



SEMPERIT AG Holding  
**LETTER TO  
SHAREHOLDERS**

**H1**  
**2008**



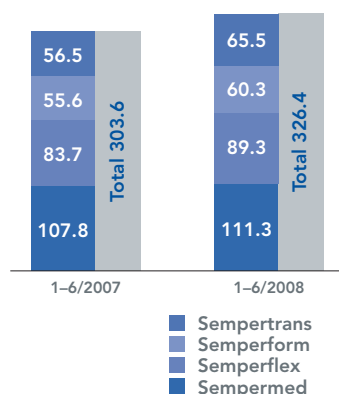
**SEMPERIT**

# LETTER TO SHAREHOLDERS 1<sup>ST</sup> HALF-YEAR 2008

## Semperit at a glance

	1-6/2005	1-6/2006	1-6/2007	1-6/2008	Change 07/08 in %
Revenue in EUR million	257.1	283.9	303.6	326.4	+7.5
Earnings before tax (EBT) in EUR million	28.1	26.1	31.3	32.2	+2.7
Net profit for the period in EUR million	18.8	19.5	22.8	23.4	+2.5
Number of employees on June 30	6,282	6,623	7,058	7,093	+0.5

### Revenue by division in EUR million



### Dear shareholders,

Despite a slowdown in the global economy and the difficult situation on raw material and currency markets, Semperit Group once again succeeded in increasing earnings and revenue in the first half of 2008, surpassing the performance of the preceding year.

Total revenue rose 7.5% year-on-year, to EUR 326.4 million. Earnings before interest and tax (EBIT) climbed by EUR 3.6 million, to EUR 33.2 million. As a result of the depreciation of financial assets in the first quarter, earnings before tax (EBT) only improved by 2.7% during the period under review, to EUR 32.2 million. Accordingly, the net profit for the period increased by 2.5% compared to the first half of 2007, to EUR 23.4 million.

All four divisions succeeded in increasing revenue during the period under review. The Sempertrans division posted the strongest growth as it did in the previous quarter, with revenue rising 16.0%. Semperform reported a revenue increase amounting to 8.4%, whereas the Semperflex division expanded by 6.7%. Revenue of the Sempermed division improved by only 3.2%, which is related to the ongoing weakness of the US dollar.



## Global economy remains robust

### Slight slowdown in individual markets

On balance, the business environment for the Semperit Group in the first half of 2008 was characterised by continuing robust economic activity. There was a slight slowdown in individual markets such as Great Britain and Spain. However, overall demand in Europe remained satisfactory in the first six months of the year. Despite fears of an impending recession, the economic situation in the USA remained stable in the first half of 2008. In contrast, Asian economies continued their dynamic expansion.

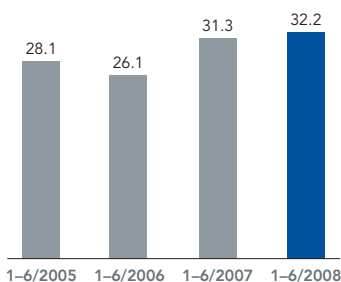
### Massive price increases for raw materials

The entire rubber processing industry has been hit extremely hard by the rapid rise in raw material costs in 2008. In the first six months, the latex price climbed by close to 50%. The price of natural rubber was up by around 25%, and reached its highest level to date. The costs for synthetic rubber increased moderately in comparison to latex and natural rubber in the first half of 2008, climbing by an average of 15%. However, due to the high oil price and the global shortage of butadiene, a steep upward trend in the price for the main types of synthetic rubber was noticed at the beginning of the second half of the year. The costs for chemicals and carbon black also increased. Semperit anticipates a further massive price rise for steel wires and cables due to strong increases in raw ore costs.



## Profit, asset and financial position

### EBT development in EUR million



Semperit maintained its positive earnings development in the first half of 2008 due to ongoing strong demand. Earnings before interest and tax (EBIT) improved by 12.3%, to EUR 33.2 million. The 7.5% increase in revenue, to EUR 326.4 million, is chiefly related to higher sales levels as well as selling price increases, which had become indispensable. Rising raw material, energy and personnel costs led to a considerable rise in expenses. Accordingly, the overall cost of materials was up 10.2%, and personnel expenses climbed by 7.3% on the comparable period of the preceding year. These price rises could be partially counteracted by efficiency improvements and cost savings. However, in many cases it was necessary to pass on the higher production costs to customers.

