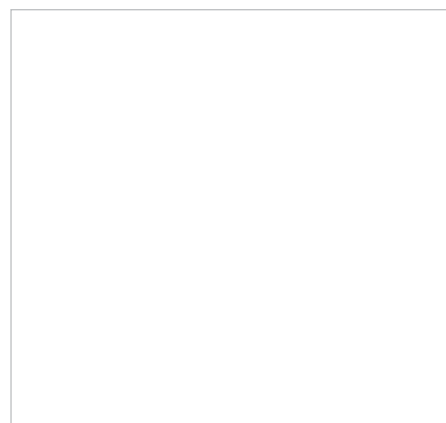


As announced in the summer of 2005 and approved by the Annual General Meeting in 2006, the separation of the former Gurit-Heberlein Group into two independent companies was finalized as planned with the listing of the former Health Care Division as Medisize Holding AG on SWX Swiss Exchange on June 23, 2006. Gurit and Medisize have been managed as independent companies as from January 1, 2006. The activities that became Medisize Holding AG are included in Gurit's IFRS figures as discontinued operations until June 30, 2006. Because of this and further reasons, the current figures cannot be compared directly with the data of the previous year. A pro forma comparison showing the economically relevant development is on page 35.



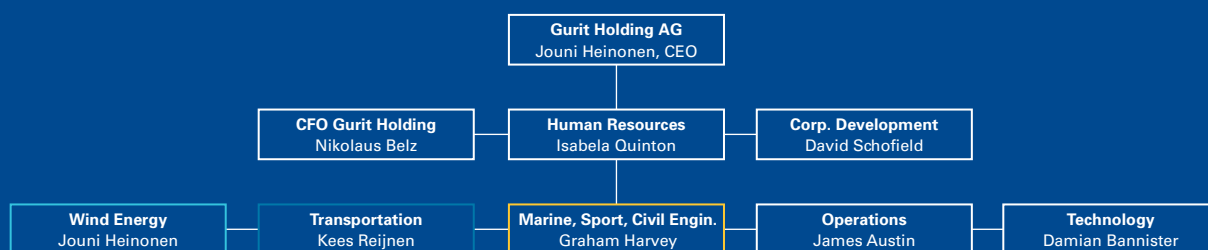
ORGANIZATION

Board and Group Management

As per March 31, 2007

Board of Directors of Gurit Holding AG	Dr. Paul Hälg, Wollerau, Chairman Robert Heberlein, Zumikon, Chairman Audit Committee Nick Huber, Balgach Urs Kaufmann, Jona Dr. Walter Känel, Jona, Chairman Nomination/Compensation Committee Dr. Rudolf Wehrli, Richterswil (until April 17, 2007)
Group Management	Jouni Heinonen, CEO and Head Wind Energy Nikolaus Belz, CFO James Austin, Chief Operating Officer Damian Bannister, Chief Technology Officer Graham Harvey, Head Marine, Sport and Civil Engineering Isabela Quinton, Head Human Resources Kees Reijnen, Head Transportation David Schofield, Head Corporate Development
Legal	Sinisa Stamenic
Group Communication / Investor Relations	Bernhard Schweizer
Treasuring / Group Controlling / Consolidation	Peter Lieberherr, Roland Jud
Auditors	PricewaterhouseCoopers AG, St. Gallen

ORGANIZATIONAL CHART

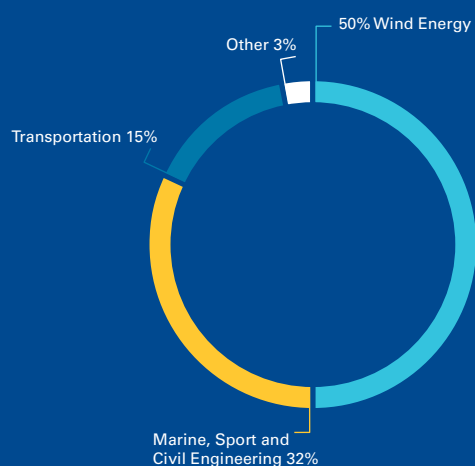


FACTS AT A GLANCE

in CHF million	pro forma	
	2006	2005
Group		
Net sales	381.3	301.1
Change over previous year	+26.6%	
Cashflow	32.1	22.0
Change over previous year	+45.9%	
EBIT	27.5	10.1
Change over previous year	+174.0%	
Earnings before tax	25.9	11.2
Change over previous year	+130.6%	
Earnings after tax from activities continued as Gurit Holding	18.6	8.7
Change over previous year	+113.1%	
Earnings after minority interests from activities continued as Gurit Holding AG	18.6	10.0
Investments in property, plant and equipment	31.0	n.c.
Equity	311.8	n.c.
in % of total assets	66.0%	
Number of employees ø	1 279	n.c.
Net sales per capita in CHF	298 120	n.c.
Net value added per capita CHF	127 000	n.c.
<small>(net value added = net sales minus cost of products)</small>		

in CHF million	2006	2005 (n.c.)
Gurit Holding AG		
Result	7.4	-28.7
Dividend	26%	24%

SALES 2006 BY MARKETS



SALES 2006 BY REGIONS

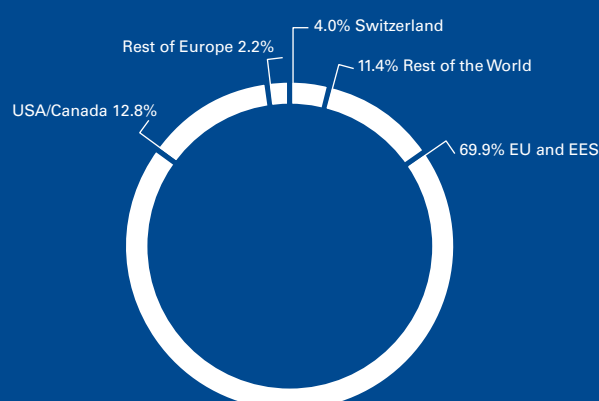


TABLE OF CONTENTS

GURIT MATERIALS AT WORK PAGE 02

REPORT OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT PAGE 08

MARKETS PAGE 12

FUNCTIONS PAGE 18

CORPORATE GOVERNANCE PAGE 23

FINANCIAL REVIEW PAGE 33

ADDRESSES PAGE 70

Carbon-dioxide emissions from energy production are forecast to increase more than 50% by 2030 to 40 gigatonnes per year, according to the International Energy Agency. Today, wind energy is playing an increasingly important role in the new energy agenda and it is expected that annual wind turbine installations will rise tenfold by the year 2025. As a leading supplier of composite materials to wind turbine blade manufacturers, Gurit has a key role to play in securing the future of energy for our planet.



40 GIGATONNES
CO₂ IN 2030






“88 TIMES
FASTER IN
82 YEARS”

An aerial photograph of a vast, snow-covered mountain range under a clear blue sky. The mountains are rugged and layered, with patches of snow and some rocky outcrops. A semi-transparent teal rectangular box is overlaid on the middle of the image, containing white text. The bottom portion of the image shows the white fuselage and wing of an airplane, indicating the perspective is from inside the aircraft looking out.

The Dutch KLM is the oldest international airline in the world and the Amsterdam-London air link first flown in 1920 is the oldest air route still served today by the same company. Only four years later, KLM took off for Indonesia, in a truly adventurous journey that lasted 55 days. Some 80 years later, the same trip is 88 times faster – and times more comfortable. With a comprehensive range of light, strong and fireproof products mostly designed for the refurbishing of aircraft interiors, Gurit is largely contributing to the safety and comfort of modern air travel. Just imagine a plane without floors, walls or ceilings!



Supermaxi yacht Wild Oats XI has taken line honours in the fierce Rolex Sydney Hobart Yacht Race for the second consecutive year. Last year Wild Oats completed the treble of winning on handicap as well as gaining line honours and the course record of 1 day, 18 hours, 40 minutes and 10 seconds. Now she has become the first yacht for 42 years to claim line honours in consecutive years. Skippered by Mark Richards, Wild Oats made it through the heavy weather while many of its rival maxi yachts were dismasted or suffered other equipment failure even before dawn of the second day of the race. The Australian Wild Oats yacht, launched in 2005, is largely Gurit engineered and features a great many of Gurit's bespoke composite technology materials.

TWO DAYS,
EIGHT HOURS,
50 MINUTES
AND 49 SECONDS



REPORT OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Gurit had a successful year in 2006. After the division of the Gurit-Heberlein Group into two independent companies at the start of the year, Gurit now focuses exclusively on Advanced Composites. Compared with 2005, Gurit generated 26.6% higher sales of CHF 381.3 million, while operating profit increased by 174% to CHF 27.5 million. The improvement in productivity was attributable partly to the expansion of existing markets and the opening up of new ones, but also to organizational and operating measures. Gurit expects a further improvement for the current year.



Jouni Heinonen, CEO
Dr. Paul Halg, Chairman of the Board of Directors

In 2006, Gurit established itself as a leading developer and manufacturer of advanced composites. In 2006, Gurit posted sales of CHF 381.3 million. Compared with the same area of activities in 2005, this represented an increase of 26.6%. Operating profit (EBIT) rose from CHF 10.1 million to CHF 27.5 million over the previous year, which represented an improvement in the EBIT margin from 3.5% to 7.2%. In the second half of the year, higher raw materials prices and the accumulation of numerous organizational and operating measures designed to strengthen the company's long-term competitiveness prevented an even greater improvement in profitability. Before the end of the year, however, Gurit was able to adjust most of its sales prices to the increase in procurement costs and firmly believes that the operative reorganization measures adopted, some of which will run over into the current period, will begin to take effect as early as 2007.

Global presence

Gurit now gears its activities towards three market segments: Wind Energy, Transportation, and Marine, Sport and Civil Engineering. This clear market focus is reflected in changed operating structures. Understanding customers' needs and maintaining a physical presence in important markets are of paramount importance in the global business of advanced composites. Within Europe, to date the company's main production centre, manufacturing facilities have been relocated to bring them closer to customers, while measures have been initiated and largely completed to concentrate production on a few main facilities. At the same time, following the relocation of production facilities in Europe, a factory specializing in the manufacture of prepregs (glass, or glass fiber weaves/strands pre-impregnated with specific types of resin) was set up in North America. The structural foam production facility in Canada doubled its output in the year under review, and there are plans to further double production in the course of 2007. The completion of a factory in China designed specifically to meet Gurit's requirements means the company now has its own production facilities in all regions of the world important for its composites operations. As a result, Gurit will soon be able to supply customers everywhere with key products manufactured locally.

Clear focus on customers' needs

Following restructuring, the services we offer important customers today are more direct. In the wind energy management sector in particular, we have reinforced our management structures to ensure that customers in the various regions of the world can work with the same key account managers at all times. The opening

of Group-owned sales companies in Denmark and India has strengthened our understanding of customers' needs, as has the establishment of a highly efficient prototype department in the UK. Here, customers can follow new production methods and applications directly and convince themselves of the quality of our latest developments.

Wind Energy: A global business

Materials for the wind power industry account for about half – or CHF 190.5 million – of Gurit's sales. This market continues to increase annually by over 25%. In 2006 alone, additional wind power capacity of 14,900 megawatts was installed worldwide. In 2006, therefore, the global market volume for all composites used by the wind energy sector was probably in the region of CHF 1.3 billion.

In recent years, Gurit's materials have made a substantial contribution towards improved performance in wind energy turbines and the Group intends to further consolidate its leading technological and production position in this market. Gurit includes practically all the major wind turbine producers among its customers.

Apart from Europe, which continues to build and install a substantial proportion of the world's wind energy parks, other regions worldwide are becoming increasingly important as producers and users. In North America, the renewal of the production tax credit (PCT) for wind and other renewable energies has given the market a further boost. Today, China and India are already among the world's most important producers and installers. In recent years, the wind power industry has matured rapidly and today has all the features of a global industry, and the demands on suppliers have changed accordingly. Today, for example, turbine manufacturers worldwide expect that suppliers will have local production facilities in all the world's biggest markets. In 2006, Gurit produced materials systems for the wind power industry in Europe and Canada; these will be joined this year by China as a new and important manufacturing location.

Transportation: Broadening operations

In 2006, Gurit posted sales totalling CHF 58.6 million from supplies of materials for transportation applications. This market segment thus accounted for around 15% of Group sales, although the volume sold to the aviation industry was by far the lion's share. Here, in 2006, delays with the wide-bodied A380 and revision of supplier relations at Airbus were topics that set the tone for the year. Events here had little effect on sales in 2006. However, the delays will affect the current year and temporarily re-

strict growth in this target market. These developments notwithstanding, the supply of materials for civil aviation is an extremely important and attractive business. Regardless of the newly launched wide-bodied aircraft, all the world's major manufacturers have full order books for the years ahead.

There were also a number of significant developments in materials for the automotive industry in 2006. The successful production of prototype body parts made of carbon fiber prepregs, which apart from lightness and stability also offer a perfect surface that can be painted like any metal body part, met with widespread interest from the automobile industry. Particularly for the production of smaller or special series, carbon fiber body parts are an extremely attractive – and cost-effective – alternative to traditional metal parts. Gurit is currently expanding capacity for this sector in the UK and will be able to supply the automobile industry with a growing number of body parts towards the end of 2007.

For Gurit, a proven materials supply specialist for aircraft interiors, the railway market also offers extremely attractive growth opportunities. The Group secured its first large order in this sector from China.

Marine, Sport and Civil Engineering: Based on innovation

With turnover totalling CHF 121.2 million, the Marine, Sport and Civil Engineering segment contributed around 31% to Group sales. Shipbuilding is the biggest sales contributor, followed by winter sports equipment and applications for construction and infrastructure projects.

In the course of last year, Gurit secured a foothold as a supplier of materials and technology in the high-volume series yacht sector. Leading shipbuilders now regularly integrate Gurit materials in their designs for new ships. Take Seaway, for instance, who have opted for Gurit again for their two newly launched vessels, the Shipman 72 and Shipman 80, after twice winning the European Yacht of the Year awards for their Shipman 50 and 60 models, both of which featured Gurit materials and engineering. The Group will be supplying Swedish shipbuilders Najad with materials for their new model Najad 355 from now on and also maintains successful relations with Nautor Swan, Hanse and Elan in series yacht building. Our wide range of structural foam products together with the successful launch of T-Paste 70 also helped to open up new areas in the boatbuilding market as a whole during the year under review. T-Paste 70 is a viscous paste that lends itself to very easy application on mouldings. As soon as the paste has hardened, it can be processed

using state-of-the-art CNC milling machines: all in all, a simple and extremely precise method of manufacturing moulded shapes with a long useful life.

Apart from its growing business in the series yacht segment, Gurit continues to focus on supplying technical support and material packages for high-speed yachts. Indeed, eight of the twelve America's Cup yachts use Gurit materials. Gurit has a firm place at all the world's leading regattas.

In 2006, Gurit started using a revolutionary digital printing technology, developed in-house, on an industrial scale. PURE is a printing process that could well alter the face of ski and snowboard production for many years to come. In the past, surfaces have been printed using either silkscreens or the sublimation process. Both methods permitted prints with resolutions of a maximum 50 to 70 dpi, which meant there was little room for manoeuvre with the surface design. With the PURE digital printing process from Gurit, however, it is now possible to transfer images with a hitherto unprecedented resolution of 600 dpi to thermoplastic polyurethane ski and snowboard surfaces.

Material sales for infrastructure-related applications likewise developed encouragingly during the year under review. Gurit is currently evaluating other possible applications for its pultruded special products and further expanding this production segment.

Sustained improvement in productivity

Apart from increased sales across the Group, operating measures also played an important role in boosting profitability considerably in 2006. Gurit has moved important production facilities to locations closer to their customers and into new growth regions, amalgamated factories, particularly in Europe, and considerably improved overall capacity utilization. In North America, apart from a massive increase in capacity for structural foams, prepreg production got under way. In Europe, production of extruded materials for the winter sports industry was moved to Bern. These improvements should begin to take full effect in the course of this year, particularly since operations during the second half of 2006 were negatively affected by the various reorganization measures, relocation of facilities and conversions.

A commitment to innovation

As part of the operating changes that have taken place, Gurit's research and development work has undergone a number of modifications. The Group's express aim is to generate a third of Group sales with products that are

less than three years old. Gurit thus has a clear commitment to innovation. In future, Gurit's research team will be stepping up cooperation with leading universities such as the EPF Lausanne in Switzerland. Medium-term R&D has now been shifted to Newport while development with a strong product bias will be carried out closer to production. Ongoing improvements and modifications to the materials systems mean that Gurit is now much better equipped to meet customers' needs more directly. With facilities in the UK, the USA and Australia, the engineering departments so important to our marine and wind power operations are now likewise globally represented.

Procurement as a Group-wide function

Gurit significantly improved its materials purchasing procedures in 2006. Procurement is now handled at Group level. Gurit now has a worldwide commodities purchasing network which in future will profit from the Group's presence in China. The Group also cemented its connections with important suppliers of strategically important raw materials such as carbon fibers or epoxy resins.

