting Standards as EU legislation requires them to be applied and the management report for the Group that was prepared in compliance with the Austrian Commercial Code and confirmed that the annual financial statements give as accurate an account of the assets and financial position of the company as possible as at 31 December 2006 and of the earnings position and cash flows of the company for the fiscal year started on 1 January 2006 and ended on 31 December 2006 and that the management report is in agreement with the annual financial statements.

The Financial Audit Committee of the Supervisory Board closely examined the auditor's reports in its meeting on 19 April 2007 and discussed the results of the audit in detail with the auditor. The Financial Audit Committee recommended that the Supervisory Board propose the appointment of Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, again as the auditor for fiscal year 2007 at the Annual General Meeting.

The Supervisory Board examined the annual financial statements, the consolidated financial statements, the management report and the Group management report and concurs with the findings of the auditor. The Supervisory Board hereby approves the annual financial statements for fiscal year 2006, which are consequently adopted in accordance with Article 125 (2) of the Austrian Stock Corporation Act. The management report, the consolidated financial statements and the Group management report for fiscal year 2006 were approved by the Supervisory Board.

The Supervisory Board accepts the Management Board's proposal on the appropriation of profits, according to which a dividend of EUR 0.84 per eligible share is to be paid from the reported net profit of EUR 17,500,976.18.

The Supervisory Board will follow the Financial Audit Committee's recommendation and will propose the appointment of Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, as the auditor for fiscal year 2007 at the 118<sup>th</sup> Annual General Meeting.

Vienna, 19 April 2007

Erich Hampel  
Chairman of the Supervisory Board

## CONTACT/IMPRINT

Annual Report and Financial Statements 2006 presented to the 118<sup>th</sup> Annual General Meeting on 23 May 2007.

Media proprietor: Semperit Aktiengesellschaft Holding  
Modecenterstraße 22  
A-1030 Vienna

Contact: Sybille Bernhardt  
Investor Relations  
Tel.: +43 1 79 777-210  
Fax: +43 1 79 777-602  
E-mail: [sybille.bernhardt@semperit.at](mailto:sybille.bernhardt@semperit.at)

Semperit AG Holding on the Internet: [www.semperit.at](http://www.semperit.at)

Design, typesetting and lithography: Werbeagentur Bauderer

We 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 differences in the totalling of rounded amounts and percents 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 uncertainty factors, and the actual events and results may differ 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 annual report was prepared in German. The English and French versions of this report were translated from the German version for your convenience. The German version is the sole authentic version.

Editorial deadline: 19 April 2007

# THE COMPANIES OF THE SEMPERIT GROUP



## Fully Consolidated Companies

- Semperit AG Holding, A-1030 Vienna, Modecenterstraße 22
- Semperit Technische Produkte GmbH, A-1030 Vienna, Modecenterstraße 22
- Arcit HandelsgmbH, A-1030 Vienna, Modecenterstraße 22
- Semperflex Optimit s.r.o, CZ-742 35 Odry, Vitkovská c.p. 391/29
- Semperflex Optimit A.H. s.r.o, CZ-742 35 Odry, Vitkovská c.p. 391/29
- Semperit Gummiwerk Deggendorf GmbH, D-94469 Deggendorf, Land Au 30
- Semperflex Rivalit GmbH, D-55596 Waldböckelheim, Steinhardter Straße 32A
- Semperit Technische Produkte GmbH, D-58285 Gevelsberg, Mühlenstraße 25
- Mangueras Técnicas Roiter S.A., E-08620 Barcelona, Sant Vicenc del Horts, Calle A, 13 - 15
- Sempertrans France Belting Technology S.A.S., F-95104 Argenteuil, 10, Rue des Charretiers
- Sempertrans Maintenance France Méditerranée E.U.R.L., F-13110 Port de Bouc, 8, Boulevard de l'Engenieur ZI de la Grande Colle
- Sempertrans Maintenance France Nord E.U.R.L., F-95104 Argenteuil, 10, Rue des Charretiers
- Semperit (France) S. à r. l., F-95812 Argenteuil, 2, Place Aristide Briand
- Semperit Industrial Products Ltd., 25 Cottesbrooke Park, Heartlands, Daventry, Northants, NN11 8YL, United Kingdom
- Semperit Conveyor Services Ltd., GB-Robins Road, Chasetown Ind.Est. Chase Terrace, Walsall, WS7 8FX
- Semperform Kft., H-9400 Sopron, Somfalvi út 14
- Sempermed Magyarország Kft., H-1025 Budapest, 1025 Szépvölgyi út 146
- Sempermed Kft., H-9400 Sopron, Somfalvi út 14
- Semperflex Roiter S.r.l., I-45100 Rovigo, Via Achille Grandi 5
- Sempertrans Nirlon Ltd., IND-402116 Roha, Maharashtra Plot No. 21, MIDC Industrial Area





Sempertrans Belchatow S.A., ul. Transportowa 5, PL-97-427 Rogowiec, Belchatov  
 "DOM" Sp.z.o.o., PL-97 427 Rogowiec, Belchatov  
 Fabryka Lin „Stolin” Sp.z.o.o., PL-97 427 Rogowiec, Belchatov  
 Semperit Tekniska Produkter AB, S-12738 Skärholmen, Sättra Torg 14  
 Semperit Industrial Products Singapore Private Ltd., SGP-159471 Singapore, 3791 Jalan Bukit Merah  
 Siam Sempermed Corp. Ltd., THA-90110 Thailand, Hatyai Songkhla 10 Soi 10 Phektasem Road  
 Semperflex Asia Corp. Ltd., THA-90110 Thailand, Hatyai Songkhla 10 Soi 10 Phektasem Road  
 Semperform Pacific Corp. Ltd., THA-90110 Thailand, Hatyai Songkhla 10 Soi 10 Phektasem Road  
 Sempermed USA, Inc., USA-13900 49th Street North, Clearwater, FL  
 Semperit Industrial Products Inc., USA-17-01 Pollitt Drive, Fair Lawn, New Jersey 07410-2814  
 Shanghai Foremost Plastic Industrial Co. Ltd., VRC-201611 Shanghai, Chexin Highway Chedun Town 159/356  
 Shanghai Semperit Rubber & Plastic Products Co. Ltd., VRC-201417 Shanghai, 1155 Canggong Road,  
 Shanghai Chemical Industrial Park, Fengxian Subzone  
 Semperflex Shanghai Ltd., VRC-201417 Shanghai, 1255 Canggong Road,  
 Shanghai Chemical Industrial Park, Fengxian Subzone

#### **Subsidiaries Included at Equity**

Isotron Deutschland GmbH, D-85391 Allershausen, Kesselbodenstraße 7

#### **Non-Consolidated Subsidiaries**

Wohlfahrtseinrichtung für die Arbeiter und Angestellten der Semperit GmbH, A-1030 Vienna, Modecenterstraße 22

The background is a deep blue with a subtle, repeating pattern of overlapping circles and lines, creating a sense of depth and movement. In the lower half, a faint, perspective view of a road or path leads towards a horizon line, suggesting a journey or forward progress.

# ANNUAL REPORT 2006

**SEMPERIT**  Aktiengesellschaft Holding