The financial result in the first half of 2008 was negatively impacted by the required depreciation of financial assets in the first quarter. However, a considerably positive performance was achieved in the second quarter by reducing select financial positions and investing free cash flow on the money market. As a consequence, the financial result amounted to minus EUR 1.0 million for the first half year and earnings before tax (EBT) totalled EUR 32.2 million, a rise of 2.7%.

Gross cash flow climbed against the previous year by 10.2%, to EUR 43.9 million. Cash and cash equivalents rose by EUR 18.9 million above the level at December 31, 2007, to EUR 89.2 million.



### Sempermed

**Revenue burdened by weak US dollar**

The Sempermed division reported a 3.2% increase in revenue in the first half of 2008, to EUR 111.3 million. Earnings before tax (EBT) of the Sempermed division improved by 16.2%, to EUR 6.4 million (previous year: EUR 5.5 million).

**Higher production capacities for surgical gloves as of the third quarter**

The business with surgical gloves in Europe was characterised by very good capacity utilisation, in particular for high quality, powder-free surgical gloves. Growth in this segment was still limited during the second quarter as the result of a bottleneck in finishing capacity. However, measures have already been initiated to increase available capacities. In August 2008, a new production facility in Wimpassing to manufacture surgical gloves will commence operations. At the same time, packaging capacity in the Hungarian plant will also be increased. Accordingly, a significant increase in total output will be achieved starting in the third quarter, in order to more effectively fulfil the continuing strong demand for surgical gloves.

Sales of examination gloves were also satisfactory. Despite tough competition in the USA, Sempermed posted growth of over 10% in the local currency. However, the weak US dollar resulted in significant currency translation losses due to the consolidation of Semperit's business in euros.

**Rise in selling prices becomes essential**

The large-scale price increases for raw materials made it necessary for Semperit to adjust its selling prices in the second quarter of 2008 for products manufactured by the Sempermed division. Cost increases could also be partially cushioned by savings in logistics operations. Nevertheless, in the light of the uninterrupted upward price trend, Semperit will have no other choice but to pass on cost increases to its customers in the second half of 2008 as well.

### Semperflex

**Tense situation due to high raw material prices**

In the first half of 2008, total revenue of the Semperflex division rose 6.7%, to EUR 89.3 million. Earnings before tax totalled EUR 11.3 million, or 5.8% above the previous year's level of EUR 10.7 million, despite being burdened by high raw material costs for rubber, carbon black and wires, as well as the increase in energy prices. The continuing massive increases in input costs are therefore the main challenge facing Semperit in the second half of 2008. Moreover, rising production costs in the Czech Republic, which can be attributed to disproportionately high wage increases and the strong upward currency valuation of the Czech koruna, will also need to be taken into consideration.

**Good demand in the hydraulic hose segment**

The hydraulic hose segment registered good sales growth, primarily driven by the core European markets of Germany, Austria, Switzerland and Scandinavia. The situation on the US market remained tense, although on the basis of the current level of orders, sales of hydraulic and pressure washer hoses in the USA are expected to increase in the third quarter. Semperflex Hydraulics achieved the highest growth rates on the Asian markets. The Thai manufacturing facility will operate at full capacity in the upcoming months. Output of the hydraulic hose plant in China meets the company's expectations.

**Margin pressure on sheeting**

Contrary to the perceptible weakening of demand for elastomer sheeting and wear protection plates in the first quarter, production facilities continued to operate at full capacity in the first half of 2008. However, the high raw material costs had a particularly negative effect on this material-intensive segment. Although selling price increases were carried out in the first six months, a decline in profit margins against the second half of 2007 could not be avoided.

**Good business with industrial hoses**

Market demand for industrial hoses remained high, although sales growth was at a lower level than in the previous year. An additional hose production line was successfully put into operation in Italy in order to meet demand.

**Satisfactory revenue increase**

**Semperform**

In the first half of 2008, total revenue of the Semperform division climbed 8.4%, to EUR 60.3 million. Earnings before tax improved by EUR 0.9 million, to EUR 9.2 million, which represents a rise of 10.6%.

