SEMPERIT AKTIENGESELLSCHAFT HOLDING

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SEMPERIT GROUP

CONSOLIDATE FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF SEMPERIT AG HOLDING

IMPRESSUM

Annual Report and Financial Statements 2005 Presented to the 117th Ordinary General Meeting on 1 June 2006.
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SEMPERIT

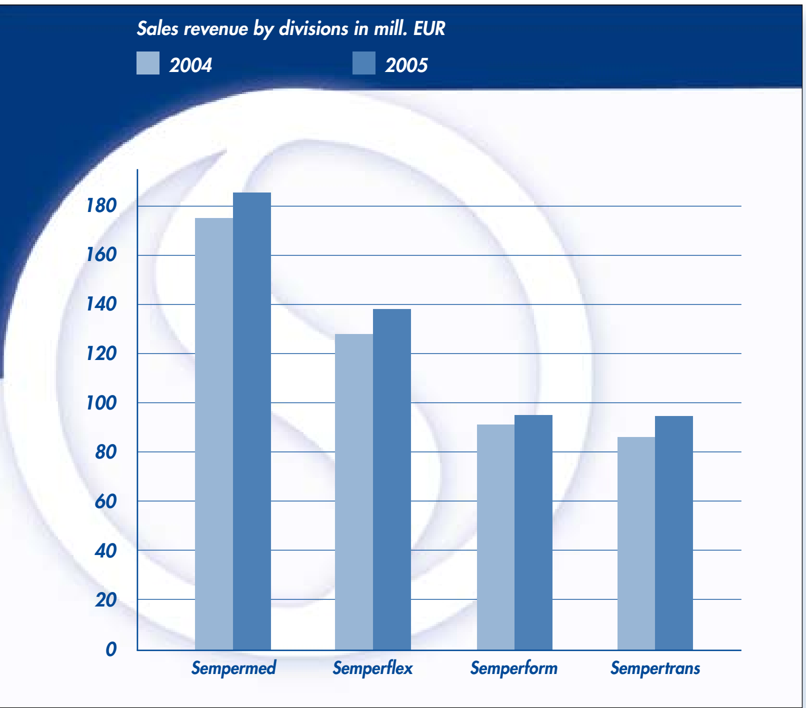
SEMPERIT-GROUP 2005

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

For the 15th year running, the Semperit AG Holding industrial group has again posted satisfactory year-on-year gains in performance, even topping the record results posted for fiscal year 2004. Group sales rose by 7.9 % to EUR 515.0 million. Pre-tax profit rose by 3.0 % to EUR 53.6 million, and the net profit by 19.3 % to EUR 36.7 million.

The fundamental conditions on our international sales markets saw no substantial changes in fiscal year 2005. Global demand for latex increased, but the level of excess production capacity in the sector meant that the aggressive competition and high price pressure continued. The costs for energy and raw materials jumped again considerably, and significantly impacted the Group's earnings because these increases could not be passed on adequately to the customers. The high volatility of the US dollar, Thai baht and the Chinese renminbi towards the Euro were sources of additional uncertainty.



INTERNATIONALISATION ENSURES COMPETITIVE STRENGTH

The companies of the Semperit Group have proven themselves very robust under these difficult conditions. Our strategy of concentrating on our core competences, focusing on profitable segments and further specialising our locations has provided for a stable business foundation in trying economic times. The stringent cost management applied in all subsidiaries also earned us cost leadership on the global markets in most product segments. This has made it possible for us to make continued market-share gains and to further cement our position at the lead of the international rubber industry.

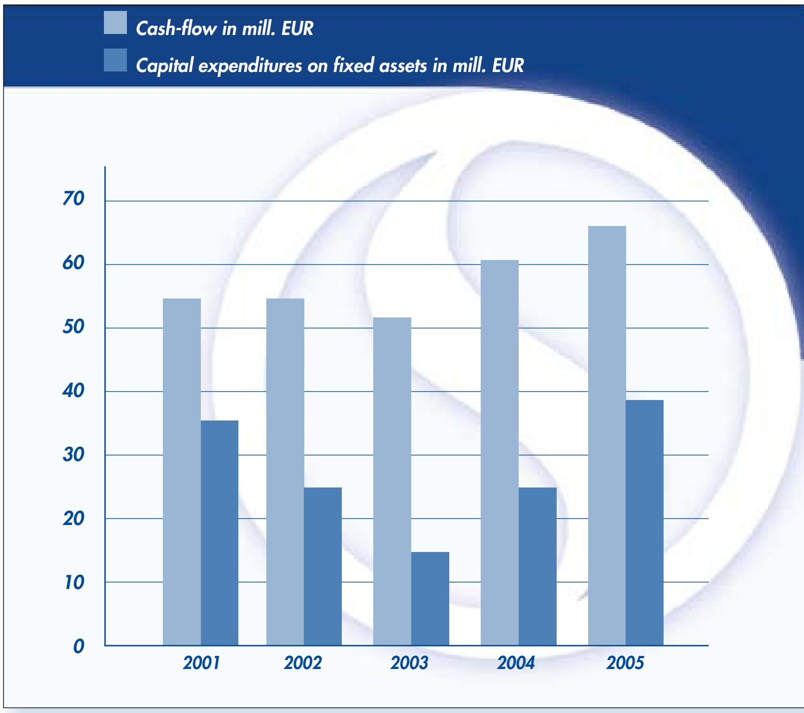
These successes have again borne out the prudence of our active internationalisation efforts. Today, Semperit has a broad enough geographical base to be more immune to economic and market fluctuations in individual regions.

VARYING PERFORMANCE BETWEEN DIVISIONS

Of the Group's four divisions, Sempermed again achieved the highest level of sales. Business was dominated by full capacity utilisation in Asia, significant sales gains for examination gloves and difficulties on the operation gloves market. Because of the continued fierce competition and heavy price pressure, the massive jump in prices for latex could only be passed on to the customers in part and negatively impacted earnings in the second half of the year.

Business in the Semperflex division saw highly dynamic demand for hydraulic hoses that guaranteed full capacity utilisation at all locations and healthy sales gains in Europe, North America and Asia. The expansion of production capacities at the division's four plants in Europe and Asia allowed Semperflex to considerably fortify its position as one of the world's leading hose manufacturers.

In the Semperform division, the Deggendorf and Wimpassing plants recorded increased sales while handrail production in Shanghai reached its capacity and sales limits.



The strong growth of the Sempertrans division can be attributed primarily to the positive sales and earnings development of the Polish conveyor belt factory Sempertrans Belchatow. The plant in India also posted gains in sales and earnings. In contrast, the French group subsidiary SFBT was again unable make it into the black in 2005.

CAPACITY EXPANSION IN ASIA

In pursuance of our growth strategy, we again made significant investments at several of our locations in 2005. The modernisation of the plant systems continued at the home facility in Wimpassing, Austria. The expansion of production capacities was a top priority in other plants in Europe and Asia.

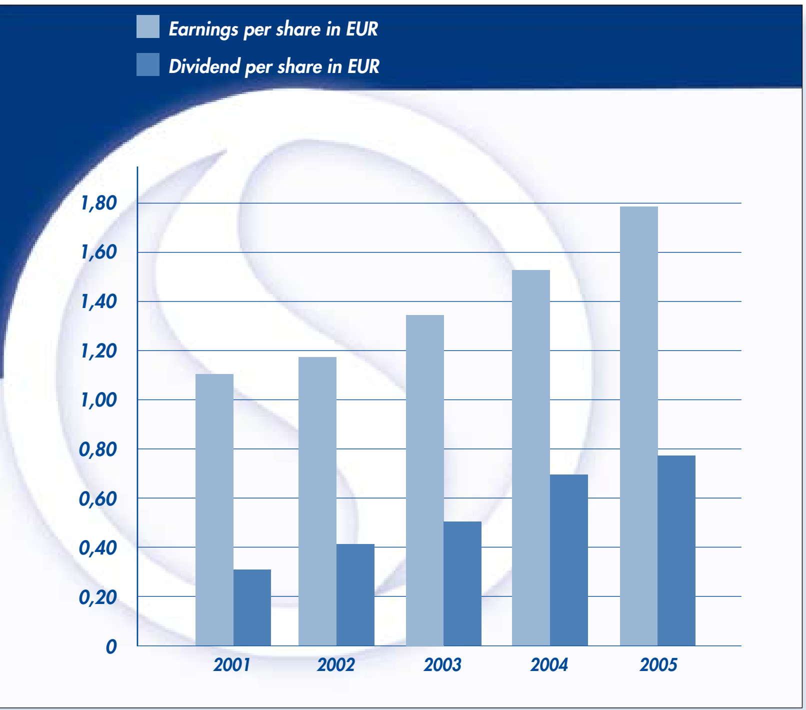
The installation of one of the world's largest conveyor belt presses at Sempertrans Belchatow has further enhanced the unit's impressive competitive strength and allows the plant to produce conveyor belts with a width of up to 3.2 metres. Investments in equipment modernisation and capacity expansions cemented the position of the Semperflex Optimit hose factory in the Czech Republic as one of the most modern and competitive hose manufacturers in the world.

The Semperit facility in Hatyai, Thailand, has for years made it possible for us to remain competitive on the world markets with products that can no longer be produced at sufficiently low cost in Europe. The combination of the location's excellent cost position and impressive technological innovations created the conditions for the opening of a third glove factory, in which the first new dipping lines went into operation in August 2005. This move allowed us to keep pace with the increasing demand for our examination gloves.

Semperflex Asia in Thailand now has an extended hydraulic hose production capacity of approximately 20 million metres. The start-up of the first spiral hose manufacturing line with intensive support from our home plant in Wimpassing has opened up new sales opportunities by enabling the production of hoses for high pressures and heavy-duty applications.

In China, we have begun the further expansion of the Shanghai facility. The newly founded subsidiary Semperflex Shanghai is planning to take the first Chinese hydraulic hose production facility online at the end of 2006.

New zoning regulations in Shanghai have made it necessary to relocate handrail production. As part of the construction of a new plant next to the hose factory, the handrail productions systems will be modernised and capacity doubled, and significant production and administration synergies will be leveraged through close cooperation between the two plants.



DIVIDEND INCREASED AGAIN

Thanks to the positive development of business, we will be continuing our shareholder-friendly dividend policy for fiscal year 2005. At the coming Annual General Meeting, the Management Board will propose a dividend increase from EUR 0.70 to EUR 0.77 per share.

The stock price was very volatile during the reporting period, and fell briefly to EUR 20.92 at year-end, down 9.0 % year-on-year. The average stock price for 2005 was approximately EUR 23. Calculated from the annual average stock price, the dividend yield of Semperit stock remains 3.4 %.

SIGHTS SET ON RECORD RESULT AGAIN IN 2006

We expect the prices for energy, raw materials and pre-materials to continue to rise in fiscal year 2006, and the currencies relevant to our business will also remain volatile. In spite of this, the current orders level and our strong position on the world markets gives us cause to be optimistic that we will be able to accelerate our growth. We expect that our cost advantages will make it possible for us to win additional share in existing markets, and we are actively working to tap new markets. This of course necessitates the expansion of our production capacities. In Thailand, the successive completion of additional dipping lines in the third glove factory will accelerate this expansion. In addition to the expansion of the Czech and Thai hose factories, the opening of the new handrail plant and hose production in Shanghai will open up new dimensions. The Polish Sempertrans plant will also be boosting its production and sales again. The new and interesting projects being pursued by the Group will not be limited to existing locations, however.

The growth that we are expecting in the near future should make it possible for us to bring our sales and earnings to a new record level for the 16th year in a row.

THANK YOU TO EMPLOYEES, CUSTOMERS AND SHAREHOLDERS

The employees of the Semperit Group once again more than met the expectations that were placed in them in 2005. We thank each of them at every Group company for their valuable contributions, without which Semperit would not be able to remain on its steady course of growth. We would also like to thank our customers for their confidence in us and our products and for the business relations that we have enjoyed. Last but not least, we would like to thank our shareholders for the confidence that they have placed and continue to place in our company.

Dipl. Ing. Rainer Zellner

SEMPERIT SHARE

Comparison of performance: Semperit/ATX

STOCK EXCHANGE DATA	2001	2002	2003	2004	2005
Share price high in EUR	12.59	12.98	15.49	23.00	27.75
Share price low in EUR	9.15	10.41	12.20	13.40	20.56
Share price at year-end in EUR	10.80	12.49	13.37	23.00	20.92
Price variation at year-end in %	+ 5.4	+ 15.6	+ 7.0	+ 72.0	- 9.0
Shares outstanding at year-end in 1,000	20,573	20,573	20,573	20,573	20,573
Market Capitalization at year-end in mill. EUR	222.2	257.0	275.1	473.2	430.4
Earnings per share in EUR	1.10	1.18	1.32	1.51	1.79
Dividend payout per share in EUR	0.36	0.41	0.54	0.70	0.77
Net assets per share in EUR	6.89	7.22	7.54	8.85	10.93
P/E ratio as at 31.12.	9.8	10.6	10.1	15.2	11.7

Financial Calendar 2006

General Meeting	01. 06. 2006
Quotation ex-dividend (ex-day)	06. 06. 2006
Dividend payment	12. 06. 2006
Quarterly reports 2006	
1. quarter	01. 06. 2006
2. quarter	25. 08. 2006
3. quarter	24. 11. 2006
Interim profit 2006	9th week 2007

After decades of international dominance by the New York Stock Exchange, the exchanges in Europe and Japan unexpectedly began on their own paths in 2005. The Dow Jones Industrial Index closed the year at the same level as in 2004 after significant spikes over the course of the year. In contrast, the Vienna ATX gained roughly 50 % over the course of 2005, and even outdid the German DAX by an impressive 27 %. The Japanese Nikkei 225 Index closed with a year-on-year gain of 40 %.

Unlike in 2004, the performance of the Semperit share was not able to surpass the ATX. After continuing on the previous year's growth trend that took the share to EUR 23 by the end of 2004 and gaining roughly 20 % by mid-March 2005, Semperit fell to its lowest value for the year (EUR 20.56) in December 2005.

For long-term investors, the Semperit share remained a profitable investment in spite of this hesitant development in the reporting period: In terms of market capitalisation, the value of the Semperit Group has increased 17-fold from EUR 24.8 million to EUR 423.8 million in eleven years.

FURTHER INCREASE IN DIVIDEND PAYMENTS FOR 2005

In accordance with our shareholder-friendly dividend policy, the Management Board will again propose a generous dividend payment for fiscal year 2005. At the coming Annual General Meeting, the Management Board will propose a dividend increase of 10,0 % from EUR 0.70 to EUR 0.77 per share. This corresponds to an increase in dividend payments from 67 % to 74 % of issued capital.

INVESTOR RELATIONS POLICY

Just as our customers and suppliers, our shareholders know us to be a reliable, profitable company. Being listed since 1890, Semperit is one of the oldest companies on the Vienna stock exchange and is also traded on the German exchanges in Frankfurt, Berlin-Bremen and Stuttgart. Our relations with our investors are built up on a basis of long-term trust that we continually maintain and strengthen by providing open and comprehensive information through our investor relations activities.

In 2005, our investor relations policy focused heavily on meeting the expectations of the Austrian and international investors in terms of transparency, and presenting a realistic impression of our Group. In the past, this approach has already resulted in the share price accurately reflecting the current course of business to a high degree.

As in previous years, our information dissemination measures in 2005 included not only the annual report, quarterly reports and press releases and conferences, but also road shows and individual and group meetings with investors and analysts. We will continue to operate this policy in future.

CORPORATE GOVERNANCE

The Austrian Corporate Governance Code establishes a regulatory framework for the management and monitoring of Austrian joint-stock companies. The Code contains internationally adopted standards for good corporate governance, as well as significant regulations in this context regarding the Austrian Share, Stock Exchange and Capital Market Acts, while its basic principles include the OECD guidelines for Corporate Governance.

The rules are aimed at achieving responsible management as well as inspecting companies and corporations with the goal of achieving sustainable creation of value in the long-term.

The code helps to create a high degree of transparency for all of the company's stakeholders. It creates guidelines for the equal treatment of all shareholders, for transparency, open communication between the Management and Supervisory Boards, avoiding conflicts of interest between bodies and efficient checks by the Supervisory Board and auditors.

Companies voluntarily undertake to comply with the guidelines of the Austrian Corporate Governance Code as amended.

The Code is normally reviewed once per year and amended as needed to keep it in line with national and international developments.

THE CODE COVERS THE FOLLOWING CATEGORIES OF RULES:

1. Legal Requirement (L): The rule is based on compulsory legal regulations.

2. Comply or Explain (C): The rule should be observed; a deviation must be explained and justified, in order to achieve a level of conduct that complies with the code.

3. Recommendation (R): Rule with the character of a recommendation; non-compliance does not have to be explained or justified.

In issuing the following statement, Semperit AG Holding accepts the Austrian Corporate Governance Code as a component of company management and thereby voluntarily undertakes to observe this set of regulations.

SEMPERIT – STATEMENT ON CORPORATE GOVERNANCE

Semperit AG Holding hereby declares that it will voluntarily observe the Austrian Corporate Governance Code and that it also intends to observe the code in future or justify any deviations from it.

The Supervisory Board has also reached a corresponding unanimous decision.

Unless otherwise declared, Comply or Explain rules (C-rules) are to be observed by the affected bodies and companies.

CORPORATE GOVERNANCE CODE COMPLIANCE IN 2005

In fiscal year 2005, Semperit AG Holding complied with the Corporate Governance Code including the additional statement from the 2004 annual report.

The tasks of the internal audit are administered within the Group's Controlling or by external auditores. In the second half of 2005, a separate internal auditing unit was set up (C-rule number 18).

CORPORATE GOVERNANCE CODE – 2006 AMENDMENTS

Semperit will comply with the Corporate Governance Code as amended for 2006 and will implement all measures necessary for this in phases.

