

SEMPERIT

LETTER TO SHAREHOLDERS 1ST HALF-YEAR REPORT 2006



SEMPERIT  Aktiengesellschaft Holding

DEAR SHAREHOLDERS,

The focus of global economic growth shifted in the first half of 2006: In Europe, economic growth accelerated from +0.7 % in the first quarter to +0.9 % in the second quarter, or to +2.4 % in year-on-year comparison; in the USA, growth came in at only 0.6 %, less than in the previous quarter. In China, the economy grew by more than 11 % on an annual basis, the highest rate of expansion recorded in ten years.

FURTHER INCREASES IN SALES AND EARNINGS

The Semperit AG Holding group continued on its path of growth in the second quarter of 2006 and the half-year balance sheet for 30th June 2006 shows satisfactory business development. Group sales increased by roughly 10.4 % over the first half of 2005 to EUR 283.9 million. The group result improved by 3.7 % to EUR 19.5 million, while pre-tax profits (PBT) fell by 7.3 % to EUR 26.1 million.

SEMPERIT AT A GLANCE

	1-6/2003	1-6/2004	1-6/2005	1-6/2006	Diff. 06 zu 05
Sales in EUR million	234.7	244.6	257.1	283.9	+ 10.4 %
Profit before tax (PBT) in EUR million	23.1	27.1	28.1	26.1	- 7.3 %
Net profit in EUR million	13.2	17.0	18.8	19.5	+ 3.7 %
Number of employees as of 30 th June	6,069	5,830	6,282	6,623	+ 5.4 %

This reduction in profits can above all be attributed to another massive increase in the price of latex, our most important raw material. Prices for a number of other raw materials and energy sources increased significantly as well. The purchasing prices of important pre-materials were also pushed up by the skyrocketing energy costs.

We have only been able to pass on this increased cost pressure to our customers in part, and with delays, because the worldwide overcapacities are still leading to very aggressive price competition. Exceptional effort was necessary to convince our customers to accept gradual price increases to compensate for the rising raw materials costs.

A further negative factor was the continued distortion of competition on the global markets because of the disadvantageous USD/EUR exchange rate, which impacted our high volume of exports to US dollar markets. In contrast, competing firms from the US dollar regions were able to leverage their currency advantage on the European markets.

The lack of elasticity in the external cost factors necessitated extraordinary internal efforts to cut costs and increase productivity to achieve the results that the group did.

PROGRESS WITH NEW PLANTS IN ASIA

In order to secure our position on the world markets, we continued with the construction of new production facilities and the expansion of existing plants in the first half of the year. The construction of our third factory for medical gloves in Hatyai, Thailand, should be completed in the second half of the year. In Shanghai, building work on our first Chinese hydraulic hose facility is progressing rapidly. The construction of a new Shanghai Semperit Rubber & Plastic Products Co. Ltd. (SRP) handrail factory was begun next to the existing Semperflex plant.

SEMPERMED STRONG IN EUROPE

Healthy business expansion in the Sempermed division brought full capacity utilisation at all production sites in the first half of the year. However, the division's earnings on its especially high volume of deliveries in USD were heavily impacted by the disadvantageous exchange rate.

The Austrian plant in Wimpassing profited from pleasing growth on the European market that considerably boosted sales of standard operation gloves. The trend towards high-quality powder-free products also brought welcome growth in the high-price segment. Container business with examination gloves profited from impressive sales gains and gradual price increases.

The expanded production capacities in Hatyai, Thailand, were fully utilised. In spite of the poor exchange rate, the high quality of our products allowed us to increase selling prices and to at least partially compensate for the further increases in latex prices. The measures to reduce operational costs are beginning to improve our bottom line.

Our sales subsidiary Sempermed USA pursued an earnings-oriented business policy with strict minimum margins and the rejection of low-earnings orders in spite of the aggressive price competition on the American market.

Earnings at Shanghai Foremost in China improved slightly and came in nearly according to plan thanks to the measures implemented to increase the efficiency of production and to cut costs. Demand for latex-free medical and industrial gloves in the USA and Europe brought corresponding increases in sales.

