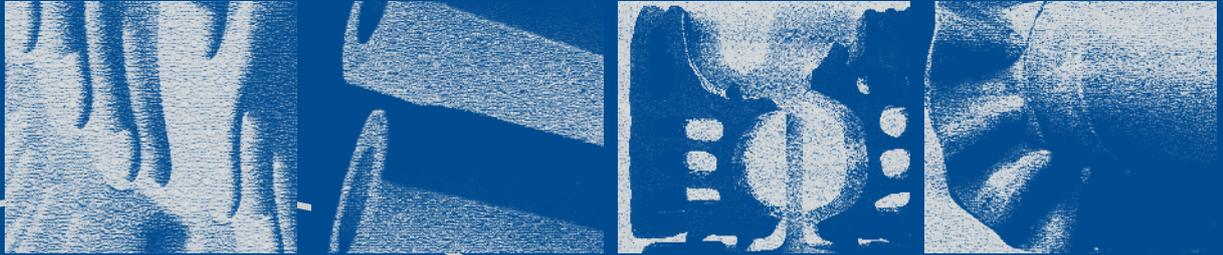


SEMPERIT AG Holding

# LETTER TO SHAREHOLDERS 1<sup>st</sup> HALF-YEAR 2007



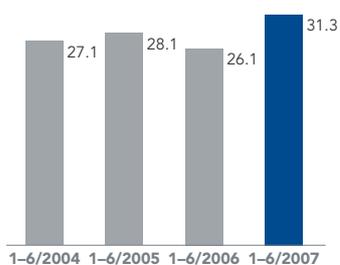
# SEMPERIT

# LETTER TO SHAREHOLDERS 1<sup>st</sup> HALF-YEAR 2007

## Semperit at a glance

	1-6/2004	1-6/2005	1-6/2006	1-6/2007	Change 06/07 in %
<b>Sales in EUR million</b>	244.6	257.1	283.9	303.6	+6.9
<b>Earnings before tax (EBT) in EUR million</b>	27.1	28.1	26.1	31.3	+20.1
<b>Net profit for the period in EUR million</b>	17.0	18.8	19.5	22.8	+17.0
<b>Number of employees on June 30, 2007</b>	5,830	6,282	6,623	7,058	+6.6

**EBT development  
1<sup>st</sup> half-year  
in EUR million**



### Dear shareholders,

Semperit Group once again achieved sales growth and an improvement in earnings during the second quarter of 2007. Consolidated sales increased by 6.9% in the first six months of 2007, to EUR 303.6 million, while operating profit (EBIT) rose by 18.1%, to EUR 29.6 million. Earnings before tax (EBT) climbed 20.1% in the same period, to EUR 31.3 million.

All four divisions succeeded in increasing sales in the first half of 2007. The Semperflex and Sempertrans divisions posted the strongest growth, with sales rising 10.4% and 7.2% respectively. Semperform could not completely sustain the dynamic expansion achieved in the previous year, reporting a sales increase amounting to 5.6%. Sales of the Sempermed division climbed by 4.9%.



## BUSINESS ENVIRONMENT

### Continued strength of the global economy

#### Strong growth in the Far East

According to economic experts, the global economy is in the midst of its fourth consecutive year of economic growth, considerably expanding once again in the first six months of 2007. The European economy continued its upswing in the second quarter of 2007. By the end of June 2007, the US economy had gained some momentum. Growth in Asia, particularly in the emerging markets in China and India, was good. According to reports issued by the National Statistical Office, the Chinese economy expanded by close to 12% in the second quarter, an even higher growth rate than originally forecast.

#### US dollar remains weak

The ongoing weakness of the US dollar against the euro and the Thai baht in the second quarter of 2007 continued to have a disadvantageous impact on exports in the dollar area, as well as a negative effect on the competitiveness of Semperit products in these markets.

All in all, over the course of the first half of 2007, the situation on the global markets calmed down somewhat. By the end of June, prices for natural rubber and latex had declined slightly following significant price increases in the first quarter. In contrast, prices for several sorts of synthetic rubber climbed due to their limited availability. Prices for steel products also rose in the first half of 2007.



