

Letter to Shareholders 1st Half-Year 2005

2005

DEAR SHAREHOLDERS,

Although the global economy continued to enjoy above-average growth in the first half of 2005, the pace of growth declined somewhat. Several EU countries even saw their gross domestic products shrink. US economic growth slowed slightly, but remained above average and robust. The upswing continued in Asia in general; in China growth was about 10 % p. a.

Further increases in sales and earnings

Continuing its healthy growth in the second quarter of 2005, the Semperit AG Holding industrial group presented an encouraging picture of business in its mid-year financial statements as of 30 June 2005. Consolidated sales increased on the same period the year before by some 5.1 % to 257.1 million while profit before tax (PBT) rose by 3.7 % to 28.1 million.

SEMPERIT AT A GLANCE



	1-6/2001	1-6/2002	1-6/2003	1-6/2004	1-6/2005	Diff. 05 to 04
Sales in EUR million	198.5	222.3	234.7	244.6	257.1	+ 5.1 %
Profit before tax (PBT) in EUR million	20.2	21.6	23.1	27.1	28.1	+ 3.7 %
Number of employees as of 30 th June	5,222	5,902	6,069	5,830	6,282	+ 7.8 %

Demand in most segments was quite satisfactory on our markets yet there were excess capacities in the sector. This situation, coupled with the still fierce price competition, restricted the degree to which Semperit could pass on higher costs in sales prices. The euro-to-dollar exchange rate continued to distort competition on the world market, putting an additional burden on Semperit business owing to our high volume of exports.

On the production-cost front, the company faced sharp increases in external cost factors. Prices on raw materials markets rose sharply for natural and synthetic rubber as well as for industrial raw materials; the high oil price naturally increased the price of input products for plastics production. For instance, renowned indices of raw material prices for May were 20 % higher in 2005 than the year before, after having increased by 30 % in 2004 on a dollar basis.

New factories under construction in Asia

To improve our position on world markets, we began construction of further production facilities in Asia:

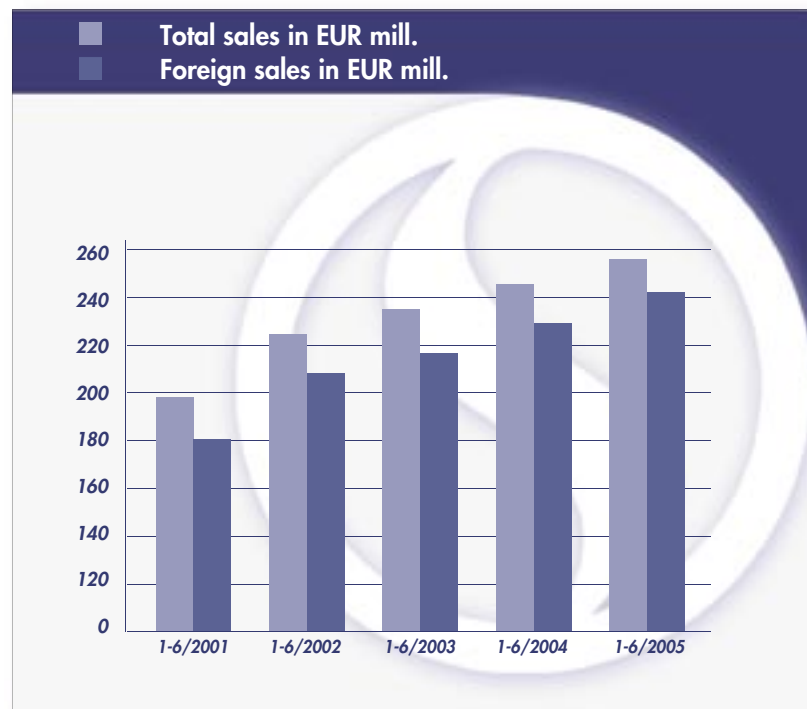
Our first Chinese production site for hydraulic hose is currently going up in Shanghai. In the first configuration stage of this new factory southwest of Shanghai, the newly established subsidiary Semperflex Shanghai Ltd. will initially produce about 7 million meters p.a. for the Chinese and US markets. With a US\$ 30 million overall budget, this project is the largest single investment our group has ever undertaken.

