

Letter to Shareholders 1st Quarter 2005

2005

DEAR SHAREHOLDERS,

The economic skies have clouded over somewhat since the start of 2005. While the US economy continues to expand apace, the cyclical risks faced by the euro area have increased noticeably in recent months. The growth in foreign trade, now abating, has failed thus far to trigger a corresponding boost in investment and private consumption.

Sales and Profit Growth Continue

Unhampered by the general trend, the Semperit Group put in another strong showing in the first quarter of 2005 to record another period of healthy business growth. First-quarter group sales increased on the previous year by 5.2 % to EUR 124.8 million while profit before tax (PBT) rose by 7.8 % to EUR 12.5 million.

SEMPERIT AT A GLANCE

	1-3/2001	1-3/2002	1-3/2003	1-3/2004	1-3/2005	Diff. 05 zu 04
Sales in EUR million	94.1	107.1	115.0	118.6	124.8	+ 5,2%
Profit before tax (PBT) in EUR million	9.3	10.1	10.5	11.6	12.5	+ 7,8 %
Number of employees as of 31 st March	5,467	5,560	5.818	5.679	5,935	+4,5 %

The disadvantageous euro-to-dollar exchange rates continued to distort competition however. Owing to our high volume of exports to dollar countries, these distortions proved detrimental to our business. The situation was further exacerbated by a rise in prices for various raw materials and for energy and transport. Much as we would have liked to have included these increases in full in the calculation of sales prices, we were prevented from doing so by the prevailing excess capacities worldwide, which prolonged the fierce predatory price cutting now plaguing our industry.

The companies of the Semperit Group once again proved their mettle in facing this tough challenge. Our strategy of focusing on core competences and profitable segments and of pushing for further specialization at our business locations provided a solid foundation for weathering even these difficult competitive conditions. In response to the tight market situation and strong competition, we further increased efficiency at all production facilities in a concerted effort and assured profit-oriented improvements in productivity.

Thanks to disciplined cost management, we maintained the cost leadership we enjoy in most of our product segments on the world market and largely achieved our profit margin targets. Overall, we have emerged even stronger as a leading firm in the rubber industry and gained market share in all divisions.

Sempermed Expands Its Capacity

At Sempermed, bulging order books in the first quarter assured full utilization of worldwide production capacities for examination gloves. The key figures in euros do not give a full picture of how business developed. The parity with the US dollar is simply too distorting. Moreover, the high prices of raw rubber and other raw materials put a damper on attainable profits.

Sempermed Europe recorded profit and sales growth on examination gloves on a rising volume of new orders. On the demand side, however, there was a further shift to powder-free products. The output of surgical gloves-

was noticeably affected by imports entering Europe from competitors in dollar countries. Semperit reacted by launching a marketing offensive. As a result, we achieved our planned volume targets in Central and Western Europe for our higher-value Supreme grades.

Supplemental new orders from Europe helped us to make full use of our available capacities in Thailand and China. Both glove factories of Siam Sempermed in the Thai city of Hatyai were overbooked at times but succeeded in meeting volume targets. The value of sales, for its part, fell somewhat short of the planned figures due to prevailing price pressures and unfavorable exchange rates. The division has begun construction on a third production plant for medical gloves to assure that volume potentials can be fully realized in future.

Business improved at Shanghai Foremost in China. Capacities were fully utilized thanks to healthy demand on the US and European markets. Demand for medical gloves made of vinyl continues to rise worldwide, opening up additional possibilities for product differentiation involving higher quality gloves at premium prices. Although cost cutting was initiated, profits fell short of expectations.

