

A decorative horizontal bar spans the width of the page, located below the Gurit logo. It is composed of several colored segments: a white box, a cyan bar, a white box, a white box, a dark blue bar, a white box, and a yellow bar.

Half-year report 2006

- Significant increase in sales and earnings
- New organizational structure pays off
- Expanded production in North America – Doubled Structural foam capacities
- Projected production facility in China

Half-year report 2006

Gurit Holding AG companies can look back on a strong first half-year from both an operational and marketing point of view. Sales during the first six months rose by 21 percent to CHF 188.0 million. Compared with the same period last year, operating profit put on a disproportionately high 75 percent-age increase to stand at CHF 14.5 million. The improvement was due both to higher sales and greater operative efficiency.

Gurit reported significant increases in its thriving wind power supply business, as well as in the marine and sport sectors. Expansion of the production facility in Canada means that in addition to its leading position in Europe, Gurit has permanently strengthened its position in the important wind energy and shipbuilding markets of North America. In the transport sector, Gurit profited from the trend in the aircraft industry. Recent delays with the Airbus A380 airliner have so far had no impact on Gurit.

On June 23, 2006, the former Health Care division was listed on the SWX Swiss Exchange in its own right as Medisize Holding AG. This half-year report will thus focus primarily on developments in the advanced composites sector. Medisize Holding AG will be publishing a separate interim report for June 30, 2006.

Note

Because of the separation of Medisize Holding AG from the former Gurit-Heberlein AG, respectively today's Gurit Holding AG, this year's figures are not comparable with last year's figures. Both groups together show the following result:

Medisize Group:	Group profit for 1. half-year 2006 CHF 10.1 million
Gurit Group:	Group profit for 1. half-year 2006 CHF 10.2 million
Total Medisize + Gurit:	profit 1. half-year 2006 CHF 20.3 million
Comparison:	
Gurit-Heberlein AG:	Group profit for 1. half-year 2005 CHF 14.3 million
Profit increase	+42%

Gurit Holding AG can look back on a dynamic and eventful first half year. The proposal approved by the General Meeting on April 12, 2006 to split the Group into two independent entities was put into force on June 22, 2006 following a 50 percent par value reduction and the issue of new Medisize shares to former Gurit shareholders. Medisize stock has been trading independently on the SWX Swiss stock exchange since June 23, 2006. A separate half-year report from Medisize can be downloaded at www.medisize-holding.com. The two companies are managed as autonomous entities since the beginning of the year.

Significant increase in sales and earnings Gurit Holding AG companies focus exclusively on the development and manufacture of advanced composites, structural foams and related application technologies. On the basis of comparable figures (i.e. excluding fiber technology and health care) sales at the end of June 2006 were up on the first half of 2005 and stood at CHF 188 million, an improvement of 21 percent. The operating profit confirmed the success of Gurit's turnaround: EBIT in the first year increased by 75 percent to CHF 14.5 million. Gurit thus improved its EBIT margin over the comparable figure of last year from 4.5 percent to 7.7 percent.

Leaner production and geographical proximity to customers Gurit's strategic decision to focus clearly on its composite operations led to significant improvements and better figures at several levels. All production facilities are now part of the same operative and management structure and a standardized uniform corporate identity has also been introduced throughout the Group worldwide.

Following a strategic appraisal of its activities, the Group decided to redefine, realign and split off production at some of its factories. The facility in Innsbruck will be closed completely at the end of the year. No longer utilized equipment will be moved to Canada and to Ittigen BE. Bern will become a competence centre for extrusion. In Canada where Gurit has traditionally been producing structural foams, the company now started to manufacture prepegs at the beginning of this summer. A second production line is due to go on stream in the near future. This means that bulky prepeg materials can now be manufactured directly in the American end-market. The products are destined both for the construction of wind power rotors and for ship-

building. Also in America, Gurit is posting high growth rates in both of these two markets areas.

Increased capacity utilization boosts productivity With operative management worldwide integrated into a unified structure, capacity utilization and productivity were up markedly, with existing facilities generating a significantly higher output. A comprehensive package of measures scheduled for introduction in the second half of the year should make further improvements possible.