Handrail production operations from the Shanghai Minghang district will be re-installed on the property directly adjoining Semperflex for Shanghai Semperit Rubber & Plastic Products Co., Ltd. This move comes in response to an infrastructure project by the city government in the vicinity of the previous location. In conjunction with the move, these operations will be modernized and expanded. The handrails produced here are intended primarily for the Chinese market. The strong annual growth of recent years is expected to continue in future due to lively domestic demand and the massive shift of production capacities to China by leading escalator manufacturers. The geographic proximity of the two production sites creates utilizable synergies in machinery and personnel.

In Thailand, we are currently building our third factory for medical examination gloves in the direct vicinity of our other two glove factories in Hatyai. The completion of this facility will significantly increase overall capacity. The first production lines in the new factory are scheduled to go on stream in the second half of the year.

Sempermed hampered by weak dollar

In spite of the dollar weakness which caused a distortion of competition, the good order situation prevailed in the first half of the year. We responded to this distortion with a differentiated sales policy. Massive cost-cutting programs brought about further improvements in our competitive position. A good level of new orders for examination gloves on the European Markets led to sales and earnings growth. The market shift to powder-free products continues unabated. Production of surgical gloves remained under pressure from the imports of competitors storming the European market from dollar countries. The market offensive we launched among European customers is showing initial positive effects, however. In our core markets in Central and Eastern Europe, we have been particularly successful with higher-value Supreme grades. In price-sensitive markets in southern Europe, our strategy of product differentiation with lower-priced models has proved effective. Vinyl industrial gloves continued to do well in the market.



The two glove factories in Thailand were utilized in full. However, the value of sales remained at last year's levels. We are already making good progress at Shanghai Foremost in China with our steps to improve production efficiency and to cut costs. Demand for rubber-free medical and industrial gloves in the US and Europe continued to grow, assuring a full utilization of capacities. We improved earnings in this segment through product differentiation in favor of higher-value products.

Dynamic growth at Semperflex

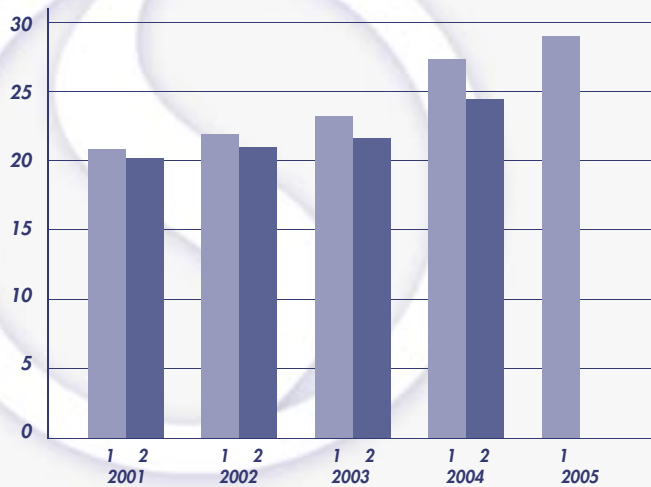
The dynamic trend at Semperflex continued unabated in the first half of the business year to assure another period of full capacity utilization in production. Market demand remained exceptionally strong, especially in the hydraulic hose segment. Sales growth for industrial hose was more restrained.

Despite aggressive price competition from low-wage countries, the hose production unit in Wimpassing, Austria, improved its position on the European markets in the period under review largely by pushing sales of hydraulic hose. Business in elastomer sheeting faced fiercer competition throughout Europe from the imports of producers from the Far East. Nonetheless, the unit achieved figures for the volume and value of sales on a par with last year.

Major investments were made this year to substantially increase the capacities of the Czech hose factory Semperflex Optimit. Full use was made of this expanded capacity in the period under review. Sales of hydraulic hose reached a new record level.

