

# DEAR SHAREHOLDERS,

The global economy developed somewhat less dynamically overall in the second quarter of 2004. Whereas growth rates in the euro zone edged upwards year-on-year, the US and Japan both saw a slight weakening of impellents of economic activity. Doubts exist about the future pace of economic growth, however, as the sharp rise in oil prices since the second quarter is likely to put a damper on business activities.

## Further Increases in Sales and Profits

The industrial group of Semperit AG Holding held steady to its course of growth once again in the second quarter of 2004. As a result, the interim financial statements as of 30 June 2004 provide an encouraging picture of business developments. Consolidated sales increased over the same period the year before by about 4 % to EUR 244.6 million while profit before tax (PBT) rose at a proportionately much faster rate of about 17 % to EUR 27.1 million.

### SEMPERIT AT A GLANCE

	1-6/2000	1-6/2001	1-6/2002	1-6/2003	1-6/2004	Diff.04 zu 03
Sales in EUR million	178.2	198.5	222.3	234.7	244.6	+ 4.2%
Profit before tax (PBT) in EUR million	18.2	20.2	21.6	23.1	27.1	+ 17.3%
Number of employees	5.062	5.222	5.902	6.069	5.380	- 3.9%

Volatile fluctuations in foreign exchange rates continued to cause major distortions of competition on global markets. The still weak dollar had the biggest affect on Semperit owing to the large volume of exports it sells to North America.

Raw material costs were on the rise. Besides rubber, a segment that has long been subject to strong price increases, this trend also extended to other raw materials and increasingly to base materials for plastics production as well. Although demand revived on most markets, excess capacities prevailed. The still fierce price competition gave enterprises little leeway to pass increased costs on to customers in sales prices.

The company's efforts to boost productivity were all the more important against this backdrop. This boost succeeded in countering the unfavorable external cost factors in order to safeguard and improve earning power. The Group continued its high-powered programs to optimize production processes throughout the divisions.

## Sempermed Still Burdened by Weak Dollar

All production sites at Sempermed reported full utilization of capacity and continued implementing far-reaching cost-reduction programs for further improving competitiveness. Sempermed invoices much of its business in dollars. The currency-related distortions of competition that result require a differentiated selling approach. Owing to these currency factors, sales in euro terms were increased only slightly against the year before in the period under review.

The company's competitive position for surgical gloves deteriorated somewhat in price-sensitive markets.

Powder-free products in the higher price segment suffered from competitive pressures in the US market. Problems in materials supply slowed the expansion of synthetic glove sales.

Sempermed Europe was virtually on target in the period under review. Difficulties encountered in selling surgical gloves were offset by significant increases in the value of examination glove sales. Disposable models contributed much to the growth in industrial glove business. In the US, Sempermed intentionally forwent opportunities for volume sales of examination gloves that would have involved price reductions. This allowed it to achieve the best possible results for its Thai factories, where capacities were fully utilized.

The two Thai factories of Siam Sempermed continued operating at full capacity. The overall results were within expectations thanks to intense cost reduction programs and an improved product mix.

The Chinese vinyl glove production operations of Shanghai Foremost did not fully meet its budgeted profit target owing to the sharp rise in costs for raw materials.

## Dynamic Growth at Semperflex

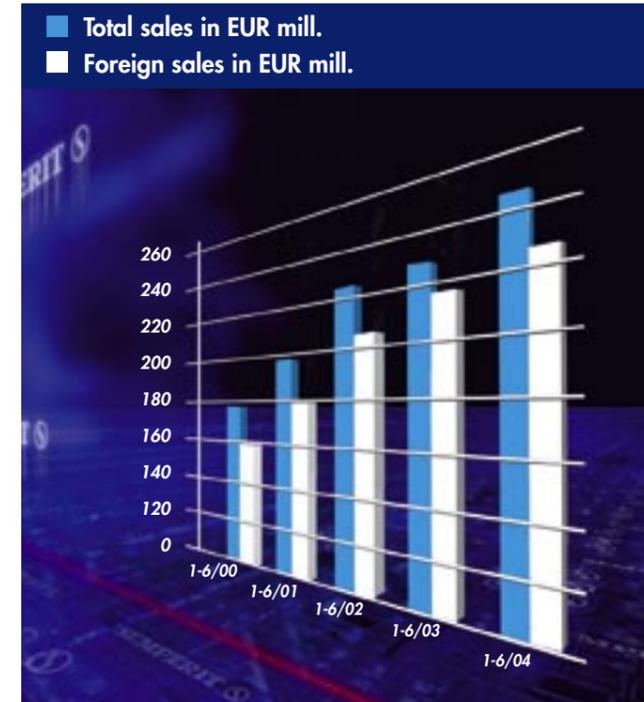
Semperflex continued its dynamic growth unabated in the period under review, assuring once again full utilization of production capacities. Market demand remained exceptionally strong in the hydraulic hose segment. Industrial hose sales varied whereas sales of elastomer sheeting were on target.

