

HALF-YEAR REPORT

With effect from 1 January 2006, the Gurit-Heberlein Group is to be divided up into two companies with a clearly defined focus on their respective industries and markets. The two existing divisions, Health Care und Industrial Applications, are to be made financially independent of each other and will continue to be run as two exchange-listed publicly owned companies. The necessary proposals will be put to Annual General Meeting in spring 2006.

The Health Care Division posted very satisfactory progress in the first six months of 2005: sales and earnings in the dental sector were boosted by various product innovations that attracted a great deal of interest. The Division's medical business has secured a sound long-term position for itself with its existing technology and customer base, as well as full order books and a project pipeline packed with new innovations. After the building and expansion work of recent years, the Health Care Division is now ideally placed to become operatively and strategically independent.

Despite its strong positioning, the Industrial Applications Division was exposed to stubborn problems on both the procurement and sales markets: the composites sector laboured under the effects of a world shortage of carbon fiber while components operations in the fiber technology divisions were unable to break out of the cyclical low.

Group net sales during the first half were up by 5.1% to CHF 308 million. In view of difficult circumstances in the industrial sector, EBITA stood at CHF 21.3 million, which failed to live up to expectations.

The Gurit-Heberlein Group's two divisions put up conflicting performances during the first half of the year. While Health Care closed the period extremely successfully, reporting a 13.3% increase in sales to CHF 122.3 million and an encouraging improvement in EBITA to CHF 12.8 million, or 10.5% of sales, the Industrial Applications Division's performance was less impressive: mainly due to restricted production resulting from a serious worldwide shortage of carbon fiber. In addition to this, the market for key components used in the manufacture of synthetic fibers remained stranded in the cyclical doldrums. Industrial Applications thus closed the period with an increase of just 1.4% to CHF 184.7 million in sales and disappointing EBITA of CHF 7.1 million.

Because of the two widely differing performances posted by the two divisions, consolidated EBITA stood at CHF 21.3 million, compared with CHF 23.8 million last year. At CHF 27.9 million, cash flow was down slightly on last year.

Financial income was approximately the same as last year, but in view of the difference in the two divisions' respective operations, income tax will be slightly lower.

From 2005, in accordance with new IFRS regulations, goodwill is no longer amortized continuously, but is regularly tested for impairment and adjusted where necessary. The half-year report for 2005, therefore, contains no amortization of goodwill, unlike 2004, where it still featured in the accounts. This difference should be taken into account when comparing and evaluating results.

The Gurit-Heberlein Group result thus stood at CHF 14.3 million, compared with CHF 8.5 million the previous year. However, last year's figure also included goodwill amounting to CHF 6.7 million. If goodwill in both sets of accounts is treated on the same basis, the half-year 2004 result would have amounted to CHF 15.2 million.

The profit per bearer share stood at CHF 31.48 compared with CHF 18.68 during the same period last year.

Health Care

The strategic expansion carried out in the Health Care Division in recent years has begun to bear fruit. Apart from the dental sector's traditionally important markets in North America, and Europe, upper-bracket earners in Asia and

South America are becoming increasingly important.

A number of product innovations launched during the first half of the year attracted a good deal of interest worldwide. Gurit's dental operations cover the needs of dentists and dental technicians all the way along the dental treatment chain and is consolidating its market position in dental practices and laboratories with its innovative and aesthetically progressive solutions. Gurit remains bullish about its future prospects on the dental market.

After a noticeable upswing during the second half of 2004, the company's medical operations posted very encouraging results for the first half of 2005 and confirmed the breakthrough. Apart from its involvement in respiratory products for anaesthesia and intensive care, Gurit has over the past few years steadily built up its OEM operations as a development and manufacturing partner to the medical and pharmaceuticals industry. At the same time, the operating cost structure in the medicinal sector has also undergone a marked improvement following the adoption of various measures and further expansion of the production facility in the Czech Republic. Createchnic (now known as Medisize Switzerland), which was acquired in autumn 2004, contributed towards the positive result. In view of their wide-ranging customer base, medical operations are internationally very well supported. In recent months, a number of significant production orders have emerged from development and project work that has often taken years to complete. In its medical operations, Gurit expects continued above-average growth with good margins.

Industrial Applications suffering under unusual market conditions

Last year, following some intensive development work, Gurit Composite Technologies launched a range of carbon fiber prepegs for a number of applications. Manufactured using various innovative materials, these technologically superior semi-products are lighter and stronger than traditional composites, which are reinforced with fiber glass. This makes carbon fiber prepegs ideal for large volume applications such as yachts and the rotor blades used in wind power machines.