The shortage of strategically important raw materials, primarily carbon fiber, remained a major topic in 2006, although the situation was far less critical than it had been. World carbon production capacity is currently being expanded, so the situation seems set to further improve. In the wake of higher oil prices and the increase in global demand for raw materials, Gurit had to contend with high purchasing costs, particularly in the second half of the year. Gurit was unable to offset the pressure on margins solely through operative improvements and in November the entire Group was obliged to renegotiate supply contracts with its customers.

Investments in internal growth

During the year under review, Gurit invested some CHF 31.0 million in the ongoing modernization and expansion of capacities. In order to consolidate its position in rapidly growing target markets, Gurit will continue to invest significant means in these markets in the future. A sizeable proportion of the investment budget for 2007 is earmarked for the factory in China and expansion of the structural foam production facility in Canada. These two investments will both continue into 2008 and have been estimated at CHF 20 million each. In the years ahead, Gurit is expecting further investment in expansion in order to secure its position in important growth markets.

In 2006, Gurit achieved a cash flow (result and depreciation) of CHF 32.1 million which practically equals investments.

The reported Group result of CHF 28.7 million also includes the result of Medisize Group for the first half-year (until the separation at the end of June). The figure offering a relevant comparison for Gurit is CHF 18.6 million. This figure equals an 86% increase in earnings over the previous year's pro forma figure of CHF 10.0 million.

The shareholders' equity of the Group stood at CHF 311.8 million. This equals 66% of the total assets. Gurit is thus very solidly financed and well positioned for future growth.

Gurit Holding AG as parent company of the Group reports a result of CHF 7.4 million. The Board of Directors proposes to the Annual General Meeting scheduled for April 17, 2007, to pay out a dividend of 26%, two percentage points up from the previous year.

We would like to thank our shareholders, customers, suppliers, business associates and, in particular, all our employees for their support, cooperation and their continued trust in the new Gurit.

Yours sincerely



Dr. Paul Hälgl
Chairman of the Board



Jouni Heinonen
Chief Executive Officer



“Wind Energy is a truly global industry.”

“Gurit is generating some 50% of its sales with materials and technological support for the global Wind Energy industry. This dynamically growing market is now fast shifting from a former national or continental scope to a truly global business. As a prime material supplier and technology partner, Gurit plays an important role in bringing this clean form of renewable energy forward. Our customers are building up new capacities in new areas of the world, especially in Asia. With production sites in Europe and North America, Gurit is currently setting up a purpose-built production plant in China.”

WIND ENERGY

The global wind turbine market grows at 25% annually. In 2006 alone, an additional 14,900 MW were added in wind energy. Worldwide this equals a market of CHF 1.3 billion in composites alone for 2006. Today's wind power capacity amounts to 74,000 MW; experts expect the capacity to more than double by 2010.



Wind power generates a rapidly growing portion of the world's energy consumption.



Wind power plants are not only land-based but can be built off-shore.

What are the most dominant trends in the Wind Energy Market?

Jouni Heinonen: The wind turbine business is going through a period of adolescence at the moment, growing from a collection of successful national and continental machine manufacturing businesses into global mass manufacturing organizations. Our customers are more and more active on a global scale.

How do you expect the market to develop?

We will continue to see strong growth in the traditional wind energy markets and we will see new geographic areas like North America and especially Asia being on the rise. Our customers are rapidly building up production capacity in these areas and we are following them around the globe. Gurit already has production sites in Europe and North America and we are currently busy setting up our own facility in Tianjin in China.

Will Gurit be able to supply all materials locally?

Yes, before too long. In fact, we are today shipping prepregs from our production sites in Europe, Canada and are planning to begin production in China during this year. The same is true for tailored foam products. Here we should be able to supply customers in Asia locally from spring onwards.

What is the biggest challenge for Gurit in this business?

With our prepreg technology, specifically developed gel coats and most importantly our carbon fibre based airstream technology we made important technological contributions to the development of the wind turbine industry. One important challenge is to make sure that manufacturing ever bigger wind turbine blades from prepregs continues to be the technology of choice. Gurit is committed to bringing innovation forward with new products and material packages.

What about customer relations?

Customer relations remain a key focus, especially when the industry is rapidly changing and experiencing dynamic growth. Therefore, we have both regionalized our Wind Energy activities and focus more closely on key customers. In addition, we have established Gurit owned sales offices in Denmark and India. These are two very important wind energy markets where we are not directly present with our own production companies. We want to be as close to our customers as possible.



“Materials for safe and enjoyable travel.”

“We travel a lot – be it for business or for pleasure. The world has become so much smaller during the last 80 years or so. Journeys that used to take weeks and were true adventures in their time have become a matter of hours. Specializing in light, strong, durable and fire resistant materials for transportation, Gurit plays a major role in making travel today safer and more comfortable. Whether you are comfortably seated in a modern airplane pampered with all sorts of in-flight amenities, whiz past towns and fields in a modern fast train or enjoy a smooth ride in a car, the chances of being surrounded by Gurit material are increasing daily.”

TRANSPORTATION

Gurit serves the transportation market with tailor-made composite materials which are used for aircraft or train carriage interiors as well as for certain parts in modern cars. The use of advanced composites is rising in all transportation markets.



19 new Gurit materials are qualified for the new Airbus A380.



Car body parts made of carbon prepregs are highly attractive solutions for smaller series of cars.

How do the reported delays for Airbus A380 affect Gurit?

Kees Reijnen: The impact so far has been much smaller than one could suspect based on all the media reports. For 2006 we had only budgeted limited A380 related sales. We have, however, reduced our 2007 forecast, as a sizeable portion of the growth we expect to see in aerospace is directly linked to the A380 that will feature a much higher content of composite materials than previous aircraft models. Regardless, business with Airbus continues to be strong: Airbus has orders for over USD 100 billion for various aircraft models. And all of them need floors, side panels, overhead compartments and ceilings.

What is the long-term trend in aerospace?

More and more people travel by air ever more frequently. Populations grow and the people in rapidly developing countries, in particular in Asia, increase their volume of travel. In

Europe, we've witnessed a strong increase of air travel with the advent of the "no-frills airlines." As a result, the demand for single-aisle planes continues to rise. Airbus e.g. has announced to increase the build-rate for these planes by 20% to 36 planes a month.

Will Gurit move into secondary structures?


Traditionally we supply materials for aircraft interiors but we are already a supplier of secondary structures – yet to a smaller extent. We are working hard to improve our position here. Primary structures are the domain of a small number of large suppliers and Gurit is currently not considering entering this arena.

What about Rail and Automotive?

Modern trains are very similar to planes, except for the lack of wings. And the development of the rail industry is also fascinating, especially in Asia. There is a tremendous

growth happening in train travel as a result of the modernization of existing systems and the establishment of new fast-train tracks. While we are supplying our Chinese rail customer from our facilities in Europe, we are certainly investigating ways to supply Asian customers locally.

Automotive is also moving ahead. In early 2006, Gurit decided to focus on body parts for Automotive applications. We have developed a technology that combines low weight, strength and a perfect surface. Our composite body parts can be painted just like metal parts and they are very attractively priced. What is more, Gurit is ready to take over the whole manufacturing process. With the rising demand for more individually shaped cars – implying smaller and more rapidly changing series of parts – composite car body parts will become the technical and commercial choice of the future.



“We are rapidly entering the production boat market.”

“The world’s leading yachts rely on Gurit materials. ‘Wild Oats’ has reinforced its 2005 victory and course record by taking line honours in the Sydney to Hobart race for the second consecutive year on December 28, 2006. ‘Alfa Romeo’ won the Maxi World Championship in Sardinia and eight out of twelve America’s Cup yachts feature SP branded Gurit materials. We are using this experience to move quickly into the rapidly expanding high-end production boat segment.”

MARINE, SPORT AND CIVIL ENGINEERING

The Marine business performed very well in 2006. For Winter Sports applications, Gurit is looking at ways to provide additional supply chain benefits to its customers. Civil Engineering applications were strongly up on last year despite certain raw material constraints.



Gurit congratulates Shipman on winning the "Best Boat of the Year 2006" award for its Shipman 63 yacht, after taking home last year's award for its Shipman 50.



Gurit is a specialist for ski and snowboards materials.

How did the Marine business develop last year?

Graham Harvey: Gurit saw a strong year in its Marine applications: While maintaining a leading position in the high performance yacht market highlighted e.g. by Gurit's contributions to eight of twelve America's Cup yachts, Gurit successfully broadened its presence in the rapidly expanding and very attractive high-end production boats segment in 2006. The top-line production boat builders today are also looking for uncompromising materials and the latest in production technologies.

Gurit has successfully launched its Corecell structural foam products in this market and is boosting sales of its epoxy SPRINT technology as a substitute of the more traditional wet-lay-up and infusion technologies. Another successful product launch was a versatile tooling paste which allows boat builders to shape new moulds in a very cost-efficient way.

What about Winter Sports applications?

The Winter Sport industry continues to consolidate and Gurit is strengthening its position in this market by consolidating the production of extruded materials for winter sport applications and the customer relations department at its plant near Bern.

In addition, Gurit is making new supply chain benefits available for its customers by introducing direct digital printing for ski and snowboard top sheets. This new technology revolutionizes the manufacture of winter sporting goods in two ways: direct digital printing offers the sharpest technically conceivable images for top sheets and may thus boost the design side of this market. In manufacturing, direct digital printing offers customers the ability to outsource the printing directly to the material producer and an elegant way to bypass a frequently encountered production bottleneck.

What are the trends in Civil Engineering?

The market for Civil Engineering is very large, yet very price competitive. Gurit is therefore focusing on certain specialty applications that require bespoke materials and technology performance: Large architectural structures made out of composite materials such as domes or special shapes are one field of applications, pultruded reinforcement elements another. In 2006, Gurit considerably expanded its pultrusion capacity by line improvements. Sales for Civil Engineering applications were strongly up on last year, despite certain raw material constraints.

OPERATIONS

2006 was effectively the first year of operation under a unified “One Gurit” flag. Gurit has put the customer at the heart of Operations. This has released a lot of energy and focus on improvement. Gurit has made significant operational changes and reorganized production equipment to increase output and to serve customers better.



“We’ve put the customer at the heart of Operations.”

James Austin, Chief Operating Officer

What were the major achievements in Operations last year?

James Austin: We have started to effectively operate all under the unified “One Gurit” flag; the major achievement has been to recognize the potential this new way of understanding Gurit brings along. In the course of the year we have doubled the production of our structural foam products, started a prepreg plant in North America and significantly consolidated our European operations.

Is there an ideal number of work sites for Gurit?

Our customers ultimately decide the number of work sites we operate. Traditionally, Gurit has most sites in Europe. Our customers, however, become ever more global and this implies bigger or more production sites in North America and Asia. Having many sites is no problem at all as long as they are valued by our customers, are well utilized and do not place a disproportionately high burden on our fixed costs.

Where do you see the biggest contributions to improving the overall efficiency last year?

Better planning and awareness are key tools. Serving dynamically growing markets also provides plenty of opportunity for greater efficiency.

Can Gurit still grow with the existing production base?

Yes, of course. Our overall equipment efficiency has not reached a level where we could say that no further productivity gains are possible. At some of our work centres we have made really big improvements in 2006 but we still have headspace to grow into. And we have respective programmes running.

What about the cost side of Operations?

We phased out some production sites in 2006 and we reorganized functions like planning and purchasing. As a result, we were able to increase volumes strongly while keeping costs under tight control. In purchasing, e.g.,

we have worked hard on establishing the right kind of relationships with our suppliers. In some cases we are globally buying commodities, in other cases, especially epoxy resins and carbon fibres, a much more strategic approach is needed. We have learnt to have more raw materials than finished goods in stock. Together with work we did on machine availability, this allows us now to convert material in a more responsive way to changing customer demands.

How do you personally manage production sites all over the world?

I am very much a person-to-person manager. I spent the first part of the year at all the various sites to get to know the equipment and the people. Using these foundations we now hold regular conferences and meetings to keep the other members of the Operations team updated and to cross-fertilize good working practices and initiatives from site to site. We also run a monthly global sales and operations planning process, which provides the customer-lead operational direction.

CORPORATE DEVELOPMENT

The main task of the dedicated Corporate Development team at Gurit is to prepare the Group for the future. Going forward implies making a lot of important choices to get the whole organization focused on one common path.



“It’s about what we do – and what we don’t do.”

David Schofield, Head of Corporate Development

What kind of time frame do you have in your work?

David Schofield: Operationally, we focus at least 18 months ahead. In strategic terms, we have a much longer time perspective. We really talk about the long-term future when we discuss what we want to do – and maybe more importantly: what we don’t do – in the years to come. In a growth area as exciting as composites, it is easy to spread yourself too thinly.

Let us look at the shorter term first.

Well, in 2006, the planning for our green-field investment in China was certainly a key task and continues to be so in 2007. But again, this also has a long-term perspective, just like the work we did around reinforcing our supply chain, or defining Gurit’s five year growth strategy with the whole Executive Team.

How will Gurit grow?

The former Gurit-Heberlein grew mainly externally. Now, we focus much more on internal

growth. Gurit has chosen interesting growth markets and we want to grow substantially to maintain and extend our position in these dynamic markets. Making best use of our existing equipment and extending our global footprint in production will help us grow at least in line with the dynamically growing market; for example wind energy applications imply an increase of over 20%+ per year. At the same time, we want to continue distinguishing ourselves from the competition with unique material solutions.

Can you give some examples?

We are introducing new technologies and products that set us apart. Let’s look at winter sports: We have carefully analyzed the whole production process for skis and snowboards. We’ve discovered that the printing process is often a limiting factor for our customers. By introducing PURE, our digital printing technology for ski and snowboard top sheets, we offer our customer an interesting and cost-efficient outsourcing option for a critical process and, at the same time, we provide them with a means to

differentiate themselves in their own market place by having the best prints ever on skis or boards. Or in automotive, we developed so called Class-A surface carbon fibre body panels that can be painted just like metal parts and provide new design options at competitive prices. Last but not least, we invested in our own in-house prototyping facility to show our customers the unique characteristics of our materials and technologies first hand. We believe that the combination of innovation and the ability to demonstrate in full scale will bring Gurit forward.

How does the financial world react to this?

An indication might be the share price development. Active media relations as well as open and transparent investor communication are important to explain what Gurit does and plans to do. In addition to our customers and suppliers, analysts and journalists ask very good questions that we feed back into our strategy process.

TECHNOLOGY

One of Gurit's strategic goals is to achieve 30% of sales with products that are under three years old, an objective that defines the scope of dedicated R&D. In 2006 Gurit launched a series of promising new products and technologies, and restructured to create an output focused technology team.



“Our technical capability ensures endemic innovation.”

Damian Bannister, Chief Technology Officer

What was your biggest achievement in 2006?

2006 was a busy year for Gurit with organizational restructuring and refinement of the company's strategic objectives. This process has enabled the Technology Department to focus more on the key business objectives, and also increased efficiency by maximising the available technical synergies and resources throughout the Group.

How is R&D organized at Gurit?

The Technology Department is divided into three primary functions: Materials Development, Composite Processing & Prototyping, and Structural Engineering. These three technical disciplines give Gurit the capability to deliver the complete innovative technical solution for structural composites. Any given project will require a fully cross-functional team and draw from a pool of 90 scientists, engineers, and technicians, with sound academic background and composite expertise.

Let us look at innovation during 2006?

Innovation is key at Gurit if we are to achieve our objective of 30% of sales from products that are under three years old. For our wind energy market, we continued to develop consumer-specific products to provide cost efficient manufacturing solutions for ever increasing blade dimensions. Combining knowledge drawn from our successful automotive car body project we have also developed a new surfacing technology for wind turbine blades known as SPRINT_{IP}T. For marine applications, we developed low-temperature curing pre-pregs, adhesives, surfacing, and tooling products specifically designed for the production boat market. Other achievements include digital printing technology for ski and snowboard top sheets, and the development of car body part manufacturing technology.

Who are your “customers”?

The main focus for us is to provide comprehensive technology solutions for our defined market areas, and as a consequence we work closely with internal and end customers. There is also a balance between developments led by the market and our key clients, and products and innovations originating from within the technology group. Whatever the driver for development, the capability to prototype our technology internally is a key requirement to provide the complete composite solutions for all of our customers.

HUMAN RESOURCES

The transition from former Gurit-Heberlein to Gurit as we know it today has created a new organizational culture and identity. At the same time, the Group's approach to Human Resources and Talent Management has become more dynamic and internationally based.



“It’s the people who make things happen.”

Isabela Quinton, Head of Human Resources

What was the biggest challenge for you and your team in 2006?

Isabela Quinton: Without a doubt, it was the creation of a new organizational structure and the corresponding impact it had on our corporate culture and identity. What is more, the new approach to the way we do business has unleashed important new growth dynamics. Managing growth in a constantly changing environment, bringing a diversity of cultures and backgrounds together, is quite a challenge.

How does Gurit attract talent for its expansion projects?

We are increasing our presence around the world, which places us in a bigger pool of people. This, together with working in very exciting markets and the environment we provide within Gurit, help us to attract new talent. However, we are always looking at creative ways of positioning Gurit as an employer of choice.