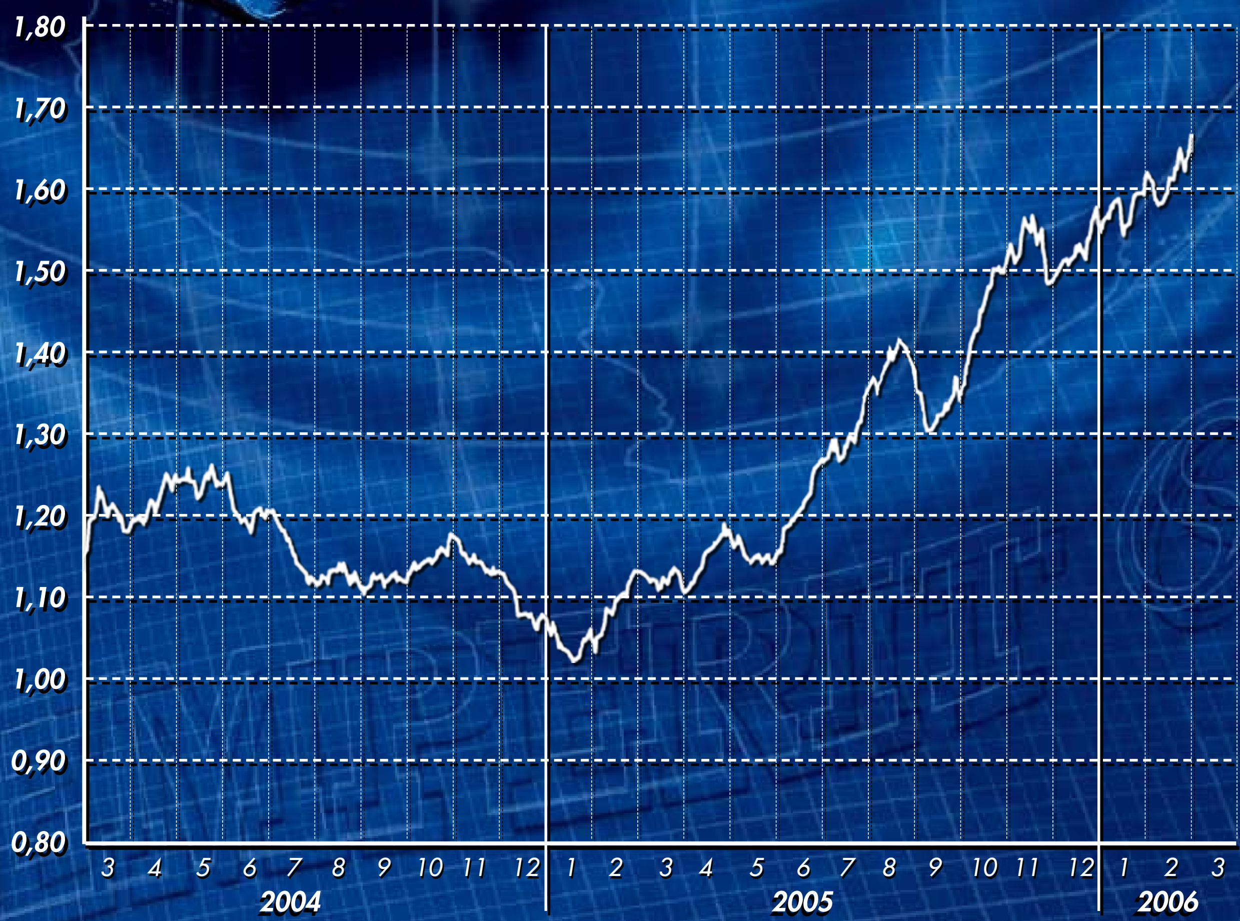
The following statement applies to C-rule number 64:

The quarterly financial report is issued as obligatory laid out in Annex B to the rules on the Prime Market of Wiener Börse AG.

The current version of the Austrian Corporate Governance Code can be inspected at any time at www.corporate-governance.at.

FINANCIAL REPORT

Raw Material Price Trends (Natural Rubber) in EUR/kg



GLOBAL ECONOMIC CONDITIONS

Global economic growth was somewhat slower in 2005 than in the previous year. Gross domestic product (GDP) growth in the OECD countries slowed from 3.3 % to 2.6 %, which was reflected in a shorter inventory cycle in the USA and Japan, among other countries.

The US economy was again the most vigorous of all industrialised countries, posting growth of plus 3.3 % (2004: plus 4.2 %), while economic growth fell from 2.4 % to 1.7 % in the EU-25, and from 2.2 % to 2.7 % in Japan.

China steamed ahead at plus 9.3 % and had the second-largest share of the global economy (13.2 %) behind the USA (20.9 %). This puts China well ahead of Japan (6.9 %), Germany (4.3 %), France and Great Britain (3.1 % each), and Italy (2.9 %). China's share of global production in terms of purchasing power parity has increased four-fold since the beginning of the 1980s. China was the source of over one-fifth of the increase in worldwide production, outstripping the USA and cementing its position as one of the key motors of global economic growth.

The Austrian economy grew by a real 1.9 % in 2005. In the second half of the year, economic recovery was especially strong in the exporting industries, which in turn brought positive effects in investments in plant and equipment.

In the face of weak domestic demand, the international economy – especially in Europe – felt the bite of rising raw materials prices and the relative strength of the euro, especially against the US dollar (USD). The moderate expansion of the global economy was not sufficient to relieve the tension on the oil market. The price for crude oil continued its incessant climb over the course of 2005, and the market continued to react to negative news with strong price increases because of the historically very high level of refinery and transport capacity utilisation. In the industrialised countries, this resulted in further terms-of-trade losses amounting to roughly 1.5 % of GDP. Economic models indicate that a USD 10 increase in the oil price slows production growth by one-quarter to one-half of one percentage point in the industrialised countries.

Crude prices reached their latest peak at USD 70 per barrel, and then began their fall back down to below USD 60 in September 2005. In spite of this, demand for crude oil and other industrial commodities remained unbroken, in part due to the vigorous expansion of the very energy-intensive Chinese economy.

The rise in prices for oil and petroleum products was mirrored by drastic price increases for other raw materials. The German HWWA Index of World Market Prices of Raw Materials rose by some 28 %, nearly matching its gains in 2004 on a USD basis. An increase of 14.5 % was posted for industrial raw materials, while crude oil gained plus 42.8 % and energy feedstocks plus 36.9 %.

The euro lost value against the US dollar, falling from USD 1.36 at the beginning of 2005 to below USD 1.20, but is still at a historically high level.

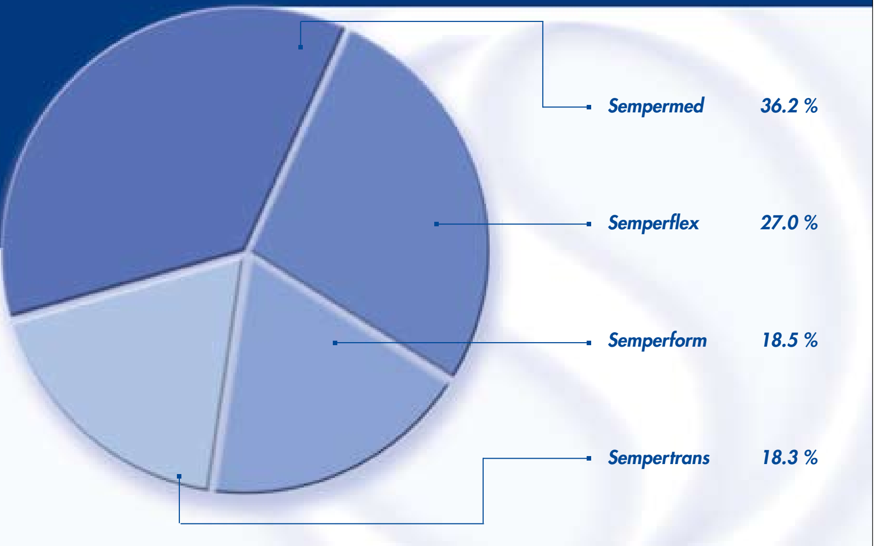
Overall, the basic conditions remained virtually unchanged for the Semperit Group. The fierce competition did not abate, and was most frequently

SALES

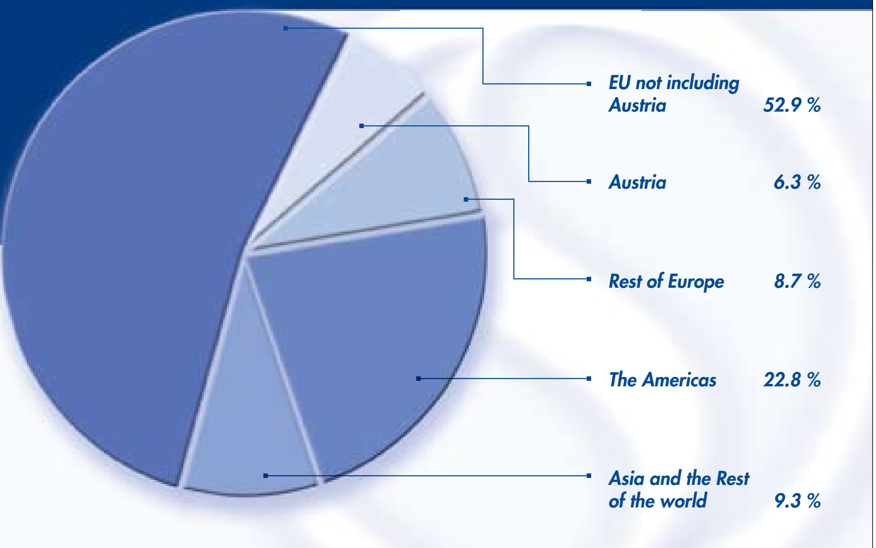
The ongoing fine-tuning of business activities, the implementation of specific Semperit standards in all Group companies in Eastern and Western Europe, Asia and North America as well as the further expansion of capacities has made if possible for us to continue on our course of growth in fiscal year 2005. Group sales rose by 7.9 % year-on-year to EUR 515.0 million. While the performance of each of the four divisions varied, all made a satisfactory contribution to this result.

In a year-on-year comparison, the biggest division, Sempermed, posted an increase in sales revenue of 5.1 % to EUR 186.4 million. While the volume of products sold increased, the gains made were in part absorbed by the fact that this division was hit hardest by currency fluctuations because of the large volume of business done in non-European currencies.

Sales by Segment



Sales by Region



The Semperflex division recorded the fastest sales growth last year, with an increase of 12.5 % to EUR 139.1 million. Growth at the Semperform division showed variance across the individual product ranges. Overall sales came in at EUR 94.9 million, 4.8 % higher than in 2004. The Sempertrans division delivered impressive proof of its strength by boosting sales to EUR 94.5 million (plus 10.6 %) in spite of problems in the French and Indian plants.

With a 36.2 % share of Group sales, the division continued to dominate with medical and industrial gloves. At the end of 2005, Semperflex accounted for 27.0 % of total Group sales, Semperform for 18.5 %, and Sempertrans for 18.3 %.

The varying development of sales in the different regions again resulted in an increasing share of business being conducted overseas in 2005. The EU excluding Austria accounted for 52.9 % of sales, Austria for 6.3 %, the rest of Europe for 8.7 %, the USA for 22.8 % and Asia and the rest of the world for 9.3 %.

The greatest sales growth was achieved in the rest of Europe segment (29.8 %), followed by Asia and the rest of the world (13.8 %), and America (7.4 %).

SUMMARY PROFIT AND LOSS ACCOUNT

in EUR mill.	2004	2005	Change in %
Sales income	477.4	515.0	7.9
Differences between opening and closing stocks	3.1	2.5	- 21.3
Production activated performance	0.4	0.7	98.5
Operating capacity	480.9	518.2	7.8
Other operating income	11.5	10.9	- 4.9
Cost of materials	- 234.0	- 270.1	15.4
Staff costs	- 94.3	- 93.2	- 1.2
Depreciation	- 25.3	- 23.0	- 9.1
Other operating expenses	- 90.6	- 90.8	0.3
Operation profit (EBIT)	48.2	52.0	7.8
Financial result	3.8	1.6	- 58.5
Profit before tax (PBT)	52.0	53.6	3.0
Taxes on income	- 13.7	- 9.9	27.9
Profit after tax	38.3	43.7	14.3
Minority interest	- 7.5	- 7.0	- 7.4
Net profit	30.8	36.7	19.3

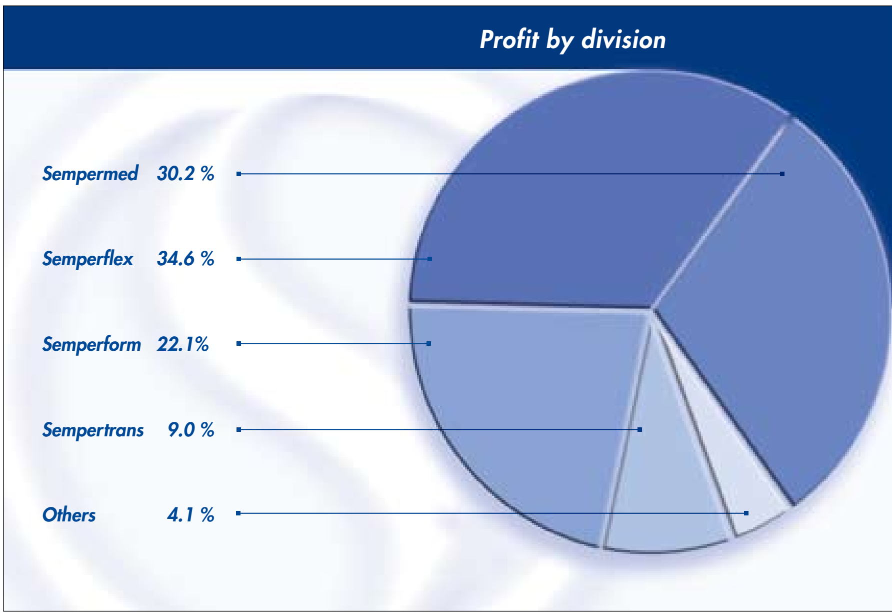
EARNINGS POSITION

Semperit has now improved its earnings for the 15th year in a row by boosting its profit before tax (PBT) by 3.0 % to EUR 53.6 million. The return on sales came in at 10.4 %, virtually the same as in 2004 (10.9 %). The return on equity and return on assets fell year on year to 23.8 % and 12.9 % respectively. The results for the Sempermed division fell to EUR 16.2 million, while Semperflex increased its results to EUR 18.5 million, Semperform to EUR 11.9 million and Sempertrans to EUR 4.8 million. The other results amounted to EUR 2.2 million.

The operating profit (EBIT) rose by 7.8 % to EUR 52.0 million in spite of the increased raw materials costs and the currency fluctuations. The EBIT margin remained unchanged at 10.1 %, proving the success of ongoing cost streamlining.

On the cost side, the latest increases in the cost of energy and raw materials as well as the more expensive pre-materials made from oil-based materials resulted in continuous increases in material costs, which grew by 15.4 % to EUR 270.1 million Group-wide and amounted to 52.4 % of sales (2004: 49.0 %). This increased cost burden could only be partially offset by productivity increases and selling-price increases.

The number of staff increased by 8.3 % on annual average to 6,185. In spite of this, total personnel expenses fell by 1.2 % to EUR 93.2 million, and from 19.8 % to 18.1 % of sales.



Depreciation fell by 9.1 % to EUR 23.0 million.The financial result fell by 58.5 % year-on-year to EUR 1.6 million.

The Group tax rate fell from 26.2 % to 18.4 % because less taxes were assessed on income, and because higher costs were incurred in the previous year because of the adjustment of deferred taxes in response to changed tax rates. This improved the profit after tax by 14.3% to EUR 43.7 million.

Less minority interests, the Group's result improved by 19.3 % to EUR 36.7 million. Profit per share amounted to EUR 1.79, 18.5 % higher than in the previous year.

For information on risk management, invironmente and events after the balance sheet date, please consult the corresponding information in the Annex starting on page 63.

ASSET AND FINANCIAL POSITION

The balance sheet total of the Semperit Group grew by EUR 59.0 million or 16.6 % to EUR 414.9 million. The ratio of fixed assets to the balance sheet total is 46.0 % (2004: 39.1 %), and the ratio of current assets to the balance sheet total is 54.0 % (2004: 60.9 %). The term structure of the individual balance sheet items is broken down on page 40.

Fixed assets increased from EUR 139.3 million to EUR 190.8 million, whereby property, plant and equipment increased by 17.6 % to EUR 142.2 million, and financial assets by 88.8 % to EUR 44.8 million. Property, plant and equipment includes prepayments and assets under construction at a value of EUR 23.2 million.

Inventories totalled EUR 83.5 million, significantly higher than the level reported for 2004. Trade receivables increased from EUR 65.1 million to EUR 75.0 million. Working capital, consisting of inventories plus receivables minus trade payables, was down 23.5 % on the previous year at EUR 128.5 million. Please see page 51 in the Annex for information on the allocated issue certificates. Liquid assets amounted to EUR 36.6 million at the balance sheet date, down 43.6 % on the previous year.

Group equity capital without minority interests amounted to EUR 224.9 million (plus 23.5 %) and includes an equity injection from the Group's result of EUR 36.7 million, adjustment of own shares of EUR 1.3 million, deductions from dividend payments to shareholders of EUR 14.4 million and currency conversion differences

SUMMARY BALANCE SHEET

in mill. EUR	2004	2005	Change in %
ASSETS			
Fixed assets	139.3	190.8	37.0
Inventories	67.2	83.5	24.3
Trade receivables	65.1	75.0	15.2
Other current assets including deferred taxes	84.3	65.6	- 22.2
Total net assets	355.9	414.9	16.6
EQUITY AND LIABILITIES			
Equity capital without minority interests	182.1	224.9	23.5
Minority interests	35.6	43.7	23.0
Reserves and social capital	80.7	70.9	- 12.1
Liabilities	57.5	75.4	31.1
Total equity and liabilities	355.9	414.9	16.6

SUMMARY STATEMENT OF CASH FLOW

in mill. EUR	2004	2005	Change in %
Cash flow from profit	60.4	67.7	11.9
Cash flow from operating activities	64.7	40.9	- 36.7
Cash flow from investment activities	- 21.3	- 65.8	> 100.0
Cash flow from financing activities	- 19.1	- 5.9	- 69.3
Change to cash fund	24.3	- 30.7	> -100.0
Chash fund at end of period	64.9	36.6	- 43.6

of EUR 9,0 million. The negative badwill recorded in previous years under intangible assets in the amount of EUR 10.0 million is now recognised directly in equity.

The equity capital ratio of the Semperit Group as a benchmark of the Group's financial independence rose from 51.2 % to 54.2 % year-on-year. Shareholder capital covers the Semperit Group's fixed assets by 217.4 % (2004: 130.8 %).

The reduction of provisions by EUR 9.8 million to EUR 70.9 million can be attributed primarily to the reduced provisions for pensions and severance payments and a reduction in other provisions.

Liabilities came in higher than in 2004 by 31,1 % at EUR 75.4. This increase can be attributed to liabilities due to banks, trade accounts payable and other liabilities. Liquid assets exceeded financial liabilities by EUR 11.4 million (2004: EUR 51.6 million).

CASH FLOW

Cash flow as an indicator of the Group's self-financing ability increased by 11.9 % to EUR 67.7 million. Cash flow from operating activities, which also takes into account changes to appropriation of funds within working capital, was down 36.7 % on the previous year to EUR 40.9 million because of the high level of capital tied up in inventories and trade receivables.