Availability of carbon lags behind pace of innovation

Something that seemed like a temporary increase in the price of carbon in spring had, by the second quarter, turned into a major supply bottleneck affecting the entire

HALF-YEAR REPORT

world, which no one had anticipated on this scale. Demand for carbon fiber is driven primarily by innovation and therefore difficult to predict, which means that future carbon fiber requirements will remain an uncertain market factor. From April 2005, the market increasingly lost its equilibrium. On the demand side, apart from the carbon fiber prepegs developed by Gurit, the simultaneous rise in demand from the aircraft and defence industries pushed up requirements. On the supply side, one supplier who had been planning to increase capacity ran into unexpected technical problems. The resulting shortfall led to massive production downtime and delivery problems at Gurit, especially as regards supplies to the wind power industry. Although Gurit has built up a leading position for itself as a supplier of products using innovative materials in recent years, the company will have to make reliable supplies of raw material and increased transparency on the carbon market one of its priorities in the years ahead.

Increased sales expected during second half of year

Apart from these difficulties affecting the company's otherwise dynamic wind power operations, and the downward trend that has blighted the winter sport and special films markets for some years now, business with advanced composites in target markets such as boat and ship building, automobiles, space travel and aeronautics developed positively. Apart from the widespread use of standard synthetics, high-end composites of the type manufactured by Gurit are being used increasingly in new generations of automobiles. In aircraft construction, Gurit expects deliveries to step up noticeably during the second half of the year.

Worldwide, the wind power sector is expected to continue growing at a rate of well over 20% annually, although the construction of new wind power plants is no longer centred mainly on northern Europe but increasingly in the south, in North America and, increasingly, in Asia.

Huge collapse in fiber technology

The market for the key components used in the manufacture of synthetic fibers (Gurit Fiber Technology) remained stuck in a cyclical trough during the first six months of the year. In some product sectors, orders have slumped to a third of the average for the past five years. Whereas Gurit Fiber Technology was still making a sizeable contribution to the Group result before the market collapsed, it failed to make a significant impression on EBITA during the first half of 2005. Certain adjustments have been made to capacity,

particularly at the German factories, but also in Switzerland. These make good long-term sense, will not stand in the way of future upturns, and have enabled the companies in the fiber technology sector to lower their break-even point significantly. Gurit is thus confident that it will profit from the next upturn and return to attractive margins. Its optimism is fuelled by the fact that the company has continued to consolidate and expand its market position with some important new developments even during this cyclical low.

The Board's view of the situation

The Board of Directors remains convinced that the strategic positioning of both divisions of Gurit-Heberlein is correct; however, their operating results and environments currently differ massively.

Health Care looks extremely solid. Dental business has become a major profit centre. But apart from that, the medical sector is operating profitably and has a great deal of potential for growth in an industry whose structural consolidation worldwide is still in its infancy.

By contrast, Industrial Applications is currently beset by the problems mentioned earlier and its operations are a long way from generating the results expected and targeted. This is also a result of the lack of progress made in realigning composite operations across the Group. Considerable action is called for in this area, and this will be a priority from now on.

The projected division of the Group into two independent companies will enable management to focus more clearly on the different needs of the two sectors. Projected measures include the appointment of experts in the respective industries, with no Group affiliations, to the two future Boards of Directors.

Both companies on a strong footing with good prospects for growth

Existing assets will be divided between the two companies. Technically speaking, this will entail a reduction in the capital of the current Gurit-Heberlein AG in order to set up a second company. The capital thus released must be seen against the need to create new shares for the new company, Gurit Health Care. Existing Gurit shareholders will have a stake in the new company in line with their current hold-

ings at the time of the split. They will not need to pay in additional capital.

As part of the projected division of the Gurit-Heberlein Group into two separate companies, the Industrial Applications activities will be closely examined. This may lead to special depreciation amounting to some CHF 50 to 60 million. These will be in the form of value adjustments featured in the year end 2005 income statements, particularly in the division's declining winter sport and special films and foils operations, as well as the fiber technology sector.

