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Facts at a Glance

Group	2003	2002
Group net sales in CHF million	508.4	391.7
Change over previous year	+29.8%	
Cash flow in CHF million	57.1	44.6
Change over previous year	+28.3%	
EBITDA in CHF million	65.3	55.0
Change over previous year	+18.7%	
EBIT in CHF million	31.2	30.3
Change over previous year	+3.2%	
Group result (excl. third party interests) in CHF million	23.1	20.1
Change over previous year	+14.9	
Investment in fixed assets in CHF million	41.8	38.4
Equity (excl. third party interests) in CHF million	452.2	439.8
as % of total assets	63.7%	
Number of employees	Ø = 2 180	Ø = 1 775
Net sales per capita in CHF	233 230	220 680
Net value added per capita in CHF	140 390	140 200
Net value added = Net sales minus material costs of products sold		

For 4 year comparisons see financial review on pages 36/37

Gurit-Heberlein AG	2003	2002
Result in CHF million	15.3	10.0
Dividend	24%	24%
in CHF per bearer share at par CHF 100.–	24.–	24.–
in CHF per registered share at par CHF 20.–	4.80	4.80

Board and Group Management

(As per April 1, 2004)

Board of Directors

Robert Heberlein, Zumikon, Chairman
Dr. Paul Halg, Wollerau
Hans Huber, Appenzell
Nick Huber, Balgach
Dr. Walter Kanel, Jona
Paul J. Rudling, Newport GB
Moritz Suter, Basel

Group Management

Dr. Rudolf Wehrli, CEO
Peter Lieberherr, CFO
Jerry Sullivan, CEO Gurit Dental Care
Willem van den Bruinhorst, CEO Gurit Medical Business
Paul J. Rudling, CEO Gurit Composite Technologies
Martin Lutschg, COO Gurit Composite Technologies
Heinz Michel, CEO Gurit Fiber Technology

Group Staff, Legal

Auditors

Siniša Stamenic
PricewaterhouseCoopers AG, St. Gallen

Management

(As per April 1, 2004)

Health Care

Gurit Dental Care

Coltène AG
Coltène/Whaledent Inc., USA
Coltène/Whaledent GmbH + Co. KG, Germany

Jerry Sullivan
Andreas Meldau
Jerry Sullivan
Andreas Meldau, Werner Mannschedel

Gurit Medical Business

GMB/Medisize Netherlands
Medisize Ireland
Medisize Czech Republic
B+P Beatmungsprodukte GmbH
Homedica AG

Willem van den Bruinhorst
Willem van den Bruinhorst
Joe Gilmartin
Kees Bos
Rudi Bruning
Reto Andreoli

Industrial Applications

Gurit Composite Technologies

SP Group
Stesalit AG
IMS Group
Gurit Suprem
Gurit-Worbla AG

Paul J. Rudling, Martin Lutschg
Paul J. Rudling
Arnim Malzahn
Frank Heckner
Tobias Bolliger
Ernst Fluckiger

Gurit Fiber Technology

Heberlein Fiber Technology Inc.
Enka tecnica GmbH
Enka tecnica Wetzol GmbH
Electrotex AG
Arova Schaffhausen AG

Heinz Michel
Heinz Michel
Kees Reijnen
Kees Reijnen
Heinz Michel
Josef Kessler

Report of the Board of Directors and

After completing crucial steps on the way towards fundamental structural change in the Group the previous year, Gurit-Heberlein began 2003 in a new formation. During the first two years of the new millennium, Gurit made a considerable number of acquisitions that put it clearly on course for its new strategic positioning in Chemical and Synthetics Technology. The large acquisitions were all consolidated for the first full financial year in 2003. From this point of view, 2003 was the start of a new era in the company's history. However, in view of the fact that certain companies had belonged to the Group for differing lengths of time during the previous year and the one under review, and that a number of new acquisitions were made in 2003, it is still not possible to make an unconditional direct comparison of the key figures for different years. Nevertheless, the Financial Statements are a sound indication of the Group's potential for further development. The first year for the newly positioned Gurit-Heberlein Group got off to a very auspicious start in the Industrial Applications Division. The result of the Health Care Division was affected by a number of negative, special factors.

Today, Gurit-Heberlein is a leading international player in the Chemical and Synthetics Technology sector. In many segments of the market, the Group can rightfully claim to be at the forefront of technological development. With a solid new basis in technology and expertise, Gurit has carved out a leading position as a specialist supplier in selected market segments.

Management's main priority in 2003 was the organizational, technical and, in some cases, geographical amalgamation and consolidation of the Group's new industrial platform. At the same time, steps were taken to position the two Group Divisions' broad basis of technology and expertise prominently in their markets.

Clear development and growth strategies were drawn up for all four of the Group's strategic markets: the dental and medical sectors for the Health Care Division and the markets for high-performance composites and fiber technology components in the Industrial Applications Division. All these are in harmony with the Group overriding strategy and clearly mark out the tasks that lie ahead. This strategic direction is described in greater detail on the following pages. One factor all market sectors have in common is their global – or at least international – orientation. This is the reason why, in the recent past,

such importance has been attached to establishing direct and indirect distribution structures. Seen in this light, it comes as no surprise to learn that the Swiss Gurit-Heberlein Group became even more international during the year under review. Today, Gurit still produces around 27.4% of its total output in Switzerland but sales in the domestic market now only account for 6.4% of the total. Of the 2180 people who work for the Group, three thirds are employed by subsidiaries abroad.

“Ongoing innovation is part of a clearly defined Group strategy.”

In view of the difficult economic environment and the cost of integrating operations within the Group, Gurit-Heberlein closed the year with a just satisfactory result. Group operations were badly hit by the persistent weakness of the dollar but the negative effects were partially off-set by some hedging manoeuvres. However, it is clear that the Group failed to meet its overall sales and profit targets for the year. In cases where figures fell short of budget, more vigorous growth was prevented by a number of mostly explicable and non-recurring factors. Basically, though, the potential for future growth remains intact in all the Group's operations.

In 2003, the Group posted sales of CHF 508.4 million, an impressive increase of 30% over the previous year. Admittedly, a large proportion of the increase was due to a full year's consolidation or the first-time inclusion of new Group companies in the figures. Earnings before interests, taxes, depreciation and amortisation of goodwill (EBITDA) rose by 19% to CHF 65.3 million. After depreciation and – in the first few years following an acquisition proportionately the most significant factor – amortization of goodwill, EBIT increased by 3% to CHF 31.2 million.

After positive financial results, which among things reflected the success of currency hedging, the Group result

Group Management

was up by 15% over the previous year to CHF 23.1 million. The Group has thus achieved its important goal of realigning operations without seriously diluting profits. The Board of Directors will therefore be asking the General Meeting on May 27, 2004 to approve the payment of an unchanged dividend of CHF 24 per listed bearer share.

Thanks to the hard work and commitment of all Group employees, Gurit last year succeeded in strengthening its operating platform. A significant role was played here by the number of successful projects completed and several noteworthy new developments that reached maturity in 2003. Innovation today is an important way of guaranteeing success tomorrow. Gurit-Heberlein sees innovation as the responsibility of everyone from the most senior levels of management down to the production line. Investment in research and development is a reliable means of securing the Group's long-term success. Gurit will continue to earmark considerable sums for development in the future with a view to offering its customers real benefits in the form of new system solutions. "Satisfying our customers' unmet needs" is our maxim and will remain so in the future.

We should like to take this opportunity to thank all our business associates for the trust and confidence they have placed in the Group at all levels during the past year. We look forward to serving them and developing our business relationships with them in the future.

Special thanks from the Board of Directors and Management also go to our staff. For, ultimately, it is people, their professionalism and their commitment that have made Gurit-Heberlein the success it is today.