Cash flow from investment activity amounted to minus EUR 65.8 million. Expansion, replacement, rationalisation and environmental investments in property, plant and equipment totalled EUR 38.6 million, and investments in financial assets EUR 27.8 million. Cash flow from financing activities, which amounted to minus EUR 5.9 million, includes minus EUR 14.4 million for dividend payments for fiscal year 2004. Taking into account exchange rate movements, total liquid capital at the balance sheet date amounted to EUR 36.6 million, EUR 28.3 less than in the previous year.

As an indicator of a company's ability to finance investments from its own income and therefore ensure its continued growth, the cash flow ratio is calculated as the proportion of the cash flow as a percentage of sales. For 2005, the Semperit Group achieved a cash flow ratio of 13.1 % (2004: 12.7 %).

CAPITAL EXPENDITURE

Capital expenditure totalled EUR 66.6 million in 2005. Capital expenditure on fixed assets in the amount of EUR 38.6 million concentrated on the expansion of capacities and modernisation of existing plants. Of the investments in property, plant and equipment, EUR 16.1 million were allocated to Sempermed, EUR 12.5 million to Semperflex, EUR 5.4 million to Semperform, and EUR 4.8 million to Sempertrans.

SEMPERIT GROUP

The consolidated financial statements for 2005 for the Semperit Group are shown in detail on pages 38 to 66.

THE FOUR OPERATING DIVISIONS

Group business activities are concentrated in four divisions: Sempermed, Semperflex, Semperform and Sempertrans. Corresponding operating subsidiary companies are assigned to the relevant divisions. Activities that cannot be clearly allocated are reported in an additional section of the financial statements under the collective heading "Other Activities and Group Eliminations" in line with International Financial Reporting Standards (IFRS). The individual economic positions of the four divisions are described in detail on pages 22 to 29.

SEMPERIT AG HOLDING

Semperit AG Holding is the listed holding company for the Semperit Group. Holding company functions comprise a financial interest in the legally independent subsidiaries as well as the strategic guidance of the Group as a whole. The holding also provides central services via its Finance, Purchasing and Legal departments.

Semperit AG Holding reported net income for the year 2005 of EUR 16.1 million. The Management Board will propose to the Annual General Meeting that a dividend distribution of EUR 0.77 per share be made. Pages 70 to 71 set out the Company's Balance Sheet and Income Statement in detail.

SEMPERIT TECHNISCHE PRODUKTE GMBH & CO KG

Semperit Technische Produkte GmbH & Co KG runs the main Wimpassing plant in Austria, which is the only Group plant to manufacture for three divisions, namely Sempermed, Semperflex and Semperform. This wholly owned subsidiary of Semperit AG Holding increased sales for fiscal year 2005 by 6.7 % to EUR 249.9 million. The balance sheet total increased by 2.9 % to EUR 123.1 million. Equity capital including untaxed reserves amounted to EUR 11.8 million at the balance sheet date.

SEMPERIT TECHNISCHE PRODUKTE GMBH

Semperit Technische Produkte GmbH manages real estate, investments and licences.

Sales from these activities amounted to EUR 8.2 million, and the profit for the period to EUR 21.9 million. The balance sheet total increased by 11.3 % year-on-year to EUR 81.3 million. At year-end, the company's equity capital including untaxed reserves amounted to EUR 80.4 million.

SEMPERIT AG HOLDING

SEMPERIT TECHNISCHE PRODUKTE GMBH

PRODUCTION COMPANIES

SEMPERMED	SEMPERFLEX	SEMPERFORM	SEMPERTRANS
SEMPERIT TECHNISCHE PRODUKTE GMBH & CO KG, VIENNA	SEMPERIT TECHNISCHE PRODUKTE GMBH & CO KG, VIENNA	SEMPERIT TECHNISCHE PRODUKTE GMBH & CO KG, VIENNA	SEMPERTRANS FRANCE BELTING TECHNO-LOGY S.A.S., ARGENTEUIL, FRANCE
SIAM SEMPERMED CORPORATION LTD., HATYAI, THAILAND	SEMPERFLEX OPTIMIT SRO, ODRY, CZECH REPÜBLIC	SEMPERIT GUMMIWERK DEGGENDORF GMBH, DEGGENDORF, GERMANY	SEMPERTRANS BELCHATOW S.A., BELCHATOW, POLAND
SHANGHAI FOREMOST PLASTIC INDUSTRIAL CO. LTD., SHANGHAI, CHINA	SEMPERFLEX ASIA CORPORATION LTD., HATYAI, THAILAND	SEMPERFORM KFT., SOPRON, HUNGARY	SEMPERTRANS NIRLON LTD., MAHARASHTRA, INDIA
SEMPERMED KFT., SOPRON, HUNGARY	ROITER S.P.A., ROVIGO, ITALY	SEMPERFORM PACIFIC CORPORATION LTD., HATYAI, THAILAND	FABRYKA LIN „STOLIN" SP.Z.O.O. BELCHATOW, POLAND
ISOTRON DEUTSCHLAND GMBH, ALLERSHAUSEN, GERMANY	SEMPERFLEX RIVALIT GMBH, WALDBÖCKELHEIM, GERMANY	SHANGHAI SEMPERIT RUBBER & PLASTIC PRODUCTS CO. LTD., SHANGHAI, CHINA	SEMPERTRANS MAINT. FRANCE NORD E.U.R.L., ARGENTEUIL, FRANKREICH
	SEMPERFLEX A.H. SRO, ODRY, CZECH REPUBLIC	SEMPERIT INDUSTRIAL PRODUCTS INC., NEW JERSEY, USA	SEMPERTRANS MAINT. FRANCE MED. E.U.R.L., PORT DE BOUC, FRANKREICH
	SEMPERFLEX SHANGHAI LTD., SHANGHAI, CHINA		SEMPERIT CONVEYOR SERVICES LTD., WALSALL, UNITED KINGDOM

DISTRIBUTION COMPANIES

SEMPERMED	SEMPERFLEX	SEMPERFORM	SEMPERTRANS
SEMPERIT TECHNISCHE PRODUKTE GMBH, GEVELSBERG, GERMANY	SEMPERIT TECHNISCHE PRODUKTE GMBH, GEVELSBERG, GERMANY		SEMPERIT TECHNISCHE PRODUKTE GMBH, GEVELSBERG, GERMANY
SEMPERIT (FRANCE) S.À.R.L. ARGENTEUIL, FRANCE	SEMPERIT (FRANCE) S.À.R.L. ARGENTEUIL, FRANCE	SEMPERIT (FRANCE) S.À.R.L. ARGENTEUIL, FRANCE	
	SEMPERIT INDUSTRIAL PRODUCTS INC. NEW JERSEY, USA	SEMPERIT INDUSTRIAL PRODUCTS INC. NEW JERSEY, USA	SEMPERIT INDUSTRIAL PRODUCTS INC. NEW JERSEY, USA
SEMPERIT INDUSTRIAL PRODUCTS LTD. READING, UNITED KINGDOM	SEMPERIT INDUSTRIAL PRODUCTS LTD. READING, UNITED KINGDOM	SEMPERIT INDUSTRIAL PRODUCTS LTD. READING, UNITED KINGDOM	
	SEMPERIT TEKNISKA PRODUKTER AB SKÄRHOLMEN, SWEDEN	SEMPERIT TEKNISKA PRODUKTER AB SKÄRHOLMEN, SWEDEN	SEMPERIT TEKNISKA PRODUKTER AB SKÄRHOLMEN, SWEDEN
SEMPERMED MAGYARORSZÁG KFT., BUDAPEST, HUNGARY	SEMPERMED MAGYARORSZÁG KFT., BUDAPEST, HUNGARY		
SEMPERMED USA INC. CLEARWATER, USA			
	MANGUERAS TÉCNICAS ROITER S.A., BARCELONA, SPAIN		
	SEMPERIT INDUSTRIAL PRODUCTS SINGAPORE PRIVATE LTD., SINGAPORE		SEMPERIT INDUSTRIAL PRODUCTS SINGAPORE PRIVATE LTD., SINGAPORE

SEMPERMED DIVISION

The Sempermed division is one of the world's leading providers of medical operating and examination gloves. In addition to its assortment of medical gloves, the division has also expanded into industrial gloves and has already established a good position with these products on the international markets in recent years.

Segment reporting Sempermed

in EUR mill.	2004	**2005**
Sales	177.4	**186.4**
Profit before tax (PBT)	18.0	**16.2**
Cash flow	25.2	**23.2**
Assets	101.6	**124.6**
Liabilities	23.5	**44.0**
Capital expenditures	5.4	**16.1**
Number of employees	3,021	**3,433**

The world market was again dominated by excess capacity in 2005, which provoked fierce competition and aggressive pricing. The massive jump in prices for latex in August hit our glove products hard because these cost increases could not be immediately or adequately passed on to the customers.

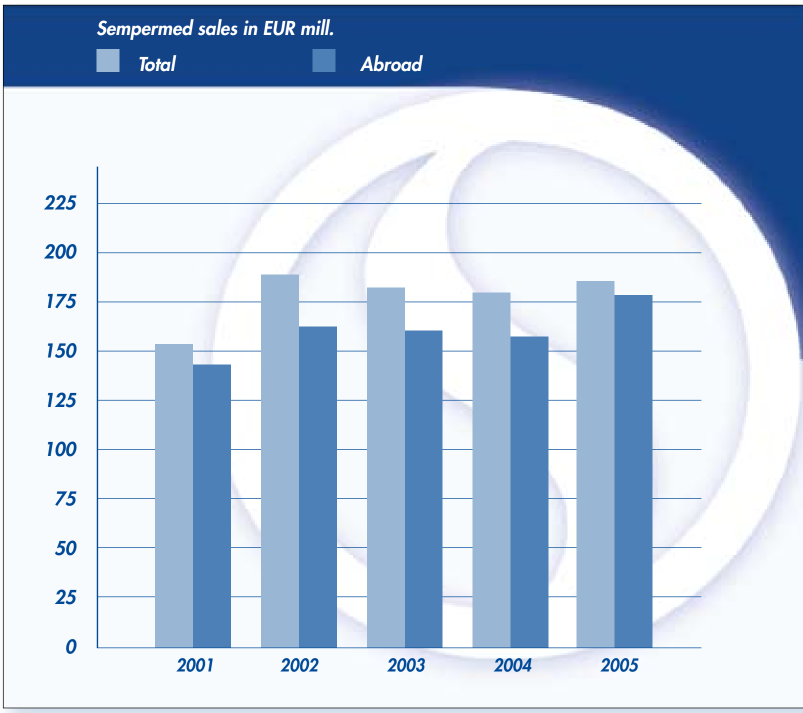
In general, Sempermed saw significant sales gains for examination gloves and difficulties on the operation gloves market. Consolidated sales revenue came in at EUR 186.4 million, 5.1 % higher than in the previous year, and the profit on ordinary activity at EUR 16.2 million, 10.1 % lower than in 2004. Sales on the European markets suffered particularly from the continued relative strength of the euro and the resulting lower cost of products from companies operating in US dollars. The sales offensive on the American market brought impressive successes, even if the margins are still less than satisfactory.

WIMPASSING

The main plant in Wimpassing, Austria, manufactures both operation gloves and work and industrial gloves. In spite of the continual identification and implementation of cost-cutting and rationalisation measures, the overall cost structure is making manufacturing in Europe increasingly difficult. In spite of this, sales revenues remained stable at 2004 levels. However, the most recent increase in the price of latex has negatively impacted earnings. Sales of examination gloves exceeded expectations.

SIAM SEMPERMED

The production of latex examination gloves in Thailand was limited by the full utilisation of the available capacities in both plants. In order to overcome these bottlenecks and meet the high demand, the construction of a third glove plant was started in January 2005. Plans called for the installation of additional dipping lines in the first phase with a total capacity of roughly 3 billion examination gloves per year. The first two new dipping lines went online in August. The additional production capacities made available each month played a very important role in improving the company's ability to meet demand and also resulted in satisfactory sales growth.



SHANGHAI FOREMOST

The Chinese subsidiary Shanghai Foremost specialises in vinyl-based non-latex medial and industrial gloves. The company posted impressive output and sales growth and met its sales targets for the year. However, because of the increased cost of raw materials and the difficult conditions on the energy market, especially for natural gas, the company only attained a result lower than last year.

SEMPERMED USA

Sempermed USA significantly increased its sales revenues through the sale of examination gloves manufactured in Thailand. Business with hospitals and surgeries was satisfactory. In contract, business with industrial gloves suffered from heavy price pressure.

SEMPERFLEX DIVISION

Growth at the Semperflex division also continued during 2005. Division sales increased by 12.5 % to EUR 139.1 million, and the division result by 11.7 % to EUR 18.5 million. As in 2004, growth in hydraulic hose business was impressive, and capacities at all plants were used in full. Sales of industrial hoses also developed positively, if less vigorously. The sale of elastomer sheeting came under heavy pressure from aggressive competition from Asia, and it must be counted as a success under these conditions that the market share could be held.

Segment reporting Semperflex

in EUR mill.	2004	**2005**
Sales	123.7	**139.1**
Profit before tax (PBT)	16.6	**18.5**
Cash flow	24.8	**27.3**
Assets	111.2	**107.3**
Liabilities	32.0	**33.7**
Capital expenditures	12.8	**12.5**
Number of employees	1,181	**1,275**

In order to better service the large Chinese and other Asian markets, the company launched its first hydraulic hose production project in China at the newly founded Semperflex Shanghai Ltd. in June 2005.

WIMPASSING

Production capacity for hydraulic and industrial hoses was fully utilised at the plant in Wimpassing, Austria. The healthy sales gains can be attributed primarily to the vigorous demand for hydraulic hoses. Industrial hose and elastomer sheeting business came under heavy pressure from aggressive pricing by Asian competitors, but the company was able to defend its market position, and even make gains in certain areas.

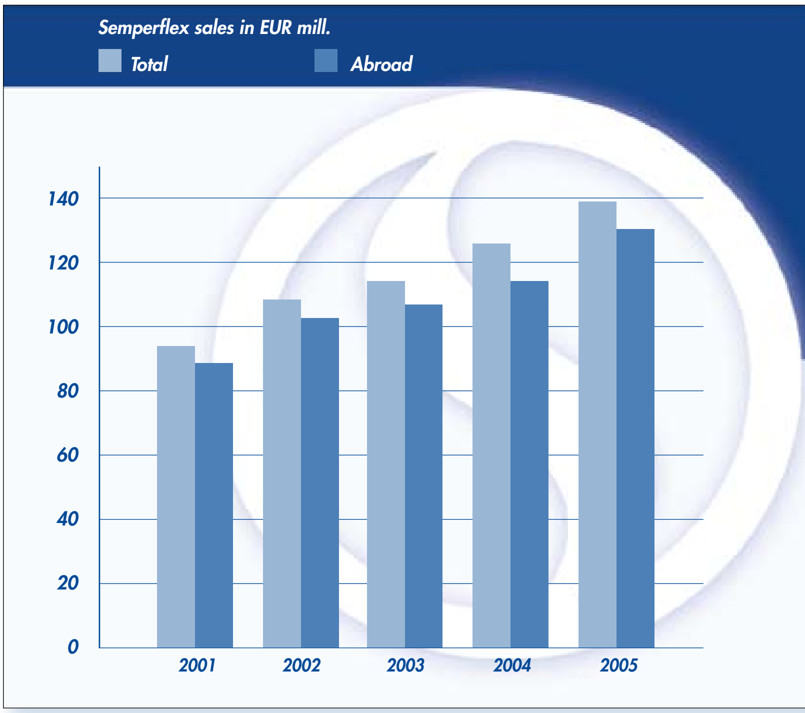
SEMPERFLEX OPTIMIT

Healthy demand for hydraulic hoses brought an above-average increase in sales, and made it necessary to continue the extensive investments being made in the Optmit hose factory in the Czech Republic. After production capacities were expanded at the end of 2004, the targeted capacity soon proved insufficient. For this reason, additional capacity expansions had to be undertaken over the course of the year. In addition, considerable investments were made in infrastructure improvements and to improve product characteristics and quality. These investments have made Semperflex Optimit one of the most modern and competitive hose manufacturers in the world. The company's result improved in spite of the in part significant increases in raw materials prices.

SEMPERFLEX ASIA

After only moderate business and rising cost pressure as a result of heavy increases in raw materials prices in the first half of the year, hose business went well for the Semperflex plant in Hatyai, Thailand, in the second half. The consistent implementation of rationalisation measures allowed productivity to be increased significantly. In addition, multiple price increases were made to pass the increased cost of raw materials on to the customer. This allowed the relative earnings power to be brought back up to 2004 levels.

The expanded hydraulic hose capacity proved to be insufficient to match demand as the year progressed. For this reason, another expansion program was initiated here as well. Semperflex Asia now offers a broad product portfolio that includes top-quality hoses for high-pressure and heavy-duty applications.

