

Letter to Shareholders August 2004 Half-year results as at 30.6.2004

- 15.5% sales increase in line with expectations
- Health Care back on course
- Industrial Applications looks towards strong second half
- Lower financial income and higher taxes push down profit

Moderately improved EBIT

Dear Shareholder

During the first six months of 2004 the Gurit-Heberlein Group generated net sales of CHF 292.5 million, a figure that represented a 15.5% increase on last year's CHF 253.2 million and was in line with expectations. The 23.8% increase in sales to CHF 182.1 million reported by Industrial Applications is an indication of the division's continuing dynamism, although the complex nature of the specification trials required for long-term projects means it is not always easy to say exactly when to expect growth for Gurit Composite Technologies. The results posted by Gurit Fiber Technology during the first six months, however, substantially diminished the Division's growth. Here, too, a number of major contracts came in later than expected. In the Health Care Division, Gurit Dental Care posted very encouraging figures and Gurit Medical Business made a welcome recovery; overall, divisional sales were up by 4.1% to CHF 107.9 million. EBITDA, earnings before goodwill, write-offs and depreciation, is the most accurate measure of Gurit's operative success and rose by 6.2% to CHF 35.8 million (previous year CHF 33.7 million). Increased depreciation of CHF 12 million and goodwill write-offs amounting to CHF 6.7 million produced a moderately improved EBIT of CHF 17.1 million, compared with last year's CHF 16.9 million. After reduced financial income and higher taxes, the Group result was 26.7% down on last year's figure and stood at CHF 8.5 million. Gurit looks towards the second half of the year with confidence and expects total sales for the year of around CHF 600 million and a considerably improved Group result.

The Gurit-Heberlein Group, which specializes in Chemical and Synthetics Technology, has now virtually concluded a lengthy period of acquisition and figures for the half-yearly accounts are based largely on internal operative developments.

Industrial Applications with significant sales increase

The sales reported by the Industrial Applications Division on June 30, 2004, showed a 23.8% increase to CHF 182.1 million. However, the profit figures lagged behind expectations. With important markets such as wind power continuing to consolidate, there has been a growing trend towards sales based on long-term contracts for comprehensive system solutions, which tend to be extremely stable once orders have been placed. At the same time, the shift in emphasis towards bulk users and high-volume orders (wind power, aircraft construction) can result in some upward and downward fluctuations in sales and earnings during a six-month period. Although earnings posted by the solid and well-established Gurit Composite Technologies section were clearly below expectations for the first half of the year, Group Management remains very optimistic about the future. Deliveries to aircraft manufacturers have developed encouragingly and further improvements are in sight. However, margins in this sector have suffered mainly from the fact that invoicing is in dollars. A series of successfully completed specifications trials, major – albeit financially demanding – progress with the extension of facilities in North America and substantial incoming order volumes suggest that the second half of the year will be a strong one for Gurit Composite Technologies. Based on the above-mentioned asymmetric sales developments, the margins in this market segment should again increase in the second half of the year.

Gurit Fiber Technology, on the other hand, will not be able to make good the deficit on sales figures recorded during the first half of the year. Orders discussed for weeks on end were continually postponed until the end of the first half of the year and thus deepened the negative impact of the cyclical downturn. In the case of the German companies, which specialize mainly in large orders, some restructuring will be necessary to make annual output more flexible. Gurit has reacted quickly and from the second half of the year has reverted to a forty-hour week with extremely flexible weekly working times. The cost of restructuring measures designed to make operations more flexible will in future help boost profitability but will still make a dent in figures for the second half of the year.

The Industrial Applications Division closed the first half with an operating profit of CHF 7.3 million, or 20.7% lower than last year's. Compared with last year, depreciation during the first half of 2004 rose strongly as a result of acquisitions and investments (particularly the cost of the expansion work in North America). The EBIT margin fell from 6.3% to an unsatisfactory 4% during the first quarter. Due to the production going on stream now in North America as well as the large orders received in the whole division the margins should see a major improvement during the second half of the year.

Health Care Division on course again

Compared with the same period last year, the Health Care Division closed the first half with a slight overall increase in sales of 4.1%, from CHF 103.7 million to CHF 107.9 million. In contrast to the serious problems facing the division last year, then, there are very distinct signs of an improvement.

Gurit Dental Care posted good results in practically all sectors. The amalgamation and centralization of operations in North America has begun to pay dividends, and dental business in America improved markedly against last year. In Europe, too, as well as in the Middle East, Gurit Dental Care reported considerable increases in sales.

The fortunes of Gurit Medical Business operations varied considerably. On the one hand, the weakness of the dollar has had a detrimental effect on sales of the respiratory products manufactured and distributed under the Medisize brand while the considerable pressure being exerted by health authorities in Europe to save costs has also pushed down results. On a brighter note, the serious problems afflicting the OEM production of medical disposables in 2003 have now been overcome, with the result that both sales and profits are moving upwards again. For the second half of the year, Gurit Medical Business, too, is looking towards a further improvement in results.