What characteristics do you seek in potential Gurit staff?

We look for people who like challenges, are flexible enough to cope with our kind of growth and internationality. New colleagues should be dynamic, enthusiastic, and perhaps above all, passionate about what we do.

Gurit conducted a Group-wide employee survey in 2006. What were the key findings?

Our employees agree that we have a good informal and open communication style that fosters a flexible work environment. We believe that we are a customer-driven, scientific, flexible and collaborative organization. Room for improvement was most obvious in a more structured approach to internal communication and also in IT.

How do you integrate these findings into your work?

A great deal of projects and activities will be undertaken by Human Resources this year to

improve the major points of the survey. We will, amongst others, launch a Gurit Corporate Values project which aims to position Gurit as an employer of choice.

What about internal communications?

This is a difficult area in almost every company and we are not an exception. As a publicly-owned company, we have to make sure our internal and external communications are closely coordinated. Gurit is committed to open communication. Launching a new corporate magazine will open an important additional internal and external communications channel.

What was the most important thing you learned in 2006?

Leadership can easily disappear in global structures. People, however, want leaders and they want them to be visible and close to them.

FINANCE

The formation of Gurit as we know it today had a considerable impact on the Group's Finance team. CFO Nikolaus Belz, who served as CFO for the Composite activities in Continental Europe in the old Gurit-Heberlein days, led a complex integration process creating today's Group Finance set up.



“Reflecting
the Group
in money
figures.”

Nikolaus Belz, CFO

Clare Jurg
Isla Gubbins
Roland Jud
Peter Lieberherr and
Nikolaus Belz form a powerful finance team.

What lies behind the financial results presented in this report?

Nikolaus Belz: A lot of work – and many projects stacked on top of each other. As a team, we managed to complete them all in due time. Separating the former Gurit-Heberlein Group into two companies and building up a new organization, which today is very different from its predecessor, was quite a challenge.

How did you structure this?

Peter Lieberherr: With Nikolaus focusing on the new Group's organization, I was able to concentrate on the financial aspects of the separation process, the listing of Medisize Holding and the organizational issues of setting-up two independent new companies.

What has changed in the financial reporting in the new Gurit?

Nikolaus Belz: The old Gurit-Heberlein Group was organized in quite a decentralized manner based on two segments. Today, Gurit reports as a one-segment company focusing on three clearly defined product application areas. Together with Clare Jurg in Controlling and Roland Jud for Consolidation we have brought the Continental European and the UK-based financial reporting in one integrated organization.

Clare Jurg: Formerly we based our reporting on the various legal entities or production sites. Today, we focus on three market areas. Accordingly, Group Finance provides management every month with a comprehensive, accurate and hands-on set of financial information and projections by market area.

Roland Jud: I also deal with any kind of special consolidation or IFRS-related issues that arise throughout the organization. Changing the Group organization created certain issues in consolidation, e.g. in terms of intra-group sales or transfer pricing. One of my special tasks is to anticipate the effects of any newly applicable IFRS standard.

How do you handle all that information?

Nikolaus Belz: We have a very flexible and fast management information tool which provides us with sound financial data for any kind of management decision. You know, at the end, it all comes down to figures.

CORPORATE GOVERNANCE

GROUP STRUCTURE AND SHAREHOLDERS PAGE 24

CAPITAL STRUCTURE PAGE 24

BOARD OF DIRECTORS PAGE 25

GROUP MANAGEMENT PAGE 28

COMPENSATION, SHAREHOLDINGS AND LOANS PAGE 30

SHAREHOLDERS' PARTICIPATION RIGHTS PAGE 31

CHANGES OF CONTROL AND DEFENCE MEASURES PAGE 32

AUDITORS PAGE 32

INFORMATION POLICY PAGE 32

INTERNET PAGE 32

AD HOC PUBLICITY PAGE 32

The following chapter describes the principles of corporate governance applied at Group and senior management level within the Gurit Group. The central elements are contained in the statutes and organizational regulations and are based on the guidelines and recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by *économie-suisse*. To make orientation easier, the order and numbering of the individual sections correspond to those used in the “Guidelines concerning information on corporate governance” published by SWX Swiss Exchange. Unless otherwise indicated, all information refers to balance sheet date on December 31, 2006. Significant changes that have occurred between that date and the copy deadline for this Report have also been indicated as appropriate.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Operative Group structure

The Gurit Group is an international industrial group specializing in the development, production and marketing of advanced composite materials and technologies. Financial statements are prepared as one segment. An organizational chart can be found on page “Organization” of the fold out cover of this Report.

1.1.2 Legal structure of subsidiaries

Of all the companies consolidated, Gurit Holding AG (the Gurit Group’s holding company) is the only one listed. It is headquartered in Wattwil/SG; Gurit bearer shares (security No. 801223, ISIN CH0008012236, symbol GUR) are listed on SWX Swiss Exchange; the registered shares are not listed. Based on the bearer shares year-end closing price of CHF 1064 and equally valuing the par-value adjusted registered shares, the market capitalization on December 31, 2006, amounted to CHF some 498 million.

1.1.3 Information about the non-listed companies can be found in the overview on page 60 of the Financial Review.

1.2 Major shareholders

On December 31, 2006, the Company knew of the following shareholders holding over 5% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Heerbrugg, Räsengüetli 9, 9050 Appenzell: Huwa Finanz- und Beteiligungs AG, Heerbrugg acquired its 100% subsidiary Geha Holding AG in the context of a merger. Accordingly, Huwa Finanz- und Beteiligungs AG holds 220 000 registered shares. This equals 9.4% of the share capital and 33.33% of all voting rights in Gurit Holding. The shares of Huwa Finanz- und Beteiligungs AG are controlled by Hans Huber, Appenzell.

1.3 Cross-shareholding

Gurit Holding AG has no cross-shareholding arrangements with other companies.

2 Capital structure

Information about the capital structure can be found in Gurit Holding AG’s statutes, in the Financial Review and the Statements on Gurit Holding AG as well as in the Investor Relations section on page 68 of this Report. The statutes (in German) are available on the website at <http://www.gurit.com/about/corporate-governance/statuten.pdf>

2.1 Capital

Details on the capital are included in the appendix to Gurit Holding AG’s financial statements on page 58.

2.2 Authorized or contingent capital in particular

Gurit Holding AG has no authorized or contingent capital.

2.3 Changes in capital

In the past three years (January 1, 2004, to December 31, 2006), the following changes in equity occurred.

in CHF 1000

	Pos. 31.12.2004	Pos. 31.12.2005	Pos. 31.12.2006
Share capital	46 800 000	46 800 000	23 400 000
General reserves	23 400 000	23 400 000	11 700 000
Treasury stock reserves	4 724 223	5 548 930	4 802 537
Other reserves	48 089 783	47 265 076	29 291 469
Net result	88 053 482	48 087 176	38 233 537
Total	211 067 488	171 101 182	107 427 543

In the context of the separation of the former Gurit-Heberlein Group into two companies, the share capital of Gurit Holding AG was reduced by CHF 23.4 million (50%) by means of a par value reduction from CHF 100 to CHF 50 for each bearer share and from CHF 20 to CHF 10 for each registered share.

2.4 Shares and participation certificates

The company's share capital consists of 240 000 registered shares at par CHF 10 and 420 000 bearer shares at par CHF 50. Bearer shares are traded in the main section of the SWX Swiss Exchange (security No. 801223, ISIN CH0008012236, symbol GUR). All shares are fully paid up and entitled to dividends. All registered shares and bearer shares, regardless of their nominal value, are entitled to one vote. Gurit Holding AG has not issued any participation certificates.

2.5 Profit-sharing certificates

Gurit Holding AG has not issued any profit-sharing certificates.

2.6 Restrictions on transferability of shares and nominee registrations

According to § 4 of the statutes, only individuals who are entered in the Share Register may be recognized as the owners or beneficiaries of non-traded registered shares. Registration of ownership may be refused only in cases where the purchaser does not expressly declare that he acquired the registered shares for his own account. Bearer shares listed on the stock market are freely transferable. There are no regulations to any other effect regarding nominee registrations.

Changes in the statutory regulations restricting the transferability of registered shares require at least two-thirds of the votes represented at the Annual General Meeting and an absolute majority of the nominal value of the shares.

2.7 Convertible bonds and warrants/options

Gurit Holding AG has no outstanding convertible bonds or options. The employee participation program was discontinued as per December 31, 2006.

3 Board of Directors

On December 31, 2006, the Board of Directors of Gurit Holding AG consisted of six members.

3.1/2 Members of the Board of Directors

The personal details together with the other activities and vested interests of individual members of the Board of Directors are listed below:

Paul Hälgi

Chairman of the Board of Directors
Doctorate in chemistry
Swiss citizen, 53
Non-executive member

Professional background (main stages)

1986–2001 Gurit-Essex AG, from 1995 CEO
2001–2004 Group Executive Vice President,
Forbo International SA, Eglisau
2004–present CEO of Dätwyler Holding AG, Altdorf

Other important activities and vested interests:

Chairman of the Board of Medisize Holding AG, Wattwil

Robert Heberlein

Member
LLD, attorney-at-law
Swiss citizen, 66
Non-executive member

Professional background (main stages)

Since 1977 Partner, Lenz & Staehelin, Zurich

Other important activities and vested interests:

– Member of the Board of Directors of Geberit AG, Jona
– Member of the Board of Directors of Medisize Holding AG, Wattwil

Nick Huber

Member of the Board of Directors
Businessman
Swiss citizen, 42
Non-executive member

Professional background (main stages)

1990–1995 Account Manager, IBM (Schweiz) AG
1995–present Divisional Head, SFS Unimarket AG

Other important activities and vested interests:

- Chairman of the Board of Directors, Inac AG, Berneck
- Member of the Board of Directors, Alpha Rheintal Bank, Heerbrugg
- Member of the Board of Directors, Huwa Finanz- und Beteiligungs AG, Heerbrugg/SG
- Member of the Board of Directors of Medisize Holding AG, Wattwil

Walter Känel

Member of the Board of Directors
First degree in economics, doctorate in politics
Swiss citizen, 71
Non-executive member

Professional background (main stages)

1975–2000 CEO and Delegate of the Board of Gurit-Heberlein AG

Other important activities and vested interests:

- Member of the Board of Directors of Medisize Holding AG, Wattwil

Urs Kaufmann

Member of the Board of Directors
Dipl. Ing. ETH Zürich, Senior Executive Program IMD
Swiss citizen, 45
Non-executive member

Professional background (main stages)

1987–1993 Production and sales manager with Zellweger Uster AG, Uster and USA
1994–1997 Managing director of Henry Berchtold AG, subsidiary of Huber+Suhner AG
1997–2000 Business unit manager and member of the executive management team at Huber+Suhner AG
Since 2001 Member of the Group Management at Huber+Suhner AG
Since 2002 CEO Huber+Suhner AG

Rudolf Wehrli

Member of the Board of Directors until AGM 2007
Dr. phil. et Dr. theol.
Swiss citizen, 57
Non-executive member

Professional background (main stages)

1979–1983 Management consultant, McKinsey Schweiz
1984–1985 Director Credit Suisse, Zurich
1986–1995 Head of marketing and sales and member of Executive Management, Silent Gliss Group, Muri/Bern
1995–1998 Chief Operating Officer and member of Group Management, Gurit Group
1998–2000 COO Gurit Group
2000–2006 CEO Gurit-Heberlein Group

Other important activities and vested interests:

- President of the Swiss Chemical Industry Association (SGCI) and in this capacity a member of the supervisory board of economiesuisse, the umbrella organization for the Swiss economy
- Member of the Board of Directors of SIG Holding AG, Neuhausen am Rheinfall
- Member of the Board of Directors of Bernische Kantonalbank, Bern
- Member of the Board of Directors of Kambly AG, Trubschachen
- Member of the Board of Directors of SFChem AG, Schweizerhalle
- Member of the Board of Directors of Mercuri Urval, Zollikon
- Member of the Board of Directors of BioMedCredit AG, Muri bei Bern
- Chairman of the Board of Directors of Benninger AG, Uzwil
- Member of the Board of Directors of Medisize Holding AG, Wattwil

3.3 Cross-involvement

In the context of the separation of Medisize Holding AG, the members of the Board of Directors of Gurit Holding also became members of the Board of Directors of Medisize Holding AG except for Urs Kaufmann.

3.4 Election and term of office

The Board of Directors is elected by the General Meeting for a period of three years. At the end of their term of office, members may be re-elected. There is no statutory limit to the period of office or age of members of the Board of Directors. The members of the Board of Directors are elected globally.

Members of the Board of Directors

Name	Born	Position in BD	Election in BD	Elected to BD until
Dr. Paul Hälg	1954	Chairman	14.06.2001	2008
Robert Heberlein	1941	Member	22.11.1984	2008
Nick Huber	1964	Member	15.06.1995	2008
Dr. Walter Känel	1935	Member	22.11.1984	2008
Urs Kaufmann	1962	Member	12.04.2006	2009
Dr. Rudolf Wehrli	1949	Member	27.05.2004	2007

3.5 Internal organization

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors acts as a joint body. Decisions are taken on the basis of the votes submitted.

The Chairman of the Board organizes and leads the work of the Board of Directors. In cooperation with the CEO, he makes sure that the other members of the Board receive the necessary information for their decision-making as well as the supervisory functions. He is the formal representative of the Group to the outside world. He may be assisted by one or two additional members defined by the Board.

3.5.2 Membership of the Board's committees, their duties and responsibilities

The Board has formed permanent committees:

Audit and Corporate Governance Committee

Chairman: Robert Heberlein

Members: Paul Hälg, Nick Huber, Walter Känel

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory financial duties, checks the effectiveness, performance and compensation of the external auditors. The Audit and Corporate Governance Committee also oversees the financial reporting processes within the Group.

Compensation and Nomination Committee

Chairman: Walter Känel

Members: Paul Hälg, Nick Huber, Robert Heberlein

The Compensation and Nomination Committee defines the compensation of the members of the Board of Directors, proposes to the Board of Directors the principles of compensation for members of the Group Management and defines the guidelines for the selection and election of potential new members of the Board of Directors as well as the function of the Group's CEO. The committee approves appointments to the extended Group management made by the CEO, the remuneration system for the Group management as well as general principles of the Group's human resource policy.

To consult and execute specific and short-term projects or issues, special ad-hoc committees can be nominated.

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors meets annually at least for four ordinary meetings. In 2006, the Board of Directors met eight times. The Audit and Corporate Governance Committee met three times in 2006, whereas the Compensation and Nomination Committee met two times in 2006.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants at least seven days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer and the Chief Financial Officer attend meetings of the Board of Directors. In order to ensure that the Board has sufficient information to make decisions, other members of staff or third parties may also be invited to attend.

The Board is quorate if all members have been duly invited and the majority of its members take part in the decision-making process. Members may participate in deliberations and the passing of resolutions by telephone or other suitable electronic media if all participants are in agreement. The Board's decisions are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote.

Decisions may also be made in writing.

Proposals are sent to all members and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question within an agreed period of time.

Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting. The minutes also contain a summary of important requests to speak during deliberations.

3.6 Definition of areas of responsibility

The Board of Directors' main duties are:

- to formulate the general Group policy and the industrial concept behind the Group as a whole, and to decide on any acquisition, sale, foundation or liquidation of subsidiaries as well as to approve of real estate transactions exceeding CHF 500 000.–,
- to define the Group's organizational structure and its organizing regulations,
- to define the Group's financing strategy, decide on collective means of financing as well as to determine accounting, financial control, financial planning and to approve of the financial statements,
- to appoint and dismiss Group Management and people entrusted with representation functions. Apart from this, management is generally delegated to the CEO.

3.7 Information and control instruments vis-à-vis Group Management

As a rule, Group Management updates the Board of Directors and especially the Audit Committee on operations and the Group's financial position every month. In addition, the CEO and CFO report back on business and all matters of relevance to the Group at each Board meeting. Every member of the Board of Directors also has the right to ask any member of Group Management for information about matters within his remit, even outside meetings. The Chairman of the Board of Directors is also informed by the Chief Executive Officer about all business and issues of a fundamental nature or of special importance.

4 Group Management

On December 31, 2005, Gurit Holding AG's Group Management consisted of the CEO and the CFO as well as an Executive Management Team consisting of additional six members.