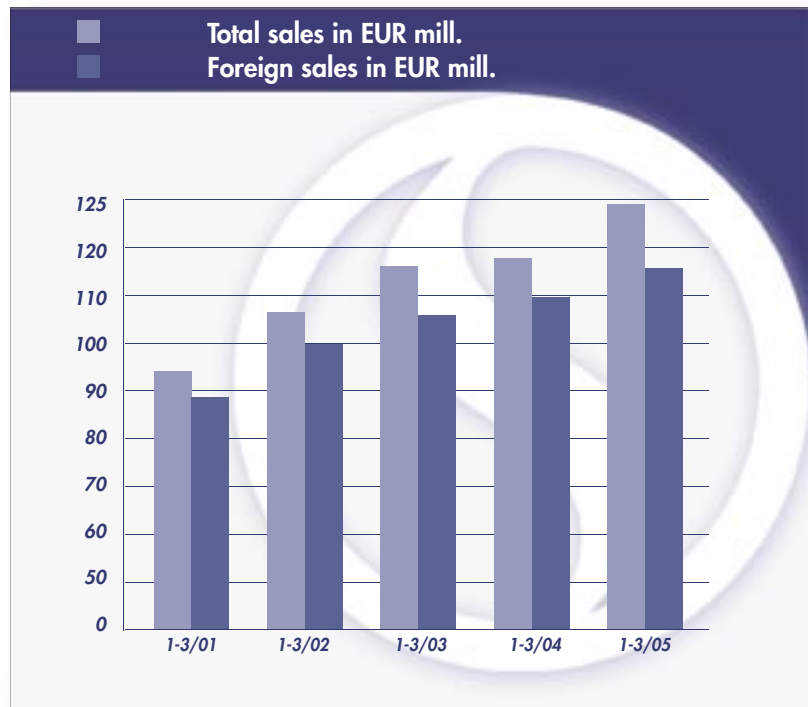
Our US sales company Sempermed launched a proactive campaign on the market to boost sales. In conjunction with these efforts, the firm adapted its organizational structure in major ways to meet the various segment requirements. It has emerged with even more effective and competitive structures.

Dynamic Expansion at Semperflex

The European production operations of Semperflex reported a satisfactory course of business in the first quarter. At the parent factory in Wimpassing, growth in hydraulic hose business continued at a robust pace. Business in industrial hose also exceeded that of the previous year. Sales of elastomer sheeting managed to remain at the previous year's level in the face of aggressive competition from low-wage countries.

The Czech hose factory Semperflex Optimit saw a continuation of the investments in capacity expansion and modernization begun last year. Sales far exceeded those of the previous year, both in value and in volume. Roiter, the division's Italian factory, improved its market position in southern Europe and increased the merchandise from Semperit Wimpassing and Semperflex Optimit it carries in its product range.

The value and volume of sales reported at Semperflex Asia in Hatyai, Thailand, were considerably higher than last year. Capacity expansion is proceeding on schedule and will lay the groundwork for yet another market offensive in the Far East.



Planning was nearly completed for the construction of new production facilities in Shanghai. The new factory is slated to begin operations in mid-2006.

Varying Conditions within Semperform

Semperform continued to report diverging trends in its individual units. Overall, however, business and profits were satisfactory. The division was forced to accept a currency-induced reduction in margins on deliveries to dollar countries. The market situation prevented the division from increasing prices to the extent it wanted to.

Business developed as planned in Wimpassing. Railway superstructure and ski equipment saw the start of an above-average upsurge of business. The same can be said of profiles, ropeway rings and filter membranes. The news for pipe gaskets, profiles for construction-related applications and OEM business in handrails was less rosy. The project business already begun will support the growth trend in Wimpassing as the year goes on.

Sales at Semperform Hungary remained at about the same level as last year but profits fell short of expectations due to an unfavorable production structure. Cost-cutting measures have been initiated and will focus on the costs of human resources and raw materials.

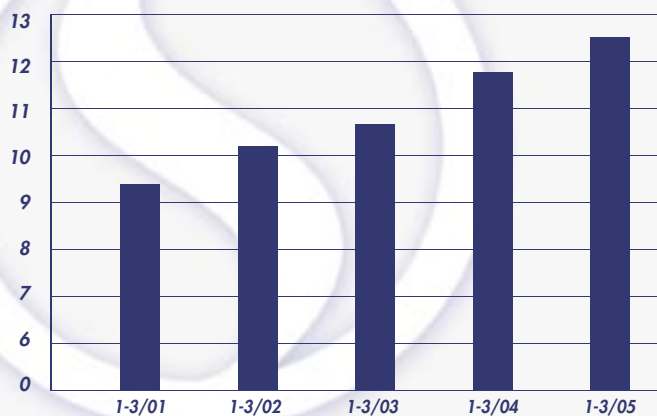
The German factory in Deggendorf stepped up its efforts to gain back lost market share and attract new customers. These efforts even included new target regions. The percentage of exports thus increased, as the slumping construction industry in Germany continued to contract. A new production line was in trial operation and nearly set to go online. It will further reduce per unit costs and improve operational capacity and efficiency.

Sempertrans Strong in Poland and India

The largest company in the Sempertrans division, Sempertrans Belchatow in Poland, continued to be the strongest market player. The current business year began in nearly all markets and segments with noticeable increases in sales and profits. Growth was especially strong for textile belt exports. The French group company SFBT did not get off to such a rosy start this year. It continues to struggle with regionally induced structural weaknesses and a decline in demand for metal belts. Owing to the price pressures still weighing down on the company, the slight improvement in textile belt business was unable to offset this decline.