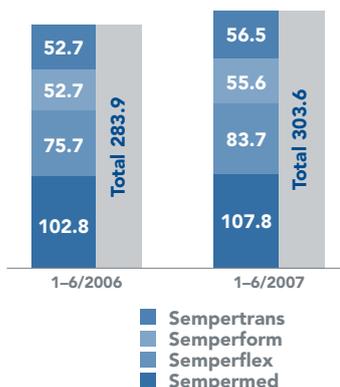
## BUSINESS DEVELOPMENT

### Profit, asset and financial position

#### Increase in EBIT margin

Despite the uncertainties on the raw materials and currency markets, Semperit Group succeeded in increasing its EBIT margin to a satisfactory level in the first half of 2007 compared to the same period of the previous year. The EBIT margin rose to 9.7% in the first half of 2007, up from 8.7% in the first six months of 2006. This improvement can be primarily attributed to numerous cost reduction measures, as well as selling price increases carried out in the 2007 financial year. At the same time, material expenses in the Group declined by about one percentage point, to 55.0% of the operating revenues. The rise in sales was reflected in an improvement in earnings. After minority interests, the Semperit Group achieved a net profit for the period amounting to EUR 22.8 million in the first half of 2007, an increase of 17.0%.

#### Sales by division in EUR million



Sales growth and improved earnings were the decisive factors influencing the development of Semperit Group's asset and financial position. Current liabilities due to banks decreased by 42.0%, to EUR 9.7 million. The cash flow from operating activities rose by 5.0%, to EUR 26.7 million. Investments in tangible and intangible fixed assets totalling EUR 13.0 million related mainly to the required increases in production capacity, as well as rationalisation measures. In the first half of 2007, depreciation climbed by 15.5%, to EUR 13.8 million, as a result of investments carried out in the previous year. The increase in minority interest to EUR 55.6 million was primarily the consequence of currency translation adjustments related to the strong Thai baht, as well as a capital payment to Semperflex Shanghai.

### **Sempermed**

#### **Slight improvement in earnings**

The Sempermed division reported a 4.9% increase in sales in the first six months of 2007, to EUR 107.8 million. Declared division sales negatively affected by the further weakening of the US dollar, which resulted in currency translation losses. Earnings before tax amounted to EUR 5.5 million (previous year: EUR 3.5 million), despite the ongoing strong price fluctuations for raw materials.

#### **Sempermed profited from orders in Middle Eastern markets**

The ongoing growth in the area of surgical gloves also continued in the second quarter. There was strong demand for both powder-free latex gloves and synthetic surgical gloves. Sales of powdered surgical gloves were specially driven by orders placed in the Middle East.

Overall, turnover with examination gloves was moderately higher than in the previous year. Sales in the USA declined modestly. Nevertheless, an upward trend in orders has become apparent in the third quarter. In contrast, there was robust demand for examination gloves in Europe. Earnings improved due to material savings and a further optimisation in processing. Furthermore, the selling price adjustments resulting from increased costs were generally carried out more promptly, which also had a positive impact on earnings.

The market for synthetic examination gloves was characterised by extraordinarily strong demand in the first half of 2007. Semperit is moving ahead to expand production capacity in this area in order to completely satisfy growing demand. The Chinese manufacturing facility, which suffered damage from a fire at the beginning of the year, is in the process of gradually resuming production.

### **Semperflex**

Sales of the Semperflex division rose 10.4% in the first half of 2007, to EUR 83.7 million. Earnings before tax amounted to EUR 10.7 million (previous year: EUR 9.7 million). The earnings situation was influenced by several factors. For one thing, the strength of the Thai baht against the US dollar had a dampening effect on Semperflex's business in the USA. In addition, Semperflex faced price increases for several raw materials, particularly for chloroprene rubber.