4.1 Members of Group Management

The personal details together with the other activities and vested interests of individual members of Group Management are listed below:

<p>Jouni Heinonen Chief Executive Officer Engineer Finnish citizen, 46</p>	<p>Professional background (main stages) 1986 Falcon Chemicals, Product Manager, Finland 1988 Power Cable Machinery, Nokia-Maillefer OY, Finland 1989–2005 Nokia-Maillefer (from 1998 on Nextrom S.A.) 1999–2005 CEO Nextrom S.A. 2006 CEO Gurit</p>
<p>Nikolaus Belz Chief Financial Officer Eidg. dipl. Buchhalter, Betriebsökonom KSZ Swiss citizen, 61</p>	<p>Professional background (main stages) 1971–2006 Various functions in Group finances at Gurit subsidiaries 1981–2001 Gurit-Worbla AG, Ittigen, Head of Profit Center Services (Accounting, IT, Tax, HR, Purchasing and Inventories) 2000–2006 CFO Gurit Composite Technologies 2006 Gurit, CFO</p>
<p>James Austin Chief Operating Officer BSc Chemical Sciences British citizen, 41</p>	<p>Professional background (main stages) 1988–1995 Various commercial functions at Hexcel 1995 Joined former SP Systems, marine sales 2002–2005 Sales director at SP Systems 2006 Gurit, COO</p>
<p>Damian Bannister Chief Technology Officer Bachelor of Science, PhD British citizen, 37</p>	<p>Professional background (main stages) 2000 Joined former SP Systems as project engineer Wind Energy 2002 Technical Manager Wind Energy 2004 Development and Processing Manager 2005 Head of Technology at SP Systems 2006 Gurit, Chief Technology Officer</p>
<p>Graham Harvey Head Marine, Sport & Civil Engineering BSc Ship Science British citizen, 42</p>	<p>Professional background (main stages) 1991–2000 Engineering Consultancy Manager at SP Technologies 2000–2004 Head of Technology at SP Systems 2005 Managing Director SP Systems Europe 2006 Gurit, Business Manager Marine, Sports & Civil Engineering</p>
<p>Isabela Quinton Head of HR and Development Psychologist Colombian and British citizen, 53</p>	<p>Professional background (main stages) 1978–1988 Lecturer in psychology, Universidad Santo Tomas de Aquino and Universidad Catolica de Colombia 1989–1992 Freelance consultant 1992–1995 Banco de Occidente, Cali, Colombia, Manager Internal Communications 1995–1997 Colgate-Palmolive, Cali, Colombia, Manager of Communications 1998–2000 Joined former SP Systems, Training & Development Manager 2000–2005 Head of Human Resources & Development at SP Systems 2006 Gurit, Head of Human Resources & Development at Gurit</p>

Kees Reijnen

Head Transportation
MSc in Physics
Dutch citizen, 50

Professional background (main stages)

1987–1991 Fluid Dynamics Corp. European Sales & Marketing
1991–1995 Schenk Filterbau GmbH, World-wide Sales & Marketing Director, Filtration systems
1995 WPT GmbH, Co-Founder and Managing Director, Water recycling technology
1998–2006 Enka-Tecnica, Managing Director; Enka-Tecnica was acquired by Gurit in 2000
2006 Gurit, Business Manager Transportation

David Schofield

Head of Corporate Development
MA Metallurgy & Materials Science, University of Cambridge
British citizen, 42

Professional background (main stages)

1986–1991 Ciba-Geigy plc, Duxford UK, last as Planning & Supply Manager
1992–1996 Ciba-Geigy AG, Basel, Head of Inventory Management, before Deputy Project leader
1997–1998 Ciba Specialty Chemicals, Duxford UK, Head of Product Portfolio Europe, Adhesives & Tooling
1999–2004 Huntsman Advanced Materials, Head Global Marketing, Tooling STU
2004–2006 Gurit (UK), Head of Business Management
2006 Gurit, Head Business Development

4.2 Management contracts

No agreements pertaining to the provision of managerial services exist between Gurit Holding AG and other companies or natural persons outside the Gurit Holding Group.

A supplementary pension scheme also exists for members of Group Management according to the practices of the various jurisdictions. An appropriate portion of the premiums is financed by the management members themselves.

5 Compensation, shareholdings and loans

5.1 Content and method of determining compensation and shareholding schemes

Members of the Board of Directors are paid a fixed amount in cash for their services. This compensation is determined by the Board of Directors upon recommendation by the Compensation and Nomination Committee.

The amount paid to the Chief Executive Officer is determined by the Compensation and Nomination Committee; the amounts paid to the other members of Group Management is the responsibility of the Chief Executive Officer, subject to approval by the Compensation and Nomination Committee.

Apart from their basic salary, the members of Group Management receive a performance and success-related bonus. The basic salary takes into account the functional value of the position, the individual qualifications required and local employment conditions. The size of the bonus depends on how successful the area for which the member is responsible has been in achieving its targets.

In the context of the separation of the Group into two companies, the former management stock participation of Gurit-Heberlein AG scheme was discontinued as per December 31, 2006.

5.2 Remuneration to acting members of governing bodies

The total sum of all remunerations¹ (excluding shares and options) paid during the year under review was as follows:

- a) to members of Group Management a total of CHF 3 179 000 (8 persons in all); and
- b) to non-executive members of the Board of Directors a total of CHF 428 000 (5 persons in all). The highest remuneration paid to a non-executive member of the board was CHF 170 000.

¹ Total of all remuneration, fees, salaries, grants and bonification (during the year under review no goods were distributed as payments).

5.3 Remuneration to former members of governing bodies

No exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review. However, provisions were made of CHF 0.4 million for contractual payments during the year 2007 to a management member leaving the Group.

5.4 Share allotment in the year under review

During the year under review no shares were allotted.

5.5 Share ownership

On the reference date, the various groups held (directly or indirectly) the following amounts of shares in Gurit Holding AG:

- a) members of Group Management and parties closely linked to them 576 bearer shares at par CHF 50; and
- b) non-executive members of the Board of Directors and parties closely linked to them: 239 545 registered shares at par CHF 10 and 11 560 bearer shares at par CHF 50.

5.6 Options

The employee participation program was discontinued as per December 31, 2006; there were no options issued on Gurit bearer shares on December 31, 2006.

5.7 Additional fees and payments

Lenz & Staehelin, Attorneys-at-Law, in which Robert Heberlein, member of the Board of Directors, is a partner, presented Gurit Holding AG or its Group companies with invoices totalling approximately CHF 400 000 for legal advisory services during the year under review.

5.8 Loans to governing bodies

No loans, securities, advances or credits are granted to members of the Board of Directors or Group Management or parties closely linked to them.

5.9 Maximum total remuneration

The Board member with the highest total remuneration in the year under review received CHF 170 000.

6 Shareholders' participation rights

Details of shareholders' participation rights can be found in the statutes of Gurit Holding AG.

6.1 Voting right restrictions and representation

The statutes contain no restrictions on voting rights. Every registered or bearer share represented at the General Meeting is entitled to one vote. A shareholder may be represented at the General Meeting only by a legally recognized proxy or another shareholder attending the General Meeting.

6.2 Statutory quorums

Unless otherwise determined by law or the statutes, a General Meeting convened in accordance with the statutes is quorate regardless of the number of shareholders attending or the number of votes represented. To be valid, resolutions require an absolute majority of the votes submitted. In the event of a tie, the Chairman, who is always entitled to vote, makes the casting vote.

Important decisions of the General Meeting as defined in Art. 704, para.1 of the Swiss Code of Obligations, require at least two-thirds of the votes present and the absolute majority of the shares represented.

6.3 Convocation of the General Meeting

The ordinary General Meeting takes place annually within six months of the end of the company's financial year. Extraordinary general meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if shareholders representing at least a tenth of the company capital submit a request in writing, stating their purpose, to the Board of Directors. The convocation is announced once in the Schweizerisches Handelsamtsblatt and published in various newspapers. Registered shareholders are also informed in writing.

6.4 Agenda

The statutes contain no regulations relating to agendas that differ from those set fourth by the law. Accordingly, shareholders representing shares of a par value of CHF 1 million may request items to be included in the agenda.

6.5 Entries in the share register

The names and addresses of owners and beneficiaries of registered shares are entered in the share register. Shareholders and/or beneficiaries of registered shares are entitled to vote if they are already entered in the share register at the time when invitations are sent out to the General Meeting.

7 Changes of control and defence measures

7.1 Public purchase offers

The threshold at which a shareholder is obliged to make an offer for all Gurit Holding AG's stock in accordance with Art. 31, para.1 of the Bundesgesetz über die Börsen und den Effektenhandel (Swiss Law on Stock Exchanges and Securities Trading) of March 24, 1995, has been raised to 49% of the total votes.

7.2 Clauses on changes of control

Gurit Holding AG has no agreements containing clauses of this type.

8 Auditors

8.1 Duration of mandate and lead auditor's term of office

If its predecessors are included, PricewaterhouseCoopers AG, St. Gallen, has been Gurit Holding's statutory auditors since 1984 and was appointed Group auditors in 1994. Lorenz Lipp has been lead auditor since 2004.

8.2 Auditing fees

The total sum charged during the year under review by PricewaterhouseCoopers in its capacity as Group auditor amounted to CHF 747 237.

8.3 Additional fees

Fees for additional services (e.g. management and IT consultancy, tax and legal advisory services) supplied by the auditors during the year under review amounted to CHF 261 779.

8.4 Supervisors and control instruments pertaining to the auditors

As explained in section Ziff. 3.5.2., the Board of Directors has established an Audit Committee to monitor the external auditors (statutory and Group auditors). As part of its duties, the Committee also assesses the services and fees charged by the external auditors as well as their independence of the entire Board of Directors. Generally, the auditors participate in two meetings of the Audit and Corporate Governance Committee per year.

9 Information policy

Gurit Holding provides its shareholders with information in the form of the Annual Report and a half-yearly report. Important events are published immediately through press releases and/or letters to shareholders.

10 Internet

Shareholders and other interested parties can also obtain information about the Group on the Internet at www.gurit.com.

E-mail alerts: The latest financial information from Gurit Holding can be automatically sent via E-mail alert; sign up is available in the Publications/Download section of the Gurit website.

11 Ad hoc publicity

Gurit Holding AG maintains regular contact with the financial world in general and with important investors. At the same time, it abides by the legally prescribed principle of treating all parties equally as regards communication. Relevant new facts are published openly and are available to all interested parties.

Important dates

The most important dates for publications this year and next are:

March 26, 2007	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
April 17, 2007	General Meeting
End of August 2007	Half-yearly report, shareholders' letter
Beginning of March 2008	Key figures from the annual results for 2007
End of March 2008	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
April 2008	General Meeting

Contact address

Investor Relations/Media Relations
Bernhard Schweizer
Gurit Holding AG
Ebnater Strasse 79
CH-9630 Wattwil
Telephone +41 (0)71 987 10 10
Telefax +41 (0)71 987 10 05
E-mail: info@gurit.ch

FINANCIAL REVIEW

COMPARABLE GROUP RESULTS (PRO FORMA)	PAGE 35
GROUP FINANCIAL STATEMENTS	PAGE 36
GROUP INCOME STATEMENT	PAGE 36
GROUP BALANCE SHEET	PAGE 37
GROUP CASH FLOW STATEMENTS	PAGE 38
SHAREHOLDERS' EQUITY	PAGE 39
ACCOUNTING POLICIES	PAGE 40
SEGMENT INFORMATION	PAGE 47
SUMMARY OF ASSETS	PAGE 54
GROUP COMPANIES	PAGE 60
AUDIT REPORT GROUP	PAGE 61

For your convenience, this report has been translated into English. The German version, however, is binding.

COMPARABLE GROUP RESULTS (PRO FORMA)

Result of today's Gurit Group compared with previous year's pro-forma figures

In the income statement prepared and audited according to IFRS standards, the previous year's figures do no longer include the activities separated as **Medisize** (they are shown as a total of the separated activities). Included, however, are the figures of **Heberlein Fiber Technology Group** which was sold at the end of 2005. In addition, the IFRS audited figures also include **exceptional factors** in 2005.

Comparable pro-forma figures shown below, facilitate a direct comparison of **Gurit's** financial performance in 2006 with the previous year.

In CHF 1000

Income Statement	2006 (IFRS)	+/- %	2005 (pro forma)
Net sales	381 295	26.6	301 082
Cost of goods and materials	-218 855		-164 636
Personnel expenses	-86 298		-74 528
Other operating expenses	-17 462	}	
Management and sales expenses	-22 896		-38 628
Management services for third parties	2 316		-
Sundry operating result	2 919		-
Depreciation	-13 480		-13 238
EBIT	27 539	174.0	10 052
Financial expenses	-5 494	}	
Financial income	3 825		1 166
Profit before tax	25 870	130.6	11 218
Tax expense	-7 268		-2 490
Profit after tax from activities continued as Gurit Holding AG	18 602	113.1	8 728
Minority interests	0		1 306
Profit after minority interests from activities continued as Gurit Holding AG	18 602		10 034

GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

in CHF 1000

	Ref.	2006	2005
Income statement			
Activities continued as Gurit Holding AG			
Net sales	1	381 295	344 858
Cost of goods and materials	2	-218 855	-184 980
Personnel expenses	3	-86 298	-102 457
Other operating expenses	5	-17 462	-43 922
Marketing and administrative expenses	5	-22 896	-18 876
Management services for third party		2 316	2 738
Sundry operating result	6	2 919	-10 341
Depreciation, amortization and impairments	7	-13 480	-41 657
Operating profit		27 539	-54 637
Financial expenses	8	-5 494	-3 765
Financial income	8	3 825	3 573
Profit before tax		25 870	-54 829
Tax expenses	9	-7 268	5 788
Profit after tax from activities continued as Gurit Holding		18 602	-49 041
Minority interests		0	1 306
Profit (excl. minority interests) from activities continued as Gurit Holding	11	18 602	-47 735
Profit from discontinued operation Medisize Holding AG	12	10 144	18 124
Group profit	13	28 746	-29 611
Earnings per share from activities continued as Gurit Holding AG			
Earnings per bearer share		CHF 39.94	-CHF 103.58
Diluted earnings per bearer share		CHF 39.94	-CHF 103.58
Earnings per registered share		CHF 7.99	-CHF 20.72
Diluted earnings per registered share		CHF 7.99	-CHF 20.72
Earnings per share from discontinued operation Medisize Holding AG			
Earnings per bearer share		CHF 21.78	CHF 39.27
Diluted earnings per bearer share		CHF 21.78	CHF 39.27
Earnings per registered share		CHF 4.36	CHF 7.85
Diluted earnings per registered share		CHF 4.36	CHF 7.85

The notes are part of the group financial statements.

GROUP BALANCE SHEET

in CHF 1000

	Ref.	31.12.2006	31.12.2005
Assets			
Cash and cash equivalents		35 580	56 412
Securities through P&L		8 484	0
Accounts receivable from deliveries and sales	16	80 806	95 222
Tax assets		218	238
Other receivables and accruals	17	10 524	14 827
Inventories	18	45 474	91 324
Current assets		181 086	258 023
Property, plant and equipment	19	115 160	170 386
Financial assets	20	3 300	6 780
Intangible assets	21	171 830	225 986
Deferred tax assets	10	1 394	2 851
Non-current assets		291 684	406 003
Total assets		472 770	664 026
Equity and Liabilities			
Bank loans	22	36 506	67 541
Accounts payable to suppliers		47 907	35 798
Other accounts payable and accruals	23	22 380	36 082
Tax liabilities		1 947	4 496
Other short-term provisions	24	8 963	16 173
Current liabilities		117 703	160 090
Mortgages and loans	25	23 563	43 443
Other long-term liabilities	26	0	11 729
Deferred tax provisions	10	16 794	19 572
Other long-term provisions	27	2 937	5 379
Non-current liabilities		43 294	80 123
Total liabilities		160 997	240 213
Share capital		22 861	46 035
Additional paid-in capital		28 642	28 642
Currency translation adjustments		14 592	-850
Retained earnings		245 678	349 986
Total Gurit Holding AG shareholders' equity		311 773	423 813
Minority interests		0	0
Total equity	28	311 773	423 813
Total equity and liabilities		472 770	664 026

The notes are part of the group financial statements.

GROUP FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENTS

in CHF 1000

	Ref.	2006	2005
Operating profit		27 539	- 54 637
Depreciation and amortization		13 480	41 657
Other non-cash items		-3 363	5 432
Change in accounts receivable		-10 614	338
Change in inventories		-7 335	7 097
Change in sundry current assets		-7 750	-2 136
Change in current liabilities		5 249	12 882
Change in non-current liabilities		-356	-143
Financial expenses		-3 331	-5 189
Financial income		2 350	5 650
Tax payments		-4 097	-4 988
Cash flow from operating activities discontinued operation Medisize Holding AG	12	6 992	18 869
Cash flow from operating activities		18 764	24 832
Purchase of property, plant and equipment		-30 951	-15 653
Proceeds from sale of property, plant and equipment		14 434	5 921
Financial investments		-225	-110
Disposal of financial investments		3 507	43
Investments in intangible assets		-393	-789
Disposal of investments in intangible assets		3	1
Acquisition of subsidiaries		0	- 2 000
Disposal of subsidiaries	28	0	8 064
Cash flow from investment activities discontinued operation Medisize Holding AG	12	-2 596	6 246
Cash flow from investment activities		-16 221	1 723
Change in current bank loans		-25 939	13 063
Pay-back of non-current bank loans and other loans		-6 807	-5 249
New of non-current bank loans and other loans		21 442	3 200
Pay-back of non-current liabilities		0	-553
Lease payments		-1 640	-1 878
Dividend payments		-11 036	-11 063
Sale/purchase of treasury stock		-745	-825
Cash flow from financing activities discontinued operation Medisize Holding AG	12	-28 639	-15 703
Cash flow from financing activities		3 914	-19 008
Exchange rate differences		-152	-2 622
Change in cash and cash equivalents		6 305	4 925
Cash and cash equivalents at beginning of year		56 412	49 191
Change from scope of consolidation (Cash-out Medisize)		-27 137	2 296
Cash and cash equivalents at end of year		35 580	56 412

The notes are part of the group financial statements.