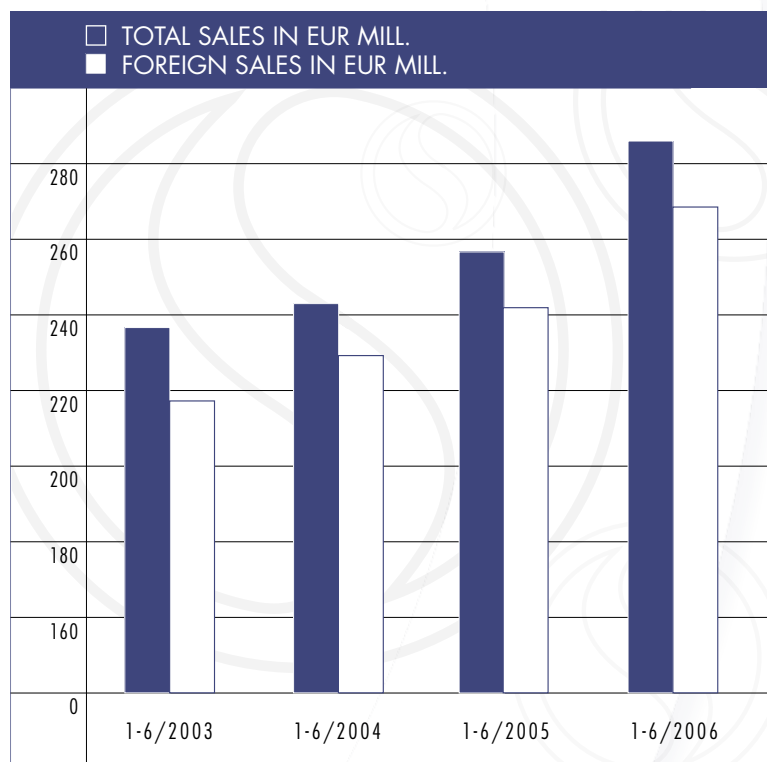
SEMPERFLEX MAINTAINS GROWTH

Thanks above all to vigorous demand for industrial hoses, the Semperfex division reported sales and volume growth for the first half of the year. In spite of considerable production increases, output was not sufficient to fulfil our customers' demands towards the middle of the year and had to be increased by expanding our shifts.

Sales of hydraulic hoses barely increased, however. While good progress was made in Western Europe and America, business stagnated in Eastern Europe and declined in Asia.

At the plant in Wimpassing, the full utilisation of the industrial hose production facilities and healthy increases in sales played a key role in the encouraging growth of this segment. Sales of elastomer sheeting also increased, but the overheated development of raw materials costs impacted earnings because cheap imports from Asia only allowed limited price increases in Europe.

The Semperfex Optimitt plant in the Czech Republic saw massive capacity utilisation increases for industrial hose production. The orders level for hydraulic hoses was also satisfactory.



Thanks to sales-side restructuring measures, increased orders and turnover boosted the level of capacity utilisation at Semperfex Roiter in Italy in comparison to last year.

Operational problems reduced output at the Thai hose production facilities.

MARKED IMPROVEMENTS AT SEMPERFORM

The Semperform division reported satisfactory business development in nearly all product segments in the period under review. However, the massive increases in raw materials prices meant that the increases in earnings did not correlate directly with the increases in sales. In spite of selling price increases, it was not possible to entirely pass on the in part dramatically increased raw materials costs to the customers.

The positive sales and earnings growth at the Wimpassing plant continued in the second quarter. In the moulded products and elastomer profiles segment, production levels for cable car loops, pipe components and railway wagon articles were especially good in the reporting period, whereby sales of cable car loops were especially boosted by good business conditions for cable car manufacturers. Additional project orders boosted sales in the railway superstructure segment.

After a lacklustre start to the year, the Deggendorf rubber plant in Germany reported an impressive increase in business in the second quarter with a sustained high level of new orders and considerably surpassed its targets for sales and earnings.

The manufacturer of construction profiles profited from a slight upswing in the German construction industry, but recorded considerably healthier growth than this industry. In addition to higher order levels from Germany, exports to Eastern Europe contributed strongly to the growth in the second quarter. Alongside the impressive sales successes, comprehensive technical process improvements considerably increased the plant's productivity and boosted daily output with the existing capacities. The price increases that were necessary to counter significant jumps in the cost of power and raw materials were implemented gradually.