**Handrails remain growth driver**

During the period under review, the handrail business was an important growth driver. While the handrail segment continued to show high growth in China, the good development in the business with spare parts also led to a slight rise in European sales in the first half of 2008. Sales of spare parts for cable cars were good, in line with expectations. However, the largest cable car manufacturers have been producing a significantly lower volume of cable car facilities in the current financial year. As a result, sales of cable car rings for OEM's declined in the first half-year 2008. Sales of ski membranes corresponded to expectations. Sales in the railway superstructure segment developed favourably especially in France, Germany and Austria.

**Window and door profiles: increase in export ratio**

Driven by a higher level of exports to Eastern Europe, sales of seal profiles for windows and doors continued to climb in the first six months. The particularly good business with window and door profiles in Eastern Europe more than compensated for the slightly declining demand on the German market.

**Sempertrans: revenue up 16.0%**

**Sempertrans**

The Sempertrans division once again posted the most dynamic growth in the Semperit Group in the first half of the 2008 financial year, with revenue climbing by 16.0%, to EUR 65.5 million. Earnings before tax rose from EUR 5.9 million, to EUR 7.5 million.

All production facilities in the division were operating at full capacity due to high global demand. The large number of orders placed by the mining sector made a major contribution to the division's success. Sales of both metal and textile belts expanded, although there was a perceptible increase in competition from Asian manufacturers in the textile belt segment. Growth is expected to continue on the basis of good level of orders at present. However, due to drastic price increases for raw materials, Semperit will also have to raise selling prices once again for conveyor belts produced by the Sempertrans division in the second half of 2008.



**OUTLOOK**

**Growth will continue in 2008**

Triggered by the difficult situation on raw material markets, further, massive double-digit price rises will have to be acknowledged for the second half of 2008. This development will practically affect all the materials which are used in Semperit's manufacturing process. The main challenge in the upcoming months will be to cope with the tremendous expenses in the best possible way. Semperit will continue to boost its cost saving and efficiency improvement efforts, but will also have to pass on cost increases to its customers.

The notably unfavourable international economic environment cannot remain without influence on the company's development. Semperit is however confident that it will be able to achieve satisfactory earnings even in the difficult 2008 financial year.



## Balance sheet

## Assets

in TEUR	31.12.2007	30.6.2008
Intangible assets	2,565.3	2,476.5
Tangible assets	160,430.3	161,382.0
Financial assets	37,260.9	7,077.6
Non-current trade receivables	7.2	66.2
Other non-current receivables	919.1	733.0
Deferred charges	496.1	481.3
Deferred taxes	9,109.5	9,007.8
<b>Non-current assets</b>	<b>210,788.4</b>	<b>181,224.4</b>
Inventories	89,966.4	95,828.7
Current trade receivables	91,681.1	100,941.4
Other current receivables	10,378.5	12,055.0
Cash and cash equivalents	70,284.4	89,164.3
Financial investments in securities	2,174.3	220.7
Deferred charges	1,571.3	2,323.4
<b>Current assets</b>	<b>266,056.0</b>	<b>300,533.5</b>
<b>Assets</b>	<b>476,844.4</b>	<b>481,757.9</b>

## Equity and liabilities

in TEUR	31.12.2007	30.6.2008
Share capital	21,359.0	21,359.0
Capital reserves	21,503.2	21,503.2
Revenue reserves	232,412.3	236,273.0
Currency translation adjustments	4,697.0	9,905.6
Minority interest	51,576.2	47,393.2
<b>Capital and reserves</b>	<b>331,547.7</b>	<b>336,434.0</b>
Provisions for pensions and severance payments	43,820.6	44,485.8
Provisions for deferred taxes	2,274.3	2,114.1
Other non-current provisions	11,895.9	12,055.4
Non-current financial liabilities	4,106.9	5,075.5
Non-current trade payables	184.9	70.7
Other non-current liabilities	616.3	443.9
Deferred charges	258.4	241.9
<b>Non-current provisions and liabilities</b>	<b>63,157.3</b>	<b>64,487.3</b>
Current tax provisions	3,922.4	4,661.3
Other current provisions	15,399.8	18,232.2
Current financial liabilities	2,546.4	1,425.0
Current trade payables	40,098.7	34,764.8
Prepayments	904.1	624.4
Other current liabilities	19,045.3	21,117.9
Deferred charges	222.7	11.0
<b>Current provisions and liabilities</b>	<b>82,139.4</b>	<b>80,836.6</b>
<b>Equity and liabilities</b>	<b>476,844.4</b>	<b>481,757.9</b>