SHAREHOLDERS' EQUITY

In CHF 1000

	Shareholders' equity				Equity of Gurit Shareholders	Minority interests	Total equity	
	Ref.	Share capital	Additional in capital	Currency transl. Adjustments				Retained earnings
1.1.2005		46 052	28 642	-14 548	390 846	450 992	2 201	453 193
IFRS 3 Negative Goodwill – 1.1.2005					1 542	1 542		1 542
Group result					-29 611	-29 611	-1 306	-30 917
Management participation program					312	312		312
Currency effects				13 698		13 698	63	13 761
<i>Total of all profits and losses</i>				<i>13 698</i>	<i>-27 757</i>	<i>-14 059</i>	<i>-1 243</i>	<i>-15 302</i>
Change in minority interests					-1 232	-1 232	-768	-2 000
Dividend distribution					-11 063	-11 063		-11 063
Disposal from scope of consolidation							-190	-190
Change in treasury stock		-17			-808	-825		-825
<i>Total transactions with shareholders</i>		<i>-17</i>			<i>-13 103</i>	<i>-13 120</i>	<i>-958</i>	<i>-14 078</i>
31.12.2005		46 035	28 642	-850	349 986	423 813	0	423 813
Group result					28 746	28 746		28 746
Currency effects				7 063		7 063		7 063
<i>Total of all profits and losses</i>				<i>7 063</i>	<i>28 746</i>	<i>35 809</i>		<i>35 809</i>
Dividend distribution					-11 036	-11 063		-11 063
Disposal from scope of consolidation	12	-23 400		8 379	-122 537	-137 558		-137 558
Change in treasury stock		226			519	745		745
<i>Total transactions with shareholders</i>		<i>-23 174</i>		<i>8 379</i>	<i>-133 054</i>	<i>-147 849</i>		<i>-147 849</i>
31.12.2006		22 861	28 642	14 592	245 678	311 773	0	311 773

The notes are part of the group financial statements.

NOTES TO GROUP FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The companies of Gurit Holding AG, Wattwil/Switzerland, are specialised on the development and manufacture of high-end composite materials featuring bespoke physical and chemical characteristics. The comprehensive product range comprises fibre reinforced prepregs, structural foam, gel coats, adhesives, resins and consumables as well as certain finished parts. Gurit supplies growth markets in Wind Energy, Transportation (Aerospace, Automotive, Rail) and Marine/Sports/Civil Engineering.

In late summer 2005, the Board of Directors of Gurit Holding AG decided to integrate all subsidiaries of the Health Care Division into a new holding company and to list this new holding company independently on SWX Swiss Exchange. The separation was done in two steps:

As a first step, Medisize Holding AG was founded on December 13, 2005 as a joint stock company according to article 620f. of the Swiss Code of Obligations and formally entered in the Commercial Register of the Canton of St. Gallen. Medisize Holding AG was founded by means of a contribution in kind as Gurit Holding AG transferred the relevant Group subsidiaries of its Health Care Division along with some additional assets into the new Medisize Holding AG.

In a second step, the Annual General Meeting for Shareholders of Gurit Holding AG decided on April 12, 2006, to reduce the share capital for Gurit Holding by the same amount as a new nominal share capital was created in Medisize Holding AG. After the completion of the capital reduction, the shares of Medisize Holding AG were distributed to the existing shareholders of Gurit Holding AG. The capital reduction was formally entered in the Commercial Register of the Canton of St. Gallen on June 22, 2006. Medisize Holding AG, the parent company of Medisize-Group, is a joint stock company organized under the laws of Switzerland, domiciled in Wattwil, Canton of St. Gallen. The registered shares of Medisize Holding AG were listed on SWX Swiss Exchange on June 23, 2006.

Medisize Holding AG is consolidated until 22.6.2006 as discontinued operation according to IFRS 5. Previous year figures 2006 in the interim financial report 2007 will be corrected correspondingly.

The bearer shares of Gurit Holding AG are listed on SWX Swiss Exchange; the registered shares are mostly in firm hands and are not listed.

Accounting Policies

General remarks

The Group financial statements have been prepared based on the consolidation and valuation principles stated below and in accordance with the International Financial Reporting standards (IFRS) based on the historical cost convention as modified by the revaluation of certain financial assets carried at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates which could impact the assets, liabilities and contingent liabilities at the balance sheet date as well as income and expenses of the reporting period. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If at a later moment of time such judgements and assumptions made by management based on the best information available at the time when books were closed differ from the actual circumstances. The original judgements and assumptions made are changed for the year in which the respective circumstances have changed.

The International Accounting Standards Board (IASB) issued the following new standards to be applied for annual periods beginning on or after January 1, 2006:

- IFRS 6 – Exploration for and evaluation of mineral resources
- IFRIC 4 – Determining whether an arrangement contains a lease
- IFRIC 5 – Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

In addition, the following standards have been revised and became effective as of January 1, 2006:

- IAS 21 – The effects of changes in foreign exchange rates
- IAS 19 – Employee benefits
- IAS 39 – Financial instruments: recognition and measurement

The adoption of these new or revised standards resulted in changes to the consolidated financial statements 2006 regarding the disclosures of pension plans. Comparative amounts have been restated in all material respects.

The Group financial statements are based on the individual financial statements of the Group's subsidiaries, all drawn up according to identical guidelines as of December 31. The Group financial statements were drawn up in accordance with Swiss company law and the accounting principles of the listing regulations of the Swiss stock exchange. Where not indicated differently, money figures are shown in million Swiss francs (CHF million). Swiss francs are the functional currency of the Holding company and reporting currencies of the Group.

These financial statements were signed off by the Board of Directors on March 1, 2007, for publication. The Annual General Meeting of Shareholders scheduled for April 17, 2007, will vote on these financial statements.

Principles of consolidation

Companies consolidated

Group subsidiaries, controlled directly or indirectly by Gurit Holding AG, are fully consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The companies were consolidated as shown in the summary on page 60.

The following changes in the scope of consolidation occurred in 2006:

Medisize Holding AG, separation as per June 22, 2006
GuMa Sarl., foundation
Gurit (Tianjing), foundation
Gurit (Scandinavia), foundation
IMS Kunststoffen b.v., Sittard NL, Liquidation

The following changes in the scope of consolidation occurred in 2005:

Sale effective December, 2005 of the following companies:
Fasertechnologie AG, Wattwil; Electrotex AG, Wattwil;
Enka tecnica GmbH, Wuppertal and Gröbzig; ET Filtration sarl Zalka/LB

Sale effective as at 31.12.2005 of Homedica AG, Hünenberg

Joint ventures are consolidated using the proportionate consolidation method. The balance sheet items as well as the income statement are therefore recognized at Gurit's interest in the joint venture.

Assets, liabilities as well as income and expenses of all other companies are fully consolidated. Minorities interest on income and on equity are shown separately in the profit&loss statement. In the consolidated balance sheet they are shown as part of the equity. Transactions between group companies in receivables and payables, income and expenses as well as profits from intragroup deliveries are eliminated.

Consolidation method and goodwill

The Group uses the purchase price method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus the cost directly attributable to the acquisition. Identifiable assets acquired and (contingent) liabilities assumed are measured initially at fair value at the date of acquisition, irrespective of the extent of any minority interest. The positive difference of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets, the negative difference is accounted for in the Group income statement. Goodwill from acquisitions prior to December 31, 1994, was charged to equity. Goodwill from acquisitions after January 1, 1995 and prior to March 31, 2004, has been amortized on a straight-line basis over the useful life not exceeding 20 years.

Principles of valuation

Cash and cash equivalents

Cash and cash equivalent consist of money at bank and at hand as well as other easily marketable receivables with an original maturity of three months or less.

Accounts receivable

Accounts receivable in respect of deliveries and services and other accounts receivable are initially recognized at fair value and subsequently measured at amortized cost less value adjustments for impairment. Value adjustments are made when it is objectively foreseeable that less than the full original value can be collected. The amount of the value adjustments is the difference between the carrying amount and the present value of estimated future cash flows.

Inventories

Inventories are stated at the lower of average cost price or manufacturing cost and net realizable value. Value adjustments for risks associated with warehousing periods or reduced utility have been recognized.

Property, plant and equipment

Property, plant and equipment are categorized as follows:

- Machines and equipment
- Leased machines and equipment
- Real estate

– Machines and equipment

Equipment is stated at purchase cost less depreciation on a straight-line basis over the useful life of normally 5 to 10 years, in exceptional cases of 15 years.

– Leased machines and equipment

Leases in which the company has a significant portion of risks and rewards of ownership are classified as financial leases. The respective machines and equipment are carried as assets and depreciated along with other equipment. The corresponding leasing obligations are shown as liabilities. Per period leasing instalments are distributed accordingly as either capital repayments or interest expenses.

– Real estate

Buildings are stated at historical cost less depreciation on a straight-line basis over the useful life of 40 to 50 years. Land is stated at historical cost and is not depreciated.

Financial assets

Classification:

The Group classifies its financial assets in the following categories:

- at fair value through profit or loss
- loans and receivables
- held to maturity investments
- available for sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. In the current and prior reporting periods the Group only held financial assets at fair value through profit or loss as well as loans and receivables.

– Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current financial assets.

– Recognition

Regular purchases and sales of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

– Subsequent measurement/impairment

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the income statement within financial income or financial expense in the period in which they arise. Loans and receivables are carried at amortized cost using the effective interest method. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length

transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. The Group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired. In case of impairment the respective expense is recognized in the income statement.

– Intangible assets

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired and represents the future economic benefit, which can not be recognized as a separate asset. Goodwill is carried in the currency of the acquired business and tested annually for impairment and carried at cost less accumulated impairment losses. For purposes of the impairment test goodwill is allocated to the cash generating units.

Intangible assets other than goodwill

Intangible assets contain patents, EDP software and others. They are stated at historical costs less amortization on a straight-line basis over the useful life not exceeding five years.

Impairment of assets

Assets that are subject to amortization or depreciation are periodically reviewed for impairment or reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use.

– Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources, which can be reliably estimated, will be required to settle the obligation. Such provisions are made to cover guarantee obligations and liability claims where these are not insured. Provisions for restructuring measures are made as soon as the corresponding decision is taken and communicated.

– Pension contributions

The Group maintains various pension fund schemes according to state law and other legal requirements according to the respective local regulations. The non-governmental pension plans are mostly organized in form of legally independent pension funds; contributions are paid both by employer and employee. Most pension plans outside Switzerland are accounted for as defined contribution plans. The corresponding contributions are recorded as personnel expenses in the respecting period.

Some foreign pension plans and the Swiss pension plans managed by an independent insurance company are accounted for as defined benefit plans according to IAS 19. The pension liability resulting from defined benefit plans is calculated by independent actuaries at least every three years using the "projected unit credit method". Actuarial gains and losses are charged or credited on a straight-line basis to income over the employees expected average remaining working lives when the actual defined benefit obligation or plan assets, respectively, deviates more than 10% from the projections ("corridor approach").

Senior management staff of the Group benefit from a supplementary pension plan which, together with the state-run social security and compulsory statutory company pension schemes, provides for a pension amounting to a maximum of 60% of the recipient's insured annual salaries. The maximum insurable annual salary is limited to CHF 300 000 and at least one third of the premium contributions are financed by the senior management staff members themselves.

Management stock participation program

There used to be a management stock participation scheme for members of senior management that entitled them to purchase Gurit-Heberlein bearer shares. In the context of the separation of the Group into two independent companies in 2006, the management stock participation program was terminated.

Taxes

All taxes payable on income, capital and assets for the financial year are provided for in full at the balance sheet date according to the applicable tax laws. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements at enacted or substantially enacted tax rates at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profit will be available. No provisions are recognized for non-reclaimable withholding taxes on retained earnings at subsidiaries as no dividends are foreseen for the immediate future.

Net sales

Earnings from deliveries and services to non-Group customers are posted at the date of the service or delivery. Net sales are shown after deduction of sales taxes and reductions of profit.

Repair and maintenance costs

Repair and maintenance costs are recognized in the income statement when they occur. Expenses which increase the value of assets are recognized as property plant and equipment and depreciated accordingly.

Interest payments

Interest payments are recognized in the income statements in the period in which they occur.

Research and development

Research costs are expensed as they occur. Development costs are capitalized if they can accurately be determined and if it can be safely assumed that the project in question will be successfully completed resulting in a future benefit. Development costs capitalized are amortized on a straight-line basis over a maximum of five years.

Definition of segments

Business segments define the primary structure. Based on their respective products and customers the segments face certain risks that substantially distinguish them from other segments. After the separation, Gurit consists of only one primary segment. Geographical segments are defined by different geographic areas that the respective customers belong to.

Financial risk management

Financial risk is managed according to principles defined by Group management. These principles define how credit, interest and currency risk is hedged. Additional rules exist for the management of liquid and financial assets. The respective bodies manage their financial risk according to the defined risk policies with the aim of minimizing the above mentioned risk including hedging costs. If appropriate, derivative financial instruments are used to hedge certain risk positions. The Group does not apply hedge accounting. Derivative financial instruments are only agreed upon with first class counter parties.

Credit risk

There is no substantial credit risk concentration in the Group. Group subsidiaries, however, have relationships with certain large customers. Management regularly assesses the credit potential of all counter parties (especially large customers) on the basis of past experiences and future expectations. If appropriate, management also applies credit insuring instruments.

Interest risk

Sales and operating cash flow are independent from market rate changes. The Group has no substantial interest bearing activities. There are loans with fixed as well as variable interest rates. Management decides in each individual case what interest rate risk can be taken.

Currency risk

The Group is internationally active and thus exposed to currency fluctuations in USD, EUR and GBP. The local subsidiaries make use – where needed – of derivative financial instruments, to minimize potential currency risks. Risk associated with the conversion of the foreign currency balance sheets of subsidiaries, however, is not hedged.

Foreign currency

Transactions conducted in foreign currencies are converted at the exchange rate applicable on the transaction date. Accounts receivable and payable in foreign currencies are shown at the year-end exchange rate. The effect of all exchange rate Differences on the net income is shown.

The balance sheets and income statements of foreign subsidiaries were converted into Swiss francs at the rate applicable at year-end or at the average exchange rate for the year. Differences resulting from the conversion of shareholders' equity and the income statements are absorbed under shareholders' equity and have no effect on profits. These conversion differences are carried forward only as of January 1, 1994. In the event of the sale of a subsidiary, prorated foreign currency differences are taken into account as part of the capital gain resulting from the sale. Goodwill from acquisition of foreign companies and fair-value adjustments of assets and liabilities in connection with acquisitions are also converted at year-end rates.

Exchange rates in CHF

	31.12.06	Ø2006	31.12.05	Ø2005	31.12.04
1 USD	1.225	1.2536	1.315	1.245	1.145
1 EUR	1.608	1.5730	1.558	1.548	1.545
1 GBP	2.397	2.3077	2.260	2.265	2.185

Main sources of uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill

The Group's goodwill is tested annually for impairment using discounted cash flow projections. These calculations require the use of estimates regarding projected sales, product prices and costs, projection period as well as interest rate.

Property, plant and equipment, inventories and provisions

The Group assets are reviewed annually for impairment, provisions are also reviewed annually. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the assets and its eventual disposal. Factors such as changes in the planned use of buildings, machinery, or equipment, the closure of facilities or technical obsolescence can lead to shortened use of lives or impairment.

Future changes in financial reporting standards

In 2006 certain new standards, amendments and interpretations to existing standards listed below have been published. None of them has been early adopted by the Group.

- IAS 1: Presentation of Financial Statements
- IFRS 7: Financial Instruments: Disclosures (effective as from January 1, 2007)
- IFRS 8: Operating Segments (effective as from January 1, 2009)
- IFRIC 8: Scope of IFRS 2 (effective as from 1. Mai 2006)
- IFRIC 9: Reassessment of Embedded Derivatives (effective as from 1. Juni 2006)
- IFRIC 10: Interim reporting and impairment (effective as from 1. November 2006)
- IFRIC 11: IFRS 2: Group and Treasury Share Transactions (effective as from 1. März 2007)

The Group is currently assessing the impacts on future consolidated financial statements and particular focusing on IFRS 7. IFRS 7 combines all disclosures related to financial instruments in one standard. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments and their impact on the financial position of an entity.

An amendment to IAS 1 related to the introduction of IFRS 7 introduces disclosures about the level of the Group's capital and how it manages capital.

IFRS 8 "Operating segments" replaces IAS 14 "Segment reporting" and stipulates that the operating segments follow the management information during the year. The new requirements define the criteria for segments, the information shown as well as valuations. The standard has also an impact on how goodwill is attributed to the cash generating units and thus on the impairment test. The exact impacts are currently clarified.