More efficient procurement In view of rising demand worldwide for composites and ballooning commodity prices, the importance of having coordinated, broadly diversified procurement of essential basic materials such as carbon fibers, glass fibers and resins is becoming increasingly acute. Group-wide purchasing generates economies of scale that improve the procurement chain internationally and take some of the sting out of the rise in commodities prices.

Supplies of industrial-grade carbon fiber remain restricted while high-end fibers of the kind used in aircraft manufacture, for example, are no problem. Gurit already has access to more industrial carbon fibers than it did a year ago. However, the industry expects total normalization only by 2008, when increased carbon production capacity is due to go on stream.

Selective development work Technological leadership is a crucial success factor. Gurit wants to generate around a third of its sales with products that are younger than three years old. This necessitates a clearly focused research and development effort. Gurit recently concluded an internal process to pinpoint the technical expertise and areas that would have the greatest influence on its future success. The upshot of this was, firstly, the wording of a development strategy; and secondly, the creation of three distinct development teams, each concentrating on specific themes. The UK, for example, specializes in structural composites, while continental Europe focuses on fire retardants and the North American development team works mainly on structural foams. While concentrating on their own clearly defined projects, the 90 or so development staff in the three teams nevertheless work closely together. Only by being involved as a partner at an early stage in industrial projects, can Gurit be among the decision makers determining the directions to be taken by materials and application tech-

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nologies in the years ahead. Therefore, the prototyping and testing equipment are currently further refined. These have allowed Gurit to open the eyes of customers to completely new material solutions and production methods.

Wind power: an important market During the first half of 2006, Gurit generated about half of its sales from materials and systems to the wind power market. Business in this sector developed outstandingly well during the period under review. Gurit supplies customers in this market with a comprehensive product offering. Although there has been a slight downward trend in the number of new installations in Europe, the number of wind power generators and rotor blades produced here is still high. Gurit pushed up production volume yet again on the strength of worldwide demand.

At the moment, leading international manufacturers of wind power generators have orders for more than twelve months in advance. During the period under review, Gurit pushed up deliveries to existing European customers and acquired new ones in America and Asia. The strongest demand for new wind power plant is coming from southern Europe, North and South America and, to an increasing degree, from Asia.

Like its production facilities, Gurit's after-sales centres are now located closer to the main headquarters of its main customers. This has made processing and handling considerably easier in an important market sector.

Aircraft manufacturing determines success of transport sector The main business driver in Transportation is by far the aerospace sector or, to be more precise, material supplies for the interior of the Airbus airliners. Gurit is currently profiting from the buoyancy of the aircraft manufacturing industry. Capacity at both Airbus and Boeing will be at full stretch for at least the next three to four years. This explains why Gurit, as an important supplier of components for the entire Airbus range, will be not especially affected by the delays with the delivery of the A380. As part of its planning strategy, Gurit has not budgeted significant deliveries for the A380 during the second half of the year.

Interim goals achieved in rail and auto sectors During the first half of the year, on the strength of its own development efforts, Gurit made a significant breakthrough in its automobile operations. It manufactured the world's first-

ever carbon composite materials with an industrial class-A surface. As a result, the Group finalized a number of interesting development and engineering project agreements with the manufacturers of well-known sports cars, which could lead to sizeable production contracts in the near future. The idea is for the company not merely to supply the automobile industry with materials but also finished components. In the rail business, Gurit finalized a substantial prepeg supply agreement with a Chinese rolling stock producer. Gurit has substantial expansion plans for the automobile and rail markets, both of which are still relatively small within Transportation. In the first six months of the year, important customers had a chance to familiarize themselves with Gurit's product and service portfolio, and its development capacity. They clearly welcome Gurit's decision to focus clearly on advanced composites.