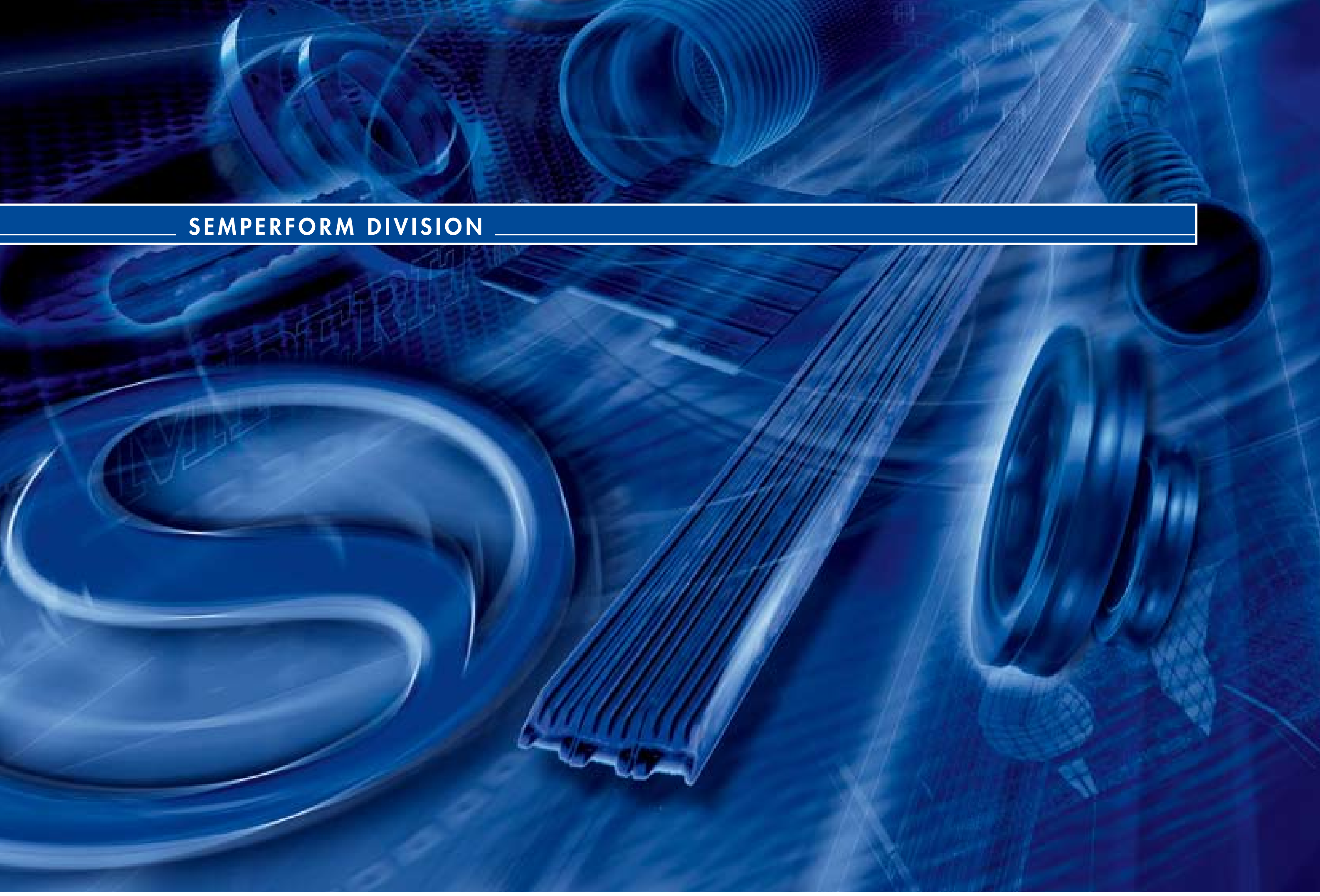


SEMPERFLEX RIVALIT

Semperflex Rivalit, a German subsidiary that specialises in the manufacture of hydraulic hose feeds, continued its successes of previous years and reported encouraging sales and earnings increases. Thanks to its high-quality manufacturing services, it was possible to factor cost increases into the selling prices to a great extent. The company also succeeded in further increasing its productivity and gaining market share.

SEMPERFLEX ROITER

After the conclusion of the restructuring programme, the Italian hose plant Roiter reported satisfactory business development. The company achieved a positive result with a slight increase in sales.



SEMPERFORM DIVISION

Due to its broad range of products, the development of business in the Semperform division was varied but very satisfactory overall. Division sales increased by 4.8 % to EUR 94.9 million, and the profit on ordinary activity came in slightly above that for 2004 at EUR 11.9 million.

Segment reporting Semperform

in EUR mill.	2004	2005
Sales	90.4	**94.9**
Profit before tax (PBT)	11.8	**11.9**
Cash flow	17.0	**17.1**
Assets	57.0	**53.2**
Liabilities	27.1	**23.0**
Capital expenditures	6.5	**5.5**
Number of employees	771	**748**

Fierce price competition, the relative strength of the euro against the currencies of important export markets and massive increases in prices for raw materials and pre-materials resulted in a cost gap that could not entirely be compensated for through increases in selling prices.

WIMPASSING

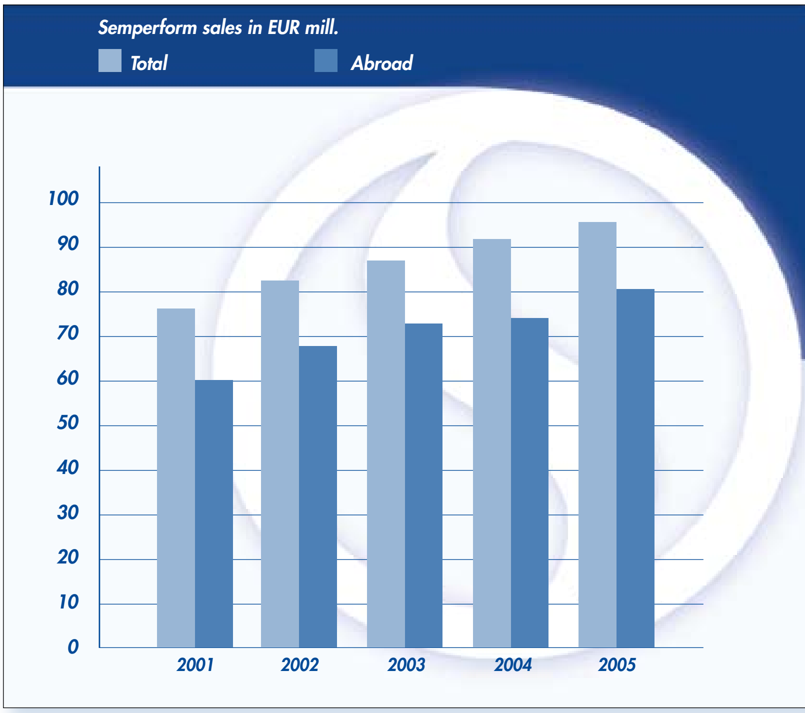
The main plant in Wimpassing reported positive increases in sales and earnings. Business in formed products and elastomer profiles, including for railway superstructures and filter membranes, was exceptionally positive; the sale of cable-car loops, especially for passenger transport in tourist regions, profited from the good economic conditions in the tourism sector. In technical products, the replacement parts business for escalator handrails could be expanded sufficiently to compensate for the decline in orders brought about by the massive relocation of escalator manufacture to China.

SEMPERIT GUMMIWERK DEGGENDORF

In 2005, Gummiwerk Deggendorf in Germany again felt the effects of the negative development of the German construction industry and the further contraction of the window market. However, market share gains made it possible to significantly increase sales. The aggressive price competition put the squeeze on selling prices, so that sales revenues did not grow as satisfactorily as sales volume. Efforts were made to tap export markets in Eastern Europe and Great Britain to counteract the decline on the domestic market. In order to ensure that the ambitious targets can be met, an additional state-of-the-art, high-capacity extrusion system was put into operation in June 2005. With this new system, the company can now manufacture over one million metres of profiles for window and façade construction per day. At an optimal article structure, this will mean a 30% increase in capacity when the expansion is completed. This will also make it easier to handle seasonal order surges.

SEMPERFORM SOPRON

Semperform Sopron in Hungary was not entirely able to meet its sales targets for 2005. In spite of this, consistent cost-cutting measures in all areas allowed the company to improve its result over the previous year. The effect of these measures on the company's result will be seen in full in 2006.



SEMPERFORM PACIFIC

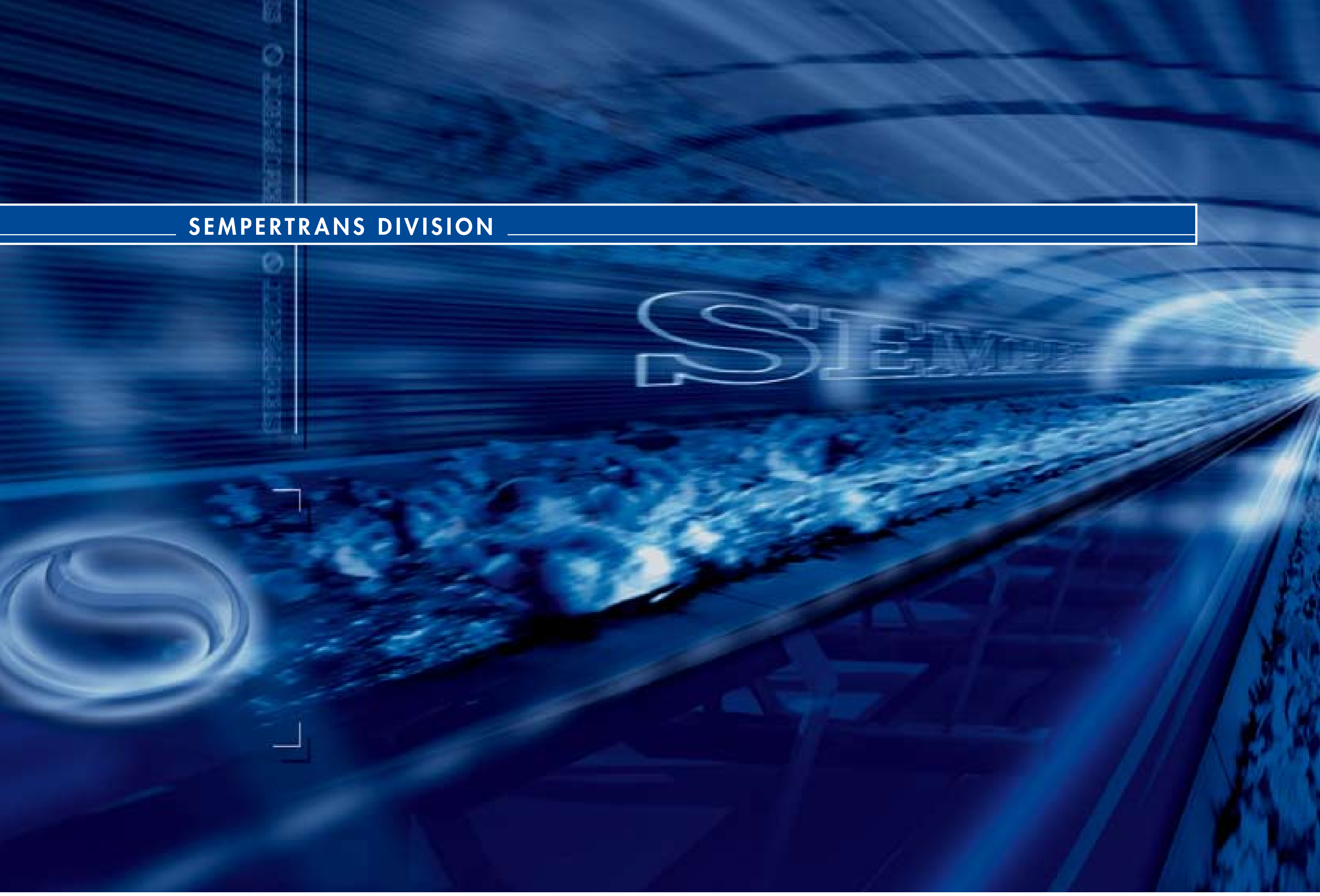
The Thai production company Semperform Pacific continued to expand as planned.

SHANGHAI SEMPERIT RUBBER & PLASTIC

The Chinese handrail manufacturer Shanghai Semperit Rubber & Plastic continued to profit from the fact that numerous international escalator manufacturers are relocating production capacities to China. Exports to other Asian countries also increased. Because of changes made in zoning laws by the Shanghai city government, handrail production must be relocated to a new site next to the new Semperflex hose factory. As part of the relocation of the plant, the production systems are being modernised and expanded from three to a total of six double-press lines. This will mean a total production capacity of one million metres of handrail per year once the project is complete.

SEMPERIT INDUSTRIAL PRODUCTS

The American manufacturing company Semperit Industrial Products was again confronted with a stagnating market for escalator handrails in the USA.



SEMPERTRANS DIVISION

The Sempertrans group operates three factories in France, Poland and India, and is one of the largest conveyor belt manufacturers in the world. In recent years, the company has established its strength in offering a complete range of products from transport and conveyor belts with polyester/polyamide textile carcasses, steel carcasses and heavy steel cable belts with uniform specifications in all standard sizes. Core business has been relocated increasingly to the plants in Poland and India in recent years.

Segment reporting Sempertrans

in EUR mill.	2004	**2005**
Sales	85,4	**94,5**
Profit before tax (PBT)	3,2	**4,8**
Cash flow	5,0	**7,0**
Assets	70,0	**76,6**
Liabilities	19,4	**18,3**
Capital expenditures	2,1	**4,8**
Number of employees	710	**702**

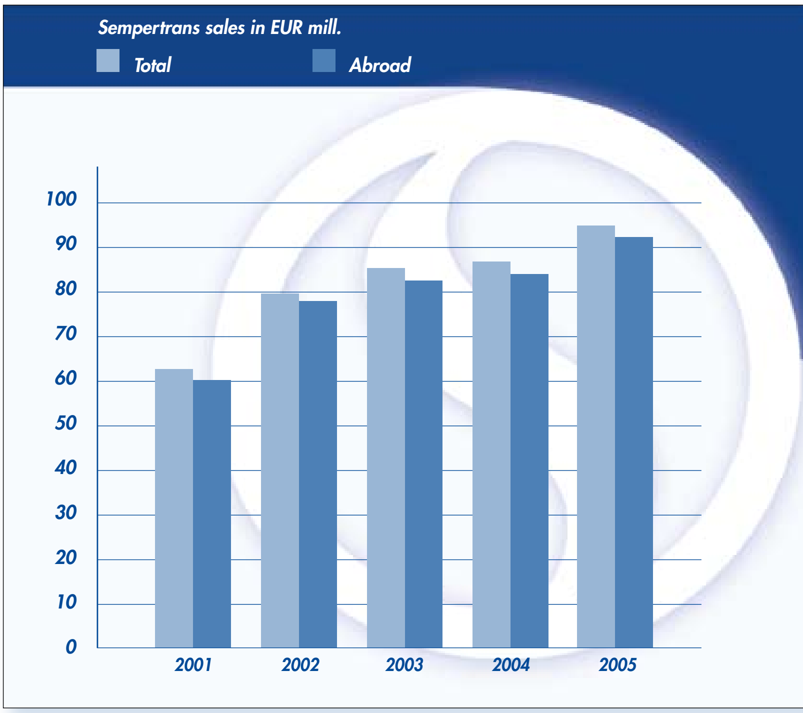
Sempertrans sales rose by 10.6 % to EUR 94.5 million in 2005, and profit on ordinary activity to EUR 4.8 million. The strong growth of the division can be attributed above all to the Polish factory Sempertrans Belchatow, which surpassed its targets for sales and for earnings. Because material costs comprise as much as 75 % of the cost of manufacturing a conveyor belt, the recent massive price increases for raw materials such as natural and synthetic rubber and the reinforcing materials steel cable, nylon and polyester nylon had a major impact on the factories.

SEMPERTRANS FRANCE BELTING TECHNOLOGY (SFBT)

Business development remained unsatisfactory for SFBT in France. Deliveries from the plant did not reach an acceptable level until the second half of the year. It is, however, uncertain how long this trend reversal will hold because of the continuing staff problems. While sales in the reporting period nearly met the targets, the operating result was still unsatisfactory.

SEMPERTRANS BELCHATOW

The Polish conveyor belt factory Sempertrans Belchatow had an excellent year in 2005 and exceeded its operational targets. The strongest sales growth was recorded for metal belts in the former CIS countries. Double-digit growth rates were also achieved for textile belts. Stringent cost management and a strict focus on increasing productivity also resulted in an overproportionate increase in earnings. Capacity utilisation, machine operating times and product quality were all optimised to such an extent that conveyor belt output has been boosted by roughly 20 % with the same production facilities. Approximately EUR 3.9 million euros were also invested in an additional 5,000 metric tons of capacity per year for steel-cable and textile belts. The installation of one of the largest conveyor belt presses in the world, which can manufacture belts up to 3.2 metres in width, has also increased the competitive strength of the company and is certain to bring additional market share. This new manufacturing line is larger than any other installed in the Group to date and allows the production of wider conveyor belts.



SEMPERTRANS NIRLON

Business in the second half of the year was better than expected for the Indian subsidiary Sempertrans Nirlon. Production capacities were fully utilised. This positive development was interrupted by a nearly two-month downturn, however. In spite of this, stringent price and cost policies made it possible for the company to top its result for 2004.

RESEARCH AND DEVELOPMENT

The state-of-the-art research and development centre that was opened at the home plant in Wimpassing in the middle of 2002 acts as the Group's main technology centre, in which teams of highly qualified experts are working continually on various projects to improve materials, manufacturing processes and product quality. This R&D centre is in permanent close collaboration with all Group companies in Europe, Asia and North America to exchange knowledge and experiences on the basis of the research results and the ongoing production and investment activities. Internal knowledge management ensures that the best available technology standards are applied throughout the Group.

Activities in 2005 included research to predict the service life of dynamically loaded articles, and a project completed to describe the extrusion process and tool design for the extrusion process.

Further key projects throughout the Group include a study of the influences on wear and tear in rubber processing machines as well as a reduction of the energy required for manufacturing rubber products.

Work is being done on the optimisation of glove designs in many areas of the glove product portfolio for the Sempermed division. Projects to improve the process technology of the dipping process at all sites should further improve productivity as should new developments in the area of operation glove packaging. Fundamental research is also being conducted to develop new acceleration and networking systems and to analyse film formation in the dipping process.

The design of hoses in various segments in the industrial hose and hydraulic hose areas is being optimised for the Semperflex division. The further development and optimisation of materials used in high-pressure hoses is aimed at improving product quality. The calculation model for simulating the demands placed on hoses that was devised in collaboration with a university was developed further.

Cost-cutting projects were completed for the Semperform division in the segments of construction profiles, pipe clamp profiles and railway superstructure products as well as process development for construction profiles. In addition to the development of new products in collaboration with customers, work for the railway superstructure segment includes a project for ongoing material and process development. The latter is also being carried out for customers in the areas of pipe construction and general construction. Material and process optimisation for manufacturing filter membranes using injection-moulding technology was concluded. In cooperation with the handrail plants, projects are underway for cost-cutting and fundamental research for a new product variant.

Specific customer demands in the Sempertrans division required the development of special conveyor belts. A fundamental project is given over to describing the adhesion of steel and rubber. The process technology used in the manufacture of steel cable conveyor belts was successfully improved. The design and construction of textile conveyor belts was also being reworked.

KEY RESEARCH AREAS IN 2006

The following fundamental projects will be pursued in 2006 in cooperation with Austrian and foreign universities and so-called Kplus centres (Montan University Leoben, Graz Technical University, Vienna University of Technology, Leoben Polymer Competence Centre, Politechnika Wroclawska, ITC Zlin):

- Research into predicting the service life of dynamically loaded articles
- Alternative networking in latex systems
- A description of the extrusion process and tool design for the extrusion process
- The evaluation of different raw materials groups and their uses in elastomers
- A description of the calendaring process, dependencies on the latex materials and influence on the elastomer properties
- Fundamental research on the structure of conveyor belts

For the Sempermed division, research is being conducted into improving material properties and processes to reduce the material required for glove manufacture. Numerous projects are aimed at rationalisation, including the development of new packaging for operation and examination gloves and process and production optimisation projects for glove manufacture. The fundamental project for the development of new networking systems is being continued.

Projects for the Semperflex division include the extension of the calculation model for the interaction between hose and fitting, developments for hydraulic and industrial hoses, and the optimisation of the design of hoses.