NOTES TO GROUP FINANCIAL STATEMENTS

SEGMENT INFORMATION

Gurit Holding AG is only active in one primary segment (Composite Technologies) (previous year Health Care and Industrial Applications).

	2006		2005			
Net sales by division in CHF million						
Composite/Industrial Applications	379.9	99.6%	343.5	99.6%		
Other/consolidation	1.4	0.4%	1.3	0.4%		
Total net sales	381.3	100.0%	344.8	100.0%		
Net sales by sales marketes in CHF million						
Switzerland	15.2	4.0%	17.2	5.0%		
EU and EEA	265.3	69.6%	246.1	71.4%		
Rest of Europe	8.4	2.2%	17.4	5.0%		
USA/Canada	48.9	12.8%	23.5	6.8%		
Other	43.5	11.4%	40.6	11.8%		
Total net sales	381.3	100.0%	344.8	100.0%		
EBIT by Divisions in CHF million						
Composite/Industrial Applications	28.3	102.9%	-50.2	91.9%		
Other/consolidation	-0.8	-2.9%	-4.4	8.1%		
Total EBIT	27.5	100.0%	-54.6	100.0%		
Financial result	-1.6		-0.2			
Income taxes	-7.3		5.8			
Minority interests	0.0		1.3			
Result from discontinued operations	10.1		18.1			
Total Group EBIT	28.7		-29.6			
Employees per Division Ø						
Composite/Industrial/Applications	1 266	99.0%	1 402	99.2%		
Other/consolidation	13	1.0%	12	0.8%		
Total employees	1 279	100.0%	1 414	100.0%		
Assets/CapEx by Division in CHF million						
	Assets	CapEx	Depr./Amort.	Assets	CapEx	Depr./Amort.
Composite/Industrial Applications	333.6	32.3	13.2	253.6	4.7	9.8
Health Care	0.0	1.4	0.0	382.5	15.8	41.1
Other/consolidation	139.2	0.0	0.3	27.9	0.6	0.6
Total assets/CapEx	472.8	33.7	13.5	664.0	21.1	51.5
Liabilities by Division in CHF million						
Composite/Industrial Applications		241.3				150.5
Health Care		0.0				217.3
Other/consolidation		-80.3				-127.6
Total Liabilities		161.0				240.2
Assets/CapEx by regions in CHF million						
	Assets	CapEx		Assets	CapEx	
Switzerland	257.5	3.3		184.6	7.3	
EU and EEA	156.1	9.9		406.6	13.4	
Rest of Europe	0.0	0.1		0.7	0.0	
USA/Canada	51.1	18.2		71.9	0.3	
Other	8.2	2.2		0.2	0.1	
Total assets/CapEx	472.8	33.7		664.0	21.1	

NOTES TO GROUP FINANCIAL STATEMENTS

01 Net sales

Consolidated net sales amount to CHF 381.3 million (previous year CHF 344.9 million). Production in Switzerland accounted for 19% (previous year 28%, while the remaining 81% (previous year 72%) was covered by foreign production.

In CHF 1000	2006	2005
Sales of goods	372 403	340 731
Sales of services	8 892	4 127
Total net sales	381 295	344 858

02 Cost of goods and materials

The item amounted to 57.4% (previous year 53.6%) of net sales. This item also includes changes in finished goods and work in progress of CHF 1.8 million (previous year CHF 0.9 million).

03 Personnel expenses

The pro rata average workforce amounted to 1279 employees (previous year pro rata 1414).

Personnel expenses can be analysed as follows

In CHF 1000	2006	2005
Salaries and wages	76 975	93 810
Pension expenses (incl. defined contribution plans)	4 643	4 826
Other social expenses (incl. social security)	2 918	1 762
Other personnel expenses	1 762	2 059
Total personnel expenses	86 298	102 457

For expenses for post employment benefits according to IAS 19, please refer to note 4.

04 Pension liabilities

Short-term payables against pension plans amount to CHF 0.13 million (previous year CHF 0,4 million).

Details to the defined benefit plans are as follows:

In CHF million	2006	2005
Pension cost		
Current service cost	3.6	6.0
Interest expenses	1.7	3.0
Expected earnings from plan assets	-1.7	-2.4
Amortization of net recognized actuary gains and losses	2.2	0.0
Employees' contribution	-1.7	-3.8
Total expenses for defined benefit plans	4.0	2.8

Change in pension liabilities

Balance 1.1.	75.3	84.6
Exchange rate differences	0.0	0.1
Change in accounting, valuation methods and scope	-36.5	-17.0
Current service cost	1.8	6.0
Interest expenses	1.7	3.0
Employees' contribution	1.7	3.8
Paid pensions from plans with separated assets	-4.3	-3.8
Paid pensions from plans without separated assets	0.0	-0.0
Actuary gains/losses	-1.4	-2.1
Other impact	0.0	0.9
Balance 31.12.	38.4	75.3

Change in plan assets

Balance 1.1.	68.7	77.2
Exchange rate differences	0.0	0.5
Change in accounting, valuation methods and scope	-32.4	-14.4
Employees' contribution	1.7	3.8
Employers' contribution	1.7	2.9
Paid pensions from plans with separated assets	-4.3	-3.8
Expected earnings from plan assets	1.7	2.4
Actuary gains/losses	0.5	0.2
Net assets from pension schemes	1.6	2.0
Impairment of net assets from pension schemes	-1.6	-2.0
Balance 31.12.	37.6	68.7

Plan assets consists of receivables from the insurance company. There were no investments on shares of Gurit Holding AG or their subsidiaries made.

In CHF Mio.

	2006	2005
Assets and liabilities included in balance sheet		
Liabilities of plans		
with separated assets	38.4	75.3
Plan assets	37.6	68.7
Over-/undercoverage	0.8	6.6
Liabilities from plans		
with separated assets	0.0	0.1
Not recognized actuary		
gains and losses	1.9	-2.3
Net amount	2.7	4.5

Changes in net amount

	2006	2005
Balance 1.1.	4.5	6.5
Exchange rate differences	0.0	0.7
Change in accounting and valuation methods and scope	-4.0	-2.6
Pension costs according to profit on loss accounts	4.0	2.8
Employers' contribution	-1.7	-2.9
Other impact	0.0	-0.0
Balance 31.12.	2.7	4.5

Actuary assumptions

	2006	2005
Discount rate	3.25%	3.75%
Expected return on plan assets	3.50%	4.25%
Future salary increases	1.50%	2.88%
Inflation	0.75%	1.13%
Future pension increases	0.75%	0.38%

Other Information

Experience adjustments on plan assets	1.7	
Experience adjustments on pension liabilities	1.9	
Effective return on plan assets (in CHF million)	1.3	2.5
Expected contributions in FY 2007	1.7	

05 Other operating, marketing and administrative expenses

Other operating expenses were CHF 40.4 (previous year CHF 62.8 million). Operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs of CHF 2.1 million (previous year 5.1 million).

06 Sundry operating income

In CHF 1000

	2006	2005
Profit/losses from disposal of Holdings	405	-9 244
Profit from disposal of fixed assets	2 827	509
Loss from disposal of fixed assets	-69	-70
Expenses relating to the separation of the Group	0	-750
Other positions	-244	-786
Net	2 919	-10 341

07 Depreciation and amortization

In CHF 1000

	2006	2005
Depreciation on property, plant and equipment	12 188	20 552
Impairment of property, plant and equipment	187	14 533
Amortization of intangible assets	1 105	1 379
Impairment of intangible assets	0	1 585
Impairment of goodwill	0	3 608
Total depreciation and amortization	13 480	41 657

In the context of the Group restructuring in 2005, impairments of a total of CHF 19.7 million were necessary.

08 Financial expenses/financial income

Financial expenses were CHF 1.7 million net (previous year CHF 0.2 million).

2006

In CHF million

	Financial expenses	Financial income	Net
Interest	2.8	1.4	-1.4
Exchange rate differences	2.7	2.4	-0.3
Total	5.5	3.8	-1.7

2005

In CHF million

	Financial expenses	Financial income	Net
Interest	0.5	0.9	+0.4
Exchange rate differences	3.3	2.7	-0.6
Total	3.8	3.6	-0.2

NOTES TO GROUP FINANCIAL STATEMENTS

09 Tax expense

Tax expense consists of:

In CHF million	2006	2005
Taxer payable	4.6	3.1
Deferred taxes	2.7	-8.9
Total	7.3	-5.8

Tax expense can be analyzed as follows:

In CHF million	2006	2005
Group result before income tax	25.9	-54.9
Tax expenses at applicable tax rate of 25%	6.5	-13.8
Tax expenses at other rates	0.3	0.3
Tax effects from not activated deferred tax assets	0.1	4.8
Tax effects from Group taxation	-1.8	0.0
Tax effects from revaluation of losses carried forward	0.3	0.0
Loss for the period excl. actual tax savings	2.3	1.9
Effect of not accepted tax positions	0.1	-0.6
Tax expenses from other periods	0.0	0.7
Other irrelevant impact	-0.5	-0.3
Effect of not accepted goodwill amortization	0	1.2
Effective tax rate	7.3	-5.8

The Group has the following tax relevant losses to be carried forward.

Losses carried forward and duration:

In CHF million	2006	2005
1-3 years	23.3	4.8
4-6 years	66.7	101.9
More	24.6	58.3
Total	114.7	165.0
Positive tax effect	19.9	21.1
Adjustments	-17.9	-14.0

Short-term tax provisions comprise of expected income tax payments based on taxable profit of the year as well as pending tax assessments.

10 Deferred taxes

Deferred tax provisions

Deferred tax provisions include the following items:

In CHF 1000	2006	2005
1.1.	19 572	31 927
Additions	3 070	0
Reversals	-748	-12 616
Change in scope	-5 074	-149
Currency effects	-26	410
31.12.	16 794	19 572

Deferred tax assets

Deferred tax assets include the following items:

In CHF 1000	2006	2005
1.1.	2 851	8 200
Additions	726	213
Reversals	-545	-889
Change in scope	-1 645	-4 693
Currency effects	7	20
31.12.	1 394	2 851

No deferred taxes were made for valuation differences on investments of CHF 177 million (previous year CHF 177 million).

Deferred tax assets and liabilities stem from valuation differences between Group valuations and tax valuations in the following Balance Sheet items.

In CHF 1000

	31.12.2006		31.12.2005	
	Deferred tax assets	Liabilities	Deferred tax assets	Liabilities
Cash and cash equivalents			150	
Receivables	64	39	458	577
Inventories	571	768	1 285	1 135
Property, plant and equipment	1 110	19 009	1 303	29 727
Intangible assets	60	475		829
Current borrowings	424		2 429	95
Long-term liabilities	646		3 500	531
Deferred taxes from losses carried forward	19 942		21 116	
Adjustments of deferred losses carried forward	-17 926		-14 068	
Offset of deferred assets and liabilities	-3 497	-3 497	-13 322	-13 322
Total	1 394	16 794	2 851	19 572

11 Result from activities continued as Gurit

The result from activities continued as Gurit amount to CHF 18.6 million (previous year: loss CHF 47.7 million).

12 Result from discontinued operation Medisize Holding AG

At the Annual General Meeting on April 12, 2006, the shareholders decided to separate the Health Care division from the former Gurit-Heberlein Group as Medisize Holding AG. The shares of Medisize Holding AG were listed on SWX Swiss Exchange on June 23, 2006. The activities of Medisize are shown in these Group financial results as discontinued operations.

Details are as follows:

In CHF 1000

	1.1.-22.6.2006	2005
Income statement		
Net sales	127 605	246 887
EBITDA	19 729	37 053
Depreciation	-4 917	-9 868
Operating profit	14 812	27 185
Financial result	-1 697	-3 808
Earnings before tax	13 115	23 377
Tax	-2 971	-5 253
Result from discount. oper. Medisize Holding	10 144	18 124

In CHF 1000

	31.12.2006	31.12.2005
Balance sheet		
Current assets	-	127 319
Fixed assets	-	126 651
Total assets	-	253 970
Liabilities	-	122 587
Equity	-	131 383
Total equity and liabilities	-	253 970

In CHF 1000

	1.1.-22.6.2006	2005
Cash flow statement		
Cash flow from operations	6 992	18 869
Cash flow from investment activities	-2 596	6 246
Cash flow "operating" financing activities	-2 492	-15 703
Cash flow from re-financing	31 131	0
Cash flow from financing activities	28 639	-15 703

NOTES TO GROUP FINANCIAL STATEMENTS

13 Group result

The Group result amounts to CHF 28.8 million (previous year CHF 29.6 million).

The earnings per share (EPS) are calculated as follows:

	2006	2005
Weighted amount of shares issued as 31.12.*)	465 697	460 831
Adjustments for MPP options	0	825
Adjusted amount of shares issued as at 31.12.	465 697	461 656
EPS from activities continued as		
Gurit Holding		
Earnings per bearer share	CHF 39.94	CHF –103.58
Diluted earnings per bearer share	CHF 39.94	CHF –103.58
Earnings per registered share	CHF 7.99	CHF –20.72
Diluted earnings per registered share	CHF 7.99	CHF –20.72
EPS from discontinued operations,		
Medisize Holding		
Earnings per bearer share	CHF 21.78	CHF 39.27
Diluted earnings per bearer share	CHF 21.78	CHF 39.27
Earnings per registered share	CHF 4.36	CHF 7.85
Diluted earnings per registered share	CHF 4.36	CHF 7.85

*) With the separation of the Group the par value of the bearer shares was reduced from CHF 100 to CHF 50; the number of shares issued remained the same.

14 Management options

The former management participation program was discontinued as per December 31, 2006. On that day, the executive members of the Board of Directors and related parties as well as the senior Group Management held not options on Gurit Holding AG. The following table shows the situation at the end of 2005.

Issue year	No of options	Exercise price (CHF)	Maturity	Exercise period
2000	270	880	2002–2006	31.12.2006
2001	716	1 229	2003–2006	31.12.2006
2002	1 074	1 226	2004–2006	31.12.2006
2003	380	680	2005–2006	31.12.2006
2004	1 324	1 056	2005–2006	31.12.2006
2005	940	1 009	2005–2006	31.12.2006
Total	4 704			

15 Stakes in joint ventures

The stake in GuMa Sarl. is a joint venture with Mazucchelli SA. Gurit's share is 50% and is proportionate consolidated in the Group financial statements. The details of Gurit's holdings interest in GuMa Sarl are as follows:

In CHF 1000	2006
Income statement	
Net sales	5 993
EBITDA	376
Depreciation	–10
Operating profit	366
Financial result	–28
Earnings before tax	338
Tax payments	–142
Gurit's share in GuMa's result	196
	31.12.2006
Balance Sheet	
Current assets	4 970
Non-current assets	1 881
Total assets	6 851
Liabilities	3 353
Equity	3 498
Total equity and liabilities	6 851

16 Accounts receivable from deliveries and sales

In CHF 1000	2006	2005
Accounts receivable from deliveries and sales (gross)	81 352	96 898
Value adjustments	–546	–1 676
31.12.	80 806	95 222

17 Other receivables and accruals

These items include:

In CHF 1000	2006	2005
Other receivables	8 746	10 513
Assets from currency futures	0	781
Prepaid expenses	1 778	3 533
31.12.	10 524	14 827

Financial instruments

The assets resulting from currency futures included in other receivables amounts to CHF 0.0 million (previous year CHF 0.8 million). The following open derivative financial instruments existed at December 31, 2006: Currency futures with a national amount of CHF 13.9 million (previous year CHF 10.0 million) and are due within one year.

18 Inventories

Inventories are as follows:

In CHF 1000	2006	2005
Raw material	21 669	35 432
Trade merchandise	1 039	10 790
Work in progress	569	8 231
Finished goods	22 197	36 871
31.12.	45 474	91 324
Recognized value adjustments	-969	-920

The value adjustments are calculated on the basis of inventory turnover. The reason for making these adjustments in 2006 was the change in the nature of the inventories at Group subsidiaries.

No inventories are pledged.