The Indian company Sempertrans Nirlon focused primarily on its domestic market. It topped its targets for nearly all key figures. Demand is so high that the production operations are already reaching the limits of their capacity.

Profit before tax (PBT) as of the 1st Quarter in EUR mill.



Sights Set on Record Earnings Again in 2005

A decline in international economic growth is predicted for the rest of 2005. In The OECD member states, growth is expected to drop from 3.5% to 2.75% and to be accompanied by a slow-down in world trade.

In spite of this general outlook, the Semperit management expects annual sales and earnings to improve for the fifteenth consecutive year in 2005 and hit new record levels. Uncertainties surrounding the still volatile US dollar and other key currencies remain however.

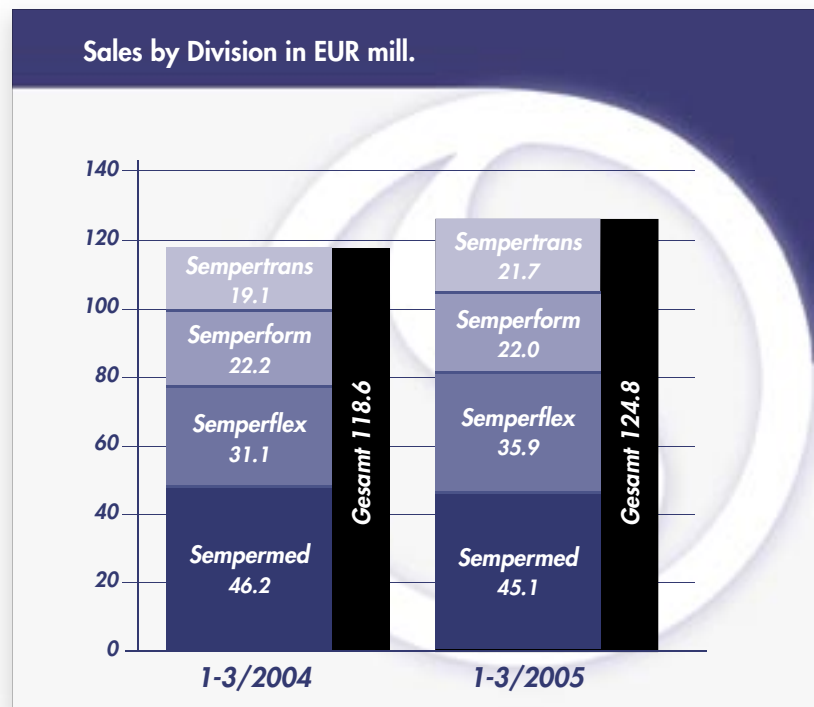
Sempermed will continue to develop positively but output is expected to increase only marginally until the third factory in Hatyai has been completed.

Semperflex will continue to face difficulties from high raw material prices and limited availabilities and from the unfavorable US dollar/euro exchange rate. Despite these burdens, it is expected once again to make full use of the additional capacities created in 2004. Further sustained growth in sales and profits from today's standpoint will be assured by an ambitious marketing policy and the achievement of goals on market share and costs. The full order books for hydraulic hose in particular substantiate these predictions. Semperform, too, is expected to remain on its course of expansive business growth.

With its marketable range of conveyor belts and attractive product advances, Sempertrans is well-aligned with the market and will continue its expansive growth and satisfactory earnings throughout the rest of the year.

Price Gains for Semperit Stock

The solid development of the Semperit Group in the first quarter of 2005 was adequately reflected in the price trend for its stock. After closing 2004 at EUR 23.00, Semperit stock was trading 7% higher by the end of March, at EUR 24.60. Year-on-year, the price of Semperit stock had risen by about 53% higher by the end of the first quarter of 2005.



BALANCE SHEET

Assets

in TEUR	31.12.2004	31.03.2005
Intangible assets	-5,342.4	4,559.2
Property, plant and equipment	120,838.5	122,753.0
Financial assets	23,746.3	25,342.0
Non-current trade receivables	28.6	65.9
Other non-current receivables	969.8	882.1
Deferred tax	7,987.5	7,776.5
NON-CURRENT ASSETS	148,228.3	161,378.7
Inventories	67,197.6	68,304.3
Current trade receivables	65,100.3	79,795.7
Other current receivables	9,674.0	8,302.0
Cash and cash equivalents	64,859.3	68,915.1
Prepaid expenses and deferred charges	791.6	1,800.7
CURRENT ASSETS	207,622.8	227,117.8
TOTAL ASSETS	355,851.1	388,496.5