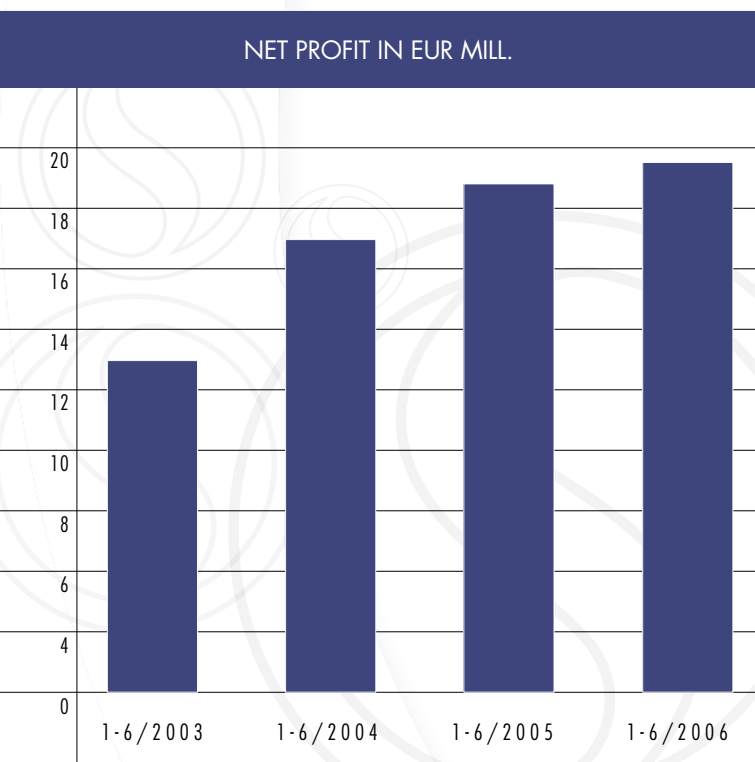
Business at Semperform Hungary continued to improve thanks to the restructuring measures initiated last year. Considerable progress was made in terms of sales revenues, sales volume and earnings as a result of rationalisation and productivity-boosting measures.

Handrail production in Shanghai profited from the good level of business in the supply of handrails for new escalators. The rapid relocation of escalator manufacturing facilities to China has already triggered massive competition between these companies and put increasing pressure on prices for handrail

suppliers. Business at the Thai subsidiary Semperform Pacific improved according to plan.

SEMPERTRANS SEES BEST GROWTH

The Sempertrans division saw unabated growth in the second quarter and reported a healthy increase in sales revenues, sales volume and earnings for the first half in comparison with the previous year.



The Polish conveyor belt factory Sempertrans Belchatow reported high capacity utilisation for its new 3.2-meter-wide press, and increased its output accordingly. Distribution activities focused on expanding into and increasing business in the growth markets of Eastern Europe, Asia and Australia.

The French conveyor belt manufacturer SFBT reported increases in sales volume and revenues primarily resulting from additional orders in connection with major projects. However, high wage costs in France and price competition for standard products continued to dominate the poor basic business conditions. In spite of this, the restructuring measures that are currently being implemented already showed positive effects. The sustainability of these improvements in the second half of the year will be determined in large part by the continued strict application of these internal measures.

The Indian subsidiary Sempertrans Nirlon reported sales and earnings increases above target. In spite of full capacity utilisation, an exceptionally good level of new orders and impressive productivity increases allowed output to be increased further. Measures are currently in planning to expand capacities here.

GROWTH WILL CONTINUE IN 2006

The world economic climate indicator that is published by the ifo Institute for Economic Research in Munich improved for the third time in a row in the second quarter, advancing from 109.2 to 111.0 points. The outlook for the three major economic regions Europe, Asia and North America is correspondingly positive.