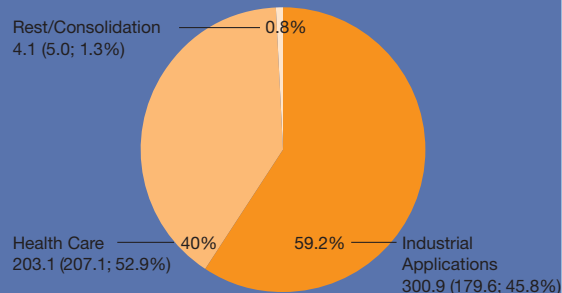


Robert Heberlein
Chairman of the
Board of Directors

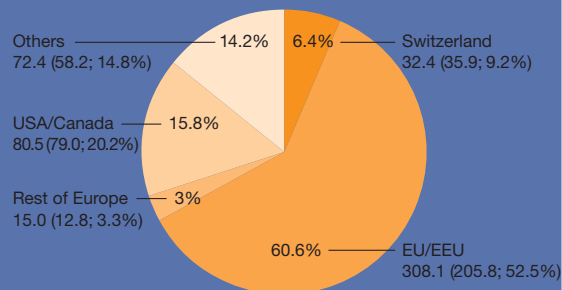


Dr. Rudolf Wehrli
Chief Executive Officer

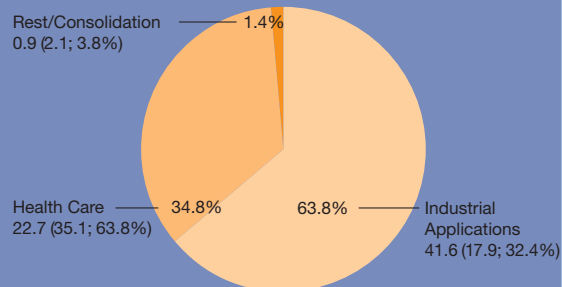
Sales in 2003 by Divisions



Share of sales by region in 2003



Division's contributions towards EBITDA in 2003



In CHF million
(previous year's figures in brackets)

Strategic Group report

Clearly defined development and growth strategies based on the Group's focus on chemical and synthetics technology have been drawn up for both divisions. Several important steps were taken in this direction last year. Today, Gurit clearly leads the market or is at the forefront of technological advance in many market segments and selected applications. During the year under review the Group posted a significant increase in profit but a number of negative occurrences and unforeseeable developments meant that earnings failed to live up to expectations. However, with its existing technology and expertise behind it, the Group's potential for growth remains intact and very high.

In recent years the Gurit-Heberlein Group has geared itself strategically to the needs of the future-oriented chemical and synthetics technology sector. In the process, Gurit has consciously built on the existing expertise of Group companies in various industries and expanded them to their current size. Although no fewer than 13 new companies or operations have been acquired or newly founded in the past three years, the Group's realignment was an organic process with a great deal of internal support. The Group's decentralized management structure has facilitated expansion of Industrial Applications and Health Care, together with each of both divisions' two respective markets. The transformation and integration process remained manageable and controllable every step of the way.

Gurit is ideally positioned for a successful future. Firstly, the Group is a leading player in its chosen markets and, secondly, it has a broad and well-documented technology basis in several specific areas. Gurit is aiming for technological and market dominance as an innovative



“Innovative solutions and close cooperation with the customer secure successful positions.”



Strategic Group report

systems supplier in four clearly defined sectors: Gurit Composite Technologies, Gurit Fiber Technology, Gurit Medical Business and Gurit Dental Care. Effectively, this means that the task Gurit sets itself does not end with the manufacture of semi-finished goods and products but also consciously includes R&D, engineering, application technology and close cooperation with the customer.

Acquisition phase virtually complete

Gurit-Heberlein adopts a conceptual strategic approach. Indeed, one of the Group's important maxims is "Thinking in concepts". The Board of Directors and Group Management have defined clear development and growth strategies for the four target market based on the Group's express strategic thrust. The core elements of this thrust are identical for all four sectors:

- support on a broad basis of technology and expertise
- conceptual system thinking
- the aim for technological and market leadership

Essentially, the Group's new industrial direction has been put into place. At the end of last year, Gurit had some 2300 employees worldwide and, with this kind of scale, now has an excellent basis for organic growth. This is not to exclude the possibility of small-scale acquisitions in the future. The Group is continually weighing up the possibilities of external growth, particularly if a company or specific operations would fit in with Gurit's strategic planning and strengthen its position. With this in mind, another three new acquisitions were made – or largely finalized – during the year under review. This, together with the fact that companies acquired in 2003 figure for the first time in full in the company's accounts, means that any direct comparison of last year's figures with previous ones is only of limited value. This notwithstanding, they provide a good idea of the Group's potential. Changes in the Group's structure are explained in detail in the individual divisional reports.

Marked leap in sales

Taking the Group as a whole, Gurit posted a 30% increase in sales to CHF 508.4 million in 2003. Of this figure, an important part can be attributed to changes in the companies consolidated or to the first full year's consolidation in the case of some Group members.

A weaker dollar was one of the main reasons why sales posted by the Health Care Division fell from CHF 207.1 million the previous year to CHF 203.1 million. At the same



time, the Industrial Applications Division reported a significant leap in sales from CHF 179.6 million the previous year to CHF 300.9 million for 2003. There has thus been a clear shift in the relative weighting of the two divisions towards industry, which now accounts for some 59.2% of sales. With important sections of the division now focusing on extremely dynamic growth markets, this sector will almost certainly have higher growth potential in the future. Astonishing growth rates were posted for certain market segments during the year under review. Sales to manufacturers of large-scale wind energy plants, for instance, rose by more than 20% in value terms and those to the aviation industry by 18% in volume.

After a highly successful previous year, the Health Care Division's contribution to EBITDA fell back markedly owing to the cumulative effects of several negative occurrences and unexpected developments in both its fields of activity. In stark contrast, Industrial Applications followed a difficult previous year with a disproportionate increase in its contribution to EBITDA. Across the Group as a whole, EBITDA rose by 18.7% to CHF 65.3 million, translating – after depreciation and amortization of goodwill – into a 3.2% higher EBIT of CHF 31.2 million. Gurit thus failed to achieve its targets, but in view of the difficult economic circumstances and several extraordinary occurrences this result was at least just about satisfactory.

Weak dollar leaves its mark

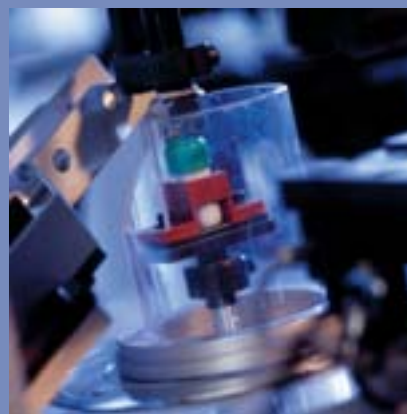
In both divisions the US dollar's unexpected weakness did not pass unnoticed. A major part of the Group's dental business is conducted in the dollar area. In the Industrial Applications Division, virtually all aviation and space travel operations are invoiced in dollars. During the year under review, the greenback lost about 11% of its value against the Swiss franc.

Unexpected cumulation of problems

Apart from exchange-related effects, sales also suffered from an accumulation of negative developments which were either surprising in terms of sheer scale or completely unforeseeable. In Asia, for example, which is an important market for Gurit Fiber Technology, the SARS lung epidemic brought sales during the second and third quarters to a virtual standstill. Unexpected problems also arose in the medical sector, where an expansion of production and capacity discussed with customers proved to have been too optimistic and too early. At the same time, the costs involved in the organizational and geographical amalgamation of dental operations in North America and, to a lesser degree, in Europe, had been underestimated. These drains on Group resources are clearly of a temporary nature and should soon result in more efficiency.

Comfortable balance sheet ratios

The balance sheet remained solid. Even if the sum total of all the goodwill listed in the balance sheet, the value of which is undisputed, were set off against equity, the latter would still account for 45.3%. Shareholders' equity amounted to CHF 452.2 million at the end of the year. Reflecting the increased total of assets, the equity ratio fell from 67.6% last year to 63.7% this year.



Strategic Group report

Solid growth prospects

Gurit expects clear increases in sales and profitability in the future. The driving force for further growth is the solidly based industrial platform, which has been consolidated and is now geared to high-growth markets.

Gurit Composite Technologies has a comprehensive technology basis that has made it the leading materials supplier for numerous areas of application in its markets. Wind power has proved itself to be a competitively priced form of renewable energy and will be pushed strongly in the future. Merely to achieve the EU's target of drawing 10% of its energy from renewable sources by 2010 means that growth rates in this area will be over 20% in the years ahead. The signs are also set for growth in other composite markets.

Gurit Fiber Technology and its technologically advanced key components today cover practically the entire value-added chain in the fiber industry from extruders to bobbins. The speed and significance of the sector's innovative thrust combined with its worldwide marketing have secured this position for a long time to come.

Gurit Medical Business has made good use of its multi-technology solutions approach to establish itself as an important manufacturer and development/production partner for plastic products used in medical, diagnostic and pharmaceutical operations.

Gurit Dental Care is a one-stop shop offering a full range of dental treatment products and has a reputation as a precursor in aesthetic dental restorations. It has an extensive worldwide distribution network.

In addition to these advantages, expansion generates other benefits such as synergetic effects and economies of scale, flexible production capacities as well as more efficient distribution structures, greater innovative strength and, last but not least, the improved ability to open up new markets. All these factors will contribute to future growth in sales and profitability.

High innovative strength

In the course of the past year, Gurit invested significant sums in research and development in all divisions. For customers, genuine innovations represent answers to open questions and Gurit-Heberlein Group companies launched numerous new developments on the mar-

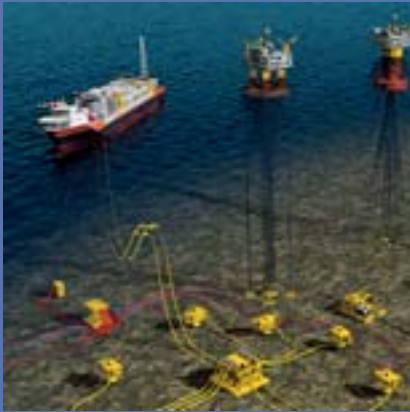


ket. Across the entire Group, a good 3% of sales was invested in research and development. Other significant investments in fixed assets during the year under review applied mainly to property, plant and equipment amounting to CHF 41.8 million.