New Health Care company to have standardized share

In future, the dental and medical companies will be amalgamated in a single company with the working title of Gurit Health Care. On the one hand, this will include the medical companies known today by the Medisize brand and located in the Netherlands, Ireland, the Czech Republic and Switzerland. On the other, there is the dental sector, which operates under the Coltène/Whaledent label and has manufacturing facilities in Europe and the USA. Two years ago, all US activities were relocated to a single facility in Ohio. In Europe, activities are centred on the company in Switzerland's Rhine valley which also runs the other companies in Germany (Langenau/Ulm) and Hungary. The new Health Care company is to have a standardized share.

Gurit-Heberlein AG focuses on Industrial Applications

Gurit-Heberlein AG will continue to manage its synthetics technology operations under the provisional name of Gurit Industrial. This sector will include the composites business as well as the manufacture of key components for the manufacture of synthetic fibers. The company's international composites operations include production facilities in Switzerland, Austria, Germany, France, the UK, Spain and Canada. The fiber technology sector owns manufacturing plants in Switzerland and Germany.

The Group's extensive real estate holdings in Wattwil, Schaffhausen and Bern will also remain in the hands of Gurit-Heberlein.

It is assumed that the existing directors will continue to carry out their strategy-related duties with either one or both of the new companies in the future. However, both Boards will in future have directors who have no connection with the companies.

Dr. Rudolf Wehrli will continue to carry out his day to day duties as CEO until such time as the Gurit-Heberlein Group has been split into two separate entities. A task force comprising non-executive members of the Board of Directors will help him with any additional responsibilities in order to ensure that the split can take place within the allotted time frame. From this point on, the CEO's functions at Group level will lapse and the two heads of executive management of the new, independent companies will report directly to the Chairman of the Board of Directors in question. Mr. Wehrli will continue to be a member of the boards of the two independent companies at least until his current term of office comes to an end.

Time frame for the division

The split is scheduled for approval by the General Meeting in spring 2006 but retrogressively to the beginning of 2006. Gurit has decided to communicate this crucial step in the Group's development at an early stage in order to be able to tackle all the internal and external duties, including setting up the operative management structures in good time.

Outlook

Gurit-Heberlein AG will finish financial 2005 in its present form. However, in order to give interested parties an insight into the two units, which will in future be managed as two separate legal entities, pro forma budgets have been drawn up.

For 2005 as a whole, the following results are expected:

(FIGURES IN CHF MILLION)	SALES	EBIT
Gurit Health Care	252	32
Gurit Industrial Applications	340	10*
Total (current Gurit-Heberlein Group)	592	42*

* BEFORE ANY NECESSARY VALUE ADJUSTMENTS

Viewed from the present standpoint, it is expected that Gurit Health Care AG will enjoy a clearly double-digit growth for the years 2005–2008, together with an EBIT margin in the region of 10–15%. The new company will receive the necessary capital base that will also help achieving the growth targets by means of suitable acquisitions in the medical business.

For Industrial Applications, annual sales growth is expected to return to historical growth rates in the composite activi-

HALF-YEAR REPORT

ties, and in the Fiber Technology business sales are expected to return to their former levels. The EBIT margin should be rising from approximately 3% today to well double-digit figures in 2008.

These projected figures are reassessed annually as part of the ordinary budget process and may of course differ in line with developments in the economic environment.

Yours sincerely
Gurit-Heberlein AG



Dr. Paul Hälg
Chairman of the Board of Directors



Dr. Rudolf Wehrli
Chief Executive Officer

GROUP INCOME STATEMENT (condensed)

HALF-YEAR REPORT •
GROUP INCOME STATEMENT •

IN CHF 1000

	1HY 2005	1HY 2004
Income statement		
Net sales	307 500	292 500
Cost of goods and materials	-127 700	-125 100
Personnel expenses	-90 200	-85 300
Other operating expenses	-33 400	-28 300
Marketing and administrative expenses	-22 300	-19 200
Other operating income	900	1 200
Depreciation fixed assets	-13 500	-12 000
Amortization of goodwill	-	-6 700
Operating profit	21 300	17 100
Financial expenses	-4 600	-4 700
Financial income	1 100	1 000
Profit before tax	17 800	13 400
Tax expense	-3 400	-4 700
Profit after tax	14 400	8 700
Minority interests	-100	-200
Group profit (excl. minority interests)	14 300	8 500
Earnings per bearer share	CHF 31.48	CHF 18.68
Diluted earnings per bearer share	CHF 31.23	CHF 18.53
Earnings per registered share	CHF 6.30	CHF 3.74
Diluted earnings per registered share	CHF 6.25	CHF 3.71

