

SEMPERIT

LETTER TO SHAREHOLDERS 3RD QUARTER 2006



SEMPERIT  Aktiengesellschaft Holding

DEAR SHAREHOLDERS,

Global economic development was not homogenous in the third quarter of 2006. American economic growth slowed from 2.6 % in the second quarter to an extrapolated 1.6 % year on year. In contrast, the economic upswing gained steam in the European Monetary Union, and the economy was also robust in Asia.

FURTHER INCREASES IN SALES AND EARNINGS

The Semperit AG Holding group surpassed its sales volume and revenue targets in the third quarter of 2006. The results for the first three quarters of the year (as of 30 September 2006) were correspondingly satisfactory. Group sales increased by roughly 11.3 % in comparison to the first three quarters of 2005 to EUR 428.0 million. The group result improved by 11.5 % to EUR 29.3 million, while pre-tax profits (EGT) fell by 2.3 % to EUR 39.4 million.

SEMPERIT AT A GLANCE

	1-9/2003	1-9/2004	1-9/2005	1-9/2006	Diff. 06 zu 05
Sales in EUR million	350.7	364.8	384.6	428.0	+11.3 %
Net profit in EUR million	19.2	24.0	26.3	29.3	+11.5 %
Profit before tax (PBT) in EUR million	33.5	40.1	40.3	39.4	-2.3 %
Number of employees as of 30 th September	5,997	5,604	6,285	6,601	+5.0 %

The third quarter brought little improvement in the external fundamental business factors of our sector that are beyond our control. While prices for latex and other raw materials seem to have peaked or even passed their peak in the middle of July, the mid-term nature of our purchasing contracts means that our suppliers have not yet passed these effects on to us. The falling raw materials and energy prices also failed to bring purchasing prices down for numerous other pre-materials. All in all, the extremely high level of cost pressure on the materials side continued. At the same time, the falling raw materials prices made it very difficult to maintain our higher selling prices.

A further negative factor was the continued competition distortion resulting from the disadvantageous USD/EUR exchange rate, which impacted our high volume of exports to US dollar markets. At the same time, competitors from the dollar region were able to gain ground in the European markets with lower prices.

In order to counter these negative cost factors, we focused heavily on cost-cutting and productivity-boosting measures.

EXPANSION OF PRODUCTION IN ASIA

Our investments in new and existing production facilities in Asia and the expansion of our position on the global markets continued swiftly. The installation of additional dipping lines in our third factory for medical gloves in Hatyai, Thailand will be completed in the fourth quarter. In Shanghai, our newly founded subsidiary Semperfex Shanghai Ltd. has already manufactured its first hydraulic hoses in test operation and will take up normal series production for the markets in China and the USA around the end of the year.

The machinery is already being installed at the new Shanghai Semperit Rubber & Plastic Products Co., Ltd. (SRP) handrail factory that was built next to the Semperfex factory, and operation will commence by the end of December 2006.

SEMPERMED STRONG IN EUROPE

The Sempermed division saw positive sales development in Europe and overseas in the period under review. All production sites reported good capacity utilisation. However, the high share of business settled in US dollars and the running raw materials contracts negatively impacted division earnings.

Production at the main plant in Wimpassing, Austria was ramped up to meet vigorous demand in Europe, and it was possible to increase selling prices without losing sales. Standard operation gloves and high-quality powdered operation gloves in the premium segment benefited from this development.

Healthy demand on the European markets also gave a boost to container business for examination gloves from our Siam Sempermed facility in Thailand. A high level of capacity utilisation was reported for the 72 dipping lines. Progress made with cost-cutting measures in product design and material consumption was unfortunately more than neutralised by hefty increases in the price of latex.

Our sales subsidiary Sempermed USA was only able to achieve slight increases in sales because of the aggressive price competition on the US market.