Of top priority in 2003 was the amalgamation of traditional activities with those new to the Group. Significant milestones in this process are described in greater detail in the individual division reports.

At Group level, operative and organizational integration as well as the internal transfer of know-how were all important but special attention was given to making Gurit-Heberlein's new structure and strategy transparent and understandable for everyone involved internally and externally. The wait-and-see attitude adopted by parts of the financial world towards the Group when its new direction was introduced has since given way to a genuine and profound interest. Gurit-Heberlein AG stock is the subject of regular comment by numerous financial analysts.

The new financial year has begun quite successfully and there is an unmistakeable, if restrained, sense of economic recovery in some areas in the air. However, customers in many markets have drastically reduced their order cycles and the resulting lack of transparency has made it difficult to produce any reliable assessment of the future. If the economic recovery should prove sustainable, Gurit could well post sales in the region of CHF 600 million and a respective earnings increase during the current year.



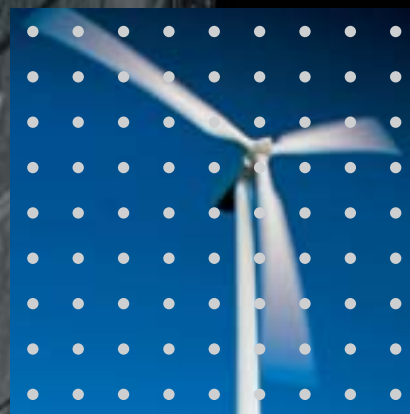
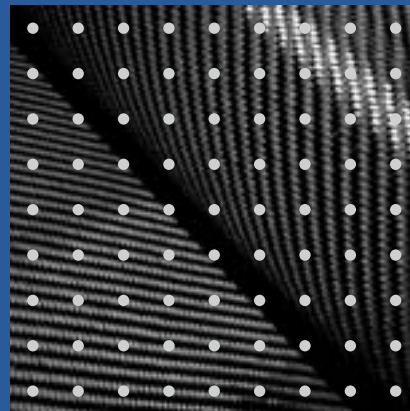
Industrial Applications

In 2003 the Industrial Applications Division posted sales of CHF 300.9 million, a 68% increase. This was the first full year's consolidation for acquisitions made in 2002. New acquisitions were made in both sectors – Gurit Composite Technologies and Gurit Fiber Technology – and Gurit further consolidated its position as a leading market player and technological innovator. Profitability will be further improved by integrating production facilities and coordinating procurement, development and marketing activities. After an unsatisfactory result in the previous year, operating profit rose to CHF 19.1 million but with an EBIT margin of 6.4% failed to reach the 10% targeted.

Gurit Composite Technologies is one of the leading international suppliers in the rapidly expanding advanced composites market. Compared with the 2002, sales in this sector almost doubled. The lion's share of this can be attributed to UK-based SP Systems, which was fully consolidated for the first time last year. The amalgamation of the companies acquired during the past two years has substantially strengthened the technological and production basis and generated a high level of regard in our target markets.

Using synergies for growth

Project groups made up of representatives from several Group companies work closely to develop new products and open up new markets. The level of coordination now possible across the entire Group has also opened up new synergies in the purchasing of raw materials and in capacity utilization, which will be used more effectively and selectively in the future. Since late summer, some production runs successfully at affiliated companies. In the course of 2003, newly completed factories, completely reorganized production processes or extended



“The Group will remain
on course for growth
in the years ahead.”



Industrial Applications

facilities went on stream in Spain, Germany, and Switzerland.

Opening up the North American market

Following the takeover of the assets of ATC Chemicals in Canada in the summer of 2003, Gurit now has its own structural core production facilities. This plant will provide a basis for Gurit Composite Technologies to make significant progress in this region. The addition of Core-Cell® to the broad product range further strengthens the Group's position as a strategic supply partner to major wind energy customers, and offers tangible benefits over incumbent core suppliers.

Strong position in the wind power market

A process of international consolidation is beginning to take place in the wind power systems sector. Several smaller producers have already exited the market while the merger between the industry leader Vestas and the number three, NEG Micon, will likely have an effect on other large-scale manufacturers. These changes have also brought new challenges for suppliers. Factors such as the ability to guarantee capacity as and when required, mutually compatible product systems, contractually agreed, long-term delivery conditions and the cross-border procurement channels preferred by some companies call for a certain minimum scale.

Gurit meets all these criteria and has cemented its position by broadening its supply base through increased plant qualification and new products. Apart from this, Gurit Composite Technologies is also benefiting from a clear trend towards the use of carbon preregs in the manufacture of wind generators. This is a technology which the Group's British subsidiary, SP, has been using in its marine business for years. Today, four of the world's five leading manufacturers of wind power systems obtain a wide range of pre-impregnated preregs, structural core, bonding systems, infusion resins and gel coats from SP. In addition to this, application technicians work closely with customers on their development work.

According to estimates within the industry, growth rates in the wind energy market will remain well double digit in the years ahead. The EU's target alone, which involves obtaining 10% of its power from renewable sources by 2010, implies growth of at least 20%. These sustained levels of growth are guaranteed at political level by

official government programs to strengthen the use of alternative energy sources.

High-tech materials in one-off and production boats

SP Systems has given Gurit a prominent position in boat and shipbuilding. Many of the high performance yachts taking part in the Volvo Ocean Race or the America's Cup use SP materials and technology in their hull, deck and spar structures. 2003 saw the launch of Mari Cha IV, a one-off race yacht, which was engineered by SP, and which impressively set a new transatlantic record in December. While there were very few large-scale build programs during 2003, due to a gap in the "grand prix" sailing schedule, Gurit Composite Technologies' marine business grew. One of the reasons for growth in this sector is the increasing use of high-performance materials, formerly considered expensive and high-tech, in the construction of top series-produced yachts. The Shipman 50, for instance, which took the 2003 European Yacht of the Year award, is manufactured using SP's tough, lightweight material SPRINT®.

Aviation business remains surprisingly stable

Despite the sagging economy and the crisis of the airline business, demand from the aviation and space flight industries for components has remained encouragingly stable. The decisive factor here was the market success of the European Airbus consortium, which has outstripped the American competition. Compared with earlier models, the new aircraft use significantly higher proportions of composites. The interior of the wide-bodied, double-decker A380 from Airbus, which is due for delivery in 2006, requires 18 times the amount of composites as a single-aisle aircraft.

With these developments in mind, the Stesalit subsidiary has considerably expanded its capacity at its production facility in Kassel, Germany, where testing of materials for use in the A380 is currently under way. The Group's status as a single-source supplier of certain materials used in aircraft interiors together with the long-term time frame of supply agreements for existing and new models play a major role in securing future sales.

Although Gurit Composite Technologies mainly supplies the European aviation and space flight industries, it

still felt the effects of a weak dollar. This is because also European aerospace transactions are traditionally conducted in US dollars.

A glimpse of distant worlds

In the course of 2003, the so called APEX radio telescope antenna was erected in the Chilean Atacama desert. The Atacama *Pathfinder EX*periment serves as pathfinder installation for the ALMA astronomy project. The material used in the 24 girder sections, on which the mirrors are mounted, is produced by Gurit. Night and day-time temperatures in the Andes fluctuate widely, so the extreme precision required by the project posed a very special kind of challenge. ALMA, jointly financed by Europe and North America, is the largest land-based astronomy project foreseen for the next decade. 64 antennae, all working in the millimetre and submillimetre-wavelength bands, will one day form a single astronomic instrument that will make signals from the optically dark area of the universe "visible".

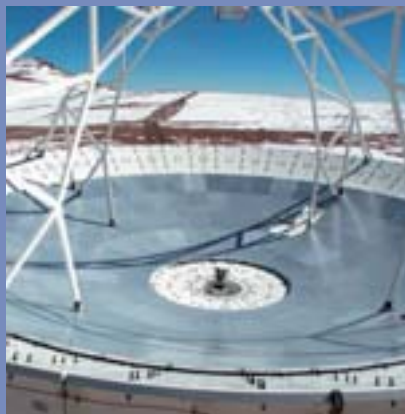
Working on the cars of tomorrow

In 2003, several top-bracket cars, such as the Ferrari Enzo, Porsche Carrera GT, Mercedes McLaren SLR and Lamborghini Murcielago, had their European roll-outs. Supercars like these have a pioneering role to play in automotive construction as they trial new materials and technologies, such as composites, which may eventually be used in larger scale production runs. However, the trend for performance variants of higher volume cars can already be seen, and the technology opportunity is to supply the materials used in the latest supercars to a wider base of manufacturers, who may produce up to 2000 cars of a particular model.