At the parent plant in Wimpassing, hose production improved its position on core European markets despite increasingly aggressive pricing by competitors from low-wage countries in Eastern Europe and the Far East. The elastomer sheeting segment reported fiercer competition caused largely by Far Eastern producers pushing into the European market. Sales nonetheless increased in the first half of 2004, both in volume and in value.

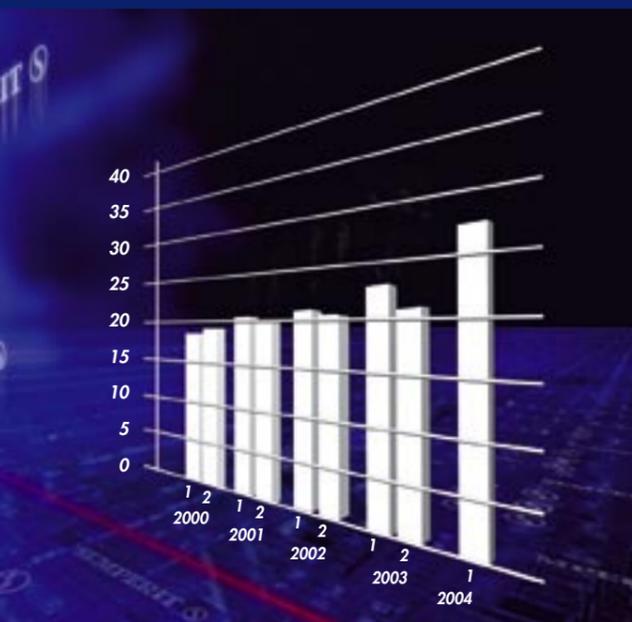
Sales of hydraulic hose reached new record levels at the Czech hose factory Semperflex Optimitt. Industrial hose products could not match this pace in full, but still posted satisfactory business results.

Roiter, the Group's Italian subsidiary, improved its position on the Italian market following a restructuring of its sales organization.

Operating at full capacity, the Thai hose factory Semperflex Asia generated higher than expected sales thanks to brisk demand from the US and Europe. Rising raw material prices coupled with a tight supply situation were reflected in the profit figures.



**Profit before tax (PBT) by Half-Year in EUR mill.**



**Above Average Growth at Semperform**

Semperform recorded above average growth in the period under review, which also brought about encouraging improvements in the earnings situation.

At the Austrian facility in Wimpassing, the temporary shutdown of European capacities by escalator manufacturers was not fully offset by the growing spare-parts business in the handrail segment. By contrast, aerial ropeway ring production in the molded articles segment saw substantially greater growth than expected. Deliveries in the railway superstructure segment were far above the previous year's level but depend heavily on investments by railway administrations. Significant gains were also recorded in the segments filter membranes, industrial articles, and components for sanitary and automotive suppliers. Volume sales in wagon construction remained below expectations owing to flagging demand.

The handrail factory in Shanghai posted considerable business growth in the period under review due in part to escalator manufacturers concentrating production facilities in China. The upsurge in orders was filled on schedule thanks to the installation of new production capacities at mid-year.

Semperform Pacific in Thailand also reported a much improved course of business in the first half of the year, both locally and in export business.

Business at Semperform Sopron developed as expected.

The German construction profile manufacturer Semperit Gummiwerk Deggendorf increased its sales volume and its market share despite the recession still plaguing the German construction industry. This enterprise also posted impressive gains in export business.

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**Divergent Developments at Sempertrans**

Impetus for growth at Sempertrans came mostly from the group subsidiaries in Poland and India.

The Polish conveyor belt manufacturer Sempertrans Belchatow stepped up business in metal belts in the Eastern European markets in particular and also benefited from its sales alliance with the French group company SFBT.

The Indian group company Sempertrans Nirlon greatly improved productivity and optimized production on full utilization of capacities.

The French production company Sempertrans France Belting Technology (SFBT) reported weak demand and unsatisfactory prices for textile belts as a result of excess capacities worldwide. The unfavorable exchange rates impaired sales in export markets conducting business in dollars, especially in Latin America and Asia.

**Sights Set on Record Profits for 2004**

The oil price has shot up to extremely high levels. This factor, coupled with the somewhat diminished prospects for the global economy, makes further improvements in international economic conditions unlikely in the second half of the year. The Managing Board nonetheless expects group sales and especially profits to improve group-wide again for 2004 as a whole and to reach new record levels for the fourteenth year in a row.