The Division's EBIT improved from CHF 6.3 million last year to CHF 8.5 million. Restructuring measures taken last year have begun to show effect and the EBIT margin during the first half of the year was up from 6.3% to 7.9%. A further improvement to a double-digit figure is expected for the second half of the year that is traditionally stronger especially in the dental business.

Group result

The Group result for the first half of the year was depressed by lower financial earnings and higher taxes, leading to a 26.7% reduction from last year's CHF 11.6 million to CHF 8.5 million.

Clear improvement expected during second half

The second half of the year will be considerably stronger than the first six months reflecting the asymmetric sales trends mentioned above. Gurit is expecting a strong improvement in results. For the year overall, Gurit is looking at sales in the region of CHF 600 million and a considerably improved Group result.

Change in the chairmanship

The previously announced changes in the chairmanship of the Board of Directors are currently being implemented: Dr. Paul Hälgi succeeds Robert Heberlein as Chairman of the Board with effect from September 1, 2004.

Yours sincerely
Gurit-Heberlein AG



Robert Heberlein
Chairman
of the Board of Directors



Dr. Rudolf Wehrli
Chief Executive Officer

Group Income Statement

| in CHF 1000 | | | |
|---|-------------------------|----------------|-------------------------|
| | first half-year 2004 | Change in % | first half-year 2003 |
| Net sales | 292 500 | +15.5% | 253 200 |
| Cost of goods and materials | -125 100 | | -106 500 |
| Personnel, marketing and administrative expenses | -132 900 | | -113 300 |
| Other operating expenses/earnings | +1 300 | | +300 |
| EBITDA | 35 800 | +6.2% | 33 700 |
| Depreciation | -12 000 | | -9 800 |
| EBITA | 23 800 | -0.4% | 23 900 |
| Amortisation Goodwill | -6 700 | | -7 000 |
| EBIT | 17 100 | +1.2% | 16 900 |
| Financial result | -3 700 | | -1 600 |
| Profit before tax | 13 400 | -12.4% | 11 500 |
| Earnings tax | -4 700 | | -3 800 |
| Profit after tax | 8 700 | -24.3% | 11 500 |
| Minority interests | -200 | | +100 |
| Group result (excl. Minority interests) | 8 500 | -26.7% | 11 600 |
| Cash flow | 27 400 | -3.2% | 28 300 |

| | | |
|--|-----------|-----------|
| Earnings per bearer share (CHF 100.- par value) | CHF 18.68 | CHF 25.49 |
| Diluted earnings per bearer share | CHF 18.53 | CHF 25.28 |
| Earnings per registered share (CHF 20.- par value) | CHF 3.74 | CHF 5.10 |
| Diluted earnings per registered share | CHF 3.71 | CHF 5.06 |

Segment Information

| in CHF million | | | | | |
|------------------------------------|-------------------------|-------------|----------------|-------------------------|-------------|
| | first half-year 2004 | | Change in % | first half-year 2003 | |
| Net sales by Group Division | | | | | |
| Health Care | 107.9 | 36.9% | +4.1% | 103.7 | 41.0% |
| Industrial Applications | 182.1 | 62.3% | +23.8% | 147.1 | 58.1% |
| Other/Consolidation | 2.5 | 0.8% | +4.2% | 2.4 | 0.9% |
| Total Net sales | 292.5 | 100% | +15.5% | 253.2 | 100% |

| | | | | | |
|-------------------------------|-------------|-------------|--------------|-------------|-------------|
| EBIT by Group Division | | | | | |
| Health Care | 8.5 | 49.7% | +34.9% | 6.3 | 37.3% |
| Industrial Applications | 7.3 | 42.7% | -20.7% | 9.2 | 54.4% |
| Other/Consolidation | 1.3 | 7.6% | -7.1% | 1.4 | 8.3% |
| Total EBIT | 17.1 | 100% | +1.2% | 16.9 | 100% |

| | | | | | |
|---------------------------|-------------|--|--|-------------|--|
| EBIT in % of sales | | | | | |
| Health Care | 7.9% | | | 6.1% | |
| Industrial Applications | 4.0% | | | 6.3% | |
| Total EBIT | 5.8% | | | 6.7% | |