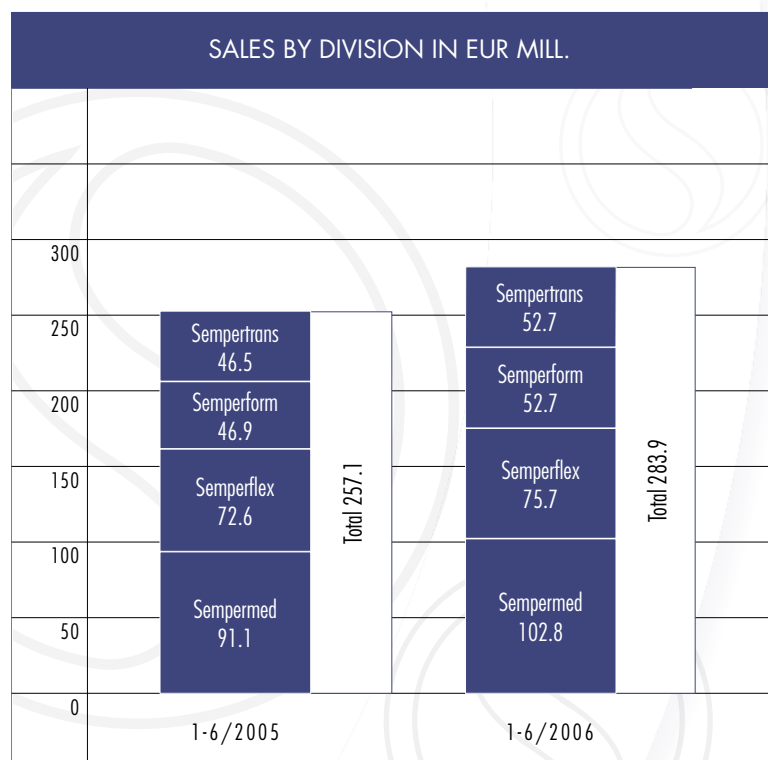
For this reason, Semperit's management expects that sales growth will continue for the remainder of 2006. However, the unpredictable development of prices for latex and other raw materials and the continued volatility of key currencies such as the US dollar and Thai baht remain a source of significant uncertainty. We expect these difficult conditions with direct bottom line impact to further dominate our earnings situation in the second half of the year.

A continued increase in production volume and sales is expected in the Sempermed division. However, the earnings of the division will be negatively affected by the aforementioned conditions.

The high raw materials prices and the USD/EUR exchange rate will continue to be key factors in the performance of the Semperflex division. Thanks to the good orders level, we expect full capacity utilisation to continue especially in the industrial hoses segment. Efforts will continue to reach our market share and cost targets.

As no problems are to be seen at this time in the key product groups, the satisfactory development of the Semperform division should continue in the second half of the year.

The Sempertrans division should be able to maintain its growth as the year continues. However, we are currently seeing marked regional differences between the markets.



BALANCE SHEET

Assets

in TEUR	31.12.2005	30.06.2006
Intangible assets	3,830.5	3,401.0
Property, plant and equipment	142,158.3	148,983.1
Financial assets	44,829.2	34,375.5
Non-current trade receivables	19.8	12.4
Other non-current receivables	835.5	743.2
Other deferred charges	629.4	591.0
Deferred tax	6,649.9	6,649.1
NON-CURRENT ASSETS	198,952.6	194,755.3
Inventories	83,499.6	85,602.8
Current trade receivables	75,018.3	88,809.9
Other current receivables	11,450.0	12,839.0
Cash and cash equivalents	36,574.2	45,970.0
Marketable securities	6,677.3	0.0
Other deferred charges	1,088.5	1,242.9
Deferred tax	1,656.3	2,359.5
CURRENT ASSETS	215,964.2	236,824.1
TOTAL ASSETS	414,916.8	431,579.4
Equity and liabilities		
Issued capital	21,359.0	21,359.0
Share premium	21,503.2	21,503.2
Retained earnings	180,720.9	184,282.7
Currency translation	1,335.4	-1,638.4
Minority interest	43,736.0	43,825.2
EQUITY	268,654.5	269,331.7
Provisions for pensions and severance payments	45,231.2	44,938.7
Provisions for deferred taxes	1,700.9	1,773.0
Other non-current provisions	11,668.3	11,931.7
Non-current liabilities due to banks	8,317.4	7,138.6
Non-current trade payables	2.1	0.6
Other non-current payables	2,218.1	1,679.0
Deferred charges	344.2	273.7
NON-CURRENT PROVISIONS AND LIABILITIES	69,482.2	67,735.3
Provisions for current taxes	146.5	1,253.3
Other current provisions	12,186.4	14,813.9
Current liabilities due to banks	16,830.4	20,511.6
Current trade payables	30,051.0	35,911.0
Prepayments	592.2	376.9
Other current payables	16,574.9	21,458.3
Deferred charges	398.7	187.4
CURRENT PROVISIONS AND LIABILITIES	76,780.1	94,512.4
EQUITY AND LIABILITIES	414,916.8	431,579.4