Gurit Composite Technologies strategically values its relationships with automotive OEMs, and is working on a number of qualification programs, the first complete one of which is a program of 3500 cars. A firm relationship has been established with MG Sport & Racing, who use SPRINT® material and technology for its XPower range, and a contract has been signed by SP to supply materials for the first 1000 cars.

Opening up other markets

Advanced composites are currently replacing metals in engineering, construction or oil production because they help reduce weight and open up virtually unlimited design opportunities. Cooperation with Sika in the field



Industrial Applications

of reinforcement straps used in the reinforcement or renovation of large constructions such as bridges or wide-span ceilings has led to an increase in sales, and further progress has been made on a number of promising projects in the oil and gas production industries.

Nowadays, new, tappable oil deposits are found further and further out at sea. With conventional steel tubing, it is not possible to go down to depths of up to three kilometres from a floating platform, which is why drastic weight reductions are needed here, too. The main requirement in this industry is for risers made of thermoplastic composites, through which the oil can be pumped from the sea bed to platforms or tankers. Composite materials lend themselves to the production of pipes that can be wound and unwound as needed, go down to enormous depths, withstand temperatures of up to 300°C and even have wider diameters than steel pipes.

Winter sports in the consumer trap

The winter sports business remains difficult. In the market, there are considerable overcapacities. The big snow-board and carving ski boom is over, with many consumers having been forced to cut their spending on leisure time and sporting activities. Skiing is a traditional sport and has been exposed to increasing competition from a continuous stream of newer sport activities. Estimates in the industry now suggest that one skier in five – or even four – prefers to rent his skis today than buy them. Thanks to a tough cost management Gurit Composite Technologies was able to successfully maintain its position in this market.

A complete product range for the multi-stage fiber industry

Sales in the Gurit Fiber Technology Division grew solidly, not least thanks to the acquisition of German competitor Wetzel, Gröbzig. Despite the present difficulty of the economic climate, this area has lost none of its long-term attraction and was resolutely expanded. Further growth in the fiber technology sector was achieved with the acquisition of Wetzel, Gröbzig, effective in October 2003, the foundation of a Group-owned subsidiary in the polymer filtration sector and the conclusion of takeover negotiations for Swiss-based Electrotex with effect from January 1, 2004. Integration of Wetzel has made Enka tecnica the world's top producer of standard-size and large spinnerets; in other words, the components used for the melt spinning of polymers.

The foundation of a subsidiary, Enka tecnica Filtration marked the Group's entry in the polymer filtration stage of the production process.

From the beginning of 2004, the Group consolidated and increased its expertise in the monitoring of spinning and texturing processes with the takeover of Swiss-based Electrotex. As a result of these technological advances, Gurit Fiber Technology now supplies industry-leading key components at the forefront of the market for every value-added stage in synthetic yarn production.



Market shifts towards Asia

Gurit Fiber Technology's main market has seen a further shift towards Asia and the distribution network in the region has been expanded. During the first half of the year, China in particular invested in new spinning mills and texturing machines. In the spinning sector the main success has been spinpacks for bicomponent yarns. These permit special properties of different types of polymers to be combined directly in the spinning process.



Sales in America and Europe have been generally hesitant. Towards mid-year, business in Asia likewise hit a poor patch, and in the wake of the SARS crisis and the weakness in the dollar, business ground to a virtual halt. A certain reluctance to invest in new equipment was probably also due to the ITMA textile machinery fair, which is held every four years. Before placing new orders, buyers tend to wait to see what innovations are presented at ITMA.



At the ITMA fair Gurit Fiber Technology had another opportunity to demonstrate its innovative strength and technological prowess. No fewer than twelve new or significantly upgraded products were unveiled to the public. Heberlein, for instance, presented an innovative jet concept with a rotating jet core for use in Taslan® air texturing which in some cases has trebled running time between cleaning cycles. Another world-first came in the form of the first two-piece ceramic jet core, which is much cheaper to manufacture and translates into significantly lower prices for the customer. Sophisticated technical improvements (key operated jet plate change, bayonet socket in place of the screw-in type) have also increased user-friendliness and consolidated the leading market position of traditionally successful models such as the SlideJet™ and HemaJet® air texturing jet.



Enka tecnica also presented its new process sensors Fraytec MV and ET Tangletec and a new polymer filtration system.

Health Care

The Health Care Division closed the year with a 2% decrease in sales to CHF 203.1 million. This meant that both the dental and medical sectors failed to meet expectations. After a run of extremely successful years, several negative, exceptional factors brought the Division's contribution to the Group result down drastically. Regardless of this, however, the companies were able to consolidate their market positions and look toward the future with confidence.

After the acquisitions of recent years, made with expansion in mind, the main focus in the Gurit Dental Care sector was on integrating all activities in new, forward-looking organizational and market structures. Companies have been regrouped, both in Europe and in North America. In Europe, production, distribution and management of the German and Swiss operations have been brought together under joint, lean management in two locations: in Switzerland these are Altstätten and nearby Rüthi, and in Germany Langenau. This has eliminated duplication of certain activities but has also facilitated cooperation in other important areas such as research and development or certain staff functions.

Underestimated side-effects of the move
In terms of geographical integration Gurit Dental Care went even a step further in North America. Here, all existing production facilities were brought together under a single roof in Akron, Ohio. Apart from its facilities in Mahwah, New Jersey, and Ivyland, Pennsylvania, Coltène/Whaledent had been running an operation in this area for several years at Tallmadge, Ohio. While the construction of the new manufacturing and logistics facilities went ahead as planned, the recruitment of suitable staff and the seamless transfer of production know-how created problems on a much greater scale. Ultimately – despite the Americans' reputation for mobility – fewer



“Strengthening international positions creates the foundations for future success.”



Health Care

employees were prepared to move to Akron than initially assumed and individuals with crucial know-how had to be given additional incentives to move. Passing on the necessary expertise to a total of 250 new employees posed the company unexpected problems. New members of staff had to be trained on the job by those leaving the company, either at the old location or at the new one, which temporarily led to expensive duplication of jobs, production downtime and additional operating costs not only on the first half but also for the second half of 2003. These teething troubles have been surmounted and from now on Gurit Dental Care will start to profit from the increased efficiency made possible by the modern infrastructure in Akron.

In connection with the move to the US and reorganization in Europe, distribution structures also underwent change. From now on, trading partners on both sides of the Atlantic can take advantage of a full range of products manufactured either in Europe or America and delivered from central depots in each of the two regions. The fact that the entire range of dental treatment needs is now covered by products from the Coltène/Whaledent Group manifests itself in distribution. The all-inclusive approach is reflected in a newly designed catalogue, valid worldwide, which organizes products in terms of symptoms and treatments for different customer groups, such as dental surgeons, dental laboratories and trading partners.

Sales documentation apart, Coltène/Whaledent is also opening up new paths in other areas. As a pioneer in the field of aesthetic dentistry, the company has consciously adopted the role of active knowledge broker. At the end of 2002, a first international symposium addressing trends in modern dentistry, and organized entirely by the company, was a big success and had a positive effect on customer relations in the year under review. The second event in the series is to be held in the spring of this year and, like the first one, will feature a number of top-ranking international speakers.

Economy slows sales

The economic situation during the year under review in both of the dental sector's main markets, the US and Germany, was hardly encouraging. In the US, the process of axing traditional forms of employment, uninterrupted for almost two years now, was reflected in falling demand for dental treatment. In the past, jobs in industry have



usually come with generous health insurance packages; these are virtually unknown in the low-entry-threshold jobs currently being created in the service industry. On balance, insurance coverage for dental treatment in the US has worsened noticeably, with the result that certain treatments are now either being postponed or reduced to the medically acceptable minimum. In South America the difficult economic situation pushed sales in the dental sector of certain important national markets down considerably. To cap it all, the weakness of the dollar had another negative effect on sales.

In Germany, the effects of health reforms that are now being implemented and generally cautious consumer sentiment depressed market growth. Reduced state insurance coverage in the health sector in Germany is one of the main reasons for stagnation in the market. From now on only basic treatments will be covered by patients' health insurance; those requiring anything more elaborate increasingly have to pay for it themselves. While sales in Germany remained at just about the same level as the previous year, Coltène/Whaledent chalked up successes and acquired new market shares in the rest of western Europe, in southern and eastern Europe and, last but not least, in several non-European export markets.

Further expansion for Gurit Medical Business

Gurit Medical Business was unable to repeat its success of the previous year, with both sales and earnings falling below expectations. This disappointing result was due firstly to depressed economic growth and secondly to unrelenting pressure on costs in the health services. Apart from these two factors, several exceptional events also took their toll on results.

Sales of the respiratory products manufactured and distributed under the company's own Medisize brand progressed well and market shares in Europe were increased. Operations in the US were also very satisfactory: the company's American distributor, King Systems, made first-time sales of the Medisize product range to numerous hospitals and pushed up sales impressively in the process.