#### **Increase in industrial hose production**

Demand for elastomer sheeting remained vigorous in the second quarter. For this reason, the division maintained production capacity increases through additional shifts. Dynamic business expansion in the industrial hose segment also continued during the period under review. Despite the successive increases in production capacity, full production capacity utilisation was reached at all manufacturing locations. Further measures to achieve a greater increase in output were implemented in order to effectively deal with temporary problems in meeting customer delivery schedules. The increasing level of competition, particularly in South European markets, posed a challenge to sales efforts in the region, although the division once again achieved market share gains in some areas.

#### **Slight recovery of hydraulic hose business in the USA**

Demand developed strongly for hydraulic hoses in Europe. An upturn in business was not only perceptible in Western but also in Eastern Europe. The European manufacturing locations had already had difficulties in fulfilling the required production levels. Subsequently, appropriate measures were taken in order to enable the timely delivery of hydraulic hoses to meet increased demand. In the first half of 2007, Semperflex managed to increase output in Thailand in line with planned production volumes. In Asia, the upward trend identified at the beginning of the year continued. Demand has also been climbing in the USA since the second quarter of 2007.

#### **Capacity expansion in China**

Expansion of the new hydraulic hose production facility in China is proceeding on schedule. Multi-shift production was already launched in the second quarter.

**Diverse developments  
in different  
product areas**

**Semperform**

In the first half of 2007, sales of the Semperform division climbed 5.6%, to EUR 55.6 million. Earnings before tax amounted to EUR 8.3 million (previous year: EUR 7.6 million). Once again, a major contribution was made by the Deggendorf plant, which manufactures seal profiles for windows and facades, and further increased sales following the expansion of production capacity. The cable car equipment segment also achieved significant sales growth. Accordingly, it could expand its global market leadership position.

Growth in the Semperform division was powered by the new handrail factory in China, whereas the sales for handrails in Europe was quite challenging. The business with spare parts remained stable. However, demand for new handrails in the OEM business was restrained throughout Europe.

**Mild weather dampened  
demand for  
ski membranes**

As expected, sales of ski membranes declined due to the warm winter. The railway superstructure segment matched last year's sales volumes, but is expected to expand in the second half of 2007, as a consequence of the solid level of orders placed at the end of the period under review.

Production optimisation at the manufacturing locations of Wimpassing and Sopron was completed in the first half of 2007. However, the planned level of industrial output could not yet be achieved.

**Good level  
of orders at  
Sempertrans**

**Sempertrans**

The Sempertrans division profited from ongoing lively demand. In the first half of 2007, sales climbed by 7.2%, to EUR 56.5 million. All subsidiaries reported improved earnings, which contributed to earnings before tax totalling EUR 5.9 million (previous year: EUR 4.9 million).

The previous year's restructuring efforts at SFBT, the French subsidiary of Semperit, had a positive impact. As a consequence, the development of key indicators demonstrated a clear trend reversal. Sempertrans Nirlon in India further boosted its margin in the first six months of 2007, reporting an over-proportional increase in earnings. Capacity expansion in recent years as well as lively demand on the domestic and export markets enabled the Polish subsidiary Sempertrans Belchatow to substantially increase sales and earnings in comparison to the preceding year.



**OUTLOOK**

**Ongoing growth in 2007**

It is anticipated that the positive business development of the company will continue throughout the 2007 financial year. Current expectations point to a further improvement in the company's business in the USA. Semperit will take advantage of its strong market position to gain additional market share in Europe, where economic growth should remain robust. It should also be possible for Semperit to strengthen its market position in the booming regions of Asia.

The high level of volatility relating to some raw materials as well as the uncertainty surrounding the currency exchange rates of the US dollar and the Thai baht continue to be the greatest risk factors that Semperit is facing. Nevertheless, management remains confident to further increase sales and profits in the 2007 financial year.