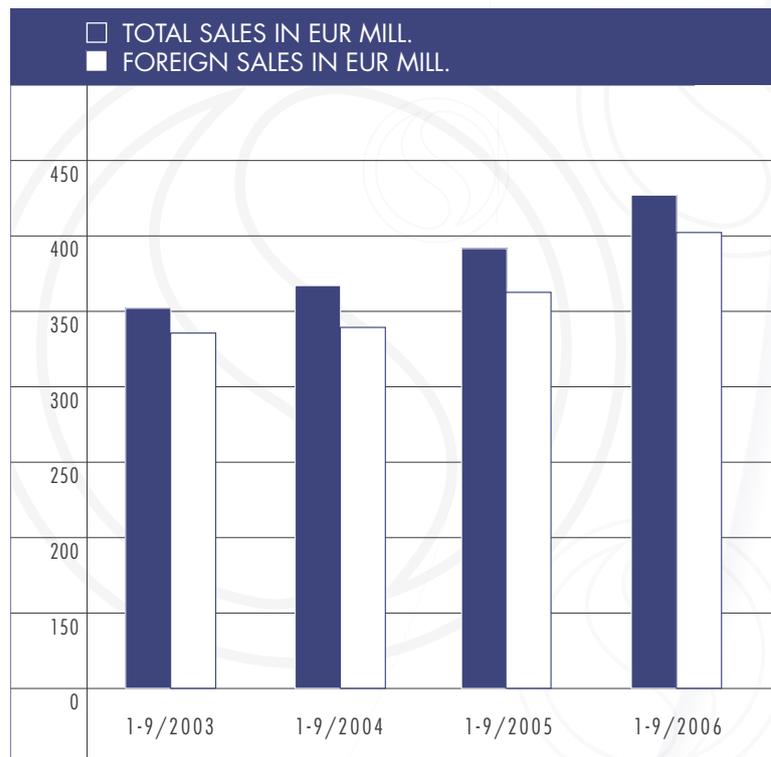
The manufacture of non-latex medical and industrial gloves at Shanghai Foremost in China was affected by power-supply bottlenecks in the reporting period, and manufacturing capacities could not be utilised fully as a result. Significant price increases in excess of 50 % for one of the most important raw materials also impacted earnings.

DEMAND FOR INDUSTRIAL HOSES DOMINATES BUSINESS FOR SEMPERFLEX

The sales increases reported by the Semperflex division in the first three quarters can above all be attributed to business with industrial hoses and elastomer sheeting. The capacity increases through expanded shifts that were implemented to match demand did not bring significant increases in sales volume until September, however. Business with hydraulic hoses stagnated as a result of weakening demand in eastern Europe and Asia; better development was reported on the markets in western Europe.

Production capacity utilisation at the main plant in Wimpassing remained very good thanks to the favourable level of orders for industrial hoses and elastomer sheeting and satisfactory demand for hydraulic hoses. However, the massive cost pressure stemming from increased raw materials prices continued, and the selling price increases that were made only partially compensated for this. On the European sheeting market, an increasing level of competition was seen from imports from low-cost Asian manufacturers.

Business growth at the Semperflex Optimit plant in the Czech Republic was also driven by industrial hose production. Hydraulic hose sales remained high. But the continual increases in raw materials and energy prices