Work for the Semperform division includes further product, material and process developments for railway superstructure products and for construction profiles, industrial articles and formed industrial products.

The Sempertrans division is awaiting the development of conveyor belts to meet specific customer requirements, as well as the implementation of the initial results of the ongoing fundamental project for the description of steel-rubber adhesion.

HUMAN RESOURCES

The significant structural changes that the expansion of manufacturing to twelve different countries on three continents has brought to the Semperit Group have fundamentally changed the staffing structure in the Group. Only 15% of the roughly 6,185 people are employed in Austria, the remaining 85% are employed in three continents.

This structure has also reshaped the Group's personnel management, which centres on two key principles: the company's employees are its most valuable asset, and their value must increase continually if possible; at the same time, personnel costs must be minimised to the greatest extent possible.

Each employee deserves individual attention in this. The Company must invest in each employee so that he or she can realise his or her fullest personal and professional potential. This requires high motivation.

To this end, the Group strives to ensure the best possible training for its employees. Suitable qualifications at all levels are decisive for the Group's success, and this can only be made possible by systematic and long-term education and further training.

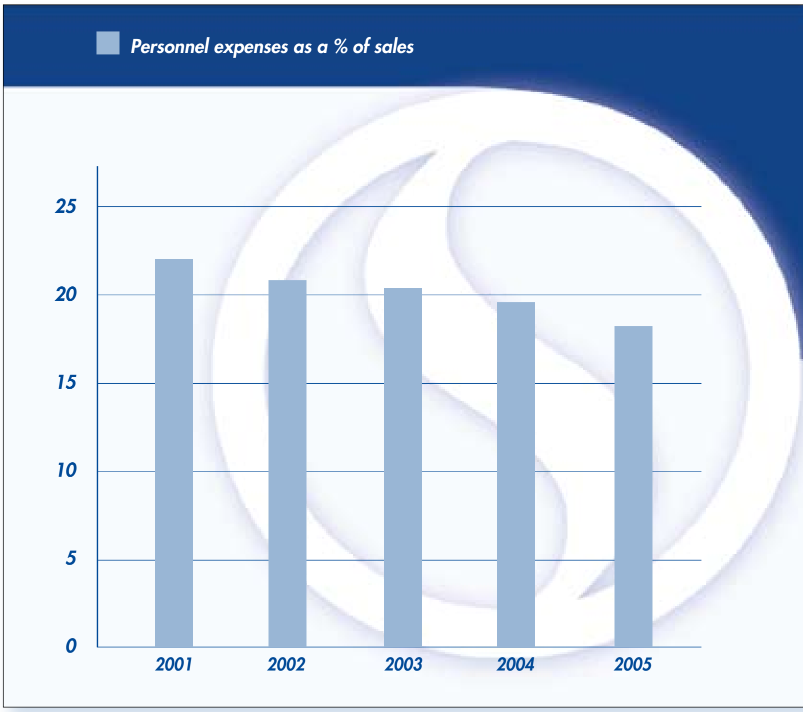
MANAGEMENT PERSONNEL MUST EXTEND THEIR KNOWLEDGE

The rapid international growth of the Group especially requires that its leading executives continually extend their knowledge. To this end, all receive intensive management training in close cooperation with the St. Gallen Management Centre in Switzerland.

All employees can take advantage of a broad education and further training programme that prepares them for the continually increasing challenges they face in their work.

Among other things, the programme focuses on product management, distribution, sales, key account management and marketing. Another key focus is customer relations, which teaches employees how to properly manage the Group's most valuable resource with measures to boost customer loyalty, customer benefit and customer satisfaction. The success of a business policy also depends greatly on recognising potential, customer needs, and the right product and marketing strategies. All of these skills must be developed in the company, but require a high level of knowledge and experience in the staff.

Efforts are also being stepped up to ensure adequate education for the Group's young technical and commercial employees. Within the scope of standardised introductory training courses, young graduates also receive selective specialist training in areas such as rubber technology, logistics, quality assurance, controlling, industrial engineering, procurement and product liability.



In addition, specific modules are offered to round out the employee's training depending on their future position, including time and goal management, presentation technique and rhetoric, sales training, product training, language courses, and multi-level management training.

The principle of ensuring the best possible qualification naturally also applies to machine operators and shift supervisors. At Semperit Wimpassing, for example, only trained foremen are assigned as shift supervisors or to other functions entailing significant responsibility. For this reason, foreman courses are regularly held for rubber and plastics technology.

A future focus of the Group's personnel education and training efforts will be the intensification of international seminars for our employees from all subsidiaries. These seminars will cover sales and personal development.

Special attention will also be paid to new employees, as their integration into the Group structure is a particular challenge for them personally and for the Company.

OUTLOOK FOR 2006

After economic growth slowed slightly in 2005, the upswing is expected to pick up speed again in 2006. Growth in the EU-25 is expected to accelerate from 1.7 % to 2.2 %. In contrast, economic growth in last year's two main sources of growth, the USA and China, is set to slow, but will still remain above that of most other industrialised countries at 3.6 % (2005: 3.3 %) and 9.0 % (2005: 9.3 %) respectively. With growth in Germany expected to top out at not much above 1.5 %, China will further narrow the gap to the world's third-largest economy behind the USA and Japan, and is likely to overtake it in three years.

In Austria, healthy export and investment activity is expected to boost economic growth from 1.9 % to 2.4 %. Austria will also benefit temporarily from companies in Germany completing investments early before the increased value added tax comes into effect. Orders should especially increase significantly in the automobile components supply sector.

GOOD POTENTIAL FOR IMPROVED RESULTS IN 2006

Thanks to this positive economic outlook, the advantageous sales conditions for the Semperit Group will continue. This trend gives good reason to expect that Semperit will achieve record profits for the 16th consecutive year.

However, it must be mentioned that the Group will still be faced with negative factors. The exchange rate between the euro and other currencies that are relevant for our business will remain very volatile, and worldwide overcapacity in certain product lines means that the fierce competition and aggressive pricing will continue.

Sustained high or increasing prices are to be expected for our most important raw materials, energy sources and petroleum-based pre-materials.

For this reason, we will continue to pursue our strategy of concentration on four core divisions, further internationalisation and strict cost discipline.

In the Sempermed division, the capacity expansion at our third glove factory at Siam Sempermed will bring significant increases in the sale of examination gloves due to high demand for our products manufactured in Thailand. Consistent price adjustments and rationalisation programmes, especially for our variable costs, will improve the earnings position.

The Semperflex division is expecting overproportionate growth on the basis of the latest capacity expansions in the hydraulic hose plants in the Czech Republic and Thailand. This success will come primarily from the expansion of market shares in North America, Asia and Europe. The new hose factory in Shanghai is not expected to go online until the end of the year. Sales increases for industrial hoses will be moderate. It should be possible to maintain our market share for elastomer sheeting.

The sales increases that the Semperform division is targeting are based primarily on the plants in Wimpassing and Deggendorf, where the positive growth achieved in the second half of 2005 is to be continued in 2006. In Hungary, management is focusing on consolidating the cost-cutting programmes. The development of the Chinese handrail factory will be hampered this year by the upcoming relocation in Shanghai.

For this reason, growth in the Sempertrans division will come from the continued expansion of the Polish conveyor belt factory Sempertrans Belchatow. The installation of the new press is expected to bring double-digit growth rates. At SFBT in France, this year will show whether or not the restructuring measures have the desired effect and are able to improve earnings. The planned doubling of capacity at Sempertrans Nirlon in India should bring impressive increases in sales and earnings.

Overall, sales and earnings are expected to improve for 2006.

Vienna, March 17, 2006

The Management Board

Dipl. Ing. Rainer Zellner Chairman	Dipl. Ing. Richard Ehrenfeldner	Dipl. Ing. Richard Stralz


SEMPERIT

2005

CONSOLIDATED FINANCIAL STATEMENTS

Profit And Loss Account

in TEUR	Note	2004	2005
SALES	(5.1)	**477,381.5**	**514,997.7**
Differences between opening and closing stocks		3,148.8	2,478.1
Own work capitalised		361.0	749.2
OPERATING REVENUES		**480,891.3**	**518,225.0**
Other operating income	(5.2)	11,488.0	10,920.3
Cost of materials	(5.3)	-233,978.8	-270,104.0
Personnel expenses	(5.4)	-94,294.3	-93,187.6
Depreciation		-25,313.9	-23,007.7
Other operating expenses	(5.5)	-90,552.0	-90,822.6
OPERATING PROFIT (EBIT)		**48,240.3**	**52,023.4**
Income from companies in which Group has a participating interest		200.2	88.7
Interest result		525.8	474.1
Other financial results		3,056.2	1,007.9
FINANCIAL RESULTS	(5.6)	**3,782.2**	**1,570.7**
PROFIT BEFORE TAX (PBT)		**52,022.5**	**53,594.1**
Taxes on income	(5.7)	-13,655.2	-9,856.8
PROFIT AFTER TAX		**38,367.3**	**43,737.3**
Minority interests		-7,566.2	-7,002.5
NET PROFIT FOR THE PERIOD		**30,801.1**	**36,734.8**
in EUR			
Earnings per share (outstanding shares)	(7.1)	1.50	1.79
Earnings per share (weighted average number of shares)		1.51	1.79
Paid or recommended dividend per share		0.70	0.77

The following notes to the financial statements form an integral part of this Profit and Loss Account.

Cash Flow Statement

in TEUR	Note	2004	2005
Profit after taxes		38,367.3	43,737.3
Depreciation and amortisation/write ups		24,771.7	23,044.3
Increase/decrease in non-current provisions	(4.6)	-5,345.9	-6,168.6
Reversal of bad will		-575.0	0.0
Changes in non-cash items resulting from foreign exchange translations and others		3,226.9	7,040.2
GROSS CASH FLOW		**60,445.0**	**67,653.2**
Increase/decrease in inventories	(4.2)	-8,529.2	-16,301.9
Increase/decrease in trade receivables	(4.3)	2,314.6	-9,909.2
Increase/decrease in other receivables and deferred charges	(4.3)	7,735.6	-2,886.7
Increase/decrease in trade payables and prepayments	(4.7)	4,119.6	1,895.1
Increase/decrease in other liabilities and deferred charges	(4.7)	-1,356.9	492.0
CASH FLOW FROM OPERATING ACTIVITIES		**64,728.7**	**40,942.5**
Proceeds from the sale of assets		6,619.3	7,466.4
Purchase of property, plant and equipment and intangible assets		-25,041.8	-38,755.5
Investments in financial assets		-2,904.2	-27,832.6
Net flows from increase/decrease in marketable securities		0.0	-6,677.3
CASH FLOWS FROM INVESTING ACTIVITIES		**-21,326.7**	**-65,799.0**
Net redemptions of short-term and long-term borrowings	(4.7)	-4,063.4	11,146.5
Dividends		-11,011.0	-14,401.1
Dividends to minority interests		-3,998.2	-2,607.8
CASH FLOW FROM FINANCING ACTIVITIES		**-19,072.6**	**-5,862.4**
CHANGE OF CASH AND CASH EQUIVALENTS		**24,329.4**	**-30,718.9**
Effect of exchange rate fluctuations on cash and cash equivalents		228.5	2,433.8
Cash and cash equivalents at the beginning of the year		40,301.4	64,859.3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**64,859.3**	**36,574.2**

Cash and cash equivalents correspond to cash resources.
The following notes to the financial statements form an integral part of this Cash Flow Statement.

BALANCE SHEET

Assets

in TEUR	Notes	31.12.2004	31.12.2005
Intangible assets	(4.1)	-5,342.4	3,830.5
Property, plant and equipment	(4.1)	120,838.5	142,158.3
Financial assets	(4.1)	23,746.3	44,829.2
Non-current trade receivables	(4.3)	28.6	19.8
Other non-current receivables	(4.3)	969.8	835.5
Other deferred charges	(4.3)	0.0	629.4
Deferred taxes	(4.4)	6,742.3	6,649.9
NON-CURRENT ASSETS		**146,983.1**	**198,952.6**
Inventories	(4.2)	67,197.6	83,499.6
Current trade receivables	(4.3)	65,100.3	75,018.3
Other current receivables	(4.3)	9,674.0	11,450.0
Cash and cash equivalents		64,859.3	36,574.2
Marketable securities		0.0	6,677.3
Other deferred charges	(4.3)	791.6	1.088,5
Deferred taxes	(4.4)	1,245.2	1,656.3
CURRENT ASSETS		**208,868.0**	**215,964.2**
ASSETS		**355,851.1**	**414,916.8**

Equity and liabilities

in TEUR	Notes	31.12.2004	31.12.2005
Issued capital		21,359.0	21,359.0
Share premium		21,503.2	21,503.2
Retained earnings		148,274.9	180,720.9
Treasury shares		-1,349.9	0.0
Currency translation		-7,679.3	1,335.4
Minority interest		35,570.8	43,736.0
EQUITY	(4.5)	**217,678.7**	**268,654.5**
Provisions for pensions and severance payments	(4.6)	51,971.0	45,231.2
Provisions for deferred taxes	(4.4)	1,294.9	1,700.9
Other non-current provisions	(4.6)	11,503.1	11,668.3
Non-current liabilities due to banks	(4.7)	9,540.1	8,317.4
Non-current trade payables		284.5	2.1
Other non-current payables		175.6	2,218.1
Deferred charges		0.0	344.2
NON-CURRENT PROVISIONS AND LIABILITIES		**74,769.2**	**69,482.2**
Provisions for current taxes	(4.6)	992.9	146.5
Other current provisions	(4.6)	14,949.2	12,186.4
Current liabilities due to banks	(4.7)	3,736.1	16,830.4
Current trade payables		28,017.9	30,051.0
Prepayments		448.0	592.2
Other current payables		14,517.1	16,574.9
Deferred charges		742.0	398.7
CURRENT PROVISIONS AND LIABILITIES		**63,403.2**	**76,780.1**
EQUITY AND LIABILITIES		**355,851.1**	**414,916.8**

The following notes to the financial statements form an integral part of this Balance Sheet.

Capital and Reserves

in TEUR	Issued capital	Share premium	Retained earnings	Revaluation provision	Treasury shares	Currency translation	Minority interests	**Total**
Balance on 31.12.2003	**21,359.0**	**21,503.2**	**128,386.5**	**98.3**	**-2,460.0**	**-13,685.0**	**34,427.7**	**189,629.7**
Net profit			30,801.1				7,566.2	38,367.3
Change in treasury shares					1,110.1			1,110.1
Valuation gains/losses for financial assets								0.0
Dividend			-11,011.0				-3,998.2	-15,009.2
Currency translation adjustments						6,005.7	-2,424.9	3,580.8
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			36,734.8	-36.7			7,002.5	43,700.6
Change in treasury shares					1,349.9			1,349.9
Reclassification of bad will			10,086.2					10,086.2
Valuation gains/losses for financial assets				62.8				62.8
Dividend			-14,401.1				-2,607.8	-17,008.9
Currency translation adjustments						9,014.7	3,770.5	12,785.2
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**

The following notes to the financial statements form an integral part of this schedule on Capital and Reserves.

CHANGES IN FIXED AND FINANCIAL ASSETS 2005

ACQUISITION/CONSTRUCTION COSTS

in TEUR	Balance on 1.1.2005	Acquisitions/ disposals of subsidiaries	Foreign exchange differences	Acquisitions	Disposals	Transfers	Balance on 31.12.2005
I. INTANGIBLE ASSETS							
Software licences,industrial property rights and similar rights	10,413.3	0.0	180.9	194.8	-16.6	156.1	10,928.5
Goodwill	4,934.7	0.0	84.2	0.0	-2,860.9	0.0	2,158.0
Bad will	-12,727.0	0.0	0.0	0.0	12,727.0	0.0	0.0
Advanced payments	97.6	0.0	15.0	0.0	0.0	0.0	112.6
	2,718.6	**0.0**	**280.1**	**194.8**	**9,849.5**	**156.1**	**13,199.1**
II. PROPERTY, PLANT AND EQUIPMENT							
Land and buildings, including buildings on land owned by third parties	98,675.9	0.0	3,730.1	1,869.1	–749.1	525.5	104,051.5
Machinery and equipment	214,668.6	0.0	6,340.7	7,141.2	-4,248.0	6,357.5	230,260.0
Fixtures, fittings, tools and equipment	50,495.2	0.0	2,273.4	3,070.1	-2,833.8	2,383.3	55,388.2
Prepayments and assets under construction	5,688.8	0.0	434.8	26,480.2	-29.7	-9,422.4	23,151.7
	369,528.5	**0.0**	**12,779.0**	**38,560.6**	**-7,860.6**	**-156.1**	**412,851.4**
III. FINANCIAL ASSETS							
Investments in subsidaries	416.3	0.0	0.0	2,088.3	0.0	0.0	2,504.6
Investments in associates	191.9	0.0	0.0	0.0	0.0	0.0	191.9
Other investments	294.3	0.0	59.6	0.0	-294.9	0.0	59.0
Securities	20,926.5	0.0	67.5	25,737.8	-6,661.8	0.0	40,070.0
Loans granted	99.4	0.0	-0.6	6.5	-18.8	0.0	86.5
	21,928.4	**0.0**	**126.5**	**27,832.6**	**-6,975.5**	**0.0**	**42,912.0**
	394,175.5	**0.0**	**13,185.6**	**66,588.0**	**-4,986.6**	**0.0**	**468,962.5**

Note: Rounding differences may arise from the automatic processing of data.
The following notes to the financial statements form an integral part of this schedule.