Sales at the Thai hose factory Semperflex Asia exceeded those at mid-year 2004 thanks to lively demand in the US and Europe. Capacity was fully utilized. At the Italian subsidiary Roiter, restructuring of the sales operations in Italy improved the sales.

Profit before tax (PBT) as of the 1st Half-Year in EUR mill.



Solid development at Semperform

Semperform recorded somewhat weaker growth in the period under review.

In Wimpassing, volume sales for ropeway rings, profiles and filter membranes exceeded expectations, as did those for railway superstructure and ski technology. New business in handrails declined in Europe, as expected, but the division was able to offset this decrease at least in part with deliveries to the spare parts market.

The economic slump in Germany continued, causing a further contraction of the German construction market. As a result, the German construction profile manufacturer Semperit Gummiwerk Deggenndorf saw no improve-

ment in the adverse market climate. Fierce price competition exacerbated the situation, already dismal owing to the excess capacities in the market. To improve its market position in this difficult environment, the subsidiary's expanded sales team stepped up its efforts to attract new foreign customers. An additional ultra-modern, high-performance extrusion plant went into full operation during the second quarter.

Semperform Hungary did not achieve its targets for sales and earnings. The subsidiary was unable to make sufficient improvements in its unfavorable production structure to keep earnings at last year's level. The Thai subsidiary Semperform Pacific reported a much improved course of business for the first half of the business year. The handrail factory in Shanghai continued to develop positively.

Growth for Sempertrans in Poland and India

Growth at Sempertrans was propelled mainly by the group companies in Poland and India. The Polish conveyor belt manufacturer Sempertrans Belchatow recorded encouraging increases in sales and earnings, especially on textile belt exports. To sustain this expansion, the division began installing a new production line for steel-cord and textile conveyor belts which will allow it to tap new market segments. The Indian subsidiary Sempertrans Nirlon continues profiting from the booming domestic market.

Serious restructuring was undertaken at the French production company Sempertrans France Belting Technology (SFBT) to achieve an acceptable level of competitiveness in production conditions. The company's production

costs created a difficult earnings situation. The unfavorable currency exchange rates also cut into sales on export markets in dollar countries in Latin America and Asia.

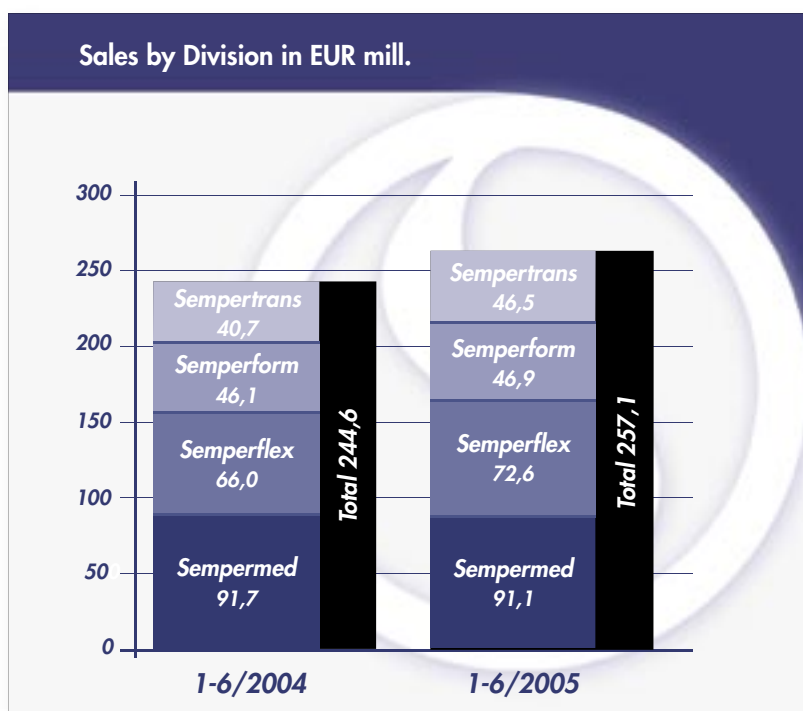
Continued profit improvement expected for 2005

Global economic growth is predicted to decline steadily during the remainder of 2005, but the market will continue to move upward. In the OECD countries, growth is expected to drop from 3.4 % to 2.5 % for the year as a whole.

