

- **Half-year results influenced by counter-balancing developments**
- **Industrial Applications posts strong sales and profit increase**
- **Health Care below expectations due to exchange rates**

The Gurit-Heberlein Group posted net sales of CHF 253 million during the first six months of 2003. Compared with the previous year's CHF 177 million, the increase was due largely to the acquisitions made last year. Earnings before goodwill amortizations and depreciation (EBITDA), which are of vital importance in assessing the operative strength of the company, rose by no less than 31.6% from CHF 25.6 million to CHF 33.7 million. In view of the acquisitions, goodwill amortizations rose sharply but EBIT was still up by 15% from CHF 14.7 million to CHF 16.9 million. The Group result for the first half year stood at CHF 11.6 million, a 9.4% increase over the previous year's figure. In the light of the trying global economic situation, results for the first half-year can be termed satisfactory.

Wattwil, August 28, 2003. The half-yearly accounts of the Gurit-Heberlein Group, which specializes in Chemical and Synthetics Technology, were influenced by the rapid expansion of the two Group divisions, Industrial Applications and Health Care. Sales for the period stood at CHF 253 million, which represented a clear 43% increase over the previous year but was still below expectations. The increase was due primarily to the first-time consolidation of companies acquired during the second half of 2002 in Ireland and the UK.

Growth in EBIT despite high goodwill amortisation

The most accurate measure of Gurit's operative success is earnings before goodwill amortisation and depreciation (EBITDA). For the first six months of 2003 Gurit posted an EBITDA of CHF 33.7 million, a 31.6% increase over last year's figure of CHF 25.6 million. After goodwill amortisation and depreciation, EBIT was up by 15% to CHF 16.9 (previous year 14.7) million. The Group closed the first half of the year with about a 10% higher Group result of CHF 11.6 million.



Rapid progress with integration in the Industrial Applications Division

The Industrial Applications Division closed the period with an operating profit of CHF 9.2 million on sales of CHF 147 million. After the sharp decline in the EBIT margin during the second half of 2002, profitability during the first six months of 2003 improved markedly from 2% to 6.2% despite the depressed economic situation. Gurit believes that an economic recovery would result in a swift and sustained improvement in the Division's figures.

The Fiber Technology sector, which specializes in the manufacture of key components for the chemical fiber industry, had a very successful first six months. It acquired new market shares and pushed up both sales and profits.

A main focus of attention during the first half of 2003 was the integration of activities acquired since the start of 2002. Particularly worth noting here was the integration of all the companies focussing on advanced composites, including the British SP Group, into Gurit Composite Technologies (GCT). With a 25% increase in sales, SP has confirmed the expectations linked to this major acquisition and considerably strengthened Gurit's position in growth area such as wind energy, marine and the automotive industry. Contrary to the global trend for the rest of the industry, sales to the aviation industry developed positively. On the other hand, the Group expects no significant improvement in markets with a clear end-user focus (winter sports, special films), which have collapsed drastically. Production facilities here are currently working under capacity. However, with such a broad technology base, Gurit Composite Technologies is in a position to gear its research and development activities increasingly towards additional markets with a promising future and to target these specifically. The Group embarked upon a number of interesting projects in the automobile industry, oil and gas excavation and the infrastructure/building sector.

Health Care Division adversely affected by exchange rate factors and non-recurring costs

Although the Health Care Division's accounts include several companies for the first time, sales of CHF 104 million were at roughly the same level as last year. The result was temporarily affected by disadvantageous exchange rates and one-off organizational and administrative costs. Compared with the same period last year, EBIT was down to an unsatisfactory CHF 6.3



million. Gurit is expecting a return to a higher EBIT margin as operations in the Health Care Division pick up substantially during the second half of the year.

The main news for the dental sector was the amalgamation and centralization of various operations. In the US, the move to Akron, Ohio, resulted in non-recurring costs to the tune of seven figures, but these should soon be offset by the resulting increase in efficiency. However, the dental sector's figures were more significantly affected by the downturn in the value of the dollar against the Swiss franc.

In the medical sector, Gurit Medical Business further consolidated its position as a specialist for disposable medical and pharmaceutical products. Cost pressures on the health care sector as a whole have prompted several customers to subject their production processes to critical examination. As a result, they have achieved clear increases in productivity (including a reduction in the number of rejects). This in turn led to an unexpected reduction in orders for the Irish subsidiary, which is geared to meeting the needs of a few major customers. In order to counterbalance this and broaden the customer basis in the future, the company is taking on a large number of R&D projects. Gurit Medical Business is an efficient supplier with a broad technology base and a focus on long-term cooperation, which means it is well positioned to meet the cost pressures occurring in the health care sector. Encouraging figures from the production plan built up in the Czech Republic during the last years also contributed to this development.

Technology base further strengthened

On July 22, (i.e. after the start of the second half of 2003), acting through its British subsidiary, SP Systems, the Gurit-Heberlein Group acquired the stock of ATC Chemicals in Canada. Apart from polyester-based adhesives, ATC produces high-quality SAN-based structural foams for the North American marine market. These structural foams are used for the core material sandwiched between outer fiber composite layers (prepegs). The addition of ATC will boost Gurit Composite Technologies' annual sales by around CHF 12 million. The increased presence of Gurit Composite Technologies in North America together with this addition to its product range will help Gurit to strengthen its position in the American market for materials in the shipbuilding industry and wind energy sector.



Outlook remains positive

In view of the prevailing difficulties in the global economy, uncertainties as regards exchange rate developments and higher goodwill amortisation in the wake of various acquisitions, the figures for the first half year overall were satisfactory. Gurit is confident that the technology base built over the years means it is well positioned for strong future growth. The expected sales increase will over-proportionally be reflected in the bottom line.

For further information:
Dr. R. Wehrli, Gurit-Heberlein Gruppe; CH 9630 Wattwil
Phone +41 (0)71 987 1010; Fax +41 (0)71 987 1005;
www.gurit.com

About Gurit-Heberlein

The Gurit-Heberlein Group specializes in clearly defined areas in the Chemical and Synthetics Technology sector. Group companies have profound and wide-ranging expertise in materials, processes and basic research for the synthetics sector. Gurit focuses on applications for the health care and industrial sectors. The *Health Care Division* addresses two market segments: the dental sector, where the main activities are impression and filling materials, as well as a wide range of supplementary products for dentists and dental laboratories; and the medical and pharmaceutical industries, where the Group manufactures airway management and disposable OEM products under clean-room conditions. Gurit's *Industrial Applications Division* is one of the world's leading suppliers of state-of-the-art advanced composite material and construction systems. In the fiber technology sector (manufacture and finishing of synthetic fibers), key components from Gurit-Heberlein set standards for the industry worldwide.