DEPRECIATION/WRITE-UPS									BOOK VALUES	
Balance on 1.1.2005	Acquisitions/ disposals of subsidiaries	Foreign exchange differences	Depreciation for fiscal year 2005	Disposals	Transfers	Write-ups for fiscal year 2005	Change taken directly to equity in 2005	Balance on 31.12.2005	Carrying amount on 31.12.2005	Carrying amount on 31.12.2004
7,782.5	0.0	131.8	1,358.3	-16.6	0.0	0.0	0.0	9,256.0	1,672.5	2,630.8
2,821.7	0.0	39.2	0.0	-2,860.9	0.0	0.0	0.0	0.0	2,158.0	2,113.0
-2,640.8	0.0	0.0	0.0	2,640.8	0.0	0.0	0.0	0.0	0.0	-10,086.2
97.6	0.0	15.0	0.0	0.0	0.0	0.0	0.0	112.6	0.0	0.0
8,061.0	**0.0**	**186.0**	**1,358.3**	**-236.7**	**0.0**	**0.0**	**0.0**	**9,368.6**	**3,830.5**	**-5,342.4**
49,325.5	0.0	1,376.6	2,798.6	-289.4	41.1	0.0	0.0	53,252.4	50,799.1	49,350.4
157,938.4	0.0	4,099.4	14,186.3	-3,962.4	-5.1	0.5	0.0	172,257.1	58,002.9	56,730.2
41,406.3	0.0	1,892.6	4,664.5	-2,758.4	-36.0	0.0	0.0	45,169.0	10,219.2	9,088.9
19.8	0.0	-3.6	0.0	0.0	0.0	-1.6	0.0	14.6	23,137.1	5,669.0
248,690.0	**0.0**	**7,365.0**	**21,649.4**	**-7,010.2**	**0.0**	**-1.1**	**0.0**	**270,693.1**	**142,158.3**	**120,838.5**
369.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	369.0	2,135.6	47.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.9	191.9
136.5	0.0	23.8	16.4	-165.0	0.0	0.0	0.0	11.7	47.3	157.8
-2,397.7	0.0	67.4	1,311.9	5.7	0.0	-1,296.3	-62.8	-2,371.8	42,441.8	23,324.2
74.3	0.0	-0.4	5.7	-5.7	0.0	0.0	0.0	73.9	12.6	25.1
-1,817.9	**0.0**	**90.8**	**1,334.0**	**-165.0**	**0.0**	**-1,296.3**	**-62.8**	**-1,917.2**	**44,829.2**	**23,746.3**
254,933.1	**0.0**	**7,641.8**	**24,341.7**	**-7,411.9**	**0.0**	**-1,297.4**	**-62.8**	**278,144.5**	**190,818.0**	**139,242.4**

CHANGES IN FIXED AND FINANCIAL ASSETS 2004

ACQUISITION/CONSTRUCTION COSTS

in TEUR	Balance on 1.1.2004	Acquisitions/ disposals of subsidiaries	Foreign exchange differences	Acquisitions	Disposals	Transfers	Balance on 31.12.2004
I. INTANGIBLE ASSETS							
Software licences,industrial property rights and similar rights	10,158.8	0.0	79.3	231.2	-45.8	-10.2	10,413.3
Goodwill	4,980.5	0.0	-45.8	0.0	0.0	0.0	4,934.7
Bad will	-12,727.0	0.0	0.0	0.0	0.0	0.0	-12,727.0
Advanced payments	108.7	0.0	-7.9	0.0	0.0	-3.2	97.6
	2,521.0	**0.0**	**25.6**	**231.2**	**-45.8**	**-13.4**	**2,718.6**
II. PROPERTY, PLANT AND EQUIPMENT							
Land and buildings, including buildings on land owned by third parties	92,035.9	0.0	2,429.1	3,684.7	-159.7	685.9	98,675.9
Machinery and equipment	198,803.3	0.0	2,768.6	11,019.2	-1,782.4	3,859.9	214,668.6
Fixtures, fittings, tools and equipment	49,412.6	0.0	-220.6	2,101.8	-2,790.8	1,992.2	50,495.2
Prepayments and assets under construction	4,433.3	0.0	-60.7	8,004.9	-226.1	-6,462.6	5,688.8
	344,685.1	**0.0**	**4,916.4**	**24,810.6**	**-4,959.0**	**75.4**	**369,528.5**
III. FINANCIAL ASSETS							
Investments in subsidaries	416.5	0.0	-0.2	0.0	0.0	0.0	416.3
Investments in associates	219.8	0.0	4.4	0.0	0.0	-32.3	191.9
Other investments	254.9	0.0	154.5	0.0	-85.4	-29.7	294.3
Securities	24,892.0	0.0	-46.6	2,893.7	-6,812.6	0.0	20,926.5
Loans granted	114.0	0.0	1.5	10.5	-26.6	0.0	99.4
	25,897.2	**0.0**	**113.6**	**2,904.2**	**-6,924.6**	**-62.0**	**21,928.4**
	373,103.3	**0.0**	**5,055.6**	**27,946.0**	**-11,929.4**	**0.0**	**394,175.5**

Note: Rounding differences may arise from the automatic processing of data.
The following notes to the financial statements form an integral part of this schedule.

DEPRECIATION/WRITE-UPS								BOOK VALUES	
Balance on 1.1.2004	Acquisitions disposals of subsidiaries	Foreign exchange differences	Depreciation for fiscal year 2004	Disposals	Transfers	Write-ups for fiscal year 2004	Balance on 31.12.2004	Carrying amount on 31.12.2004	Carrying amount on 31.12.2003
6,169.1	0.0	81.5	1,577.7	-45.8	0.0	0.0	7,782.5	2,630.8	3,989.7
1,292.7	0.0	-20.8	1,549.8	0.0	0.0	0.0	2,821.7	2,113.0	3,687.8
-2,065.8	0.0	0.0	-575.0	0.0	0.0	0.0	-2,640.8	-10,086.2	-10,661.2
105.7	0.0	-8.1	0.0	0.0	0.0	0.0	97.6	0.0	3.0
5,501.7	**0.0**	**52.6**	**2,552.5**	**-45.8**	**0.0**	**0.0**	**8,061.0**	**-5,342.4**	**-2,980.7**
45,589.0	0.0	1,207.1	2,604.4	-75.0	0.0	0.0	49,325.5	49,350.4	46,446.9
141,913.8	0.0	2,559.3	15,515.2	-1,752.7	-297.2	0.0	157,938.4	56,730.2	56,889.5
39,432.9	0.0	-217.7	4,635.6	-2,741.7	297.2	0.0	41,406.3	9,088.9	9,979.7
11.6	0.0	2.9	6.2	-0.9	0.0	0.0	19.8	5,669.0	4,421.7
226,947.3	**0.0**	**3,551.6**	**22,761.4**	**-4,570.3**	**0.0**	**0.0**	**248,690.0**	**120,838.5**	**117,737.8**
369.0	0.0	0.0	0.0	0.0	0.0	0.0	369.0	47.3	47.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	191.9	219.8
72.2	0.0	55.4	18.2	-9.3	0.0	0.0	136.5	157.8	182.7
-206.3	0.0	-46.6	106.6	-991.5	0.0	-1,259.9	-2,397.7	23,324.2	25,098.3
70.3	0.0	0.5	17.9	-14.4	0.0	0.0	74.3	25.1	43.7
305.2	**0.0**	**9.3**	**142.7**	**-1,015.2**	**0.0**	**-1,259.9**	**-1,817.9**	**23,746.3**	**25,592.0**
232,754.2	**0.0**	**3,613.5**	**25,456.6**	**-5,631.3**	**0.0**	**-1,259.9**	**254,933.1**	**139,242.4**	**140,349.1**

Segment Reporting

STRATEGIC AREAS (PRIMARY SEGMENTS)

in TEUR	Sempermed	Semperflex	Semperform	Sempertrans	Other and Group Eliminations	Group
2005						
Sales[1]	186,431.6	139,128.7	94,931.5	94,491.5	14.4	514,997.7
Profit before tax	16,163.4	18,549.9	11,851.7	4,803.0	2,226.1	53,594.1
Financial results	-233.3	-28.4	95.8	170.4	1,566.2	1,570.7
Depreciation	-7,007.0	-8,705.4	-5,286.7	-2,154.3	145.7	-23,007.7
Assets	124,645.2	107,310.6	53,181.2	76,618.7	53,161.1	414,916.8
thereof financial assets	9,904.9	6,772.9	10,215.2	9,587.0	59.9	36,539.9
Liabilities	44,003.0	33,732.9	22,974.2	18,277.1	27,275.1	146,262.3
thereof liabilities due to banks	16,057.3	7,091.6	1,939.8	58.8	0.3	25,147.8
Capital expenditures	16,119.9	12,507.9	5,465.6	4,809.0	27,685.6	66,588.0
Employees	3,433	1,275	748	702	27	6,185
2004						
Sales[1]	177,445.0	123,686.4	90,616.4	85,411.8	221.9	477,381.5
Profit before tax	17,987.8	16,607.7	11,819.1	3,192.6	2,415.3	52,022.5
Financial results	-115.2	81.7	88.6	219.6	3,507.5	3,782.2
Depreciation	-7,247.6	-8,153.8	-5,199.8	-1,851.5	-2,861.2	-25,313.9
Assets	101,557.5	111,171.5	57,044.1	69,997.9	16,080.1	355,851.1
thereof financial assets	15,285.6	20,782.3	15,285.3	11,174.4	1,840.0	64,367.6
Liabilities	23,538.5	32,032.1	27,062.0	19,422.1	36,117.7	138,172.4
thereof liabilities due to banks	5,954.2	4,953.5	2,294.4	72.0	2.1	13,276.2
Capital expenditures	5,398.3	12,754.7	6,504.2	2,077.9	1,210.9	27,946.0
Employees	3,021	1,181	771	710	27	5,710

According to the "management approach" upon which IAS 14 is based, the company segments are to be defined in compliance with the internal reporting structures in primary segment reports. In regional segment reporting, sales are segmented according to the customer location. Assets and investments are classified by company headquarters.

Information on business developments in the individual divisions is included in the Group Report. The allocation of assets, liabilities, financial result and sales has already been adjusted for consolidation at the segment level.

REGIONS (SECONDARY SEGMENTS)

	2004			2005		
in TEUR	Assets	Capit. Expend.	Sales[1]	Assets	Capit. Expend.	Sales[1]
Austria	126,927.9	7,163.8	31,476.4	141,227.9	35,186.5	32,369.6
EU excluding Austria [2]	55,668.4	2,995.2	259,934.3	55,774.3	2,626.4	272,407.8
Total EU	182,596.3	10,159.0	291,410.7	197,002.2	37,812.9	304,777.4
Rest of Europe	93,397.6	10,734.1	34,538.1	90,732.5	10,798.2	43,886.4
Total Europe	275,993.9	20,893.1	325,948.8	287,734.7	48,611.1	348,663.8
The Americas	28,249.2	340.5	109,323.2	40,453.2	91.3	117,456.4
Asia and the rest of the world	71,545.6	6,712.4	42,109.5	95,385.1	17,885.6	48,877.5
Consolidation	-19,937.6	0.0	0.0	-8,656.2	0.0	0.0
Group	**355,851.1**	**27,946.0**	**477,381.5**	**414,916.8**	**66,588.0**	**514,997.7**

[1] after elimination of inter company sales [2] Sales to new EU states (acceded to EU on 01.05.2004) are included from the beginning of 2004

Notes on the Financial Statements

I. General Information

1.1. General Principles

International Financial Reporting Standards (IFRS)
These financial statements as at 31 December 2005 were prepared in keeping with the principles set forth by the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). In view of § 245 a HGB (Austrian Commercial Code) in connection with Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council from 19 July 2002, all listed companies are required to prepare their financial statements in accordance with IFRS for all fiscal years starting after 31 December 2004.

The consolidated financial statements are presented in thousands of euros (TEUR).

The IFRS standards that were adopted in 2005 but that are not binding and were not applied voluntarily have no effect on the financial statements of the Semperit Group. For this reason, this information is omitted.

The application of the valid new provisions of IAS 1 since 1 January 2005 requires among other things the breakdown of balance sheet items according to their term and requires that minority interests be reported under Group equity. The figures for the previous year were adjusted to allow comparison.

The new requirements of IFRS 3 became effective for the first time in fiscal year 2005. The reported negative balancing items (intangible assets) at 31 December 2004 were charged directly to equity on 1 January 2005 (TEUR 10,086.2).

The new requirements of IAS 39 were adopted in 2005 and will be applied starting on 1 January 2006. The retroactive adoption of these new requirements into EU law effective 1 January 2005 dictated the application of these requirements already for fiscal year 2005. The comparative figures for the previous year were adjusted where applicable.

1.2. Major Differences Between Austrian and IFRS Accounting Rules

Major Differences
Austrian accounting principles and International Financial Reporting Standards are based on fundamentally different principles. The Austrian accounting principles set out in the Commercial Code (HGB) stress the principle of prudence and protection of creditors. The primary objective of accounting according to the principles of IFRS is to provide information upon which investors and shareholders may base their decisions; for that reason, greater importance is attached to the comparability of annual financial statements prepared in accordance with IFRS than is the case with those based upon the Austrian Commercial Code.

Those specific differences that are of particular importance for these consolidated financial statements are set out below:

Financial Assets

According to Austrian reporting principles, financial assets must be reported at the lower cost of acquisition or market value. According to IAS 39, financial assets of the Semperit Group must be reported at their market value. Gains and losses from the valuation of securities that are classified as "available for sale" are not reported in the profit and loss account, but directly in equity until the asset is derecognized. At this point, the accumulated gain or loss that was reported in equity must be reported in the result for the period.

Treasury Shares

Under the Austrian Commercial Code, treasury shares must be reported in investment capital funds or current assets. A reserve for treasury shares must be reported on the liabilities side of the balance sheet. IFRS stipulates that treasury shares have to be deducted from equity in the balance sheet.

Deferred Taxes

The Austrian Commercial Code requires the creation of deferred tax provisions for temporary differences if a tax liability is expected to arise when these differences are reversed. IFRS requires the creation of deferred taxes on all temporary differences that arise between financial statements prepared for tax purposes and IFRS financial statements using the currently applicable tax rate. Under IFRS, deferred tax assets must also be recorded for tax loss carry-forwards that are expected to be offset against taxable profits in the future.

Other Provisions

With respect to provisions, IFRS interprets the principle of prudence differently from the Austrian Commercial Code. IFRS generally place stricter requirements on the probability of relevant events occurring and estimating the amount of the provision.

Provisions for Personnel Accruals

Under IFRS, provisions for personnel are calculated using the projected unit credit method at a discount rate of 4.0 % and taking into account the expected salary increases as well as contractual inflation adjustments.

Foreign Exchange Valuation

The two accounting systems require different treatments for unrealised profits arising from the valuation of foreign exchange items as at the balance sheet date. According to Austrian law, unrealised losses must be accounted in compliance with the imparity principle, while IFRS also require the recognition of unrealised profits.

1.3. General Information on the Consolidated Financial Statements

Semperit Aktiengesellschaft Holding (SAG) is an international industrial company with headquarters in Vienna, Austria. Its business activities can be divided into four strategic business divisions:

Sempermed (medical gloves, industrial gloves),
Semperflex (hydraulic and industrial hoses, elastomer sheeting),
Semperform (escalator handrails, elastomer profiles, moulded articles),
Sempertrans (conveyor belts).

To enhance the clarity of presentation, individual items of the balance sheet and income statement have been reported together. The Annex provides a detailed presentation. Rounding differences in the summation of rounded amounts and percents may arise from the automatic processing of data.

The financial statements of all major companies and fully consolidated companies in Austria and abroad that are subject to statutory audits were audited by independent auditors and were awarded unqualified opinions. The statutory transition of commercial balance sheets to individual IFRS financial statements was also audited by local CPA's.

1.4. Consolidation Principles and Methods

The financial statements of the individual companies included, in Austria and abroad, were drawn up as at the balance sheet date, 31 December 2005.

Items 3.1 and 3.2 of the Annex provide an overview of the fully consolidated companies. The scope of consolidation in the reporting year remained unchanged compared to the previous year.

Capital consolidation involves offsetting the acquisition costs of the participatory interest against the equivalent book value of the subsidiaries' equity.

Positive differences originating from first-time consolidation are reported as goodwill on the asset side of the balance sheet in accordance with IFRS 3. Starting on 1 January 2005, negative differences (bad wills) originating from first-time consolidation as a result of a lower acquisition cost are recognised immediately in the income statement. The new requirements of IFRS 3 became effective for the first time in fiscal year 2005. The reported negative bad wills (intangible assets) at 31 December 2004 were reclassified directly in equity on 1 January 2005 (TEUR 10,086.2).

Companies in which the Semperit Group holds a 50 % stake were fully consolidated in case the Group has a dominant influence.

The same capital consolidation principles as for full consolidation apply to the associated companies included according to the equity method. Valuation in line with uniform Group accounting methods was not affected in these companies because of immateriality.

In the course of debt consolidation, receivables and liabilities between affiliated companies included in full in the consolidated accounts were fully netted off. Intercompany profits from intra-Group deliveries were eliminated by means of a surcharge method if they were of significance.

In the course of profit and loss consolidation, all inter-company revenues and expenses that arose from the sale of goods or services between Group companies were eliminated.

Subsidiaries outside the euro zone are regarded as financially independent companies. In compliance with the functional currency concept, the assets and liabilities reported in the individual annual financial statements of these companies, including goodwill and value adjustments resulting from first-time consolidation, are translated at mean exchange rates at the balance sheet date. The items of the profit and loss account were translated using the average exchange rates of the business year. Resulting foreign currency gains and losses are reported under the item foreign currency translation adjustments.

II. Accounting and Valuation Methods

2.1. Date of Sales and Profit Realisation

Sales and income are generally considered realised upon switch of risk or provision of service. Interest income is realised pro rata temporis taking into account the effective rate, licences and rental revenues are treated in the same way.

2.2. Tangible and Intangible Fixed Assets

Intangible fixed assets are valued at their cost of acquisition less scheduled straight-line amortisation. A period of 4 to 10 years was applied as a basis for their useful life.

Tangible fixed assets were valued at their acquisition or production cost less scheduled depreciation. Production costs in the case of assets produced by the company itself included pro rated overhead costs in addition to direct costs. Scheduled depreciation by the straight-line method was undertaken and calculated on the basis of the useful lives specified in the following table:

	Useful life in years
Buildings	25 – 50
Outdoor plant	10
Technical equipment, plant and machinery	5 – 10
Office furniture	5 – 10
Office equipment	5 – 10
IT hardware	3 – 5
Storage and workshop equipment	5 – 10
Vehicles	4 – 5

Depreciation was calculated from the date of initial operation.

In accordance with IAS 36 (Impairment of Assets), assets are checked on the balance sheet date for evidence of a loss in value. If there is such evidence, the present value or the higher net disposal income for the asset in question is calculated. If this value lies below the book value for this asset, an unscheduled depreciation is made. For doing this, the individual locations were defined as cash-generating units.

Regular impairment tests are completed in accordance with IAS 36 or IFRS 3 to ensure that goodwill is carried at no more than its recoverable amount. For this, the discounted cash flows expected to be generated by the respective cash-generating unit, in other words the individual subsidiary to which the goodwill can be allocated, is compared with the carried goodwill value. Taking the results for the current year, the expected discounted future cash flows are estimated on the basis of projections of the future development of business. The expected business development for each cash-generating unit is estimated on the basis of the market-specific conditions of the subsidiary’s operating market, as well as on the basis of the individual cost structure and the development of the relevant raw materials prices. The discount rate is determined using the weighted average cost of capital (WACC) on the basis of the expected target capital structure and the associated capital costs, taking into account an adequate risk premium.