NOTES TO GROUP FINANCIAL STATEMENTS

SUMMARY OF ASSETS

19 Property, plant and equipment

in CHF 1000

	Plant and equipment	Leased plant and equipment	Land	Buildings (incl. Inst.)	Leased land	Leased buildings	Equipment under construction	Total property, plant and equipment
Gross values								
Value 31.12.2004	245 421	9 906	18 216	133 932	0	10 445	1 417	419 337
Additions	11 681	59		4 987		11	3 398	20 136
Disposals	-10 572	-144		-970			-903	-12 589
Change in scope of cons.	-53 623		-612	-14 195			-92	-68 522
Currency effects	5 594	99	198	3 281		227		9 399
Other	3 158	-1 428		-10 489	2 400	8 100	-2 615	-874
Value 31.12.2005	201 659	8 492	17 802	116 546	2 400	18 783	1 205	366 887
Additions	24 599		254	1 848		1	6 528	33 230
Disposals	-22 396	-1 084	-254	-1 456		-4 843	-2 027	-32 060
Change in scope of cons.	-75 517	-312	-1 784	-45 752	-2 400	-8 432	-1 293	-135 490
Currency effects	695	129	-24	-458		382	84	808
Other	-600	1	2	445		4	4	-144
Value 31.12.2006	128 440	7 226	15 996	71 173	0	5 895	4 501	233 231
Accumulated amortization								
Value 31.12.2004	154 389	3 445	2 975	38 260	0	3 319	0	202 388
Amortization	20 764	2 484	71	5 308		607		29 234
Impairment	2 281		300	11 952				14 533
Disposals	-9 770	-45		-880				-10 695
Change in scope of cons.	-41 069			-2 420				-43 489
Currency effects	2 684	51	17	164		61		2 977
Other	2 598	-1 045						1 553
Value 31.12.2005	131 877	4 890	3 363	52 384	0	3 987	0	196 501
Amortization	12 978	408	37	3 128		361		16 912
Impairment	-87							-87
Disposals	-17 549	-615	-19	-468		-1 892		20 543
Change in scope of cons.	-56 146	-115	-202	-18 764		-580		-75 807
Currency effects	952	89	-8	170		129		1 332
Other	-518	1		278		2		-237
Other 31.12.2006	71 507	4 658	3 171	36 728	0	2 007	0	118 071
Net values								
Value 31.12.2004	91 032	6 461	15 241	95 672	0	7 126	1 417	216 949
Value 31.12.2005	69 782	3 602	14 439	64 162	2 400	14 796	1 205	170 386
Value 31.12.2006	56 933	2 568	12 825	34 445	0	3 888	4 5015	115 160

– Contractual Commitments:

At December 31, 2006 there were no significant contractual commitments to acquire property, plant and equipment.

– Pledged assets:

Pledged assets (mainly real estate for mortgages) are:

In CHF million	2006	2005
Book value	71	78
Maximum credit line	105	82
Loans contracted	5	16

– Fire insurance values:

Fire insurance values of property, plant and equipment amount to CHF 391 million (previous year CHF 546 million).

20 Financial assets

In CHF 1000	Securities	Loans	Total financial assets
Net			
Value 31.12.2004	480	5 455	5 935
Additions		136	136
Disposals		-68	-68
Change in scope of cons.		-51	-51
Currency effects	8	750	758
Other	44	26	70
Value 31.12.2005	532	6 248	6 780
Additions	155	6 218	6 373
Disposals	-496	-40 292	-40 788
Amortization			
Change in scope of cons.		31 129	31 129
Currency effects	3	-198	-195
Other			0
Value 31.12.2006	194	3 105	3 299

21 Intangible assets

In CHF 1000

	Goodwill	Recognized R&D costs	Other intangible assets	Total intangible assets
Gross values				
Value 31.12.2004	227 048	1 588	13 878	242 514
Additions	-353		944	591
Disposals		-1 574	-399	-1 973
Change in scope				
of consolidation	-12 581		-3 335	-15 916
Currency effects	6 588		427	7 015
Other	-1 258		6 390	5 132
Value 31.12.2005	219 444	14	17 905	237 363
Additions	508		442	950
Disposals			-341	-341
Change in scope				
of consolidation	-60 089		-10 638	-70 727
Currency effects	8 202		207	8 409
Other		-14	217	203
Value 31.12.2006	168 065	0	7 792	175 857

Accumulated amortization

Value 31.12.2004	0	4	6 600	6 604
Amortization		10	2 555	2 565
Impairment				
amortisation	3 608	1 574	11	5 193
Disposals		-1 574	-396	-1 970
Change in scope				
of consolidation			-2 314	-2 314
Currency effects			109	109
Other			1 190	1 190
Value 31.12.2005	3 608	14	7 755	11 377
Amortization			1 573	1 573
Disposals			-341	-341
Change in scope				
of consolidation	-3 316		-5 587	-8 903
Currency effects	38		90	128
Other		-14	207	193
Value 31.12.2006	330	0	3 697	4 027

Net values

Value 31.12.2004	227 048	1 584	7 278	235 910
Value 31.12.2005	215 836	0	10 150	225 986
Value 31.12.2006	167 735	0	4 095	171 830

The other intangible assets of CHF 4.1 million (previous year CHF 10.2 million) consist of patents, acquired IT software.

NOTES TO GROUP FINANCIAL STATEMENTS

Impairment test for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs). The CGUs are defined by the market areas Wind, Transportation as well as Marine, Sport and Civil engineering.

In CHF 1000

	Net book value	
	31.12.2006	31.12.2005
Health Care	0	56 596
Industrial Applications	167 735	159 240
Total Goodwill	167 735	215 836

The achievable result of a CGU is calculated by means of the discounted cash flow method. Projected cash flows are based on the budgets for the next five years. Cash flows exceeding this five-year period are extrapolated. Based on market growth, the following individual growth rates are applied. Goodwill on subsidiaries sold during the year are offset with the sale price.

Based on experience, the following assumptions are applied:

	2006	2005
Growth rate		
– Health Care	–	3.5%
– Industrial Applications	3.0%	5.0%
Gross margin		
– Health Care	–	50–62%
– Industrial Applications	44–46%	44–46%
Discount rate		
– Health Care	–	7.868%
– Industrial Applications	7.868%	7.868%

Based on these calculations there is no need for an impairment of goodwill.

22 Bank loans

Current bank loans include current account overdrafts and fixed-rate advances at usual market interest rates. The actual rates are regularly revised and reflect market conditions (between 1% and 8%).

23 Other accounts payable and accruals

Other accounts payable include CHF 0.2 million (previous year CHF 1.4 million) in current lease commitments.

24 Short-term provisions

Reserves for guarantees were made according to estimates based on experience for guarantee claims that can not be insured. Other provisions were made mainly for restructuring costs at Gurit as well as for risks and costs related to the real estate in Wattwil (dismantling, sanitizing and other costs). A cash outflow is expected to occur during the next year.

Short-term reserves include the following items:

In CHF 1000

	Guaran- tees	Restructur- ing	Other	Total short-term provisions
31.12.2004	1 074	720	4 335	6 129
Amount used	–631	–721	–875	–2 227
Additions	8 034	3 302	470	11 806
Reversals	–18		–62	–80
Exchange rate differences	–16	17	5	6
Change in scope of consolidation	–425	758	206	539
31.12.2005	8 018	4 076	4 079	16 173
Amount used		–2 342	–2 160	–3 566
Additions	3 759	541	1 685	5 985
Reversals	–7 925	–624	83	–9 402
Exchange rate differences	299	48	10	357
Change in scope of consolidation	–584			–584
31.12.2006	3 567	1 699	3 697	8 963

25 Mortgages and loans

Mortgages amount to CHF 2.0 million (previous year CHF 4.1 million). Non-current loans from bank and others amount to CHF 21.6 million (previous year CHF 39.0 million). A large portion of this sum relates to loans granted to foreign subsidiaries in local currencies. Book values equal for values. The following tables show when payments are due:

In CHF 1000				
Per 31.12.2006				
Maturity	Bank loans	Loans	Mortgages	Total
2008	4 719	523	2 000	7 242
2009	10 062	839		10 901
2010	2 806	847		3 653
2011		857		857
More		910		910
Total	17 587	3 976	2 000	23 563
Interest reate Ø	4.79%	5.40%	2.48%	

In CHF 1000				
Per 31.12.2005				
Maturity	Bank loans	Loans	Mortgages	Total
2007	13 921	3 012	489	17 422
2008	2 798	550	2 489	5 837
2009	17 048	420	489	17 957
2010	474	68	489	1 031
More	393	613	190	1 196
Total	34 634	4 663	4 146	43 443
Interest reate Ø	4.30%	4.20%	4.20%	

26 Other long-term liabilities

This item includes non-current lease commitments of CHF 0.0 million (previous year CHF 10.9 million) as well as interest free purchase price debt from new acquisitions, payable over three to five years.

– Financial leasing and other commitments:

Financial leasing commitments and other operating leasing and rental commitments not shown in the balance sheet are as follows:

In CHF 1000				
	Financial leasing commitments		Operating leasing and longterm	
	2006	2005	2006	2005
2007 (2006)	224	1 446		923
2008 (2007)		732		904
2009 (2008)		130		657
2010 (2009)		136		648
2011 (2010)		141		615
More		9 742		3 692
Total over 1 year	0	10 881	0	6 516
Total	224	12 327	0	7 439

27 Other long-term provisions

Other long-term provisions include the following items:

In CHF 1000			
	Pension plans and other social security payments		Total
	Other provisions		
31.12.2004	7 778	404	8 182
Amount used	-50	-44	-94
Additions	499	658	1 157
Reversals	-1 158	-93	-1 251
Exchange rate differences	10	2	12
Change in scope of consolidation	-2 627		-2 627
31.12.2005	4 452	927	5 379
Amount used	-9	-123	-132
Additions	133		133
Reversals	-155	-244	-399
Exchange rate differences		7	7
Change in scope of consolidation	-1 594	-457	-2 051
31.12.2006	2 827	110	2 937

The provisions for pension plans and other social payments include future pension claims, claims for exit settlements and age-related part-time work agreements, promised pension or capital payments to the extent that these payables are not included or reinsured by a legally separate fund.

The other provisions cover guarantee obligations and the risk of litigations. A capital outflow is expected in the next two to five years.

NOTES TO GROUP FINANCIAL STATEMENTS

28 Equity

The share capital shows the capital of Gurit Holding AG; adjusted by treasury stock. Treasury stock at December 31, 2006 included 10 742 bearer shares (previous year 7616) and 200 registered shares (previous year 150).

Since the decision to separate the Group made on April 12, 2006, the outstanding capital is split into 420 000 bearer shares of CHF 50 par value each and 240 000 registered shares of CHF 10 par value each. In the context of the Group separation, the holdings in Medisize Holding AG together with its subsidiaries in the former Health Care division were distributed to Gurit Holding shareholders on June 23, 2006. This distribution was made by means of a capital reduction at Gurit Holding AG by TCHF 23400 (50%) and compensation of statutory reserves and retained earnings in the amount of TCHF 30 420 (total TCHF 53 820). All shares are issued, there is no additional conditional or approved capital.

The entitlement to dividend payments is based on the par value of the shares, while the voting power is defined by the number of shares. The payment of a dividend of 26% (previous year 24%) per registered and bearer share is proposed to the Annual General Meeting of Shareholders scheduled for April 17, 2007.

29 Cash flow of investment activities

Funds paid for investment activities amount to a total of CHF 16.2 million (previous year funds received CHF 1.7 million).

In 2005, the remaining minority interests in IMS Holding AG amounting to CHF 0.8 million were purchased for CHF 2.0 million. The difference was offset against equity.

In 2005, Heberlein Fiber Technology AG together with its subsidiaries and Homedica AG were sold. Details of these sales are as follows:

In CHF 1000	2005	
Assets		-63 509
Liabilities		40 525
Net assets sold		-22 984
Sale price	13 723	13 723
Losses on sales price		-9 261
Outflow of current assets		-5 565
Net cash flow		8 158

30 Contingent liabilities

In connection with the operating activities the Group has no contingent liabilities resulting from bills of exchange, letter of credits and guarantees (previous year CHF 2.0 million).

31 Contingent assets

In connection with a lawsuit against Zoltek, Gurit was granted damage payments in the amount of USD 36 million. This sentence is not yet in force as the period to appeal has not elapsed yet. Therefore, no contingent assets are activated in the balance sheet. The costs related to the lawsuit were charged to the income statement.

32 Transaction with related parties

Management compensation

In CHF 1000

	2006	2005
Compensation	3 097	2 644
Contribution to pension funds	82	126
Share-based compensation	0	23
Total	3 179	2 793
Provisions for contractual payments during 2006 to management members leaving the company	362	1 050
Total	3 541	3 843

There are no receivables nor payables towards main shareholders and key management. There were no transactions with related parties.

33 Acquisitions

In 2006 and 2005 no acquisitions were made.

34 Subsequent events

The Group financial statements were signed off by the Board of Directors on March 1, 2007, for publication. When the financial statements were signed off, the Board of Directors and the Group Management were not informed of any important events subsequent to the closing of the books.

The Group financial statements underlie the approval of the Annual General Meeting of Shareholders on April 17, 2007.

GROUP COMPANIES

35 Group companies

Gurit Holding AG holds an interest in the following companies either directly or indirectly via a subsidiary:
(inserted = indirect holding by means of subsidiaries)

Company	Activity	Registered capital	Group ownership
Gurit Material Systems	Holding Company	GBP 52 011 210	100%
Structural Polymer Group Limited Newport, Isle of Wight GB	Holding Company	GBP 3 333 324	100%
SP Holdings	Holding Company	GBP 1 324 000	100%
Gurit (UK) Limited, Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 143 000	100%
Gurit (Newport) Ltd., Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 50 000	100%
Gurit (Spain) S.A., Albacete ESP	Production and sales of plastic semi-manufactured products	EUR 1 094 722	100%
Gurit (Canada) Inc., Magog (Quebec) CA	Production and sales of plastic semi-manufactured products	CAD 3 866 667	100%
Gurit (USA) Inc., Fort Lauderdale USA	Sales of plastic semi-manufactured products	USD 3 000	100%
Gurit (Australia), AUS	Production and sales of plastic semi-manufactured products	AUD 55 000	100%
Gurit (New Zealand), NZ	Production and sales of plastic semi-manufactured products	NZD 0	100%
Gurit (Tianjin), Tianjin, China	Production and sales of plastic semi-manufactured products	RMB 28 315	100%
Gurit (Scandinavia), DK	Sales of plastic semi-manufactured products	DKK 125 000	100%
GuMa Sarl.	Production and sales of plastic sheeting	EUR 3 400 000	50%
Gurit (Ittigen) AG, Ittigen CH	Production and sales of plastic foil, laminates as well as plastics for sport applications	CHF 6 500 000	100%
Gurit (Innsbruck) GmbH, Innsbruck A	Production and sales of plastic semi-manufactured products	EUR 727 000	100%
Gurit (Vreden) GmbH, Vreden DE	Production of sintered ski bases	EUR 27 000	100%
Gurit (France) SAS, Perrignier FR	Production of extruded ski coatings	EUR 300 000	100%
Gurit (Zullwil) AG, Zullwil CH	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%
Gurit (Kassel) GmbH, Kassel DE	Production and sales of plastic semi-manufactured products	EUR 100 000	100%
Arova Schaffhausen AG, Schaffhausen CH	Real estate company	CHF 8 000 000	100%
Bürki AG, Oberbipp CH	Real estate company	CHF 500 000	100%
Heberlein & Co. AG, Wattwil CH	Real estate and service company	CHF 1 000 000	100%
Gurit Services AG, Wattwil CH	Management company	CHF 1 000 000	100%

As at January 1, 2007

AUDIT REPORT GROUP

Report of the group auditors to the General Meeting of Gurit Holding AG, Wattwil

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 36 to 60 of Gurit Holding AG for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Lorenz Lipp
Lead auditor

Bruno Räss

St. Gallen, March 2, 2007

FINANCIAL STATEMENTS OF GURIT HOLDING AG

BALANCE SHEET AS AT 31.12.2006

in CHF

	31.12.2006	31.12.2005
Assets		
Cash and cash equivalents	10 541 360	16 921 468
Securities	8 484 260	0
Sundry receivables from extra-Group sources	1 538 701	92 931
Sundry receivables from intra-Group sources	14 375 127	9 299 917
Working capital	34 939 449	26 314 316
Loans to third parties	0	75 000
Loans to Group companies	43 279 075	86 135 780
Holdings	38 319 995	89 552 200
Treasury stock	4 802 537	5 548 930
Fixed assets	86 401 606	181 311 911
Total assets	121 341 055	207 626 227
Equity and Liabilities		
Bank debt	9 000 126	27 400 793
Sundry liabilities to extra-Group entities	917 618	2 209 524
Sundry liabilities to intra-Group entities	0	167 097
Loan from Group companies	0	3 856 904
Prepaid liabilities and reserves	3 995 768	2 890 727
Short-term borrowings	13 913 511	36 525 045
Total liabilities	13 913 511	36 525 045
Share capital	23 400 000	46 800 000
Statutory reserves	11 700 000	23 400 000
Reserves for treasury stock	4 802 537	5 548 930
Free reserves	29 291 469	47 265 076
Net income	38 233 537	48 087 176
Total Equity	107 427 543	171 101 182
Total equity and liabilities	121 341 055	207 626 227

INCOME STATEMENT

in CHF

	2006	2005
Operating income		
Income from holdings	1 383 256	8 778 491
Earnings from sale of holdings	0	3 189 463
Other income	300 000	0
Financial income	8 663 919	9 259 754
Total income	10 347 175	21 227 708
Operating expenses		
Financial cost	744 030	780 237
Administrative cost	761 572	829 880
Depreciation	1 410 060	0
Waivers of receivables granted to subsidiaries	0	37 878 000
Loss from sale of holdings	0	10 599 999
Taxes	42 291	-126 102
Total operating expenses	2 957 954	49 962 014
Result for fiscal year	7 389 222	-28 734 306

NOTES TO GURIT HOLDING AG

ANNEX TO FINANCIAL STATEMENT

in CHF

	31.12.2006	31.12.2005
1. Contingent liabilities		
Warranty liabilities	2 200 000	27 229 000
Group Credits (General contracts)	35 399 000	50 779 073
2. Significant holdings		
see list on page 60		
3. Treasury stock		
Total at 31.12.		
200 (150) registered shares at CHF 10.– (CHF 20.–)	35 813	27 908
10 742 (7 616) bearer shares at CHF 50.– (CHF 100.–)	4 766 724	5 521 023
Purchase: 50 (0) Registered shares at an average price of	158	0
Purchase: 7 864 (2 177) bearer shares at an average price of	1 308	1 103
Sale: 4 738 (2 007) bearer shares at an average price of	1 070	785
Separation Medisize Holding (transfer to securities)	5 970 670	0
4. Significant shareholders (unchanged)		
The company is aware of the following registered shareholders who own over 5% of the voting rights:		
Huwa Finanz- + Beteiligungs AG, Heerbrugg, registered shares	220 000	220 000
Harris Associates L.P.Pp., Chicago/USA, bearer shares	<5%	32 604
Franklin Templeton Companies LLC, Fort Lauderdale/USA, bearer shares	<5%	33 219
5. Share capital		
The nominal capital at 31.12. consisted of		
240 000 (previous year 240 000) registered shares at CHF 10.– (CHF 20.–)	2 400 000	4 800 000
420 000 (previous year 420 000) bearer shares at CHF 50.– (CHF 100.–)	21 000 000	42 000 000
	23 400 000	46 800 000
6. Statutory reserves carried forward		
Statutory reserves at 1.1.	23 400 000	23 400 000
Separation of Medisize Holding AG	-11 700 000	–
Statutory reserves at 31.12.	11 700 000	23 400 000
7. Free reserves carried forward		
Free reserves at 1.1.	47 265 076	48 089 783
Treasury stock reserves carried forward	746 393	-824 707
Separation of Medisize Holding AG	-18 720 000	–
Free reserves at 31.12.	29 291 469	
8. Net income carried forward		
Net income at 1.1.	48 087 176	88 053 482
Dividend distribution	-11 232 000	-11 232 000
Income from merger IMS Biopur AG, Freienbach	1 950 981	–
Loss from merger IMS Kunststoff Holding AG, Ittigen	-7 961 842	–
Profit for fiscal year	7 389 222	-28 734 306
Net income at 31.12.	38 233 537	48 087 176
9. Dissolution of hidden reserves	0	100 000

EXPLANATORY REMARKS TO THE BALANCE SHEET AND INCOME STATEMENT

General remark

As parent company of the Group, Gurit Holding AG reports a result for the fiscal year of CHF 7.4 million.