The Semperit management nonetheless expects sales and earnings to improve again for 2005 as a whole for the fifteenth consecutive year. It is difficult to make any precise forecasts for these figures, however, given the prevailing volatility of the US dollar and other important currencies.

Sempermed expects to utilize its limited capacities in full until the completion of its third factory in Hatyai. In Shanghai operations, only slight growth is expected for the time being. However, the marketing campaign in the US is likely to increase volume sales substantially. Semperflex will continue utilizing all its newly added capacities thanks to full order books for hydraulic hose.

With its ambitious marketing policy and its targets for market share and costs. Semperflex should be able to bring about further lasting increases in sales and earnings. Business at Semperform is expected to develop satisfactorily in spite of the tough business climate. With its eminently marketable range of conveyor belts and a number of appealing product advances, Sempertrans is well-aligned with market requirements. It should be able to stick to its course of expansion for the rest of the year and improve its earnings.



Price gains for Semperit stock

The solid development of business of the Semperit Group is reflected in the price of Semperit stock in the first half of the business year. Shares were trading at the end of June at EUR 22.60 after peaking at an all-time high of EUR 27.75 in March. Year-on-year, the price of Semperit stock was about 36.6 % higher than the mid-year figure in 2004.

Semperit stock option plan:

Semperit employees acquired 110,649 shares in the period under review under the conditions set in the stock option plan of 2002. Since all shares made available under the 2002 stock option plan have been sold, this plan is now ended.

BALANCE SHEET

Assets

in TEUR	31.12.2004	30.06.2005
Intangible assets	-5,342.4	4,256.5
Property, plant and equipment	120,838.5	124,839.7
Financial assets	23,746.3	35,350.5
Non-current trade receivables	28.6	108.8
Other non-current receivables	969.8	852.8
Deferred tax	7,987.5	8,190.1
NON-CURRENT ASSETS	148,228.3	173,598.4
Inventories	67,197.6	72,380.3
Current trade receivables	65,100.3	83,807.4
Other current receivables	9,674.0	11,420.9
Cash and cash equivalents	64,859.3	49,711.6
Prepaid expenses and deferred charges	791.6	2,348.5
CURRENT ASSETS	207,622.8	219,668.7
TOTAL ASSETS	355,851.1	393,267.1

Equity and liabilities

Issued capital	21,359.0	21,359.0
Share premium	21,503.2	21,503.2
Retained earnings	148,274.9	162,787.6
Treasury shares	-1,349.9	0.0
Currency translation	-7,679.3	-3,098.9
Minority interest	35,570.8	42,083.3
EQUITY	217,678.7	244,634.2
Provisions for pensions and severance payments	51,971.0	51,174.1
Provisions for deferred taxes	1,294.9	1,484.2
Other non-current provisions	11,503.1	11,769.4
Long-term liabilities due to banks	5,878.1	5,878.1
Non-current trade payables	284.5	8.1
Other non-current liabilities	175.5	99.4
NON-CURRENT PROVISIONS AND LIABILITIES	71,107.1	70,413.3
Provisions for current taxes	992.9	1,065.0
Other current provisions	14,949.2	16,815.4
Short-term liabilities to banks	7,398.1	8,014.6
Current trade payables	28,017.9	33,157.1
Prepayments	448.0	363.0
Other current liabilities	14,517.2	18,094.0
Prepaid expenses and deferred charges	742.0	710.5
CURRENT PROVISIONS AND LIABILITIES	67,065.3	78,219.6
EQUITY AND LIABILITIES	355,851.1	393,267.1