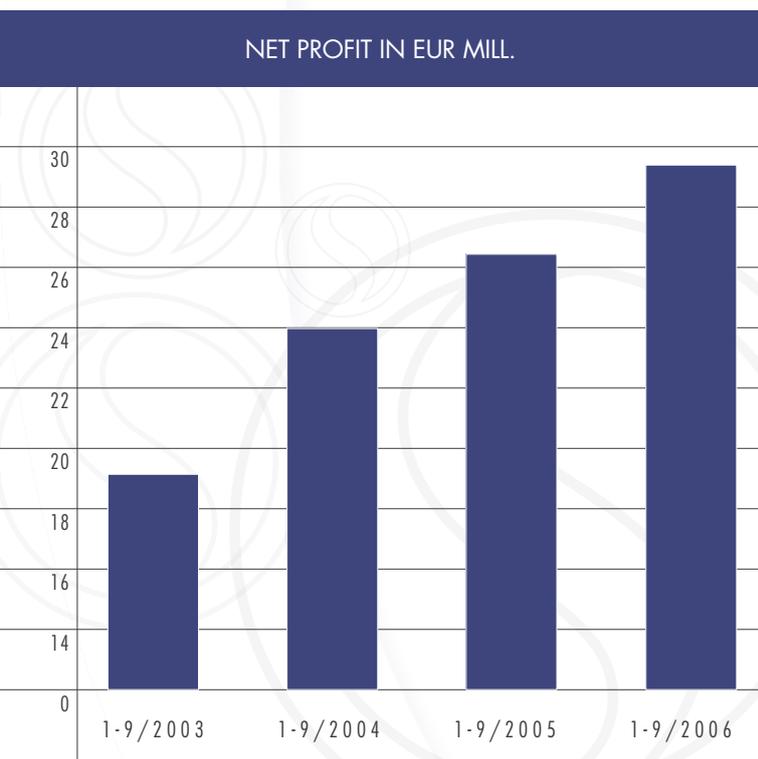
negatively impacted results. In addition to raw materials prices, the relative strength of the Czech koruna also squeezed earnings. For industrial hoses the level of orders still exceeded the productive capacity of the plant significantly in the period under review in spite of massive output increases and record sales volumes in this segment. The hydraulic hoses segment came under increasing pressure because of competition in Russia and other eastern European markets.

The sales volume and revenue increases reported by the Italian subsidiary Semperflex Roiter can above all be attributed to increased demand for special hoses and special sizes across Europe. The orderbook was dominated by exports. In contrast, conditions on the company's home market of Italy remained difficult because of market share gains made by low-cost import products.

Hose production by Semperflex Asia in Thailand was negatively impacted by market problems in Asia, lower demand on the US markets and operational problems in production; as a result, sales only came in at the same level as last year. Earnings were also affected by price increases, especially for compounds, and by the disadvantageous US dollar/Thai baht exchange rate.

SEMPERFORM PROFITS FROM SIGNIFICANT INCREASE IN BUSINESS VOLUME

The Semperform division reported encouraging sales increases and a significantly improved market position in comparison to last year in the period under review. All product segments contributed to this growth, though to differing extents. In this, the price increases that could be achieved only passed on the massive increases in raw materials costs in part.



Business at the Wimpassing plant was dominated by the positive development of sales and earnings in the special segments such as handrails and cable car loops. Additional project orders boosted sales in the railway superstructure segment. Price increases to compensate for increased raw materials prices were accepted by most customers.

The Deggendorf plant in Germany saw a substantial increase in business with a continued high level of new orders and has therefore been able to considerably surpass its sales and earnings targets for the year to date. The rubber sealings manufacturer reported overproportionate growth relative to the improvement of the construction industry in spite of price increases in Germany. The level of exports to eastern Europe was also encouraging, and process improvements brought impressive productivity increases and capacity expansions.

The positive trend that began with the introduction of restructuring measures last year at Semperform Sopron in Hungary continued.

Handrail manufacture at Semperform Shanghai experienced a strong third quarter thanks to healthy business in the supply of OEM equipment for escalators. Increasing competition among the international escalator manufacturers operating in China put the level of selling prices under downward pressure for handrail manufacturers. Local manufacturers are also stepping up their efforts and thereby increasing competition.

SEMPERTRANS CONTINUES ON ITS COURSE OF EXPANSION

The Sempertrans division met its targets in the period under review thanks to a good orders level and further earnings improvements.

The Sempertrans conveyor belt plant in Belchatow, Poland reported near-full capacity utilisation, incorporating the newly installed 3.2-meter-wide press. The market entry and business expansion objectives in the growth markets of eastern Europe, Asia and Australia were met for the most part.

The French conveyor belt manufacturer SFBT reported a good level of orders, but was still faced with aggressive price competition for standard products. A three-week go-slow strike by the plant staff further worsened the already poor business conditions that are caused by the high labour costs in France and torpedoed the management's restructuring efforts.

The Indian subsidiary Sempertrans Nirlon solidified its market position over the course of the year and posted massive sales volume and revenue increases and a sustained good orders level. Selling price increases combined with successful cost-cutting programmes pushed earnings past the targets.