In addition, the international production and distribution rights for the HME Booster® previously manufactured under licence, are now owned by Medisize. This means that Medisize will now be able to extend a range of convenience models that are unique on the market. Last but not least, the manufacture of particularly labour-intensive products in the Czech Republic began running smoothly during the year under review.

Using distribution synergies

A main focus of attention in 2003 was the strengthening of the Group's distribution activities, with the emphasis, of course, on its own respiratory products in Europe. Gurit Medical Business rounds off its own range with other selected products. Such wide coverage of the market is proving to be an increasingly important argument in the finalization of new distribution agreements. New additions to the trading companies' range in 2003 included special products for non-invasive respiratory technology, thorax drainage and neurosurgery. In Germany and the Benelux pressure on health care budgets increased noticeably during the last few months of the year, with the result that inventory replenishment, which is a traditional way of using up any remaining budget before year-end, was practically non-existent.

The OEM medical products sector remained stubbornly below budget. Apart from the general economic malaise, price wars, consolidation and legal complications affecting customers delayed or obstructed a number of individual



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products. In the medical sector, the implementation of a project from the original idea, through test phases and all the way to launch, generally takes up to two years and more. Whether and how quickly new projects will actually result in series production always involves a degree of uncertainty. In the case of one major customer, for example, capacity was expanded and scheduled in the course of 2002 but was then only partially used during the year under review. The customer was unable to launch a new product, for which Medisize was supplying important components, as quickly as planned, with the result that orders were reduced and existing stocks at the client first had to be used up. Cooperation with other major customers, on the other hand, went according to plan. The ongoing weakness of the dollar turned out to be disadvantageous for developments in the OEM disposable medical products sector, with margins on products sold in the US coming under significant pressure.

Medisize managed to finalize new production agreements with several well-known customers. The company will in future be manufacturing special catheters for cancer treatment under strict clean room conditions. Nucletron, a member of the Dutch Delft Instruments Group, specializes in cancer therapy and is the world's most important supplier of the afterloading brachytherapy systems used in radiation therapy. Brachytherapy is designed to target and treat tumours directly in the body using minimal dose rates. The catheters manufactured by Medisize are used for the interstitial radiation treatment of breast cancer. Depending on the size of the tumour, up to 36 catheters are positioned in the breast to be treated. One of these catheters, both of whose buttons lie on the outer surface of the breast, can be seen at the centre of the illustration opposite. During radiation treatment hollow needles (also shown in the illustration) are fed into these catheters and enable tiny radiation sources to be conducted from an afterloading system to the tumour requiring treatment. Unlike earlier therapies with external radiation sources, which take anything from five to seven weeks, brachytherapy reduces the duration of treatment to five days. Women receiving therapy are treated as out-patients and keep the non-irritating catheter in the breast throughout. Their everyday lives are scarcely affected. Medisize and Nucletron cooperated closely on the development of the COMFORT® Catheter System, which has already received FDA approval. Medisize's contribution to the de-



velopment was largely related to materials, plant and packaging issues but also extended to process development and the ensuing validation. Among other things, manufacture of the catheter system calls for a knowledge of injection moulding, deep-drawing, assembly and packaging.

Extending the technology basis

Gurit Medical Business also made significant progress on organization and production technology-related matters. The manufacturing facilities were amalgamated in a single management structure and clearly divided into two fields of activity: Airway Management (respiratory products) and Development & Manufacturing. Towards the end of the year, both sectors received the benefit of a further production technology: liquid injection moulding (LIM) is similar to thermoplastic injection moulding but is used for the processing of silicone rubber. The new production machines have been installed in the factories in Ireland and the Czech Republic and are used both in the manufacture of respiratory products and OEM operations. In the respiratory products segment, for instance, the LIM process is ideal for the manufacture of the bags used for respiratory training during recuperation as well as for the physical increase of lung capacity in sports training.

Medisize also uses the LIM process to manufacture special liquid silicone tips for the PickPen instruments manufactured by the Finnish company Bio-Nobile OY. These instruments are used in biotechnology to clean and separate cell components like nucleic acid and special proteins. Instead of keeping the required particles in place magnetically and removing the residual liquid by suction, the magnetic PickPens are able to lift the particles directly out of the cellular solution.

Absolute cleanliness is essential and a sterile silicone tip is used for each multi-stage separation process. Medisize supported Bio-Nobile with the development and validation of the new silicone tips and now manufactures them under strict cleanroom conditions.



Corporate Governance

The following chapter describes the principles of corporate governance applied at Group and senior management level within the Gurit-Heberlein 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 Economiesuisse. 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 the Swiss Exchange (SWX). Unless otherwise indicated, all information refers to balance sheet date on December 31, 2003. 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-Heberlein Group is focused on specific segments of the Chemical and Synthetics technology sector. The Group's industrial activities are split into two divisions: Health Care and Industrial Applications. Financial statements are produced for each division. An organizational chart can be found on page 39 of this Report.

1.1.2 Legal structure of subsidiaries

Of all the companies consolidated, Gurit-Heberlein AG (the Gurit-Heberlein Group's holding company) is the only one listed. It is headquartered in Wattwil/SG; Gurit-Heberlein bearer shares (security no. 801223, ISIN CH0008012236, symbol GUR) are quoted on the Swiss stock exchange. Market capitalization on December 31, 2003, amounted to some CHF 402 million. Information about the non-listed companies can be found in the overview on page 49 of the Financial Review.

1.2 Major shareholders

On December 31, 2003, the following shareholders held more than five percent of the voting stock of Gurit-Heberlein AG:

Geha Holding AG, Au/SG: Geha Holding AG holds 220 000 registered shares, which is equivalent to a 33.32% share of voting rights or a 9.4% share of the company's capital. The shares of Geha Holding AG are held indirectly by Hans Huber and his family (announcement in the Schweizerisches Handelsamtsblatt No. 32 of 14 February 2001).

Harris Associates L. P., The Oakmark Funds, Chicago, USA: Harris Associates L. P. holds a total of 32 604 bearer shares, which is equivalent to a 4.94% share of voting rights or a 6.97% share of the company's capital (announcement in the Schweizerisches Handelsamtsblatt No.103 of 31 May 2002).

Franklin Templeton Companies LLC, Fort Lauderdale, USA: The Franklin Templeton Companies LLC has indirect holdings through various funds with Franklin Templeton Investments, Toronto – Edinburgh – Hong Kong, Templeton Asset Management, Singapore, and Templeton Investment Counsel, Fort Lauderdale, totalling 33 219 bearer shares, which is equivalent to a 5.03% share of voting rights or a 7.1% share of the company's capital (announcement in the Schweizerisches Handelsamtsblatt No. 94 of 19 May 2003).

1.3 Cross-shareholding

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

2 Capital structure

Most information about the capital structure can be found in Gurit-Heberlein AG's statutes, in the Financial Review and the Statements on Gurit-Heberlein AG as well as in the Investor Relations section on page 68 of this report. The statutes are available on the website www.gurit.com.

2.1 Capital

Details of the capital are included in the appendix to Gurit-Heberlein AG's financial statements on page 64.

2.2 Authorized or contingent capital in particular

Gurit-Heberlein AG has no authorized or contingent capital.

2.3 Changes in capital

In the past three years (1 January 2001 to 31 December 2003), the following changes have been made to capital:

in CHF 1000

Position 31.12. 2001 Position 31.12. 2002 Position 31.12. 2003

Share capital

CHF 44 148 000	CHF 46 800 000 ¹⁾	CHF 46 800 000
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General reserves

CHF 22 074 000	CHF 23 400 000	CHF 23 400 000
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Treasury stock reserves

CHF 8 852 332	CHF 8 731 529	CHF 5 391 159
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Other reserves

CHF 16 646 074	CHF 44 082 477	CHF 47 422 847
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Net result

CHF 82 281 982	CHF 81 701 115	CHF 85 818 051
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Total

CHF 174 002 388	CHF 204 715 121	CHF 208 832 057
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¹⁾ Capital increase of September 3, 2002, in the context of the takeover of SP Group.

2.4 Shares and participation certificates

The company's share capital consists of 240 000 registered shares at par CHF 20 and 420 000 bearer shares at par CHF 100. 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-Heberlein AG has not issued any participation certificates.

2.5 Profit-sharing certificates

Gurit-Heberlein 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 has 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-Heberlein AG has no outstanding convertible bonds. Details of the options held by members of the Board of Directors and Group Management can be found under 5.6 on page 31. Gurit-Heberlein AG has no options outstanding to members of staff which, if exercised, would require delivery from contingent capital.

