

Letter to Shareholders Half-year results as at 30.6.2003

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

Acquisition phase largely concluded

Dear Shareholder

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 amortisations 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 amortisations 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.

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 million (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, shipbuilding 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 other 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 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 (e.g. 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 counter-balance this and broaden the customer basis, the company will be taking on a large number of R&D projects in the future. 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 plant 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 shipbuilding 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 broad technology base built up during the last years means it is well positioned for strong future growth. The expected sales increase will over-proportionally be reflected in the bottom line.

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 2003	Change in %	first half-year 2002
Net sales	253 200	+43.1%	176 900
Cost of Goods and materials	-106 500		-61 700
Personnel, marketing and administration expenses	-113 300		-89 600
Other operating expenses/earnings	+300		+400
EBITDA	33 700	+31.6%	25 600
Depreciation	-9 800		-8 500
EBITA	23 900	+39.8%	17 100
Goodwill Amortisation	-7 000		-2 900
EBIT	16 900	+15.0%	14 700
Financial result	-1 600		-700
Earnings tax	-3 800		-3 300
Profit after tax	11 500	+7.5%	10 700
Minority interests	100		-100
Group result (excl. minority interests)	11 600	+9.4%	10 600
Cash flow	28 300	+28.1%	22 100

Segment Information

in CHF million					
	first half-year 2003		Change in %	first half-year 2002	
Net sales by Group Division					
Health Care	103.7	41.0%	+3.3%	100.4	56.8%
Industrial Applications	147.1	58.1%	+98.0%	74.3	42.0%
Other/Consolidation	2.4	0.9%	-	2.2	1.2%
Total Net sales	253.2	100%	+43.1%	176.9	100%
EBIT by Group Division (in CHF million)					
Health Care	6.3	37.3%	-43.2%	11.1	75.5%
Industrial Applications	9.2	54.4%	+170.6%	3.4	23.1%
Other/Consolidation	1.4	8.3%	-	0.2	1.4%
Total EBIT	16.9	100%	+15.0%	14.7	100%

Balance Sheet

in CHF 1000	30. 6. 2003	31. 12. 2002
Assets		
Cash at bank and in hand	37 485	52 552
Accounts receivable and prepaid expenses	100 838	84 119
Inventories	89 028	90 640
Working capital	227 351	227 311
Fixed assets	168 116	155 402
Financial assets	2 541	2 581
Intangible assets	250 789	257 366
Other fixed assets	8 204	8 302
Total fixed assets	429 650	423 651
Total assets	657 001	650 962
Equity and liability		
Bank loans	44 450	47 748
Accounts payable and prepaid expenses	72 633	67 904
Reserves	9 595	7 520
Short-term borrowings	126 678	123 172
Mortgages and loans	40 122	40 388
Other accounts payable	8 969	9 472
Reserves	35 830	35 794
Long-term borrowings	84 921	85 654
Total borrowings	211 599	208 826
Minority interests	2 222	2 322
Share capital	45 760	45 446
Capital and retained earnings	397 420	394 368
Total equity (excl. minority interests)	443 180	439 814
Total liabilities	657 001	650 962

Consolidated flow of funds

in CHF 1000		
	first half-year 2003	first half-year 2002
Flow of funds for operating activities	17 250	10 700
Investments in fixed assets	-19 700	-12 300
Acquisition of holdings	0	-47 500
Flow of funds from investment activities	-19 700	-59 800
Free Cash flow	-2 450	-49 100
Changes in bank loans	-3 600	-3 700
Other financial activities	-300	-1 539
Sale/purchase of treasury stock	2 215	-1 532
Dividend distribution	-10 932	-10 729
Flow of funds for financial activities	-12 617	-17 500
Change in cash at bank and in hand	-15 067	-66 600
Cash at bank and in hand at beginning of period	52 552	350 500
Cash at bank and in hand at end of period	37 485	283 900

Shareholders' Equity

in CHF 1000	Shareholders' Equity						Minority interest
	Share capital	Additional paid-in capital	Hedge Differences	Exchange rate differences	Retained earnings	Total Equity	
1.1.2002	43 305	0	-1 009	1 878	367 502	411 676	3 042
Capital increase	2 652	28 642				31 294	
Dividend distribution					-10 443	-10 443	-286
Annual result					20 128	20 128	-312
Change in Minority interests						-	5
Cash flow hedge influences			1 009			1 009	
Currency effects				-8 978		-8 978	-127
Change in Treasury stock	-511				-4 361	-4 872	
31.12.2002	45 446	28 642	0	-7 100	372 826	439 814	2 322
Dividend distribution					-10 932	-10 932	
Half-year result					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	0	-6 614	375 392	443 180	2 222

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
(after adjustment at par value of CHF 100, the total number of shares stands at 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:	March 2004	Key figures from accounts for 2003
	April 2004	Annual Report 2003, analysts' meeting, press conference
	May 2004	General meeting of shareholders
	August 2004	Half-year report 2004