Based on the order books at mid-year, the Sempermed production sites will increase output substantially again this year. The Thai factories will hit record production levels and exceed an output of 6 billion units for the first time. Semperflex will continue to expand business at a dynamic pace thanks to full order books, especially in the hydraulic hose segment. Growth in industrial hose and elastomer sheeting business will remain somewhat less dynamic by comparison. Semperform expects a satisfactory course of business overall while Sempertrans is likely to see no major change in the diverging developments of its individual units. The Polish production plant for metal belts is benefiting from its solid competitive position in an expanding market. The textile belt unit is faring less well, faced as it is with fiercer competition in all export markets.

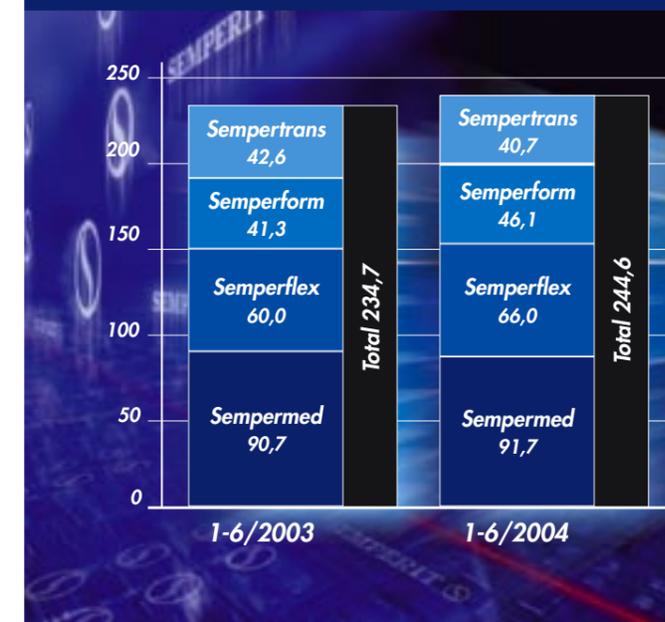
**Rise in the Price of Semperit Shares**

The rise in the price of Semperit shares reflected the Group's expansive growth in the period under review. At mid-year, Semperit shares were trading at EUR 16.65, a price 24.5 % higher than the closing price of EUR 13.37 at the end of 2003. Once again, Semperit shares have proved their long-standing profitability and stability.

**Semperit Stock Option Plan**

Based on the stock option plan approved by the Shareholders' Meeting in 2002, Semperit employees acquired 54,843 shares of stock in June 2004 on the first date for exercising the option.

**Sales by Division in EUR mill.**



## BALANCE SHEET

Assets		
in TEUR	31.12.2003	30.6.2004
Intangible assets	-2,980.7	-3,537.4
Property, plant and equipment	117,737.8	117,104.2
Financial assets	25,592.0	25,255.3
<b>FIXED AND FINANCIAL ASSETS</b>	<b>140,349.1</b>	<b>138,822.1</b>
Inventories	58,668.4	61,921.1
Trade receivables	67,443.5	78,168.6
Other receivables	14,957.7	14,789.8
Cash and cash equivalents	40,301.4	53,120.1
Prepaid expenses and deferred charges	630.2	1,763.6
<b>CURRENT ASSETS</b>	<b>182,001.2</b>	<b>209,763.2</b>
Deferred tax	11,570.6	11,858.7
<b>ASSETS</b>	<b>333,920.9</b>	<b>360,444.0</b>
Equity and liabilities		
Issued capital	21,359.0	21,359.0
Share premium	21,503.2	21,503.2
Retained earnings	128,484.8	134,468.9
Treasury shares	-2,460.0	-1,859.8
Currency translation reserve	-13,685.0	-10,623.8
<b>EQUITY</b>	<b>155,202.0</b>	<b>164,847.5</b>
<b>MINORITY INTEREST</b>	<b>34,427.7</b>	<b>36,969.4</b>
Provisions for pensions and severance payments	54,231.2	54,853.7
Provisions for deferred taxes	746.2	976.1
Provisions for current taxes	4,679.4	5,695.3
Other provisions	27,846.1	30,805.8
<b>PROVISIONS</b>	<b>87,502.9</b>	<b>92,330.9</b>
Liabilities due to banks	16,811.8	17,609.4
Trade payables	24,104.3	29,202.9
Prepayments	526.5	426.0
Other liabilities	14,701.2	17,986.2
Prepaid expenses and deferred charges	644.5	1,071.7
<b>LIABILITIES</b>	<b>56,788.3</b>	<b>66,296.2</b>
<b>EQUITY AND LIABILITIES</b>	<b>333,920.9</b>	<b>360,444.0</b>