GROWTH CERTAIN TO CONTINUE IN 2006

In light of the good economic conditions in Europe and Asia, Semperit's management is expecting sales growth to continue at current levels for the rest of the year. It should also be possible to improve earnings through price increases for most product groups, aggressive cost-cutting measures and productivity increases. However, the development of prices for latex and other raw materials and the continued volatility of key currencies such as the US dollar and Thai baht remain a source of uncertainty and will have a major effect on earnings. The lower prices for raw materials should have a positive effect on our purchasing prices in the fourth quarter.

Although demand is expected to slow down slightly the Sempermed division projects an above-average increase in production volume and sales. The falling latex price is expected to positively impact earnings in the Thai factories.

In the Semperflex division, high raw materials prices and disadvantageous exchange rates will continue to impact business, but should be neutralised to some extent by new pricing changes in the fourth quarter. The good level of orders for industrial hoses and elastomer sheeting and the acceptable level of business with hydraulic hoses should further increase sales volumes and revenue.

The satisfactory development of business in the Semperform division will continue into next year because an excellent level of new orders is still on the books for the key product groups. New price increases should improve earnings.

All signs are indicating that the current trend will continue in the Sempertrans division as well. The marked regional differences will remain unchanged. Significant investments in capacity expansions are in planning for Sempertrans Nirlon.

SALES BY DIVISION IN EUR MILL.					
450					
375	Sempertrans 68.1	Total 384.6	Sempertrans 77.5	Total 428.0	
300	Semperform 72.1		Semperform 83.2		
225	Semperflex 105.4		Semperflex 108.7		
150	Sempermed 139.0		Sempermed 158.6		
75					
0					
	1-9/2005		1-9/2006		

BALANCE SHEET

Assets

in TEUR	31.12.2005	30.09.2006
Intangible assets	3,830.5	3,178.2
Property, plant and equipment	142,158.3	162,615.1
Financial assets	44,829.2	37,567.1
Non-current trade receivables	19.8	4.6
Other non-current receivables	835.5	715.3
Other deferred charges	629.4	613.8
Deferred tax	6,649.9	7,032.6
NON-CURRENT ASSETS	198,952.6	211,726.7
Inventories	83,499.6	86,010.5
Current trade receivables	75,018.3	88,357.5
Other current receivables	11,450.0	12,055.7
Cash and cash equivalents	36,574.2	43,253.2
Marketable securities	6,677.3	0.0
Other deferred charges	1,088.5	1,507.5
Deferred tax	1,656.3	1,848.1
CURRENT ASSETS	215,964.2	233,032.5
TOTAL ASSETS	414,916.8	444,759.2
Equity and liabilities		
Issued capital	21,359.0	21,359.0
Share premium	21,503.2	21,503.2
Retained earnings	180,720.9	194,194.4
Currency translation	1,335.4	685.0
Minority interest	43,736.0	48,607.8
EQUITY	268,654.5	286,349.4
Provisions for pensions and severance payments	45,231.2	45,107.1
Provisions for deferred taxes	1,700.9	1,762.6
Other non-current provisions	11,668.3	12,120.5
Non-current liabilities due to banks	8,317.4	6,437.6
Non-current trade payables	2.1	11.6
Other non-current payables	2,218.1	1,421.1
Deferred charges	344.2	262.0
NON-CURRENT PROVISIONS AND LIABILITIES	69,482.2	67,122.5
Provisions for current taxes	146.5	2,681.1
Other current provisions	12,186.4	15,962.2
Current liabilities due to banks	16,830.4	20,544.7
Current trade payables	30,051.0	33,503.3
Prepayments	592.2	297.1
Other current payables	16,574.9	17,962.3
Deferred charges	398.7	336.6
CURRENT PROVISIONS AND LIABILITIES	76,780.1	91,287.3
EQUITY AND LIABILITIES	414,916.8	444,759.2