Marine and sport remain attractive The sales of Gurit to the marine and shipbuilding industries are firmly based on an extensive customer base, Gurit's leading technology, solid growth potential and, not least, stable profitability. Gurit is using its prominent position in yacht racing as a door-opener to the high-end segments in boat and shipbuilding. Gurit's prepeg technology is the most advanced solution of its kind and is finding increasingly widespread use in this sector. In its more traditional epoxy infusion operations, Gurit is profiting from rapidly rising demand in both Europe and Australia for Corecell structural foams. The company's shipbuilding operations continue to develop encouragingly. Gurit-manufactured materials are being used by no fewer than seven of the America's Cup yachts. The company also reports high demand for engineering services and comprehensive materials packages for the Open 60 class, which is important for volume sales. The announcement that the next Volvo Ocean Race would take place in 2008 has already begun to show through in the company's order books.

By contrast, winter sports operations offer less potential for growth. In an attempt to boost profitability, ski manufacturers are relocating their capacity increasingly to Asia. Heavy winter snowfalls in Europe during the first half of the year meant no shortage of demand for equipment and by amalgamating its activities in a limited number of locations, Gurit expects to hold its position.

Growth initiatives The worldwide demand for advanced composites continues to rise and Gurit intends to make full

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use of this growth to consolidate its market position. The Board of Directors has therefore approved several expansion-related projects and released the investment funds required.

In Canada, capacity for the first stage in the production of structural foams will be doubled in the course of the next six to eight months. At this first stage in the process the materials, which are destined primarily for use in the wind power and shipbuilding industries, are still in compacted form. In the second phase they are expanded, making them light and voluminous, and there are plans to relocate this stage as close as possible to end-users. The entire investment program for structural foams from 2006 to 2008 is around CHF 20 million.

Construction of Group-owned facility in China Of immense strategic significance is the carefully considered decision to help important wind power customers gain access to markets worldwide. China is the most important area in this respect.

By 2020, China intends to double the share of energy it obtains from renewable sources from its current 7 percent to 15 percent. In view of the country's escalating energy consumption, this will involve a massive increase in the number of wind power plants. However, China requires 70 percent of the parts for its wind power farms to be manufactured locally. All major wind turbine manufacturers are currently installing production capacity in China. Gurit is therefore also planning to build an own production facility in Tianjin, in the direct vicinity of some major wind power customers. Initially, the new Gurit factory will be equipped to manufacture prepegs for the wind power industry and process structural foams. Gurit expects a total investment of over CHF 20 million, staggered between 2007 and 2008.

Positive outlook On the basis of market developments in the first half of the year, the healthy state of the company's order books and the unabated demand for advanced composites, Gurit forecasts total sales for fiscal 2006 of over CHF 365 million and an EBIT of around CHF 27 million.

Yours sincerely
Gurit Holding AG



Dr. Paul Hälg, Chairman of the Board of Directors



Jouni Heinonen, Chief Executive Officer

Group Income Statement (condensed)

in CHF 1000

	1 HY 2006 not comparable with previous year	1 HY 2005 (Industrial Applications Division)*
Income statement		
Net sales	188 000	185 200
Cost of goods and materials	-102 600	-89 600
Personnel expenses	-41 000	-50 500
Other operating expenses	-11 500	-20 900
Marketing and administrative expenses	-11 200	-9 000
Sundry operating result	200	2 500
Depreciation and Amortization	-7 400	-9 200
Operating profit	14 500	8 500
Financial expenses	-2 000	-3 000
Financial income	1 600	1 100
Profit before tax	14 100	6 600
Tax expense	-3 900	-1 700
Income from discontinued operations (Health Care division)		-9 500
Profit after tax	10 200	14 400
Minority interests	-	-100
Group profit	10 200	14 300
Earnings per bearer share	CHF 22.06	(CHF 31.48)
Diluted earnings per bearer share	CHF 22.01	(CHF 31.23)
Earnings per registered share	CHF 4.41	(CHF 6.30)
Diluted earnings per registered share	CHF 4.40	(CHF 6.25)

	1 HY 2006	1 HY 2005
Depreciation and amortization		
Group cash flow (profit after tax + depreciation)	17 400	23 600
EBITDA	21 900	17 700
Depreciation	-7 400	-9 200
EBIT	14 500	8 500
Financial expenses/income	-400	-1 900
Tax expense	-3 900	-1 700
Income from discontinued operations (Health care division)	-	9 500
Minority interests	-	-100
Group profit	10 200	14 300

* The Industrial Applications division included in 2005 the composite and fiber technology businesses, as well as in the earnings also the result of the Health Care division. The figures are thus not comparable with the 1 HY 2006.