## Cash flow statement

in TEUR	1.1.–30.6.2007	1.1.–30.6.2008
Earnings after tax	24,047.6	24,923.5
Depreciation/write-ups of non-current assets	13,297.9	14,582.7
Changes in non-current provisions	-17.4	664.5
Changes in non-cash items resulting from currency translation adjustments, changes in minority interests and other	2,564.2	3,779.0
<b>Gross cash flow</b>	<b>39,892.3</b>	<b>43,949.7</b>
Increase/decrease in inventories	-3,650.6	-5,862.3
Increase/decrease in trade receivables	-13,827.3	-9,319.3
Increase/decrease in other receivables and deferred charges	-909.5	-2,125.8
Increase/decrease in trade payables and prepayments	-2,305.3	-5,727.8
Increase/decrease in other liabilities, current provisions and deferred charges	7,532.0	5,243.2
<b>Cash flow from operating activities</b>	<b>26,731.6</b>	<b>26,157.7</b>
Proceeds from the sale of assets	1,260.8	27,155.4
Investments in tangible and intangible assets	-13,009.4	-14,013.4
Investments in financial assets	-1,278.4	-818.7
Net proceeds from the sale of financial investments in securities	-2,080.4	1,953.6
<b>Cash flow from investing activities</b>	<b>-15,107.4</b>	<b>14,276.9</b>
Net redemption of current and non-current financial liabilities	-8,054.5	-152.8
Dividends	-17,281.7	-19,544.8
Dividends to minority interest	0.0	-2,517.7
Changes in financial liabilities resulting from currency translation adjustments	-852.2	282.7
Proceeds from capital increases	759.9	0.0
Other	0.0	8.9
<b>Cash flow from financing activities</b>	<b>-25,428.5</b>	<b>-21,923.7</b>
<b>Change in cash and cash equivalents</b>	<b>-13,804.3</b>	<b>18,510.9</b>
Effects of exchange rate fluctuations on cash and cash equivalents	520.9	369.0
Cash and cash equivalents at the beginning of the period	49,895.3	70,284.4
<b>Cash and cash equivalents at the end of the period</b>	<b>36,611.9</b>	<b>89,164.3</b>

## Income statement

in TEUR	2 <sup>nd</sup> quarter		1 <sup>st</sup> half-year	
	1.4.–30.6.2007	1.4.–30.6.2008	1.1.–30.6.2007	1.1.–30.6.2008
<b>Revenue</b>	153,638.3	166,884.8	303,563.5	326,358.0
Changes in inventories	-2,391.6	-900.1	2,546.7	4,125.0
Own work capitalised	79.1	483.7	200.1	812.6
<b>Profit from operations</b>	151,325.8	166,468.4	306,310.3	331,295.6
Other operating income	3,217.0	2,758.8	6,452.2	7,671.9
Cost of materials	-81,175.1	-92,083.1	-168,576.8	-185,789.6
Personnel expenses	-26,250.6	-27,892.2	-52,036.7	-55,859.3
Depreciation and amortisation	-6,974.1	-6,804.7	-13,811.6	-13,673.8
Other operating expenses	-23,393.7	-25,579.4	-48,770.9	-50,439.7
<b>Earnings before interest and tax (EBIT)</b>	16,749.3	16,867.8	29,566.5	33,205.1
Interest results	135.6	840.5	169.0	1,497.7
Other financial results	423.6	-95.9	1,580.2	-2,542.1
<b>Financial results</b>	559.2	744.6	1,749.2	-1,044.4
<b>Earnings before tax (EBT)</b>	17,308.5	17,612.4	31,315.7	32,160.7
Income taxes	-3,960.0	-4,236.9	-7,268.1	-7,237.2
<b>Earnings after tax</b>	13,348.5	13,375.5	24,047.6	24,923.5
thereof minority interest	-603.4	-446.3	-1,201.1	-1,506.6
thereof Semperit AG shareholders (net profit for the period)	12,745.1	12,929.2	22,846.5	23,416.9
<b>Earnings per share in EUR</b>	0.62	0.63	1.11	1.14
Average number of outstanding shares	20,573,434	20,573,434	20,573,434	20,573,434