STATEMENT OF CASH FLOWS

in TEUR	1.1. - 30.06.2004	1.1. - 30.06.2005
Cash-flow from result	34,755.8	36,606.9
Changes in working capital	-1,439.4	-16,994.6
Cash-flow from operating activities	33,316.4	19,612.3
Cash-flow from investing activities	-8,368.7	-23,583.7
Cash-flow from financing activities	-12,129.1	-11,176.3
CHANGES IN CASH AND CASH EQUIVALENTS	12,818.6	-15,147.7
Cash and cash equivalents at the beginning of the 1 st half-year	40,301.5	64,859.3
Cash and cash equivalents at the end of the 1 st half-year	53,120.1	49,711.6

PROFIT AND LOSS ACCOUNT

in TEUR	1.4.-30.6.2004	1.4.-30.6.2005	1.1.-30.6.2004	1.1.-30.6.2005
SALES	125,993.2	132,302.1	244,621.7	257,098.5
Differences between opening and closing stocks	-2,167.7	1,133.7	526.9	2,425.8
Own work capitalised	32.5	79.7	82.1	129.6
OPERATING REVENUES	123,858.0	133,515.5	245,230.7	259,653.9
Other operating income	2,019.1	2,290.2	5,497.4	6,748.6
Cost of materials	-59,341.3	-68,139.7	-118,860.6	-132,083.8
Staff costs	-24,506.2	-23,493.2	-48,544.8	-47,583.2
Depreciation	-5,676.0	-6,051.1	-11,225.9	-11,830.0
Other operating expenses	-21,302.8	-22,960.8	-45,782.4	-47,933.8
OPERATING PROFIT (EBIT)	15,050.8	15,160.9	26,314.4	26,971.7
Income from companies in which group has a participating interest	0.1	0.0	89.8	0.0
Interest results	171.9	228.0	213.6	426.8
Other financial results	301.2	225.7	495.8	713.9
FINANCIAL RESULTS	473.2	453.7	799.2	1,140.7
PROFIT BEFORE TAX (PBT)	15,524.0	15,614.6	27,113.6	28,112.4
Taxes on income	-2,859.2	-3,085.8	-6,047.0	-5,604.7
PROFIT AFTER TAX	12,664.8	12,528.8	21,066.6	22,507.7
Minority interests	-2,234.6	-1,890.6	-4,071.5	-3,680.1
NET PROFIT FOR THE PERIOD	10,430.2	10,638.2	16,995.1	18,827.6
Earnings per share in EUR	0.51	0.52	0.83	0.92
Weighted average number of shares	20,364.427	20,504.522	20,356.431	2,483.653

CAPITAL AND RESERVES

in TEUR	Issued-capital	Share premium	Retained earnings	Treasury shares	Currency-transl. reserve	Minority Interest	Total
Balance on 31.12.2003	21,359.0	21,503.2	128,484.8	-2,460.0	-13,685.0	34,427.7	189,629.7
Net profit			16,995.1			4,071.5	21,066.6
Change in treasury shares				600.2			600.2
Dividend			-11,011.0			-1,561.8	-12,572.8
Currency translation adjustments					3,061.2	32.0	3,093.2
Balance on 30.06.2004	21,359.0	21,503.2	134,468.9	-1,859.8	-10,623.8	36,969.4	201,816.9

in TEUR	Issued-capital	Share premium	Retained earnings	Treasury shares	Currency-transl. reserve	Minority Interest	Total
Balance on 31.12.2004	21,359.0	21,503.2	148,274.9	-1,349.9	-7,679.3	35,570.9	217,678.8
Net profit			18,827.6			3,680.1	22,507.7
Change in treasury shares				1,349.9			1,349.9
Transfer negativ goodwill			10,086.2				10,086.2
Dividend			-14,401.1				-14,401.1
Currency translation adjustments					4,580.4	2,832.3	7,412.7
Balance on 30.06.2005	21,359.0	21,503.2	162,787.6	0.0	-3,098.9	42,083.3	244,634.2

FINANCIAL CALENDAR

Quarterly reports 2005
3rd quarter: 25. 11. 2005

Preliminary results 2005
10th week of 2006

For more information on the Semperit Group,
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