## INTERIM FINANCIAL STATEMENTS

### Balance sheet

#### Assets

in TEUR	31.12.2006	30.6.2007
<b>Intangible assets</b>	3,029.8	2,628.4
<b>Property, plant and equipment</b>	169,504.2	170,817.9
<b>Financial assets</b>	46,084.2	46,984.4
<b>Non-current trade receivables</b>	29.6	0.0
<b>Other non-current receivables</b>	809.0	817.6
<b>Deferred charges</b>	577.7	565.7
<b>Non-current assets</b>	<b>220,034.5</b>	<b>221,814.0</b>
<b>Inventories</b>	84,549.5	88,200.2
<b>Current trade receivables</b>	81,889.0	95,745.8
<b>Other current receivables</b>	9,759.8	10,520.0
<b>Cash and cash equivalents</b>	49,895.3	36,611.9
<b>Marketable securities</b>	31.3	2,111.7
<b>Deferred charges</b>	1,435.6	1,485.5
<b>Deferred tax</b>	8,096.0	8,198.7
<b>Current assets</b>	<b>235,656.5</b>	<b>242,873.8</b>
<b>Total assets</b>	<b>455,691.0</b>	<b>464,687.8</b>

#### Equity and liabilities

in TEUR	31.12.2006	30.6.2007
<b>Issued capital</b>	21,359.0	21,359.0
<b>Share premium</b>	21,503.2	21,503.2
<b>Retained earnings</b>	205,237.2	210,737.0
<b>Currency translation</b>	3,918.1	5,727.1
<b>Minority interest</b>	51,070.6	55,603.9
<b>Equity</b>	<b>303,088.1</b>	<b>314,930.2</b>
<b>Provisions for pensions and severance payments</b>	44,374.3	44,203.9
<b>Provisions for deferred taxes</b>	2,793.5	2,806.1
<b>Other non-current provisions</b>	12,939.0	13,079.3
<b>Non-current liabilities due to banks</b>	6,115.0	5,109.3
<b>Non-current trade payables</b>	20.6	21.8
<b>Other non-current payables</b>	1,164.6	1,156.8
<b>Deferred charges</b>	292.0	249.0
<b>Non-current provisions and liabilities</b>	<b>67,699.0</b>	<b>66,626.2</b>
<b>Provisions for current taxes</b>	1,221.9	3,925.0
<b>Other current provisions</b>	13,585.7	18,206.4
<b>Current liabilities due to banks</b>	16,781.8	9,733.0
<b>Current trade payables</b>	34,424.9	32,133.5
<b>Prepayments</b>	238.1	223.1
<b>Other current payables</b>	18,538.1	18,545.1
<b>Deferred charges</b>	113.4	365.3
<b>Current provisions and liabilities</b>	<b>84,903.9</b>	<b>83,131.4</b>
<b>Equity and liabilities</b>	<b>455,691.0</b>	<b>464,687.8</b>

## Cash flow statement

in TEUR	1.1.–30.6.2006	1.1.–30.6.2007
Profit after tax	20,540.2	24,047.6
Depreciation and amortisation/write ups of fixed assets	11,472.7	13,297.9
Changes in non-current provisions	42.9	-17.4
Changes in non-cash items resulting from currency translation differences, changes in minority interests and others	-2,035.2	2,564.2
<b>Gross cash flow</b>	<b>30,020.6</b>	<b>39,892.3</b>
Increase/decrease in inventories	-2,103.2	-3,650.6
Increase/decrease in trade receivables	-13,784.2	-13,827.3
Increase/decrease in other receivables and deferred charges	-2,115.2	-909.5
Increase/decrease in trade payables and prepayments	5,643.2	-2,305.3
Increase/decrease in other liabilities, current provisions and deferred charges	7,796.8	7,532.0
<b>Cash flow from operating activities</b>	<b>25,458.0</b>	<b>26,731.6</b>
Proceeds from the sale of assets	13,147.4	1,260.8
Purchase of tangible and intangible fixed assets	-19,632.5	-13,009.4
Investments in financial assets	-2,060.0	-1,278.4
Net flows from changes in marketable securities	6,677.3	-2,080.4
<b>Cash flow from investing activities</b>	<b>-1,867.8</b>	<b>-15,107.4</b>
Net redemption of short-term and long-term borrowings	2,775.4	-8,054.5
Dividends	-15,841.5	-17,281.7
Changes in financial liabilities resulting from currency translation differences	0.0	-852.2
Capital increases	0.0	759.9
<b>Cash flow from financing activities</b>	<b>-13,066.1</b>	<b>-25,428.5</b>
<b>Changes in cash and cash equivalents</b>	<b>10,524.1</b>	<b>-13,804.3</b>
Effect of exchange rate fluctuations on cash and cash equivalents	-1,128.3	520.9
Cash and cash equivalents at the beginning of the period	36,574.2	49,895.3
<b>Cash and cash equivalents at the end of the period</b>	<b>45,970.0</b>	<b>36,611.9</b>