STATEMENT OF CASH FLOWS

in TEUR	1.1.-30.9.2005	1.1.-30.9.2006
Cash-flow from result	51,950.7	51,525.4
Changes in working capital	-13,487.4	-7,375.3
Cash-flow from operating activities	38,463.3	44,150.1
Cash-flow from Purchase of property, plant and equipment and intangible assets	-22,561.8	-37,489.3
Cash-flow from Investments in financial assets	-12,047.4	14,916.9
Cash-flow from investing activities	-34,609.2	-22,572.4
Cash-flow from financing activities	-13,758.9	-14,898.7
CHANGES IN CASH AND CASH EQUIVALENTS	-9,904.8	6,679.0
Cash and cash equivalents at the beginning of the period	64,859.3	36,574.2
Cash and cash equivalents at the end of the period	54,954.5	43,253.2

PROFIT AND LOSS ACCOUNT

in TEUR	1.7.-30.9.2005	1.7.-30.9.2006	1.1.-30.9.2005	1.1.-30.9.2006
SALES	127,472.8	144,026.7	384,571.3	427,962.3
Differences between opening and closing stocks	1,798.0	1,296.8	4,223.8	4,417.8
Own work capitalised	359.7	229.8	489.3	639.6
OPERATING REVENUES	129,630.5	145,553.3	389,284.4	433,019.7
Other operating income	2,224.8	1,521.3	8,973.4	7,239.8
Cost of materials	-68,100.1	-83,812.1	-200,183.9	-243,676.1
Personnel expenses	-22,098.9	-22,926.3	-69,682.1	-71,576.1
Depreciation	-5,516.3	-6,422.5	-17,346.3	-18,380.2
Other operating expenses	-24,358.2	-21,260.0	-72,292.0	-68,935.4
OPERATING PROFIT (EBIT)	11,781.8	12,653.7	38,753.5	37,691.7
Income from companies in which group has a participating interest	0.0	39.2	0.0	39.2
Interest results	61.4	51.4	488.2	-95.4
Other financial results	351.0	557.4	1,064.9	1,731.2
FINANCIAL RESULTS	412.4	648.0	1,553.1	1,675.0
PROFIT BEFORE TAX (PBT)	12,194.2	13,301.7	40,306.6	39,366.7
Taxes on income	-2,477.5	-3,335.2	-8,082.2	-8,859.9
PROFIT AFTER TAX	9,716.7	9,966.5	32,224.4	30,506.8
Minority interest	-2,239.1	-167.0	-5,919.2	-1,187.5
NET PROFIT FOR THE PERIOD	7,477.6	9,799.5	26,305.2	29,319.3
Earnings per share in EUR	0.36	0.48	1.28	1.43
Weighted average number of shares	20,573,434	20,573,434	20,513,580	20,573,434

CAPITAL AND RESERVES

in TEUR	Issued-capital	Share premium	Retained earnings	Revaluation provision	Treasury shares	Currency-translation	Minority Interest	Total
Balance on 31.12.2004	21,359.0	21,503.2	148,176.6	98.3	-1,349.9	-7,679.3	35,570.8	217,678.7
Net profit			26,305.2				5,919.2	32,224.4
Change in treasury shares					1,349.9			1,349.9
Reclassification of badwill			10,086.2					10,086.2
Dividend			-14,401.1				-2,587.6	-16,988.7
Currency translation adjustments						6,549.3	2,995.2	9,544.5
Balance on 30.09.2005	21,359.0	21,503.2	170,166.9	98.3	0.0	-1,130.0	41,897.6	253,895.0
Balance on 31.12.2005	21,359.0	21,503.2	180,596.5	124.4	0.0	1,335.4	43,736.0	268,654.5
Net profit			29,319.3				1,187.5	30,506.8
Valuation gains/losses for financial assets				-4.3				-4.3
Dividend			-15,841.5					-15,841.5
New minority interest							3,526.6	3,526.6
Currency translation adjustments						-650.4	157.7	-492.7
Balance on 30.09.2006	21,359.0	21,503.2	194,074.3	120.1	0.0	685.0	48,607.8	286,349.4

FINANCIAL CALENDAR

Interim profit 2006
9th week 2007

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