## Statement of changes in equity

in TEUR	Share capital	Capital reserves	Revenue reserves	Revaluation reserve	Currency translation	Semperit AG shareholders	Minority interest	Total
<b>Balance at 31.12.2006</b>	21,359.0	21,503.2	205,292.6	-55.4	3,918.1	252,017.5	51,070.6	303,088.1
Net profit			22,846.5			22,846.5	1,201.1	24,047.6
Valuation gains/losses for financial assets not recognised in profit or loss				-65.0		-65.0		-65.0
Currency translation adjustments					1,809.0	1,809.0	2,572.3	4,381.3
<b>Total of recognised profits and losses</b>	0.0	0.0	22,846.5	-65.0	1,809.0	24,590.5	3,773.4	28,363.9
New minority interest						0.0	759.9	759.9
Dividends			-17,281.7			-17,281.7		-17,281.7
Other						0.0		0.0
<b>Balance at 30.6.2007</b>	21,359.0	21,503.2	210,857.4	-120.4	5,727.1	259,326.3	55,603.9	314,930.2
<b>Balance at 31.12.2007</b>	21,359.0	21,503.2	232,626.6	-214.3	4,697.0	279,971.5	51,576.2	331,547.7
Net profit			23,416.9			23,416.9	1,506.6	24,923.5
Valuation gains/losses for financial assets not recognised in profit or loss				-20.3		-20.3		-20.3
Currency translation adjustments					5,208.6	5,208.6	-3,171.9	2,036.7
<b>Total of recognised profits and losses</b>	0.0	0.0	23,416.9	-20.3	5,208.6	28,605.2	-1,665.3	26,939.9
New minority interest						0.0		0.0
Dividends			-19,544.8			-19,544.8	-2,517.7	-22,062.5
Other			8.9			8.9		8.9
<b>Balance at 30.6.2008</b>	21,359.0	21,503.2	236,507.6	-234.6	9,905.6	289,040.8	47,393.2	336,434.0





### Accounting and valuation methods

These interim financial statements as at June 30, 2008 were prepared in keeping with the principles set forth by the International Financial Reporting Standards as stipulated in the guidelines contained in IAS 34, Interim Financial Reporting. The accounting and valuation methods are essentially the same as those applied as at December 31, 2007. For more detailed information on the accounting and valuation methods applied, readers are referred to the consolidated annual financial statements for the year ending December 31, 2007, which are the basis for these interim statements.

### Associated companies (equity method)

The net book value of Isotron Deutschland GmbH on June 30, 2008 was TEUR 275.5 (December 31, 2007: TEUR 275.5).

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

In the first six months of 2008, the Semperit Group purchased tangible and intangible fixed assets amounting to TEUR 14,013.4 (previous year: TEUR 13,009.4). In contrast, tangible and intangible fixed assets with a net book value of TEUR 342.3 (previous year: TEUR 830.3) were disposed of.

### Dividends paid

Year	Shares	Dividend in TEUR	Dividend per share in EUR
2008	20,573,434	19,544.8	0.95
2007	20,573,434	17,281.7	0.84

### Contingent liabilities

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

### Transactions with related parties and individuals

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

### Changes in the Supervisory Board

Winfried Braumann, Managing Director of B & C Holding, and Andreas Schmidradner, Portfolio Manager at B & C Holding, were elected to the Supervisory Board at the Annual General Meeting on May 20, 2008. They will assume the positions previously held by Karl Schmutzer and Karl Weisskopf, who retired from the Supervisory Board. At the Supervisory Board meeting convened directly after the Annual General Meeting, Veit Sorger was elected to serve as Chairman of the Supervisory Board, and Walter Lederer as Deputy Chairman.

### Significant events after the balance sheet date

No significant events that require disclosure took place between the balance sheet date as at June 30, 2008 and the publication approval of this report on August 18, 2008.

### Statement by the Management Board

The Management Board certifies, to the best of its knowledge, that the consolidated interim financial statements of the Semperit Group for the first half of 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS), and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Semperit Group. The interim financial statements of the Semperit Group for the first half of 2008 were neither audited nor subject to an auditor's review.

Vienna, August 18, 2008

The Management Board

Rainer Zellner  
Chairman

Richard Ehrenfeldner

Richard Stralz



## Semperit share information

International Securities Identification Number (ISIN)	AT0000785555
Share price low H1 2008 in EUR	20.65
Share price high H1 2008 in EUR	31.00
Share price at June 30, 2008 in EUR	25.78
Market capitalisation at June 30, 2008 in EUR million	530.4
Earnings per share H1 2008 in EUR	1.14

## Financial calendar 2008

3<sup>rd</sup> quarter report 2008

November 21, 2008



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