2.3. Financial Assets

Financial assets are not held for trading purposes. Starting on 1 January 2005, securities are either classified as "available for sale" or as held for portfolio management purposes (at fair value through profit and loss) in accordance with IAS 39. They are valued at historic cost at the time of acquisition, in later periods at current market value. The associated gains and losses are accounted in the profit and loss account for investments managed on a performance-oriented basis. Gains and losses for securities that are not managed on a performance-oriented basis are accounted directly in equity. The market values of the securities are based on the stock exchange price at the balance sheet date.

2.4. Emission rights

In accordance with the Emission Certificate Act, certificates were allocated to Semperit Technische Produkte GmbH & Co KG and Semperflex Optimit S.R.O. at no charge in fiscal year 2005. The certificates are not reported in the balance sheet (net method). The companies were allocated 29,471 certificates at no charge for fiscal year 2005. The companies used 26,242 certificates, and did not purchase or sell further certificates. The unused 3,229 certificates for fiscal year 2005 had a market value of TEUR 68.6 as of 31 December 2005.

2.5. Inventories

Stocks were valued at their cost of acquisition or production cost taking into account the lower of cost or market value. Adequate write-downs are taken into consideration for stock risks resulting from duration of storage or impaired usability. The valuation is generally based on the moving average method.

Manufacturing includes direct expenditures as well as all variable and fixed overheads incurred by production. The costs of borrowed capital are reported as expenditure for the period in which they were incurred.

2.6. Receivables and Other Assets

Receivables and other assets were valued at their face value insofar as no lower value was needed to cover risks. Receivables expressed in foreign currencies were valued at the mean exchange rates of the balance sheet date.

2.7. Minority Interests

The application of the valid new provisions of IAS 1 since 1 January 2005 requires that minority interests be reported under Group equity as per IAS 27. The previous year's amounts were adjusted correspondingly.

2.8. Tax Accrual and Deferral

In agreement with IAS 12, the provision for deferred taxes includes all temporary valuation and accounting differences arising between financial statements prepared for tax purposes and IFRS financial statements. The expected tax rates applicable upon reversal of differences are applied for the provision for deferred tax, based on the local tax rate of the relevant subsidiary.

2.9. Provisions

Severance payment provisions were created for legal and contractual claims and correspond to actuarially calculated provision requirements based on a standard national discount factor of 4.0 % and an adequate staff turnover deduction in compliance with IAS 19. Salaries are expected to increase by 3.4 % p.a. Actuarial gains and losses are reported in the profit and loss account for the period in which they are incurred.

Provisions for pensions were calculated based on the projected unit credit method according to IAS 19. Calculations are based on an discount rate of 4.0 %. Anticipated salary increases of 3.4 % p.a. are taken into account. Pension obligations were due to written individual contracts with board members and senior personnel as well as the pension rules and regulations. Contractual inflation adjustments are considered. Actuarial gains and losses are reported in the profit and loss account for the period in which they are incurred.

Provisions for liabilities similar to severance payments were created for jubilee bonuses. Provisions are calculated according to actuarial principles in accordance with IAS 19 using a standard national discount rate of 4.0 % and an adequate staff turnover deduction. Other provisions were created in the amount of the anticipated claim according to the principle of prudence. They take into account all discernible risks and future liabilities of, as yet, uncertain amount and are valuated at the most likely value.

2.10. Liabilities

Liabilities were recorded at their repayment value. Liabilities expressed in foreign currency were valued at the mean exchange rates of the balance sheet date.

2.11. Other

Earnings per share are based on the Group's net profit after minority interests, divided by the number of outstanding shares (less treasury shares).

If required, estimates are made for the Consolidated Annual Financial Statements that influence the assets and liabilities reported in the balance sheet, the accounting of other obligations at balance sheet date and the reporting of earnings and expenditures during the period under review. The actual amounts may differ from said estimations.

III. Scope of Consolidation

3.1. Group Companies (fully consolidated)

Domestic	Currency	Authorised share capital in thousand	Investment in %
Semperit AG Holding, Vienna	EUR	21.359,0	-
Semperit Technische Produkte GmbH & Co KG, Vienna	EUR	3.000,0	100
Semperit Technische Produkte GmbH, Vienna	EUR	10.900,9	100
Arcit HandelsgmbH, Vienna	EUR	36,3	100
Foreign			
Semperflex A.H. S.R.O., Odry, Czech Republic	CZK	100,0	100
Semperflex Optimit S.R.O., Odry, Czech Republic	CZK	470.318,0	100
Mangueras Técnicas Roiter S.A., Barcelona, Spain	EUR	156,0	100
Roiter S.p.A., Rovigo, Italy	EUR	750,0	100
Semperflex Rivalit GmbH, Waldböckelheim, Germany	EUR	1.281,3	100
Sempermed Kft., Sopron, Hungary	EUR	3.680,0	100
Semperit (France) S.A.R.L., Argenteuil, France	EUR	495,0	100
Semperit Gummiwerk Deggendorf GmbH, Deggendorf, Germany	EUR	2.050,0	100
Semperit Technische Produkte GmbH, Gevelsberg, Germany	EUR	511,3	100
Sempertrans France Belting Technology S.A.S., Argenteuil, France	EUR	3.165,0	100
Sempertrans Maintenance France Méditeranée E.U.R.L., Port de Bouc, France	EUR	165,0	100
Sempertrans Maintenance France Nord E.U.R.L., Argenteuil, France	EUR	176,0	100
Shanghai Semperit Rubber & Plastic Products Co Ltd., Shanghai, China	EUR	2.471,0	90
Semperit Conveyor Services Ltd., Walsall, United Kingdom	GBP	100,0	100
Semperit Industrial Products Ltd., Reading, United Kingdom	GBP	750,0	100
Semperform Kft., Sopron, Hungary	HUF	243.000,0	100
Sempermed Magyarország Kft., Budapest, Hungary	HUF	3.000,0	100
Sempertrans Nirlon Ltd., Maharashtra, Roha, India	INR	230.769,0	74
„DOM" Sp.z.o.o., Belchatow, Poland	PLN	2.610,0	100
Fabryka Lin "Stolin" S.p.z.o.o., Belchatow, Poland	PLN	800,0	100
Sempertrans Belchatow S.A., Belchatow, Poland	PLN	7.300,5	100
Semperit Tekniska Produkter AB, Skärholmen, Sweden	SEK	800,0	100
Semperit Industrial Products Singapore Private Ltd., Singapore	SGD	190,8	100
Semperflex Asia Corp. Ltd., Hatyai, Thailand	THB	380.000,0	50
Semperform Pacific Corp. Ltd., Hatyai, Thailand	THB	60.000,0	50
Siam Sempermed Corp. Ltd., Hatyai, Thailand	THB	200.000,0	50
Semperit Industrial Products Inc., Fair Lawn, New Jersey, USA	USD	1,0	100
Sempermed USA Inc., Clearwater, Florida, USA	USD	4.000,0	50
Shanghai Foremost Plastic Industrial Co Ltd., Shanghai, China	USD	6.000,0	50

3.2. Associated Companies (Equity Method)

Foreign	Currency	Authorised share capital in thousand	Investment in %
Isotron Deutschland GmbH, Allershausen, Germany	EUR	511.6	37.5

The net book value of Isotron Deutschland at 31.12.2005 was TEUR 191.9 (2002: TEUR 191.9).

Associated companies are included at equity in the consolidated accounts if Semperit Group holds between 20 % and 50 % of the shares and these companies are material for a fair presentation of assets, liabilities and profit and loss accounts.

3.3. Group Companies Excluded from the Consolidated Financial Statements

Domestic	Currency	Authorised share capital in thousand	Investment in %
Wohlfahrtseinrichtung für die Arbeiter und Angestellten der Semperit GmbH, Wien	EUR	36.3	100
Foreign			
SPT Kaucsuk Kft., Budapest, Hungary	HUF	3,000.0	100
Semperflex Shanghai Ltd., Shanghai, China	USD	15,000.0	50

The consolidated financial statements of the Semperit Group include subsidiaries in Austria and abroad, in which Semperit AG Holding directly or indirectly holds a majority stake. Group companies with a secondary impact on the Group's assets, liabilities, and profit and loss accounts are not consolidated. Companies in which the Semperit Group holds a 50 % stake are fully consolidated if the Group has a dominant influence.

A 50 % stake was acquired in the newly founded subsidiary Semperflex Shanghai Ltd. in fiscal year 2005. Because this acquisition was effected close to the balance sheet date and because of the unproportionally high level of related costs, the subsidiary was not consolidated in 2005. The subsidiary will be consolidated in fiscal year 2006. Semperflex Shanghai Ltd. will primarily manufacture hydraulic hoses.

IV. Notes on the Balance Sheet

4.1. Fixed and Financial Assets

The composition of fixed assets is shown under the development of fixed assets.

The reduction in intangible assets is mainly due to the reclassification of bad wills to equitiy (see Note 1.1) according to the new regulations of IFRS 3. Land with buildings includes real estate assets totalling TEUR 6,600.2 (2004: TEUR 6,437.0). The financial assets include securities to cover the provision for personnel expenses.

The following obligations apply as a result of non-redeemable leases resulting from the use of assets not reported in the balance sheet:

in TEUR	2004	2005
in the following year	611.2	742.0
in the following five years	1,907.5	1,708.9
over five years	500.0	589.2

4.2. Inventories

The balance sheet item inventories is comprised as follows:

in TEUR	2004	2005
Raw materials and supplies	22,101.4	27,713.7
Work in progress	6,957.9	8,129.9
Finished goods	38,090.8	47,370.9
Services not yet ready for invoicing	47.3	236.3
Advance payments	0.2	48.8
	67,197.6	**83,499.6**

4.3. Accounts Receivable and Other Assets

The necessary valuation adjustments were made to receivables. Receivables from affiliated companies not included in the consolidated accounts and from associated companies amounting to TEUR 564.9 (2004: TEUR 592.8) result primarily from loans and the provision of goods and services.

	2004			2005		
in TEUR	Total	Of which less than 1 year to run	Of which more than 1 year to run	Total	Of which less than 1 year to run	Of which more than 1 year to run
Trade receivables	65,098.6	65,070.0	28.6	75,035.7	75,015.9	19.8
Accounts due from affiliated companies (not consolidated)	30.3	30.3	0.0	2.4	2.4	0.0
Accounts due from associated companies (at equity)	562.5	0.0	562.5	562.5	0.0	562.5
Other receivables and assets	10,081.3	9,674.0	407.3	11,723.0	11,450.0	273.0
Deferred charges	791.6	791.6	0.0	1,717.9	1,088.5	629.4
	76,564.3	**75,565.9**	**998.4**	**89,041.5**	**87,556.8**	**1,484.7**

4.4. Deferred Taxes

Tax deferments are calculated using the balance sheet liability method for all temporary differences between the valuations of the balance sheet items according to IFRS and the tax values at the individual companies. Furthermore, the tax advantage that can probably be realised from existing loss carry-forwards is included in the calculation. Exceptions to this comprehensive tax deferment are non-tax-deductible goodwill and temporary differences relating to equity interests. Deferred tax assets are not reported if it is unlikely that that the tax advantage they include can be realised. Deffered tax positions for fiscal year 2005 are calculated using the tax rate of 25 % applicable in Austria from 1 January 2005.

	2004		2005	
in TEUR	Assets	Equity and liabil.	Assets	Equity and liabil.
Intangible assets	42.7	0.0	31.8	0.0
Property, plant and equipment	594.8	-1,588.0	702.8	-1,737.1
Financial assets	361.8	-639.6	233.8	-649.8
Inventories	1,408.7	-19.9	1,646.4	-10.1
Receivables	626.6	-60.2	641.3	-226.6
Other assets	52.1	0.0	10.5	-0.2
Untaxed reserves	0.0	-435.1	0.0	-241.8
Provisions for personnel	5,080.0	0.0	5,678.6	0.0
Other provisions	2,516.9	-76.3	2,147.5	-97.4
Trade liabilities	277.3	-195.5	330.7	0.0
Other liabilities	299.3	-168.9	215.5	2.6
Tax loss carry forwards	270.3	0.0	281.5	0.7
Total deferred tax assets / liabilities	11,530.5	-3,183.5	11,920.4	-2,959.7
Valuation allowance for tax assets	-1,665.1	10.7	-2,355.4	0.0
Offset of deferred tax assets and liabilities	-1,877.9	1,877.9	-1,258.8	1,258.8
Net deferred tax assets and liabilities	**7,987.5**		**8,306.2**	
Deferred tax liabilities		**-1,294.9**		**-1,700.9**

4.5. Equity

Development in shareholder's equity is presented on page 41 of this report.

The share capital of Semperit AG Holding amounts to EUR 21,358,996.53 and is divided into 20,573,434 shares. Each share represents an equal interest in the equity capital.

The authority granted to the Management Board with the Approval of the Supervisory board at the General Meeting of Shareholders on 14 June 2000 pursuant to Article 169 AktG (Austrian Stock Corporation Act), which was valid for five years as of registration of the amendment to the company charter (6 September 2000), to increase the share capital by a maximum of EUR 3,168,085 has expired.

All of the 110,649 shares of shareholder equity placed publicly in the previous year were purchased during the reporting year by those authorised to do so under the stock option plan.

4.6. Provisions

Provisions for pensions primarily take into account pension commitments on account of individual contracts and the pension rules and regulations of the Austrian companies. These were adopted in 1997 and define the obligation of granting company pensions to active employees who started employment before 1 January 1991, upon fulfilment of the remaining requirements (vesting period, maximum employment age). With a few exceptions the obligations due to pension regulations were settled by payment in 2005.

Severance provision: Depending on their seniority, Austrian employees are entitled to a statutory lump-sum payment upon retirement or dismissal by the employer.

Provisions have been accounted for future obligations.

in TEUR	1.1.2005	Currency-differences	Reclassifications	Release	Use	Addition	31.12.2005
Severance payments	20,878.5	1.2	0.0	0.0	-673.4	1,860.2	22,066.5
Pensions	31,092.5	0.0	0.0	0.0	-8,475.6	547.8	23,164.7
Deferred taxes	1,294.9	54.5	0.0	0.0	-308.7	660.2	1,700.9
Current taxes	992.9	21.7	0.0	0.0	-1,155.9	287.8	146.5
Other	26,452.3	170.8	-2,672.2	-1,440.6	-10,810.0	12,154.4	23,854.7
	80,711.1	**248.2**	**-2,672.2**	**-1,440.6**	**-21,423.6**	**15,510.4**	**70,933.3**

The other provisions are made up as follows:

in TEUR	1.1.2005	Currency-differences	Reclassifications	Release	Use	Addition	31.12.2005
Stake risks/ restructuring	4,952.9	6.8	0.0	-139.3	-32.8	854.0	5,641.6
Jubilee bonuses	3,591.3	8.5	0.0	0.0	-34.0	92.4	3,658.2
Unused vacations	3,586.9	67.2	0.0	0.0	-2,954.9	2,121.7	2,820.9
Warranties	3,440.6	16.3	0.0	-737.8	-1,713.7	1,054.3	2,059.7
Bonuses	1,686.6	37.6	0.0	-13.0	-1,699.5	1,025.1	1,036.8
Other	9,194.0	34.4	-2,672.2	-550.5	-4,375.1	7,006.9	8,637.5
	26,452.3	**170.8**	**-2,672.2**	**-1,440.6**	**-10,810.0**	**12,154.4**	**23,854.7**

The other miscellaneous provisions mainly consist of provisions for litigation, miscellaneous provisions for personnel and commission obligations.

4.7. Liabilities

The residual maturity of liabilities due to banks can be drawn up as follows:

in TEUR		EUR	USD	THB	Book value	Of which Collateral-ised
Up to one year	thereof with fixed interest	1.425,0	0,0	0,0	1.425,0	1.425,0
	thereof with variable interest	771,0	0,0	14.634,4	15.405,4	356,3
Between one year and two years	thereof with fixed interest	1.425,0	0,0	0,0	1.425,0	1.425,0
	thereof with variable interest	356,3	0,0	0,0	356,3	356,3
Between two years and three years	thereof with fixed interest	1.425,0	0,0	0,0	1.425,0	1.425,0
	thereof with variable interest	178,1	4.220,5	0,0	4.398,6	178,1
Between three years and four years	thereof with fixed interest	712,5	0,0	0,0	712,5	555,6
	thereof with variable interest	0,0	0,0	0,0	0,0	0,0
Between four years and five years	thereof with fixed interest	0,0	0,0	0,0	0,0	0,0
	thereof with variable interest	0,0	0,0	0,0	0,0	0,0
Longer than five years	thereof with fixed interest	0,0	0,0	0,0	0,0	0,0
	thereof with variable interest	0,0	0,0	0,0	0,0	0,0
		6.292,9	**4.220,5**	**14.634,4**	**25.147,8**	**5.721,3**

The book value of the liabilities due to banks were supposed to correspond to their fair values.

Collateral primarily involves collateral on securities.

The short-term trade accounts payable included TEUR 24.8 (2004: TEUR 69.8) payable to affiliated companies. The other liabilities include TEUR 47.5 (2004: TEUR 0.0) payable to associated companies.

4.8. Contingent Liabilities

The contingent liabilities, which need not be carried as liability on the balance sheet, regard the following items:

in TEUR	**2004**	**2005**
Guarantee/security	245.7	306.8
Other	369.6	178.6
	615.3	**485.4**

V. Notes on the Profit and Loss Account

5.1. Sales

Detailed information on sales revenues of the various divisions and regions is provided under segment reporting.

5.2. Other Operating Income

in TEUR	2004	2005
Exchange rate gains	3,595.4	4,997.9
Rental revenues	795.1	843.5
Reversal of value adjustments	780.0	637.4
Other operating income	6,317.5	4,441.5
	11,488.0	**10,920.3**

The other operating income includes various reimbursements (energy and other charges).

5.3. Cost of Materials

in TEUR	2004	2005
Cost of materials	210,689.9	244,629.3
Third party services	23,288.9	25,474.7
	233,978.8	**270,104.0**

5.4. Personnel Expenses

Personnel expenses include the following items:

in TEUR	2004	2005
Wages	40,575.9	40,467.6
Salaries	29,819.9	29,675.6
Severance payments	2,283.3	2,813.3
Pensions	2,131.0	127.3
Statutory social security contributions and other compulsory wage-related payments	18,331.8	19,102.2
Other social contributions	1,152.4	1,001.6
	94,294.3	**93,187.6**

Expenditures for pensions, severance payments and jubilee bonuses include the following items:

in TEUR	2004	2005
PENSIONS:		
DBO as at 01.01.2005	33,195.1	31,092.5
Service cost	137.6	424.4
Interest cost	1,365.1	1,363.5
Actuarial gains/losses	628.3	-1,660.6
Total pension expenses	2,131.0	127.3
Payments	-4,233.6	-8,055.1
Defined benefit obligations (DBO) as at 31.12.2005	**31,092.5**	**23,164.7**
SEVERANCE PAYMENTS:		
DBO as at 01.01.2005	21,036.1	20,878.5
Service cost	1,121.0	1,277.0
Interest cost	1,192.5	943.7
Actuarial gains/losses	-30.2	592.6
Total severance expenses	2,283.3	2,813.3
Payments	-2,440.9	-1,625.3
Defined benefit obligations (DBO) as at 31.12.2005	**20,878.5**	**22,066.5**
JUBILEE BONUSES:		
DBO as at 01.01.2005	3,777.6	3,591.3
Service cost	171.2	212.1
Interest cost	150.7	143.3
Actuarial Profit/losses	-176.3	-41.5
Total jubilee bonus expenses	145.6	313.9
Payments	-331.9	-247.0
Defined benefit obligations (DBO) as at 31.12.2005	**3,591.3**	**3,658.2**

Actuarial gains and losses are recognised in the year in which they incurred. Changes to provisions are reported under item 4.6.