3 Board of Directors

On 31 December 2003, the Board of Directors of Gurit-Heberlein AG consisted of seven 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:

Robert Heberlein

Chairman

LLD, attorney-at-law; Swiss citizen, 63

Non-executive member

Professional background (main stages):

Since 1977 partner, Lenz & Staehelin, Zurich

Other important activities and vested interests:

Chairman of the Board of Directors

of Bank am Bellevue, Zurich

Member of the Board of Directors of Geberit AG, Jona

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Paul Hälg

Member of the Board of Directors
Doctorate in chemistry, Swiss citizen, 50
Non-executive member

Professional background (main stages):

1986–2001 CEO, Gurit-Essex AG
2001–present day Group Executive Vice President,
Forbo International SA
Appointed CEO of Dätwyler Holding AG, Altdorf

Hans Huber

Member of the Board of Directors
Businessman, Swiss citizen, 77
Non-executive member

Professional background (main stages):

1949–1999 CEO und Chairman of the Board of Directors,
SFS Group, Heerbrugg
1975–1986 Chairman of the Board of Directors,
Heberlein Holding
1991–1997 Member of the Board of Directors,
Swiss National Bank

Other important activities and vested interests:

Chairman of the Board of Directors, Fisba Optik AG,
St. Gallen
Honorary Chairman, SFS Holding AG, Heerbrugg
Honorary Chairman, Hans Huber Foundation

Nick Huber

Member of the Board of Directors
Businessman, Swiss citizen, 40
Non-executive member

Professional background (main stages):

1988–1990 Account Manager,
Computer Associates AG (CA)
1990–1995 Account Manager, IBM (Schweiz) AG
1995–present day Divisional Head, SFS Unimarket AG

Other important activities and vested interests:

Chairman of the Board of Directors, Inac AG
Chairman, SFS Zehndtfield AG
Member of the Board of Directors, Alpha Rheintal Bank
Member of the Board of Directors, Ferronorm AG

Walter Känel

Member of the Board of Directors
lic. oec. HSG et Dr. rer. pol.
Swiss citizen, 69
Non-executive member

Professional background (main stages):

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

Paul J. Rudling

Member of the Board of Directors
Entrepreneur, British citizen, 54
Executive member

Professional background (main stages):

1978 Founder and CEO of SP Group
2002 CEO of Gurit Composite Technologies

Moritz Suter

Member of the Board of Directors
Entrepreneur, Swiss citizen, 61
Non-executive member

Professional background (main stages):

Pilot, Founder and CEO of Crossair AG

Other important activities and vested interests:

Member of the Board of Directors,
Hotel Victoria Jungfrau AG, Interlaken
Member of the Board of Directors,
Hotel Suvretta House AG, St. Moritz
Member of the Board of Directors,
Zürichsee-Medien AG, Stäfa
Member of Bank Intesa BCI
Member of the Board of Directors, Bank Berenger
Member of the Board of Directors, Crossair Europe
Member of the Board of the Fondation en Faveur
du Croix Rouge, Genf

3.3 Cross-involvement

At present there is no cross-involvement between the Board of Directors of Gurit-Heberlein AG and other listed companies.

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. The term of members elected during the Board's term of office ends with that of the Board (total renewal principle). There is no limit to the period of office or age of members of the Board of Directors.

Member of the Board of Directors

Name	Born	Position in BD	Election to BD	Elected until AGM
Robert Heberlein	1941	President	22.11.1984	GM 2005
Dr. Paul Hälg	1954	Member	14.06.2001	GM 2005
Hans Huber ¹⁾	1927	Member	22.11.1984	GM 2005
Nick Huber	1964	Member	15.06.1995	GM 2005
Dr. Walter Känel	1935	Member	22.11.1984	GM 2005
Paul J. Rudling	1950	Member	03.09.2002	GM 2005
Moritz Suter ¹⁾	1943	Member	22.11.1984	GM 2005

¹⁾ H. Huber and M. Suter will resign effective GM 2004.

3.5 Internal organization

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors has overall charge of the company and is responsible for supervision of Group Management. It represents the company to the outside world and takes care of all matters which are not delegated by law, statute or regulation to another body or Group Management.

The Board of Directors' main duties are as follows:

- to formulate general Group policy and the industrial concept behind the Group as a whole
- to acquire and sell associated companies and/or found and liquidate companies in which the Group has interests in cases where the capital involved exceeds CHF 5 000 000 or which would entail the beginning of a new business activity or the relinquishment of an existing one
- to define the Group's financial strategy
- to determine accounting, financial control and financial planning

- to define the Group's organizational structure
- to appoint Group Management
- to approve the Annual Report to shareholders and propose motions to the General Meeting.

To assist it in its work, the Board of Directors has set up a permanent committee. Board member Dr. Paul Hälg has been assigned the task of supervising the external auditors, the internal controlling system and the Group's Financial Statements. Ad hoc committees may be established to deal with specific projects or issues of a temporary nature. The Board of Directors has also charged Group Management with operative running of the company's affairs under the chairmanship of the Chief Executive Officer.

The Chairman presides over the Board of Directors.

In the event of his being unable to do so, his duties are performed by another member to be nominated by the Board of Directors

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

Executive Board Committee

The Executive Board Committee consists of Robert Heberlein, Hans Huber and Dr. Walter Känel.

The Executive Board Committee assists the Board of Directors in its supervisory duties, supports Group Management and prepares the business of the Board of Directors. More specifically, the Committee has the following tasks and duties to perform:

- to prepare detailed information about individual divisional companies, their current position and their future prospects
- to receive monthly reports from Group Management about operations and the Group's financial development
- to take cognizance of the reports of divisional companies and their annual financial statements
- to define the conditions of employment for the Chief Executive Officer
- to approve appointments to extended Group Management and the heads of the most important divisional companies
- to approve the remuneration paid to senior management staff
- to approve real estate transactions exceeding CHF 1 000 000 in value.

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Audit controller

The Board of Directors has assigned Dr. Paul Hälg to carry out the following duties:

- to monitor the external auditors (statutory and Group auditors) and internal auditors and the ways in which they liaise
- to test the effectiveness of the internal controlling system and draw up proposals for a possible restructuring of this area
- to subject individual and Group accounts to critical inspection and to inform the Board of Directors whether these can be presented to the General Meeting for approval.

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors meets annually for four ordinary, mainly one-day meetings. Extraordinary meetings may be held as necessary. Every member of the Board is entitled to call for an immediate meeting on condition that he names its purpose.

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 decisionmaking 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 votes taken during deliberations.

3.6 Definition of areas of responsibility

The areas of responsibility between the Board of Directors and Group Management are defined in Gurit-Heberlein AG's organizational regulations. Executive control of the Group and, with it, operational management of the entire Group is, as far as permissible by law, delegated to Group Management. Apart from decisions which, according to Art. 716a of the Swiss Code of Obligations, are part of its infeasible and non-transferable duties, the Board of Directors has reserved for itself the duties listed under 3.5.1.

Information and control instruments vis-à-vis Group Management

As a rule, Group Management updates the Board of Directors 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 31 December 2003, Gurit-Heberlein AG's Group Management consisted of the CEO, the CFO and the full-time heads of the various business units (a total of seven 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:

Rudolf Wehrli

Chief Executive Officer of the Gurit-Heberlein Group
Dr. phil et Dr. theol., Swiss citizen, 54

Professional background (main stages):

1979–1983 Management consultant, McKinsey Schweiz
1984–1985 Directorate Credit Suisse, Zurich
1986–1995 Head of marketing and sales and member of executive management, Silent Gliss Group, Bern
1995–1998 member of Group Management, Gurit-Heberlein Group
Since 1998 COO, since 2000 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.

Peter Lieberherr

Chief Financial Officer of the Gurit-Heberlein Group
Chartered accountant and controller, Swiss citizen, 57

Professional background (main stages):

1973–1984 Various functions in the Group finances of the Gurit-Heberlein Group
Since 1984 Chief Financial Officer, Gurit-Heberlein Group

Other important activities and vested interests:

Member of the Board of Directors, Buchdruckerei Wattwil
Member of the Board of Directors, SRB Holding AG
Member of the Board of Directors, Heberlein Textil AG

Willem van den Bruinhorst

Chief Executive Officer of Gurit Medical Business,
Managing Director of the Medisize Group
Dutch citizen, 45

Professional background (main stages):

1980–1987 Shipbuilding engineer, Smit Lloyd bv, Rotterdam NL
1987–1990 Project engineer, Royal Van Leer Packaging, Mijdrecht, NL
1990–1995 Plant Manager, Medisize bv, Hillegom, NL
1995–1997 Technical Director, Medisize bv, Hillegom, NL
1997–present day Managing Director, Medisize bv, Hillegom, NL
2002–present day CEO Gurit Medical Business beheer bv, Hillegom, NL

Jerry Sullivan

Chief Executive Officer Gurit Dental Care, Managing Director Coltène/Whaledent Inc.
American citizen, 59

Professional background (main stages):

1981–1992 President and CEO, Whaledent International
1992–2002 Managing Director, Coltène/Whaledent Inc.
2003–present day CEO, Gurit Dental Care

Heinz Michel

Chief Executive Officer of Heberlein Fiber Technology
Swiss citizen, 51

Professional background (main stages):

1973–1977 Various functions in Heberlein Maschinenfabrik AG, Wattwil
1977–1982 Heberlein do Brasil, São Paulo, BR
1982–1995 Sales/Head of Sales Heberlein Fiber Technology AG, Wattwil
1995–today Managing Director and CEO at Heberlein Fiber Technology AG, Wattwil
Since 1995 CEO, Gurit Fiber Technology

Martin Lütschg

Chief Operating Officer, Gurit Composite Technologies
dipl. Ing. ETH and dipl. NDS ETH, Swiss citizen, 47

Professional background (main stages):

1984–1991 Head of department, process technology, EMS-Inventa AG
1991–1995 Project manager, Rieter Management AG
1995–1997 Postgraduate studies, NDS ETHZ
1997–2002 Managing Director, IMS Group
2002–present day COO Gurit Composite Technologies

Paul J. Rudling

Chief Executive Officer Gurit Composite Technologies,
Managing Director Structural Polymer Group,
Member of the Board of Directors
British citizen, 54

Professional background (main stages):

1978 Founder and CEO of SP Group
2002 CEO of Gurit Composite Technologies

Corporate Governance

4.3 Management contracts

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

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 sum is set down in regulations that are reviewed from time to time by the Board.