At December 31, 2006, the share capital of Gurit Holding AG consists of CHF 23 400 000 (previous year 46 800 000). It consists of 240 000 registered shares at CHF 10 par value and 420 000 bearer shares of CHF 50 par value.

Balance sheet

The balance sheet reflects the separation of Medisize Holding AG effective at the end of June 2006 and can therefore not be compared with the previous year.

The reported shareholders' equity amounts to CHF 107.4 million (previous year 171.1 million). The changes are as follows:

In CHF million	
Equity as at 31.12.2004	211.1
– dividend payment	–11.2
+ net profit 2005	–28.8
Equity as at 31.12.2005	171.1
– dividend payment	–11.2
+ net profit 2006	7.4
– Separation of Medisize Holding AG	–53.8
– Losses from internal mergers	–6.1
Equity as at 31.12.2006	107.4

Liabilities amounted to CHF 13.9 million. CHF 9.0 million thereof is short-term bank debt and CHF 4.9 million is sundry liabilities as well as deferred assets and provisions.

The assets show again the impact of the separation of Medisize Holding AG with CHF 53.8 million as the biggest change in the item holdings; as a consequence, Gurit's holdings now stand at CHF 38.3 million. Loans to Group companies amount to CHF 43.3 million (previous year CHF 86.1 million). Treasury shares total CHF 4.8 million. Total assets stood at CHF 86.4 million (previous year CHF 181.3).

The working capital consists of cash and cash equivalents of CHF 10.5 million and short-term financial assets of CHF 8.5 million. Sundry intra- and extra-Group receivables amount to CHF 15.9 million. Working capital thus amounts to CHF 34.9 million (previous year CHF 26.3 million).

Income statement

Earnings from holdings amounted to CHF 1.4 million (previous year CHF 8.8 million). In the previous year this item included dividend payments of companies that are now Medisize subsidiaries. Accordingly these dividends went to Medisize Holding AG in 2006.

The financial and other income totalled to CHF 9.0 million (previous year CHF 9.3 million) and financial costs were CHF 0.7 million (previous year CHF 0.8 million). Administrative costs stood unchanged at CHF 0.8 million. The depreciation of CHF 1.4 million relates to the offsetting of the remaining value of a foreign company which was liquidated in 2006.

This leads to a result for the fiscal year of CHF 7.4 million. The previous year's result of CHF –28.7 million was negatively impacted by losses from holdings in the context of the separation of the Group in two companies and necessary restructuring measures.

PROPOSAL FOR THE ALLOCATION OF NET INCOME

in CHF

The Board of Directors proposes that net income be allocated as follows:

Net income carried forward from previous year (after result from mergers)	30 844 315
Result 2006	7 389 222
Available net income	38 233 537
Distribution of dividend 26%	-6 084 000
Saldo	32 149 537

Subject to approval by the Annual General meeting, dividend payments will be made as follows:

CHF 2.60 gross per registered share minus withholding tax
CHF 13.– gross per bearer share minus withholding tax,
payable on submission of voucher Nr. 26

AUDIT REPORT GURIT HOLDING AG

Report of the statutory auditors to the General Meeting of Gurit Holding AG, Wattwil

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 62 to 66) of Gurit Holding AG for the year ended December 31, 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Lorenz Lipp
Lead auditor

Bruno Räss

St. Gallen, March 2, 2007

INVESTOR RELATIONS

Company Capital:

Since the separation of Medisize Holding AG, the share capital of Gurit Holding AG consists of:

240 000 registered shares	
at CHF 10.– par value	security number 185 039
420 000 bearer shares	
at CHF 50.– par value	security number 801 223

Par value adjusted to CHF 50, this results arithmetically in a total of 468 000 shares

Stock market trading:

The Gurit bearer shares are listed on SWX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the following symbols or numbers:

Bearer Share:	Reuters	GUR.S
	Telekurs	GUR
	Security number	801 223

Important dates:

April 17, 2007	Annual General Meeting
End of August 2007	Half-year report 2007
March 2008	Key figures 2007
End of March 2008	Presentation full year results 2007; Analyst/Media conference
	Publication of Annual Report
April 2008	Annual General Meeting

Internet/e-mail

Further information about Gurit can be found at www.gurit.com.

To obtain a subscription to the Group's news service, please register in the investor relations section of the Gurit website at http://www.gurit.com/investor-relations/news_en.html.

Key figures per bearer share

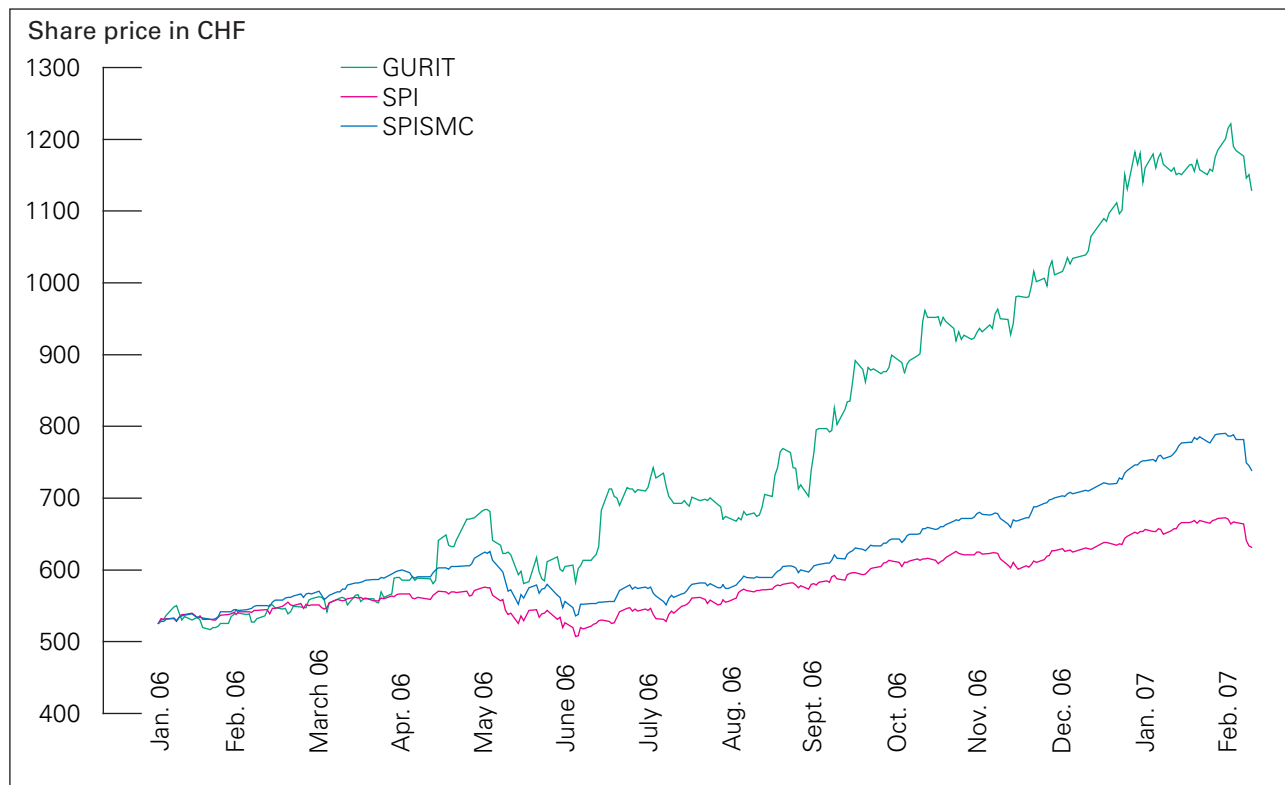
	Gurit Holding AG	Gurit-Heberlein AG			
	2006	2005	2004	2003	2002
(Money figures adjusted to bearer shares)					
Price at year end	CHF 1 064.–	CHF 1 300.–	CHF 929.–	CHF 859.–	CHF 645.–
Highest price	CHF 1 064.–	CHF 1 300.–	CHF 1 124.–	CHF 890.–	CHF 1 330.–
Date	29.12.2006	30.12.2005	6.7.2004	16.10.2003	2.1.2002
Lowest price	CHF 665.–	CHF 825.–	CHF 852.–	CHF 550.–	CHF 615.–
Date	23.6.2006	26.5.2005	7.1.2004	17.3.2003	11.10.2002
Earnings per share	CHF 39.75	CHF –63.27	CHF 33.67	CHF 49.41	CHF 43.–
(2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)					
Equity per share	CHF 666.–	CHF 906.–	CHF 968.–	CHF 966.–	CHF 940.–
(2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)					
Gross dividend	CHF 13.–	CHF 24.–	CHF 24.–	CHF 24.–	CHF 24.–
(2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)					

Taxable values of traded securities

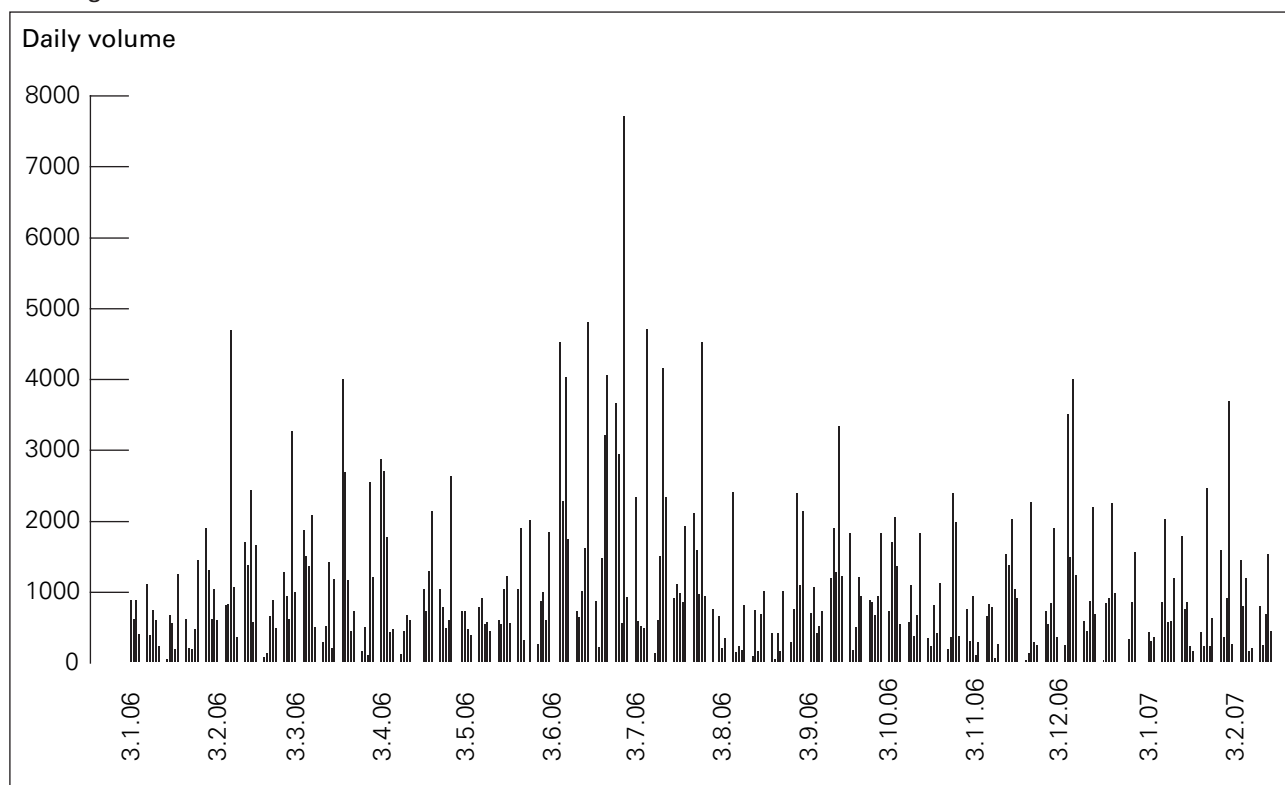
	31.12.2006	31.12.2005	31.12.2004	31.12.2003	31.12.2002
Bearer shares	CHF 1 064.–	CHF 1 300.–	CHF 929.–	CHF 859.–	CHF 645.–

STOCK PRICE CHART

Gurit bearer shares and respective indices



Trading volumes in Gurit bearer shares



MOST IMPORTANT ADDRESSES

AS OF MARCH 1, 2007

Gurit Holding AG

CH-9630 Wattwil
Ebnater Strasse 79
Secretariat: Mrs. Ruth Clarke
Phone ++41 (0)71 987 10 10
Telefax ++41 (0)71 987 10 05
www.gurit.com
Corporate E-Mail: info@gurit.ch

Gurit Group Management

Sylvia Seiler; Executive Assistant
Gurit
Pulverstrasse 11
CH-3063 Ittigen
Schweiz
Phone +41 (0)31 925 42 19
Telefax +41 (0)31 925 41 09

Gurit production sites

Gurit (Ittigen) AG

CH-3063 Ittigen/Bern
Phone ++41 (0)31 925 41 11
Telefax ++41 (0)31 925 41 12
www.gurit.com

Gurit (Zullwil) AG

CH-4234 Zullwil
Phone ++41 61 795 06 01
Telefax ++41 61 795 06 04
www.gurit.com

Gurit (Kassel) GmbH

Geschäftsbereich Kassel
Otto-Hahn-Strasse 5
Industriepark Kassel-Waldau
D-34123 Kassel
www.gurit.com

Gurit (UK) Ltd

St Cross Business Park
Newport, Isle of Wight, PO30 5WU
Phone ++44 (0) 1983 828 000
Telefax ++44 (0) 1983 828 100
www.gurit.com

Gurit (España) SA

Polígono Industrial Romica
C/K, Parc.11c
02080 – Albacete
Spain
Phone +34 967 254 507
Telefax +34 967 254 005
www.gurit.com

Gurit (Canada) Inc

555 Boulevard Poirier
Magog QC
J1X 7L1 Canada
Phone +1 819 847 2182
Telefax +1 819 847 2572
www.gurit.com

Gurit (Tianjin) Composite Materials Co., Ltd.

No. 16 Cuiming Road
YSP, TEDA,
301700 Tianjin
Peoples Republic of China
Phone +86 22 8210 6850
Telefax +86 22 8210 8622

Imprint

Gurit Holding AG, Wattwil, Schweiz

Bernhard Schweizer, Group Communications

Pictures:

photo archives of Group companies, dass.photographie (8, 12); Airbus (4, 5, 15); Rolex (6, 7), Seaway/Shipman (17)

Concept:

Eclat, Erlenbach

Layout and printing:

Neidhart+Schön AG, Zürich

This annual report is also available in German.

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