## Profit and loss account

in TEUR	2 <sup>nd</sup> quarter		1 <sup>st</sup> half-year	
	1.4.–30.6.2006	1.4.–30.6.2007	1.1.–30.6.2006	1.1.–30.6.2007
<b>Sales</b>	<b>142,310.2</b>	<b>153,638.3</b>	<b>283,935.6</b>	<b>303,563.5</b>
Differences between opening and closing stocks	936.4	-2,391.6	3,121.0	2,546.7
Own work capitalised	152.5	79.1	409.8	200.1
<b>Operating revenues</b>	<b>143,399.1</b>	<b>151,325.8</b>	<b>287,466.4</b>	<b>306,310.3</b>
Other operating income	3,028.1	3,217.0	5,718.5	6,452.2
Cost of materials	-78,247.7	-81,175.1	-159,864.0	-168,576.8
Personnel expenses	-24,613.3	-26,250.6	-48,649.8	-52,036.7
Depreciation	-6,191.5	-6,974.1	-11,957.7	-13,811.6
Other operating expenses	-23,141.7	-23,393.7	-47,675.4	-48,770.9
<b>Operating profit (EBIT)</b>	<b>14,233.0</b>	<b>16,749.3</b>	<b>25,038.0</b>	<b>29,566.5</b>
Income from companies in which the Group has a participating interest	0.0	0.0	0.0	0.0
Interest results	6.4	135.6	-146.8	169.0
Other financial results	703.0	423.6	1,173.8	1,580.2
<b>Financial results</b>	<b>709.4</b>	<b>559.2</b>	<b>1,027.0</b>	<b>1,749.2</b>
<b>Earnings before tax (EBT)</b>	<b>14,942.4</b>	<b>17,308.5</b>	<b>26,065.0</b>	<b>31,315.7</b>
Taxes on income	-3,219.5	-3,960.0	-5,524.7	-7,268.1
<b>Earnings after tax</b>	<b>11,722.9</b>	<b>13,348.5</b>	<b>20,540.3</b>	<b>24,047.6</b>
Minority interest	-650.9	-603.4	-1,020.5	-1,201.1
<b>Net profit for the period</b>	<b>11,072.0</b>	<b>12,745.1</b>	<b>19,519.8</b>	<b>22,846.5</b>
Earnings per share in EUR	0.54	0.62	0.95	1.11
Weighted average number of shares	20,573,434	20,573,434	20,573,434	20,573,434

## Capital and reserves

in TEUR	Issued capital	Share premium	Retained earnings	Revaluation provision	Currency translation	Minority interest	Total
<b>Balance at 31.12.2005</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>180,596.5</b>	<b>124.4</b>	<b>1,335.4</b>	<b>43,736.0</b>	<b>268,654.5</b>
Net profit			19,519.8			1,020.5	20,540.3
Valuation gains/losses for financial assets				-116.5			-116.5
Dividends			-15,841.5				-15,841.5
Currency translation adjustments					-2,973.8	-931.3	-3,905.1
<b>Balance at 30.6.2006</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>184,274.8</b>	<b>7.9</b>	<b>-1,638.4</b>	<b>43,825.2</b>	<b>269,331.7</b>
in TEUR	Issued capital	Share premium	Retained earnings	Revaluation provision	Currency translation	Minority interest	Total
<b>Balance at 31.12.2006</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>205,292.6</b>	<b>-55.4</b>	<b>3,918.1</b>	<b>51,070.6</b>	<b>303,088.1</b>
Net profit			22,846.5			1,201.1	24,047.6
Valuation gains/losses for financial assets				-65.0			-65.0
New minority interest						759.9	759.9
Dividends			-17,281.7				-17,281.7
Currency translation adjustments					1,809.0	2,572.3	4,381.3
<b>Balance at 30.6.2007</b>	<b>21,359.0</b>	<b>21,503.2</b>	<b>210,857.4</b>	<b>-120.4</b>	<b>5,727.1</b>	<b>55,603.9</b>	<b>314,930.2</b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### Accounting and valuation methods