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

A supplementary pension scheme also exists for members of Group Management which, together with the state-run pension and statutory company pension schemes, provides for a pension amounting to a maximum of 60% of the recipient's insured annual salary. The maximum insurable annual salary is limited to CHF 300 000 and at least one third of the premiums are financed by the staff themselves.

Finally, there is a management stock participation scheme for members of senior management that entitles them to purchase Gurit-Heberlein bearer shares. Participants in the scheme are entitled to buy a maximum of 25 shares annually with a 20% discount on market price on the appointed day, together with 50 options to buy stock at a later date with a 10% premium on the price on the appointed day. The bearer stock may not be resold for a period of four years. Since the participation scheme is based on existing shares from the Group's own holdings, there is no dilution at the expense of shareholders.

5.2 Remuneration to acting members of governing bodies

The total sum of all remunerations¹⁾ (excluding shares and options²⁾) paid during the year under review was as follows:

- a) to executive members of the Board of Directors and members of Group management a total of CHF 2 648 400.– (7 persons in all); and
- b) to non-executive members of the Board of Directors a total of CHF 360 000 (6 persons in all). The highest remuneration paid to a non-executive member of the board was CHF 72 000.–.

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

²⁾ Shares and options are separately shown under point 5.4 and 5.6.

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.

5.4 Share allotment in the year under review

During the year under review shares were allotted to the various groups in the amounts shown below:

- a) to executive members of the Board of Directors and members of Group management and parties closely linked to them 650 bearer shares at par CHF 100; and
- b) to non-executive members of the Board of Directors and parties closely linked to them no registered shares at par CHF 20 and no bearer shares at par CHF 100.

5.5 Share ownership

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

- a) executive members of the Board of Directors and members of Group Management and parties closely linked to them as well as the most senior Group Management staff members: 50 registered shares at par CHF 20 and 14 419 bearer shares at par CHF 100; and
- b) non-executive members of the Board of Directors and parties closely linked to them: 239 555 registered shares at par CHF 20 and 12 135 bearer shares at par CHF 100

5.6 Options

On the reference date the various groups held the following amounts of options on bearer shares of Gurit-Heberlein AG:

- a) executive members of the Board of Directors and members of Group Management and parties closely linked to them as well as most senior Group Management staff members:

Issue Year	No. of options	Exercise price (CHF)	Exercise period	Maturity
1999	42	577.–	2001–2006	1.4.2006
2000	640	880.–	2002–2007	1.4.2007
2001	766	1 638.–	2003–2008	1.4.2008
2002	1 124	1 260.–	2004–2009	1.4.2009
2003	1 200	680.–	2009–2010	1.4.2010
Total	3 772			

- b) Non-executive members of the Board of Directors and parties closely linked to them held no options.

5.7 Additional fees and payments

Lenz & Staehelin, Attorneys-at-Law, in which Robert Heberlein, Chairman of the Board of Directors, is a partner, presented Gurit-Heberlein AG or its Group companies with invoices totalling approximately CHF 61 500 for legal advisory services during the year under review.

5.8 Loans to governing bodies

No loans, securities, advances or credit 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 366 000.–.

6 Shareholders' participation rights

Details of shareholders' participation rights can be found in the statutes of Gurit-Heberlein 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 laid down by law.

Corporate Governance

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-Heberlein 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 24 March 1995 has been raised to 49% of the total votes.

7.2 Clauses on changes of control

Gurit-Heberlein 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-Heberlein's accountants since 1984 and was appointed auditors in 1994. Kurt Fischer has been lead auditor since 2000.

8.2 Auditing fees

The total sum charged during the year under review by PricewaterhouseCoopers in its capacity as Group auditor amounted to CHF 648 000.

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 512 000.

8.4 Supervisors and control instruments pertaining to the auditors

As explained in section Ziff. 3.5.2., the Board of Directors has assigned Dr. Paul Hälg to monitor the external auditors (statutory and Group auditors). As part of his duties, he also assesses the services and fees charged by the external auditors as well as their independence of the entire Board of Directors.

9 Information policy

Gurit-Heberlein 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

11 Ad hoc publicity

Gurit-Heberlein 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:

April 27, 2004	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
May 27, 2004	General Meeting
End of August 2004	Half-yearly report, shareholders' letter
End of March 2005	Key figures from the annual results for 2004
End of April 2005	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
May 2005	General Meeting
End of August 2005	Half-yearly report, shareholders' letter

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Financial Review

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Divisional results

Chemical and Synthetics Technology

Group Divisions Health Care and Industrial Applications (2000 excl. Gurit-Essex)
(comparable Group result, excl. result from extraordinary factors)

in CHF 1000

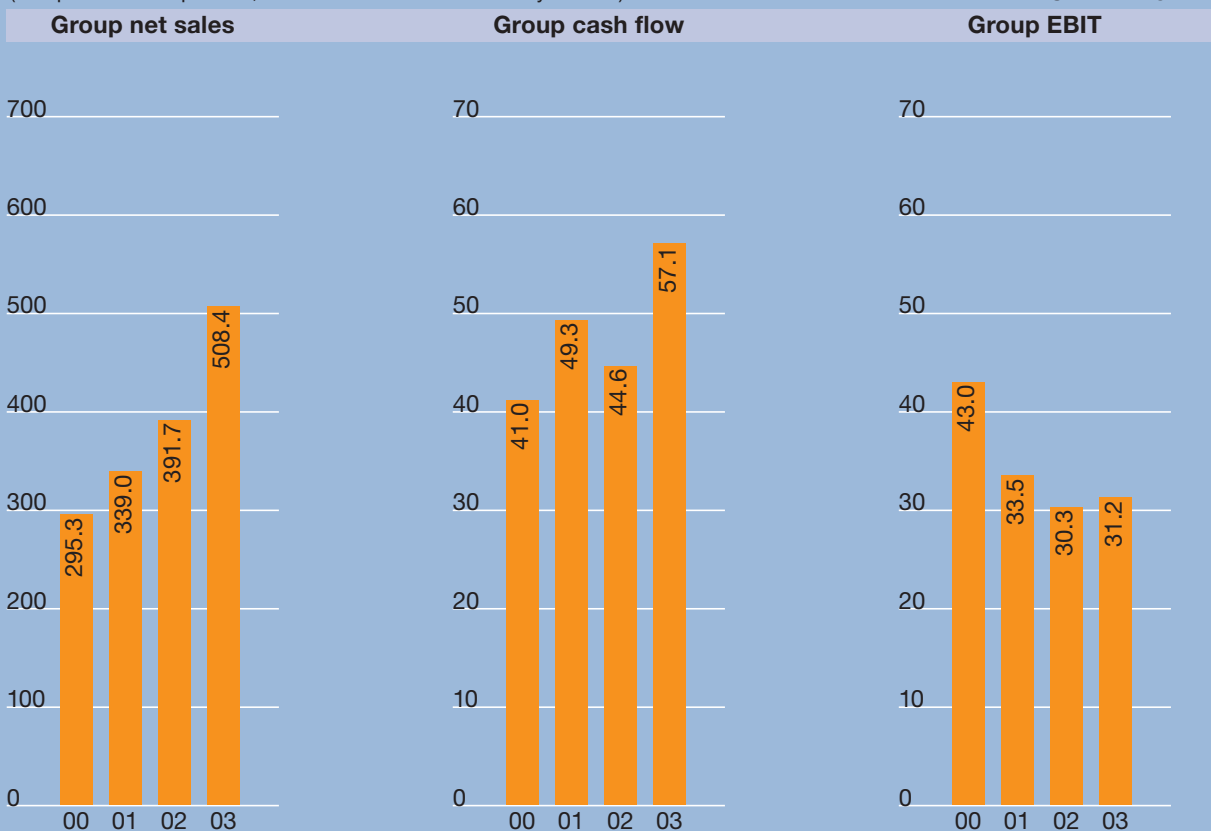
	2003	2002	2001	2000
Net sales	508 436	391 699	339 020	295 276
of which Health Care	203 148	207 143	167 537	152 840
Industrial Applications	300 918	179 613	165 829	134 949
Others/Consolidation	4 370	4 943	5 654	7 487
Cost of goods and materials	-202 381	-142 850	-124 751	-101 439
Personnel expenses	-154 017	-127 951	-110 243	-94 051
Other operating expenses	-48 497	-33 832	-27 638	-23 070
Management and sales expenses	-46 149	-36 977	-32 387	-27 080
Other operating earnings	7 892	4 924	7 246	6 607
Depreciation	-20 376	-16 480	-14 337	-11 688
Amortization of goodwill	-13 664	-8 256	-3 366	-1 569
Operating profit (EBIT)	31 244	30 277	33 544	42 986
of which Health Care	11 823	24 852	19 292	17 126
Industrial Applications	19 106	3 633	13 372	18 943
Others/Consolidation	315	1 792	880	6 917
Financial expenses	-7 725	-9 287	-11 331	-13 250
Financial income	8 619	4 777	15 962	3 447
Profit before tax	32 138	25 767	38 175	33 183
Earning tax	-9 038	-5 951	-6 601	-5 451
Profit after tax	23 100	19 816	31 574	27 732
Minority interests	25	312	-392	-537
Group result (excl. minority interests)	23 125	20 128	31 182	27 195
Consolidated Cash flow	57 140	44 552	49 277	40 989
(Profit after tax + depreciations)				
EOS [Return (EBIT) on Sales]	6.1%	7.7%	9.9%	12.5%
				(adjusted)
RONA [Return (EBIT) on Net Assets]	6.2%	8.7%	n.v.	n.v.
ROE [Return (Profit) on Equity]	5.2%	4.7%	7.6%	n.v.