Earnings per share are not comparable due to the capital reduction and the creation of the Medisize Group.

For comparable figures, see segment information.

Group Balance Sheet (condensed)

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in CHF 1000

	Gurit Holding AG		Gurit-Heberlein AG	
	30.6.2006	1.1.2006 (without Medisize Holding AG)	31.12.2005	30.6.2005
Assets				
Cash and cash equivalents	31 068	30 666	56 412	40 423
Accounts receivable and accruals	76 635	62 464	110 287	130 507
Inventories	42 200	37 574	91 324	112 596
Current assets	149 903	130 704	258 023	283 526
Plant and equipment	52 857	52 405	74 589	98 939
Real estate	54 500	55 538	95 797	120 780
Property, plant and equipment	107 357	107 943	170 386	219 719
Financial assets	41 813	42 908	6 780	6 181
Intangible assets	163 784	161 780	225 986	239 780
Defferes tax assets	2 236	2 851	2 851	5 631
Non-current assets	315 190	315 482	406 003	471 311
Total assets	465 093	446 186	664 026	754 837
Equity and liabilities				
Bank loans	57 984	56 040	67 541	81 517
Accounts payable and accruals	58 151	46 020	71 880	78 088
Short-term provisions	17 942	17 752	20 669	12 679
Current liabilities	134 077	119 812	160 090	172 284
Mortgage and loans	18 033	16 482	43 443	63 711
Other long-term liabilities	571	595	11 729	14 550
Long-term provisions	19 423	16 867	24 951	36 076
Non-current liabilities	38 027	33 944	80 123	114 337
Total liabilities	172 104	153 756	240 213	286 621
Share capital	22 974	22 635	46 035	46 074
Additional paid-in capital and retained earnings	266 056	265 731	378 628	427 088
Currency translation adjustments	3 959	4 064	-850	-7 204
Total equity (excl. minority interests)	292 989	292 430	423 813	465 958
Minority interests		0	0	2 258
Total equity	292 989	292 430	423 813	468 216
Total equity and liabilities	465 093	446 186	664 026	754 837

Group Cash Flow Statement (condensed)

in CHF 1000

	Gurit Holding 1 HY 2006	Gurit-Heberlein* 1 HY 2005
Cash flow from operating activities	11 953	7 669
Investments in fixed assets (net)	-5 522	-15 740
Financial investments (net)	-155	-246
Investments in intangible assets (net)	-47	-2 862
Cash flow from investment activities	-5 724	-18 848
Change in current bank loans and other loans	3 458	2 888
Other financing activity	-723	9 466
Sale/purchase of treasury stock	1 548	46
Dividend distribution	-11 034	-11 049
Cash flow from financing activities	-6 751	1 351
Exchange rate differences	924	1 060
Total cash flow	402	
Separation Health Care Division	-25 746	-
Change in cash and cash equivalents	-25 344	-8 768
Cash and cash equivalents at beginning of year	56 412	49 191
Cash and cash equivalents at end of half year	31 068	40 423

* not comparable

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in CHF MIO.

	1 HY 2006		1 HY 2005		Change in %; comparable with today's structure
Net sales					
Industrial Applications					
– Fiber technology		0.0%	29.9	16.1%	} +21%
– Composites	185.3	98.6%	154.8	83.6%	
Other/Consolidation	2.7	1.4%	0.5	0.3%	
Total net sales	188.0	100.0%	185.2	100.0%	
EBITDA					
Industrial Applications					
– Fiber technology		0.0%	2.6	1.4%	} +24%
– Composites	22.2	11.8%	16.3	8.8%	
Other/Consolidation	–0.3	–0.2%	1.4	0.8%	
Total EBITDA	21.9	11.6%	20.3	11.0%	
EBIT (operating profit)					
Industrial Applications					
– Fiber technology		0.0%	0.2	0.1%	} +75%
– Composites	15.3	8.1%	6.9	3.7%	
Other/Consolidation	–0.8	–0.4%	1.4	0.8%	
Total EBIT	14.5	7.7%	8.5	4.6%	
EBIT in % of net sales					
Industrial Applications					
– Fiber technology			0.7%		
– Composites	8.3%		4.5%		
Total EBIT in %	7.7%		6.9%		