Average number of employees:

	2004	2005
Blue collar employees	4,511	4,890
White collar employees	1,199	1,295
	5,710	**6,185**

The average number of staff employed in Austria totalled 852, essentially the same as in 2004 (855).

The Management Board's remuneration amounted to TEUR 2,105.1, including TEUR 1,200 of variable components, in the year under review. Former members of the Management Board and their surviving dependents received TEUR 458.7 in 2005. Severance and pension expenses for members of the Management Board and executive employees amounted to TEUR 1,432.0, and for other employees to TEUR 1,508.6.

In fiscal year 2005, 31,288 shares (0.15 % of the share capital) were purchased for TEUR 720.5 and immediately transferred to employees as bonus to be held for a statutory period of several years.

5.5. Other Operating Expenses

Other operating expenses include the following items:

in TEUR	2004	2005
Outgoing freight	26,523.0	27,919.6
Maintenance and third party services	24,985.3	22,223.8
Commission and advertising costs	6,542.4	6,931.7
Exchange rate losses	6,970.4	6,341.3
Travel expenses	3,756.3	4,204.0
Insurance premiums	3,212.3	3,400.0
Cost of rent and leases	2,379.2	2,481.6
Other taxes	1,982.7	1,565.0
Guarantees	1,143.3	1,540.1
Auditing and consultancy fees	1,612.9	1,409.6
Fees, subscriptions, donations	1,215.0	996.8
Losses of accounts receivable	487.6	674.3
Other	9,741.6	11,134.8
	90,552.0	**90,822.6**

The Supervisory Board received attendance fees of TEUR 114.0 for 2005.

5.6. Financial Results

in TEUR	2004	2005
Income from associated companies	**200.2**	**88.7**
Interest income and similar income	1,064.6	1,059.3
Income from non-consolidated subsidiaries	-538.8	-585.2
Interest result	**525.8**	**474.1**
Income from other securities and loans	920.6	966.2
Write-ups on financial assets	1,259.9	1,296.3
Profit/loss on the disposal of financial assets	1,018.4	141.7
Depreciation on financial assets	-142.7	-1,396.3
Other financial results	**3,056.2**	**1,007.9**
	3,782.2	**1,570.7**

Net interest income in the reporting year amounted to TEUR 348.7 in cash inflow. Net interest income in 2004 amounted to TEUR 513.0 in cash inflow.

5.7. Taxes on Income

The income tax expenses reported for the fiscal year include the income tax for the individual companies calculated on the basis of taxable income and the applicable tax rate in the relevant countries ("actual tax") and the changes to defered tax.

in TEUR	2004	2005
Current tax expenses	9,559.8	9,753.0
Deferred tax expenses	4,095.4	103.8
	13,655.2	**9,856.8**

The cash outflow for income taxes in 2005 amounted to TEUR 13,320.9 (2004: TEUR 15,706.5).

The effective tax rate in the reporting year is 18.4 % (2004: 26.2%). The Group tax rate is a weighted average of the local income tax rates of all consolidated subsidiaries. The transition of the profit before tax to the Group taxes on income is as follows:

in TEUR	2004	2005
Profit before tax	52,022.5	53,594.1
Tax expense/earnings (-/+) at 25 % (2004: 34 %)	-17,687.7	-13,398.5
Different tax rates in other countries	1,385.5	-358.3
Non-temporary differences	5,203.9	3,899.7
Value adjustments for non-deferred taxes on losses, loss carry-forwards and tax credits that have not been applied to deferred taxes	-539.0	0.3
Changes of tax rates	- 2,017.9	0.0
Effective tax expense	-13,655.2	-9,856.8
Effective tax rate in %	26.2 %	18.4 %
Thereof from deferred taxes:	-4,095.4	-103.8

VI. Risk Management and Financial Instruments

Business is always subject to risk. The strong internationalisation of Semperit's activities understandably has an inherent dimension of risk to which the Group is paying increased attention. At Semperit, risk management ensures that future risks in all areas of activity are analysed and are kept as neutral as possible by taking appropriate measures.

Market risk

In recent years, Semperit has considerably reduced risks on its key sales markets by opening local sales offices. While global business risks still exist, the Group's different structure based on four divisions has clearly reduced this risk, especially in times of weak business activity, while its favourable cost structure also ensures that competitiveness is maintained.

Acquisition risk

The manufacturing sector's ongoing dependence on the availability and cost of various raw materials is a significant cost factor. Semperit's increased focus at all of its international productions sites is therefore on constantly optimising production processes along with the aim of exploiting all opportunities for minimising the amount of materials used in its manufacturing processes. The internationalisation of our business activity also offers us new opportunities for reducing costs.

Customer risk

The risk of customers defaulting on payments is small, as purchasers' creditworthiness is constantly checked, and the broad customer base avoids risk being concentrated on individual customers. Furthermore, the risk of default is extensively limited by taking out credit insurance as well as by collateral.

Foreign exchange risk

The exchange rates of the most important currencies for Semperit against the euro changed during the year under review as follows:

FX-RATES FOR 1 EUR	2004	2005	2004	2005
	Average Rates		Year End Rates	
US-Dollar	1.25	1.24	1.37	1.18
Thai Baht	50.02	49.85	53.00	48.55
Polish Zloty	4.50	4.03	4.07	3.86
Czech Koruny	31.94	29.87	30.25	29.05
Hungarian Forint	250.09	248.69	244.50	252.45
British Pound	0.68	0.68	0.71	0.69

Financial instruments in the form of targeted derivatives are used to limit the foreign exchange risk posed by the different accounting currencies used throughout the Group. Financial management also works hard to avoid foreign exchange risks by managing payment streams wherever possible.

The management of financial risk is regulated by Group guidelines. An internal controlling system has been established in order to monitor and steer existing financial risks according to the needs of the Group.

IFRS distinguishes between primary financial instruments and derivative financial instruments.

6.1. Primary Financial Instruments

Primary financial instruments held by the Group are shown on the balance sheet. The amounts stated represent both the maximum credit risk and risk of loss. The credit risk is limited by the fact that the Semperit Group portfolio consists entirely of securities accounted by Austrian subsidiaries and that Semperit Group cooperates with partners of first-class rating.

The fixed asset securities can be broken down as follows:

	2004			**2005**		
	in TEUR Book value	in TEUR Market value	in % average effect. interest rate	in TEUR Book value	in TEUR Market value	in % average effect. interest rate
Shares,funds, portfolios	21,038.0	21,038.0	6.4	41,048.2	41,048.2	5.5
Other	2,286.2	2,286.2	1.6	1,393.6	1,393.6	0.2
	23,324.2	**23,324.2**		**42,441.8**	**42,441.8**	

The Semperit Group maintained the following financial liabilities as of the balance sheet date:

	Currency	Face value in thousand	Book value in thousand	Effective interest rate in %
Loan	EUR	7,200	5,878.1	2.2
Loan	THB	710,500	14,634.4	4.6
Loan	USD	5,000	4,220.5	5.5
			24,733.0	
Bills	EUR	387	387.5	2.7
Others	EUR	-	27.3	-
			25,147.8	

6.2. Derivative Financial Instruments

Individual foreign currency exchange risks are hedged through forward exchange agreements, foreign currency swaps and foreign currency options. No open derivative financial instruments were held on the balance sheet date.

VII. Other Information

7.1. Earnings per Share, Recommendation for the Distribution of Profits

The number of shares outstanding is 20.573,434. The 110,649 treasury shares held at the last balance sheet date were transferred to employees in the year under review under the stock option plan that expired in May 2005. These shares are deducted according to their weighting when calculating earnings per share (weighted average number of shares). Treasury shares are not taken into account when calculating earnings per share (outstanding shares).

Number of shares	**2004**	**2005**
Shares issued	20.573,434	20.573,434
Weighted shares	20.387,933	20.528,544

In accordance with the provisions of the Austrian Stock Corporation Act, the financial statements of Semperit AG Holding as at 31 December 2005 and prepared in compliance with Austrian accounting principles form the basis for the dividend payment. These financial statements show a net profit of TEUR 16,106.6. The Management Board recommends the Annual General Shareholder's Meeting to approve a dividend payment of EUR 0.77 per share and carry forward the remaining TEUR 265.1.

7.2. Semperit Stock Option Plan

In 2005, 89 Semperit employees took up the option to buy Semperit shares under the terms of the 2002 Stock Option Plan at a cost of EUR 12.20 per share. The 110,649 shares held for this purposes were purchased, and the 2002 Stock Option Plan is thereby concluded. Because of the different times at which the shares were purchased, the value of the options varies between EUR 9.79 and EUR 11.68 per share.

Members of the Managing Board	Dipl. Ing. Rainer Zellner	15,490	
	Dipl. Ing. Richard Ehrenfeldner	3,420	
			18,910
Leading employees			56,674
Employees			35,065
Number of shares			**110,649**

7.3. Transactions with Related Parties and Individuals

B & C Holding GmbH has a dominating influence over the company. B & C Holding and its associated companies therefore are in a group relationship with the Semperit Group.

The consolidated companies in Thailand and China undertake business with our joint venture partner Sri Trang Agro plc under established market conditions. Insignificant business transactions were carried out with related parties and individuals under customary business conditions.

7.4. Environment

The Semperit Group operates an internal management system in its subsidiaries to monitor and ensure compliance with all legal environmental requirements. Preventative measures and investments required for this are completed on the basis of evaluations. This also ensures that the Semperit Group plants comply with applicable regulations and laws in this field.

7.5. Other

There were no material results to be reported after the balance sheet date.

Vienna, March 17, 2006

The Management Board

Dipl. Ing. Rainer Zellner Chairman	Dipl. Ing. Richard Ehrenfeldner	Dipl. Ing. Richard Stralz

Auditor's Report and certification

We have audited the consolidated financial statements of Semperit Aktiengesellschaft Holding (Semperit Group), Vienna, for the fiscal year from 1 January 2005 to 31 December 2005. The Company's management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board and adopted by the European Union and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISA's) issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and disclosures in the consolidated financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material respects the financial position of the company as of 31 December 2005 and of the results of its operations and its cash-flows for the fiscal year from 1 January 2005 to 31 December 2005 in accordance with International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board and adopted by the European Union. The management report for the group is in accordance with the consolidated financial statements.

Vienna, March 17, 2006

Eidos Deloitte
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH

Harald Breit m.p.
Certified Public Accountant

Erich Kandler m.p.
Certified Public Accountant


SEMPERIT

2005

FINANCIAL STATEMENTS OF SEMPERIT AG HOLDING

Balance Sheet

Assets

in TEUR	31.12.2004	31.12.2005
Intangible assets	2.5	0.0
Property, plant and equipment	77.3	93.5
Financial assets	47,798.7	49,352.2
FIXED AND FINANCIAL ASSETS	**47,878.5**	**49,445.7**
Accounts receivable from affiliated companies	33,555.5	31,031.8
Other accounts receivable and assets	1,832.6	2,063.2
Treasury shares	1,134.2	0.0
Marketable securities	0.0	6,677.3
Cash in banks	33.0	41.7
CURRENT ASSETS	**36,555.3**	**39,814.0**
Prepaid expenses and deferred charges	95.1	166.9
ASSETS	**84,528.9**	**89,426.6**

Equity and liabilities

in TEUR		
Issued capital	21,359.0	21,359.0
Share premium	21,539.5	21,539.5
Statutory retained earnings	999.3	999.3
Reserve in accordance with § 225 para 5 HGB	1,134.2	0.0
Net retained earnings	14,520.7	16,106.6
EQUITY CAPITAL	**59,552.7**	**60,004.4**
PROVISIONS	**24,624.5**	**23,681.2**
Trade accounts payable	101.2	110.2
Liabilities to affiliated companies	73.7	5,314.2
Other liabilities	176.8	316.6
LIABILITIES	**351.7**	**5,741.0**
EQUITY AND LIABILITIES	**84,528.9**	**89,426.6**
Contingencies	3,080.1	2,654.2

PROFIT AND LOSS ACCOUNT

in TEUR	2004	2005
SALES	**4,863.1**	**5,506.2**
Other operating income	138.0	300.7
Cost of materials	-11.0	-11.2
Personnel expenses	-5,823.2	-5,046.7
Depreciation	-88.5	-32.9
Other operating expenses	-2,702.8	-6,702.1
EARNINGS BEFORE INTEREST AND TAX (EBIT)	**-3,624.4**	**-5,986.0**
Income from subsidiaries	16,846.9	21,647.3
Net interest result	568.9	399.3
Other financial results	1,568.9	1,235.4
FINANCIAL RESULTS	**18,984.7**	**23,282.0**
PROFIT ON ORDINARY BUSINESS ACTIVITIES	**15,360.3**	**17,296.0**
Taxes on income	-2,528.8	-2,442.9
SURPLUS FOR THE YEAR	**12,831.5**	**14,853.1**
Release of reserves	1,172.1	1,134.2
Profit carried forward	517.1	119.3
NET PROFIT	**14,520.7**	**16,106.6**

The Annual Financial Statements of Semperit AG Holding, which are prepared in accordance with generally accepted Austrian accounting principles, were audited by Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH and awarded an unqualified opinion, and will be submitted with all associated documents to the trade register of the Vienna Commercial Court under number 112544 g. These Annual Financial Statements can be requested free of charge from Semperit Aktiengesellschaft Holding, Modecenterstraße 22, A-1030 Vienna, and are available at the Annual General Meeting.

The Management Board recommends the Annual General Meeting to pay a dividend of EUR 0.77 per share from the balance sheet profit of TEUR 16,106.6 and to carry forward the remaining amount.

Vienna, March 3, 2006

The Management Board

Dipl. Ing. Rainer Zellner Chairman	Dipl. Ing. Richard Ehrenfeldner	Dipl. Ing. Richard Stralz

Management and Supervisory Board

Management Board

Dipl.-Ing. Rainer Zellner	Chairman
Dipl.-Ing. Richard Ehrenfeldner	
Dipl.-Ing. Richard Stralz	

Supervisory board

	First appointment to Supervisory Board	Term*	Board functions at other listed companies	Financial Audit Committee
Dr. Erich Hampel *Chairman*	11.06.1997	Until the Annual General Meeting voting on fiscal year 2007	Bank BPH S.A., PL *Vice-Chairman* Oberbank AG	Chairman
Karl Schmutzer *Vice-Chairman*	26.06.2001	Until the Annual General Meeting voting on fiscal year 2009	Lenzing AG *Chairman* Allgemeine Bauges.-A.Porr AG *Vice-Chairman*	Vice-Chairman
Dr. Walter Lederer	07.06.2002	Until the Annual General Meeting voting on fiscal year 2006	Lenzing AG *Vice-Chairman* Allgemeine Bauges.A.Porr AG UBM Realitätenentwicklung AG Imperial Hotels AG	
Dr. Veit Sorger	26.05.2004	Until the Annual General Meeting voting on fiscal year 2008	BA-CA AG Lenzing AG	
Karl Weißkopf	26.06.2001	Until the Annual General Meeting voting on fiscal year 2009		
Dkfm. Karl Fink		Until 01.06.2005		
Dr. Martin Simhandl		Until 01.06.2005		
Delegated from the workers council:				
Alexander Hollerer	01.07.1998			Member
Anton Höller	20.12.2004			
Mag. Matthias Unkrig	05.04.2005			
Gerhard Dworak		Until 01.06.2005		
Aloisia Ringhofer		Until 05.04.2005		

* One fifth of the appointed members of the Supervisory Board leave their mandate every year.

Report of the supervisory Board

In fiscal year 2005 the Supervisory Board carried out the duties placed upon it by law and the company statutes at five meetings as well as in other forms. There was also one meeting of the Financial Audit Committee. The Management Board reported regularly on the progress of business and the situation of the company.

The annual financial statements of Semperit AG Holding and the management report were audited by Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, on the basis of the Group's accounts. The auditor confirmed that the annual financial statements meet the statutory requirements and the supplementary provisions of the company charter and give as accurate an account of the assets and financial position of the company as possible as at 31 December 2005 and of the earnings position of the company for the fiscal year started on 1 January 2005 and ended on 31 December 2005 in accordance with Austrian generally accepted accounting principles, and that the management report is in agreement with the annual financial statements. The annual financial statements for 2005 were awarded an unqualified audit opinion.

Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, audited the annual financial statements that were prepared in compliance with the International Financial Reporting Standards as EU legislation requires them to be applied and the review of operations that was prepared in compliance with the Austrian Commercial Code and confirmed that the annual financial statements give as accurate an account of the assets and financial position of the company as possible as at 31 December 2005 and of the earnings position and cash flows of the company for the fiscal year started on 1 January 2005 and ended on 31 December 2005 and that the review of operations is in agreement with the annual financial statements.

The Financial Audit Committee of the Supervisory Board closely examined the auditor's reports in its meeting on 21 April 2006 and discussed the results of the audit in detail with the auditor. The Financial Audit Committee recommended that the Supervisory Board propose the appointment of Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, again as the auditor for fiscal year 2006 at the Annual General Meeting.

The Supervisory Board examined the annual financial statements, the review of operations and the management report and concurs with the findings of the auditor. The Supervisory Board hereby approves the annual financial statements for fiscal year 2005, which are consequently adopted in accordance with Article 125 (2) of the Austrian Stock Corporation Act. The management report, annual financial statements and review of operations for fiscal year 2005 were approved by the Supervisory Board.

The Supervisory Board accepts the Management Board's proposal on the appropriation of profits, according to which a dividend of EUR 0.77 per eligible share is to be paid from the reported net profit of EUR 16,106,568.44.

The Supervisory Board will follow the Financial Audit Committee's recommendation and will propose the appointment of Eidos Deloitte Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH, Vienna, as the auditor for fiscal year 2006 at the 117th Annual General Meeting.

Vienna, April 21, 2006

The Supervisory Board
Dr. Erich Hampel
Chairman

Notes

Notes