STATEMENT OF CASH FLOWS

in TEUR	1.1.-30.6.2005	1.1.-30.6.2006
Cash-flow from result	36,606.9	30,020.6
Changes in working capital	-16,994.6	-4,562.6
Cash-flow from operating activities	19,612.3	25,458.0
Cash-flow from Purchase of property, plant and equipment and intangible assets	-9,498.2	-19,480.2
Cash-flow from Investments in financial assets	-14,085.5	17,612.4
Cash-flow from investing activities	-23,583.7	-1,867.8
Cash-flow from financing activities	-11,176.3	-14,194.4
CHANGES IN CASH AND CASH EQUIVALENTS	-15,147.7	9,395.8
Cash and cash equivalents at the beginning of the 1 st quarter	64,859.3	36,574.2
Cash and cash equivalents at the end of the 1 st quarter	49,711.6	45,970.0

PROFIT AND LOSS ACCOUNT

in TEUR	1.4.-30.6.2005	1.4.-30.6.2006	1.1.-30.6.2005	1.1.-30.6.2006
SALES	132,302.1	142,310.2	257,098.5	283,935.6
Differences between opening and closing stocks	1,133.7	936.4	2,425.8	3,121.0
Own work capitalised	79.7	152.5	129.6	409.8
OPERATING REVENUES	133,515.5	143,399.1	259,653.9	287,466.4
Other operating income	2,290.2	3,028.1	6,748.6	5,718.5
Cost of materials	-68,139.7	-78,247.7	-132,083.8	-159,864.0
Personnel expenses	-23,493.2	-24,613.3	-47,583.2	-48,649.8
Depreciation	-6,051.1	-6,191.5	-11,830.0	-11,957.7
Other operating expenses	-22,960.8	-23,141.7	-47,933.8	-47,675.4
OPERATING PROFIT (EBIT)	15,160.9	14,233.0	26,971.7	25,038.0
Income from companies in which group has a participating interest	0.0	0.0	0.0	0.0
Interest results	228.0	6.4	426.8	-146.8
Other financial results	225.7	703.0	713.9	1,173.8
FINANCIAL RESULTS	453.7	709.4	1,140.7	1,027.0
PROFIT BEFORE TAX (PBT)	15,614.6	14,942.4	28,112.4	26,065.0
Taxes on income	-3,085.8	-3,219.5	-5,604.7	-5,524.7
PROFIT AFTER TAX	12,528.8	11,722.9	22,507.7	20,540.3
Minority interest	-1,890.6	-650.9	-3,680.1	-1,020.5
NET PROFIT FOR THE PERIOD	10,638.2	11,072.0	18,827.6	19,519.8
Earnings per share in EUR	0.52	0.54	0.92	0.95
Weighted average number of shares	20,504,522	20,573,434	20,483,653	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			18,827.6				3,680.1	22,507.7
Change in treasury shares					1,349.9			1,349.9
Reclassification of badwill			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	162,689.3	98.3	0.0	-3,098.9	42,083.2	244,634.1

in TEUR	Issued-capital	Share premium	Retained earnings	Revaluation provision	Treasury shares	Currency-translation	Minority Interest	Total
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			19,519.8				1,020.5	20,540.3
Valuation gains/losses for financial assets				-116.5				-116.5
Dividende			-15,841.5					-15,841.5
Currency translation adjustments						-2,973.8	-931.3	-3,905.1
Balance on 30.06.2006	21,359.0	21,503.2	184,274.8	7.9	0.0	-1,638.4	43,825.2	269,331.7

FINANCIAL CALENDAR

Quarterly reports 2006
3rd quarter 24. 11. 2006

Interim profit 2006
9th week 2007

**For more information on the Semperit Group,
please contact:**

Semperit Aktiengesellschaft Holding
Modcenterstraße 22, A-1030 Vienna, Austria
Phone: 0043/1/79 777 – 214, Fax: 0043/1/79 777 – 602
e-mail: investors@semperit.at
www.semperit.at