Shareholders' Equity and Minority Interests (condensed)

in CHF 1000

	Shareholders' Equity				Gurit	Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Additional Paid-in Capital	Cur. transl. adjustments	Retained Earnings				
31.12.2004	46 052	28 642	-14 548	390 846	450 992	2 201	453 193	
Dividend distribution				-11 063	-11 063		-11 063	
Half-year Group profit				14 326	14 326	88	14 414	
Reclassification negative goodwill				1 542	1 542		1 542	
Changes due to IRFS 2				196	196		196	
Change in treasury stock	22			24	46		46	
Currency effects			7 344		7 344	-31	7 313	
30.6.2005	46 074	28 642	-7 204	395 871	463 383	2 258	465 641	
Change in the scope of consolidation						-190	-190	
Management participation program				116	116		116	
Half-year Group result				-43 937	-43 937	-1 394	-45 331	
Change in minority interests				-1 232	-1 232	-768	-2 000	
Change in treasury stock	-39			-832	-871		-871	
Currency effects			6 354		6 354	94	6 448	
31.12.2005	46 035	28 642	-850	349 986	423 813	0	423 813	
Split-off Medisize Group	-23 400		4 914	-112 897	-131 383		-131 383	
Dividend distribution				-11 034	-11 034		-11 034	
Half-year Group result				10 150	10 150		10 150	
Change in treasury stock	339			1 209	1 548		1 548	
Currency effects			-105		-105		-105	
30.6.2006	22 974	28 642	3 959	237 414	292 989	0	292 989	

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This unaudited consolidated half-year report was prepared in accordance with IAS 34, using the same principles of consolidation and accounting policies as in the year-end report 2005. The new standards and the amended standards, all effective as at January 1, 2006, lead to no changes in this half-year report.

The separation process for the former Group division Health Care, as announced by the Board of Directors in late summer 2005, was completed with the listing of the shares of Medisize Holding AG on SWX Swiss Exchange on June 23, 2006.

In the previous year's figures, the Health Care Division is shown as "discontinued operations" and the respective result is shown separately in the income statement.

Therefore (and also because of the sale of the fiber technology business), previous year figures are not directly comparable.

Exchange rates in CHF

			Ø	Ø
	31.12.2005	30.6.2006	1 HY 2006	1 HY 2005
1 USD	1.315	1.2493	1.2697	1.2800
1 EUR	1.558	1.5655	1.5609	1.5500
1 GBP	2.260	2.2619	2.2725	2.2300



Investor Relations

Share capital:

After the spin-off of Medisize Holding as per 1.1.2006 the company's share capital is divided into:

240 000 registered shares	
par value CHF 10.–	securities no. 185 039
420 000 registered shares	
par value CHF 50.–	securities no. 801 223

(par value adjusted to CHF 50, this results, purely arithmetically, in a total of 468,000 shares.)

Stock market trading:

The bearer share is listed on the SWX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the following symbols numbers:

Bearer Share:	Reuters	GURZ
	Telekurs	GUR
	securities no.	801 223

Important dates:

October 2006: 9 month sales figures
Beginning of March 2007: Key figures YE 2006
End of March 2007: Publication of full YE 2006 results
April 2007: Annual General Meeting
End of August 2007: Half-year Report

Internet/e-mail bulletins

Further information about Gurit can be found at www.gurit.com. To obtain a subscription to the Group's news service, please register in the Publications/Downloads section at <http://www.gurit.com/investor-relations/publications.html>.

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This report contains forward-looking statements that include risk and uncertainties regarding the future global developments that cannot be influenced by the company.