

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 Halg 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