	1HY 2005	1HY 2004
Depreciation and amortization		
Group cash flow (profit after tax + depreciation)	27 900	27 400
EBITDA	34 800	35 800
Depreciation	-13 500	-12 000
EBITA	21 300	23 800
Amortization of goodwill	-	-6 700
EBIT	21 300	17 100
Financial result	-3 500	-3 700
Tax expense	-3 400	-4 700
Minority interests	-100	-200
Group profit	14 300	8 500

GROUP BALANCE SHEET (condensed)

IN CHF 1000

	30.6.2005	31.12.2004	30.6.2004
Assets			
Cash and cash equivalents	40 423	49 191	41 017
Accounts receivable and accruals	130 507	117 390	125 029
Inventories	112 596	104 219	98 427
Current assets	283 526	270 800	264 473
Plant and equipment	98 939	98 910	114 542
Real estate	120 780	118 039	87 001
Property, plant and equipment	219 719	216 949	201 543
Financial assets	6 181	5 935	5 630
Intangible assets	239 780	235 910	240 897
Deferred tax assets	5 631	7 284	7 881
Non-current assets	471 311	466 078	455 951
Total assets	754 837	736 878	720 424
Equity and liabilities			
Bank loans	81 517	77 818	71 045
Accounts payable and accruals	78 088	84 138	87 544
Provisions	12 679	12 930	7 229
Current liabilities	172 284	174 886	165 818
Mortgage and loans	63 711	64 522	54 007
Other liabilities	14 550	5 084	8 239
Provisions	36 076	36 444	39 099
Non-current liabilities	114 337	106 050	101 345
Total liabilities	286 621	280 936	267 163
Minority interests	2 258	2 201	2 611
Share capital	46 074	46 052	46 089
Additional paid-in capital and retained earnings	427 088	422 237	415 227
Currency translation adjustments	-7 204	-14 548	-10 666
Total equity (incl. minority interests)	468 216	455 942	453 261
Total equity and liabilities	754 837	736 878	720 424

GROUP CASH FLOW STATEMENT (condensed)

GROUP BALANCE SHEET •
GROUP CASH FLOW STATEMENT •

IN CHF 1000

	1HY 2005	1HY 2004
Cash flow from operating activities	7 669	23 329
Investments in fixed assets (net)	-15 740	-13 950
Financial investments (net)	-246	-
Investments in intangible assets (net)	-2 862	-
Acquisitions of subsidiaries	-	-2 974
Cash flow from investment activities	-18 848	-16 924
Free cash flow (before dividend distribution)	-11 179	6 405
Change in current bank loans and other loans	2 888	-2 502
Other financing activity	9 466	3
Sale/purchase of treasury stock	46	453
Dividend distribution	-11 049	-11 063
Cash flow from financing activities	1 351	-13 109
Exchange rate differences	1 060	-29
Change in cash and cash equivalents	-8 768	-6 733
Cash and cash equivalents at beginning of year	49 191	47 750
Cash and cash equivalents at end of year	40 423	41 017

SEGMENT INFORMATION

IN CHF MIO.

	1HY 2005		1HY 2004		FY 2004	
Net sales by Division						
Health Care	122.3	39.8%	107.9	36.9%	218.9	37.8%
Industrial Applications	184.7	60.1%	182.1	62.3%	355.6	61.5%
Other/Consolidation	0.5	0.1%	2.5	0.8%	4.3	0.7%
Total net sales	307.5	100.0%	292.5	100.0%	578.8	100.0%
EBITDA by Divisions (operating profit before depreciation and amortization of goodwill)						
Health Care	17.1	49.1%	13.9	38.8%	32.2	49.2%
Industrial Applications	16.3	46.9%	20.4	57.0%	30.9	47.3%
Other/Consolidation	1.4	4.0%	1.5	4.2%	2.3	3.5%
Total EBITDA	34.8	100.0%	35.8	100.0%	65.4	100.0%
EBITA by Divisions (operating profit before amortization of goodwill)						
Health Care	12.8	60.1%	10.3	43.3%	24.6	59.7%
Industrial Applications	7.1	33.3%	12.2	51.2%	14.8	35.9%
Other/Consolidation	1.4	6.6%	1.3	5.5%	1.8	4.4%
Total EBITA	21.3	100.0%	23.8	100.0%	41.2	100.0%
EBITA in & of net sales						
Health Care	10.5%		9.5%		11.2%	
Industrial Applications	3.8%		6.7%		4.2%	
Total EBITA in %	6.9%		8.1%		7.1%	
Operating profit (EBIT) by Divisions						
Health Care	12.8	60.1%	8.5	49.7%	22.9	76.4%
Industrial Applications	7.1	33.3%	7.3	42.7%	5.2	17.3%
Other/Consolidation	1.4	6.6%	1.3	7.6%	1.9	6.3%
Total EBIT	21.3	100.0%	17.1	100.0%	30.0	100.0%