## STATEMENT OF CASH FLOWS

in TEUR	1.1. - 30.6.2003	1.1. - 30.6.2004
Cash-flow from result	25,719.3	34,755.8
Changes in working capital	4,546.2	-1,439.4
Cash-flow from operating activities	30,265.5	33,316.4
Cash-flow from investing activities	-15,478.1	-8,368.7
Cash-flow from financing activities	8,625.8	-12,129.1
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>6,161.6</b>	<b>12,818.6</b>
Cash and cash equivalents at the beginning of the 1 <sup>st</sup> half-year	18,981.7	40,301.4
Cash and cash equivalents at the end of the 1 <sup>st</sup> half-year	25,143.3	53,120.2

## PROFIT AND LOSS ACCOUNT

in TEUR	1.4.-30.6.2003	1.4.-30.6.2004	1.1.-30.6.2003	1.1.-30.6.2004
<b>SALES</b>	<b>119,666.7</b>	<b>125,993.2</b>	<b>234,707.0</b>	<b>244,621.7</b>
Differences between opening and closing stocks	1,123.6	-2,167.7	1,231.1	526.9
Own work capitalised	138.5	32.5	288.9	82.1
<b>OPERATING REVENUES</b>	<b>120,928.8</b>	<b>123,858.0</b>	<b>236,227.0</b>	<b>245,230.7</b>
Other operating income	2,895.0	2,019.1	5,241.3	5,497.4
Cost of materials	-55,055.7	-59,341.3	-113,880.9	-118,860.6
Staff costs	-24,974.4	-24,506.2	-47,422.9	-48,544.8
Depreciation	-6,876.3	-5,676.0	-12,460.2	-11,225.9
Other operating expenses	-25,664.9	-21,302.8	-45,338.0	-45,782.4
<b>OPERATING PROFIT (EBIT)</b>	<b>11,252.5</b>	<b>15,050.8</b>	<b>22,366.3</b>	<b>26,314.4</b>
Income from companies in which group has a participating interest	-138.8	0.1	0.0	89.8
Interest results	-20.8	171.9	-109.3	213.6
Other financial results	1,540.1	301.2	855.4	495.8
<b>FINANCIAL RESULTS</b>	<b>1,380.5</b>	<b>473.2</b>	<b>746.1</b>	<b>799.2</b>
<b>PROFIT BEFORE TAX (PBT)</b>	<b>12,633.0</b>	<b>15,524.0</b>	<b>23,112.4</b>	<b>27,113.6</b>
Taxes on income	-3,355.2	-2,859.2	-6,347.0	-6,047.0
<b>PROFIT AFTER TAX</b>	<b>9,277.8</b>	<b>12,664.8</b>	<b>16,765.4</b>	<b>21,066.6</b>
Minority interests	-1,875.1	-2,234.6	-3,606.8	-4,071.5
<b>NET PROFIT FOR THE PERIOD</b>	<b>7,402.7</b>	<b>10,430.2</b>	<b>13,158.6</b>	<b>16,995.1</b>
Earnings per share in EUR	0.36	0.51	0.65	0.83
Weighted average number of shares	20,348,434	20,348,434	20,348,434	20,364,445

## CAPITAL AND RESERVES

in TEUR	Issued capital	Share premium	Retained earnings	Treasury shares	Currency transl. reserve	Total
<b>Balance on 31.12.2002</b>	21,359.0	21,503.2	109,914.5	-2,460.0	-1,770.6	<b>148,546.1</b>
Net profit			13,158.6			13,158.6
Dividend			-8,342.9			-8,342.9
Currency translation adjustments					-7,277.9	-7,277.9
<b>Balance on 30.6.2003</b>	21,359.0	21,503.2	114,730.2	-2,460.0	-9,048.5	<b>146,083.9</b>
in TEUR	Issued capital	Share premium	Retained earnings	Treasury shares	Currency transl. reserve	Total
<b>Balance on 31.12.2003</b>	21,359.0	21,503.2	128,484.8	-2,460.0	-13,685.0	<b>155,202.0</b>
Net profit			16,995.1			16,995.1
Change in treasury shares				600.2		600.2
Dividend			-11,011.0			-11,011.0
Currency translation adjustments					3,061.2	3,061.2
<b>Balance on 30.6.2004</b>	21,359.0	21,503.2	134,468.9	-1,859.8	-10,623.8	<b>164,847.5</b>

## FINANCIAL CALENDER 2004

Quarterly reports 2004  
3<sup>rd</sup> quarter: 26. 11. 2004

Preliminary results 2004  
9<sup>th</sup> week of 2005

SEMPERIT 

**Letter to Shareholders 1<sup>st</sup> Half-Year 2004**

**SEMPERIT**  Aktiengesellschaft Holding

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