Equity and liabilities

Issued capital	21,359.0	21,359.0
Share premium	21,503.2	21,503.2
Retained earnings	148,274.9	166,550.5
Treasury shares	-1,349.9	-1,349.9
Currency translation	-7,679.3	-5,675.5
Minority interest	35,570.8	39,154.8
EQUITY	217,678.7	241,542.1
Provisions for pensions and severance payments	51,971.0	51,652.4
Provisions for deferred taxes	1,294.9	1,403.6
Other non-current provisions	11,503.1	11,932.7
Long-term liabilities due to banks	9,540.1	10,505.3
Non-current trade payables	284.5	15.8
Other non-current liabilities	175.5	97.6
NON-CURRENT PROVISIONS AND LIABILITIES	74,769.1	75,607.4
Provisions for current taxes	992.9	1,041.8
Other current provisions	14,949.2	15,905.6
Short-term liabilities to banks	3,736.1	4,827.0
Current trade payables	28,017.9	30,960.4
Prepayments	448.0	469.3
Other current liabilities	14,517.2	17,418.1
Prepaid expenses and deferred charges	742.0	724.9
CURRENT PROVISIONS AND LIABILITIES	63,403.3	71,347.0
EQUITY AND LIABILITIES	355,851.1	388,496.5

STATEMENT OF CASH FLOWS

in TEUR	1.1. - 31.3.2004	1.1. - 31.3.2005
Cash-flow from result	14,734.4	16,952.1
Changes in working capital	-6,391.3	-8,671.5
Cash-flow from operating activities	8,343.1	8,280.6
Cash-flow from investing activities	-1,334.8	-6,842.6
Cash-flow from financing activities	2,679.3	2,617.8
CHANGES IN CASH AND CASH EQUIVALENTS	9,687.6	4,055.8
Cash and cash equivalents at the beginning of the 1 st quarter	40,301.4	64,859.3
Cash and cash equivalents at the end of the 1 st quarter	49,989.0	68,915.1

PROFIT AND LOSS ACCOUNT

in TEUR	1.1.-31.3.2004	1.1.-31.3.2005
SALES	118,628.5	124,796.4
Differences between opening and closing stocks	2,694.6	1,292.1
Own work capitalised	49.6	49.9
OPERATING REVENUES	121,372.7	126,138.4
Other operating income	3,478.3	4,658.4
Cost of materials	-59,519.3	-63,944.1
Staff costs	24,038.6	-24,090.0
Depreciation	-5,549.9	-5,778.9
Other operating expenses	-24,479.6	-25,173.0
OPERATING PROFIT (EBIT)	11,263.6	11,810.8
Incom from companies in which group has a participating interest	89.7	0.0
Investment results	41.7	198.8
Other financial results	194.6	488.2
FINANCIAL RESULTS	326.0	687.0
PROFIT BEFORE TAX (PBT)	11,589.6	12,497.8
Taxes on income	-3,187.8	-2,518.9
PROFIT AFTER TAX	8,401.8	9,978.9
Minority interest	-1,836.9	-1,789.5
NET PROFIT FOR THE PERIOD	6,564.9	8,189.4
Earnings per share in EUR	0.32	0.40
Weighted average number of shares	20,348.434	20,462.785

CAPITAL AND RESERVES

in TEUR	Issued-capital	Share premium	Retained earnings	Treasury shares	Currency-transl. reserve	Minority Interest	Total
Balance on 31.12.2003	21,359.0	21,503.2	128,484.8	-2,460.0	-13,685.0	34,427.7	189,629.7
Net profit			6,564.9			1,836.9	8,401.8
Dividend							0.0
Currency translation adjustments					1,915.7	1,101.7	3,017.4
Balance on 31.03.2004	21,359.0	21,503.2	135,049.7	-2,460.0	-11,768.3	37,366.3	201,048.9
in TEUR	Issued-capital	Share premium	Retained earnings	Treasury shares	Currency-transl. reserve	Minority Interest	Total
Balance on 31.12.2004	21,359.0	21,503.2	148,274.9	-1,349.9	-7,679.3	35,570.9	217,678.7
Net profit			8,189.4			1,789.5	9,978.9
Transfer negativ goodwill			10,086.2				10,086.2
Dividend							0.0
Currency translation adjustments					2,003.8	1,794.5	3,798.3
Balance on 31.03.2005	21,359.0	21,503.2	166,550.5	-1,349.9	-5,675.5	39,154.8	241,542.1

FINANCIAL CALENDAR

Quarterly reports 2005

2nd quarter: 26. 08. 2005

3rd quarter: 25. 11. 2005

Preliminary results 2005

10th week of 2006

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