SHAREHOLDERS' EQUITY AND MINORITY INTERESTS (condensed)

SEGMENT INFORMATION •
SHAREHOLDERS' EQUITY AND MINORITY INTERESTS •
SELECTED NOTES •

IN CHF 1000

	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CURRENCY TRANSL. ADJUSTMENTS	RETAINED EARNINGS	MINORITY INTERESTS	TOTAL EQUITY
31.12.2003	45 905	28 642	-10 213	387 901	2 441	454 676
Dividend distribution				-11 063		-11 063
Half-year Group profit				8 452	170	8 622
Currency effects			-453			-453
Change in treasury stock	184			1 295		1 479
30.6.2004	46 089	28 642	-10 666	386 585	2 611	453 261
Dividend distribution					-113	-113
Half-year Group profit				7 310	-277	7 033
Currency effects			-3 882		-20	-3 902
Change in treasury stock	-37			-300		-337
31.12.2004	46 052	28 642	-14 548	393 595	2 201	455 942
Dividend distribution				-11 232		-11 232
Half-year Group profit				14 326	88	14 414
Reclassification negative goodwill				1 537		1 537
Changes due to IFRS 2 (share based payments)				196		196
Currency effects			7 344		-31	7 313
Change in treasury stock	22			24		46
30.6.2005	46 074	28 642	-7 204	398 446	2 258	468 216

SELECTED NOTES

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 2004. The new standards (IFRS 2, IFRS 3, IFRS 4, IFRS 5) and the amended standards (IAS 1, IAS 8, IAS 16, IAS 17, IAS 21, IAS 24, IAS 27, IAS 28, IAS 31, IAS 32, IAS 33, IAS 39, IAS 40), all effective as at January 1, 2005, were all applied and lead to the following changes in this half-year report as per June 30, 2005:

According to IFRS 2, "Share-based Payments" are entered into the income statement 2005. The impact of previous year figures is immaterial. Therefore, previous year financial statements have not been restated.

According to IFRS 3 "Business Combinations", as from January 1, 2005, goodwill is no longer amortized systematically over the period of use, but is now subject to annual impairment testing. There were no such impairments in the first half-year of 2005. However, in the first half-year of

2004, the income statements included amortizations of goodwill of CHF 6.7 million. According to IFRS 3, negative goodwill is to be taken into account at the moment of acquisition. All negative goodwill existing at the end of 2004 amounting to CHF 1.5 million was dissolved as per January 1, 2005, against retained earnings.

According to IAS 27 "Consolidated and Separate Financial Statements", as from 2005 onwards minority interests are considered equity. This led to changes in the previous year's figures in the balance sheet (CHF 2.2 million as per December 31, 2004, respectively CHF 2.6 million as per June 30, 2004).

Exchange rates in CHF

	31.12.2004	30.6.2005	Ø 1HY 2005	30.6.2004	Ø 1HY 2004
1 USD	1.145	1.280	1.202	1.250	1.265
1 EUR	1.545	1.550	1.546	1.525	1.552
1 GBP	2.185	2.300	2.252	2.270	2.303

INVESTOR RELATIONS

Share capital:

Since the capital increase on September 3, 2002, the company's equity consists of:

240 000 registered shares
at par CHF 20.– Security no. 185 039

420 000 bearer shares
at par CHF 100.– Security no. 801 223

(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 on 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.	801 223

Financial calendar:

Key Figures 2005: Early March 2006

Presentation of year-end results 2005, Analyst and Media Conference, publication of Annual Report: End of March 2006

Annual General Meeting: mid April 2006

Half-year results 2006, Letter to shareholders: End of August 2006

Internet:

Further information about Gurit can be obtained at www.gurit.com. In the Publications/Downloads section (www.gurit.ch/publications/news.html) you can subscribe to a News Alert and receive important news about Gurit directly by e-mail.

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