These interim financial statements as at June 30, 2007 were prepared in keeping with the principles set forth by the International Financial Reporting Standards, as stipulated in the guidelines contained in IAS 34, Interim Financial Reporting. The accounting and valuation methods are essentially the same as those applied as at December 31, 2006. For more detailed information on the accounting and valuation methods applied, readers are referred to the consolidated annual financial statements for the year ending December 31, 2006, which are the basis for these interim statements.

### Associated companies (equity method)

The net book value of Isotron Deutschland GmbH on June 30, 2007 was TEUR 192.9 (December 31, 2006: TEUR 289.5).

### Purchase and sale of tangible and intangible fixed assets

In the first half of 2007, the Semperit Group purchased tangible and intangible fixed assets amounting to TEUR 13,009.4 (previous year: TEUR 19,632.5). In contrast, tangible and intangible fixed assets with a net book value of TEUR 830.3 (previous year: TEUR 112.6) were disposed of.

### Dividend payments

Year	Number of shares	Dividend in TEUR	Dividend per share in EUR
2007	20,573,434	17,281.7	0.84
2006	20,573,434	15,841.5	0.77

### Contingent liabilities

There were no material changes in respect to contingent liabilities since the last balance sheet date.

### Transactions with related parties and individuals

B & C Holding GmbH has a dominating influence over the company. For this reason, B & C Holding and its associated companies are in a group relationship with the Semperit Group. The companies in Thailand and China, which are fully consolidated in the financial statements, undertake business transactions with our joint venture partner Sri Trang Agro Plc, in accordance with established market conditions. Insignificant business transactions were carried out with related parties and individuals at prevailing market rates.

### Changes in the Supervisory Board

The term of office of Erich Hampel, Chairman of the Supervisory Board, ended with the formal conclusion of the Annual General Meeting held on May 23, 2007. The Annual General Meeting elected Martin Payer to serve in the Supervisory Board. Karl Schmutzer was elected to assume the position of Chairman of the Supervisory Board. Walter Lederer was chosen to serve as the new Vice-Chairman.

### Significant events after the balance sheet date

No significant events that require disclosure took place between the balance sheet date as at June 30, 2007 and the publication approval on August 17, 2007.

### Statement by the Management Board

The Management Board certifies, to the best of its knowledge, that the consolidated interim financial statements of the Semperit Group for the first half of 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS), and present a fair and accurate picture of the profit, asset and financial position of the Semperit Group. The interim financial statements of the Semperit Group for the first half of 2007 were neither audited nor subject to an auditor's review.

Vienna, August 17, 2007

The Management Board

Rainer Zellner  
Chairman

Richard Ehrenfeldner  
Member of the Board

Richard Stralz  
Member of the Board

## Semperit share information

International Securities Identification Number (ISIN)	AT0000785555
Share price low H1 2007 in EUR	27.75
Share price high H1 2007 in EUR	34.57
Share price at June 29, 2007 in EUR	31.80
Market capitalisation at June 29, 2007 in EUR million	654.2
Earnings per share H1 2007 in EUR	1.11

## Financial calendar 2007

3 <sup>rd</sup> quarter report	November 23, 2007
Preliminary results 2007	9 <sup>th</sup> week 2008

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