Group Balance Sheet

| in CHF 1000 | | | |
|--|----------------|----------------|----------------|
| | 30.6.2004 | 31.12.2003 | 30.6.2003 |
| Assets | | | |
| Cash at bank and in hand | 41 017 | 47 750 | 37 485 |
| Accounts receivable and prepaid expenses | 125 029 | 104 890 | 100 838 |
| Inventories | 98 427 | 100 497 | 89 028 |
| Working capital | 264 473 | 253 137 | 227 351 |
| Fixed assets | 201 543 | 195 947 | 168 116 |
| Financial assets | 5 630 | 5 956 | 2 541 |
| Intangible assets | 240 897 | 247 096 | 250 789 |
| Other fixed assets | 7 881 | 8 050 | 8 204 |
| Total fixed assets | 455 951 | 457 049 | 429 650 |
| Total assets | 720 424 | 710 186 | 657 001 |
| Equity and liability | | | |
| Bank loans | 71 045 | 75 624 | 44 450 |
| Accounts payable and prepaid expenses | 87 544 | 73 826 | 72 633 |
| Reserves | 7 229 | 7 741 | 9 595 |
| Short-term borrowings | 165 818 | 157 191 | 126 678 |
| Mortgage and loans | 54 007 | 50 788 | 40 122 |
| Other accounts payable | 8 239 | 7 665 | 8 969 |
| Reserves | 39 099 | 39 866 | 35 830 |
| Long-term borrowings | 101 345 | 98 319 | 84 921 |
| Total borrowings | 267 163 | 255 510 | 211 599 |
| Minority interests | 2 611 | 2 441 | 2 222 |
| Share capital | 46 089 | 45 905 | 45 760 |
| Capital and retained earnings | 404 561 | 406 330 | 397 420 |
| Total equity (excl. Minority interests) | 450 650 | 452 235 | 443 180 |
| Total liabilities | 720 424 | 710 186 | 657 001 |

Consolidated flow of funds

| in CHF 1000 | | |
|---|-------------------------|-------------------------|
| | first half-year 2004 | first half-year 2003 |
| Flow of funds from operating activities | 23 329 | 17 250 |
| Investments in fixed assets | -13 950 | -19 700 |
| Acquisition of holdings | -2 974 | 0 |
| Flow of funds from investment activities | -16 924 | -19 700 |
| Free Cash flow | 6 405 | -2 450 |
| Changes in bank loans and loans | -2 502 | -3 600 |
| Other financial activities | +3 | -300 |
| Sale/purchase of treasury stock | +453 | +2 215 |
| Dividend distribution | -11 063 | -10 932 |
| Flow of funds from financial activities | -13 109 | -12 617 |
| Exchange rate differences | -29 | 0 |
| Change in Cash at bank and in hand | -6 733 | -15 067 |
| Change in Cash at bank and in hand at beginning of period | 47 750 | 52 552 |
| Change in Cash at bank and in hand at end of period | 41 017 | 37 485 |

Shareholders' Equity

| in CHF 1000 | Shareholders' Equity | | | | | Total Equity | Minority interest |
|--------------------------|----------------------|----------------------------|---------------------------|-------------------|----------------|--------------|-------------------|
| | Share capital | Additional paid-in capital | Exchange rate differences | Retained earnings | | | |
| 31.12.2002 | 45 446 | 28 642 | -7 100 | 372 826 | 439 814 | 2 322 | |
| Dividend distribution | | | | -10 932 | -10 932 | | |
| Half-year result 1/03 | | | | 11 600 | 11 600 | -100 | |
| Currency effects | | | 486 | | 486 | | |
| Change in treasury stock | 314 | | | 1 898 | 2 212 | | |
| 30.6.2003 | 45 760 | 28 642 | -6 614 | 375 392 | 443 180 | 2 222 | |
| Dividend distribution | | | | | | -111 | |
| Half-year result 2/03 | | | | 11 525 | 11 525 | 75 | |
| Minority interests in | | | | | | | |
| founding Capital | | | | | | 126 | |
| Currency effects | | | -3 599 | | -3 599 | 129 | |
| Change in treasury stock | 145 | | | 984 | 1 129 | | |
| 31.12.2003 | 45 905 | 28 642 | -10 213 | 387 901 | 452 235 | 2 441 | |
| Dividend distribution | | | | -11 063 | -11 063 | | |
| Half-year result 1/04 | | | | 8 452 | 8 452 | 170 | |
| Currency effects | | | -453 | | -453 | | |
| Change in treasury stock | 184 | | | 1 295 | 1 479 | | |
| 30.6.2004 | 46 089 | 28 642 | -10 666 | 386 585 | 450 650 | 2 611 | |

Group results – Notes

General remark

This half-year report was prepared in accordance with the International Financial Reporting Standards (IFRS) and the published interpretations thereof.

Principles of valuation

This unaudited half-year report was prepared using the same principles of valuation as in the year-end report 2003.

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

Investor Relations

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Share capital: After the capital increase on September 3, 2002, the company's equity consists of:
240 000 registered shares at par CHF 20.– Security no. 185039
420 000 bearer shares at par CHF 100.– Security no. 801223
(Adjusted to par value of CHF 100, the number of outstanding shares is 468 000.)

Stock market trading: Bearer shares are listed on the SWX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as on the Internet.

Information about the Group's stock can also be found in various electronic price systems under the following ticker symbols:

| | | |
|---------------------|--------------|--------|
| Gurit bearer shares | Reuters: | GURZ |
| | Telekurs: | GUR |
| | Security no. | 801223 |

| | | |
|----------------------------|---|--------------------|
| Financial calendar: | Key figures 2004: | End of March 2005 |
| | Presentation of annual results, financial analysts' and media conference; publication of Annual Report: | End of April 2005 |
| | Annual General Meeting: | May 2005 |
| | Half-year report: | End of August 2005 |