Four-year Comparison

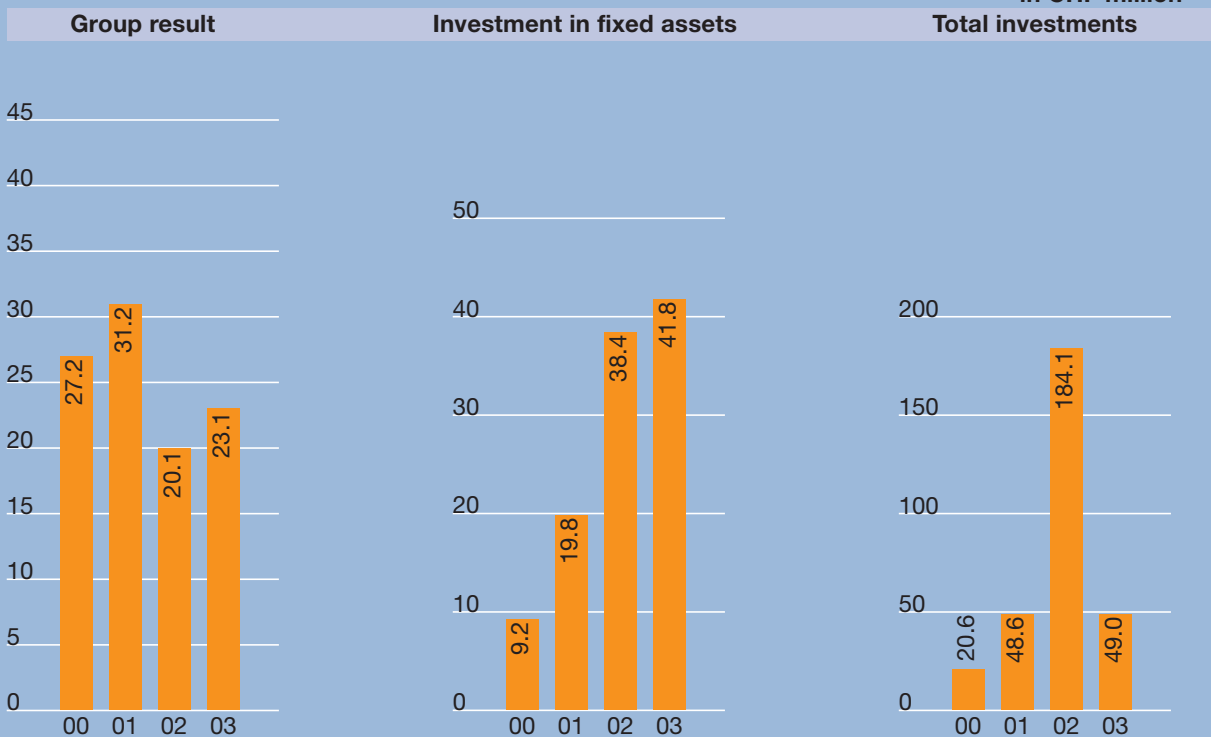
Chemical and Synthetics Technology

Group Divisions Health Care and Industrial Applications (2000 excl. Gurit-Essex)
(comparable Group result, excl. result from extraordinary factors)

in CHF million



in CHF million



Changes in the scope of consolidation since 2000

In 2003, the following changes in the scope of consolidation occurred:

Diatech Dental AG, Heerbrugg CH	merged/integrated in Coltene AG, Altstätten	01.01.2003
SP Systems (Canada) Inc., Magog (Quebec) CA	founded	01.07.2003
ET Filtration sarl, Amarat Shelhoub–Zalka LB	founded	01.07.2003
Medisize Belgium BVBA, Antwerpen BE	founded	01.08.2003
V.O.F., Kapellen BE	acquired	01.08.2003
V.O.F., Kapellen BE	merged/integrated in Medisize Belgium BVBA	30.09.2003
Wetzel GmbH, Gröbzig GER	acquired	01.10.2003

In 2002, the following companies or business units were added to the scope of consolidation:

Coltène/Whaledent GmbH +Co KG, Langenau GER	acquired	01.01.2002
Medisize CZ, Trhové Sviny CZ	founded	01.01.2002
UC Plastics, Sittard NL	acquired	01.01.2002
Stesalit-AIK, Kassel GER	acquired	01.03.2002
Gurit Suprem, Flurlingen CH	founded	01.05.2002
Medisize Donegal HealthCare, Letterkenny IE	acquired	01.07.2002
SP Group, Newport/Isle of Wight GB	acquired	01.09.2002

In 2000/2001, the following changes in the scope of consolidation occurred:

Stesalit AG, Zullwil CH	acquired	01.01.2001
Diatech Dental AG, Heerbrugg CH	acquired	01.01.2001
Enka tecnica GmbH, Heinsberg GER	acquired	01.10.2000

Group Organization



Dr. Rudolf Wehri, CEO Peter Lieberherr, CFO

Health Care Division

Gurit Dental Care

Jerry Sullivan

Coltène/Whaledent Europe/Middle East
Andreas Meldau
Coltène AG
Andreas Meldau
Switzerland
Great Britain
France
Coltène/Whaledent GmbH+ Co. KG
Werner Mannschedel
Germany
Hungary
Coltène/Whaledent Inc.
Jerry Sullivan

Gurit Medical Business

Willem van den Bruinhorst

Medisize Netherlands
Willem van den Bruinhorst
Medisize Ireland
Joe Gilmartin
Medisize Czech Republic
Kees Bos
B+P Germany
Rudi Bruning
Homedica Switzerland
Reto Andreoli

Industrial Applications Division

Gurit Composite Technologies

Paul J. Rudling, CEO
Martin Lüttsch, COO

SP Group
Paul J. Rudling
Great Britain
Spain
New Zealand
Australia
Canada
IMS/Stesalit/Gurit Suprem
Martin Lüttsch
IMS-Group
Frank Heckner
Switzerland
Austria
Germany
France
Stesalit-Group
Arnim Malzahn
Gurit Suprem
Tobias Bolliger
Gurit Worbla
Ernst Flückiger

Gurit Fiber Technology

Heinz Michel

Heberlein Fiber Technology Inc.
Heinz Michel
Electrotex
Heinz Michel
Enka tecnica – Wetzell
Kees Reijnen
Arova Schaffhausen
Josef Kessler

(Stand: 1. Januar 2004)

Group Financial Statements

Balance Sheet

		in CHF 1000	
Assets	Ref.	31.12.2003	31.12.2002
Liquid assets	1	47 750	52 552
Accounts receivable from deliveries and services		82 472	68 248
Tax receivables		867	0
Other receivables and prepaid expenses	2	21 551	15 871
Inventories	3	100 497	90 640
Working capital		253 137	227 311
Plant and equipment		88 165	63 517
Plant under construction		6 354	1 987
Real estate		101 428	89 898
<i>Fixed assets</i>	4	195 947	155 402
<i>Financial assets</i>	5	5 956	2 581
<i>Intangible assets</i>	5	247 096	257 366
<i>Deferred taxes</i>	(11)	8 050	8 302
Fixed assets		457 049	423 651
Total assets		710 186	650 962
Equity and liability	Ref.	31.12.2003	31.12.2002
Bank loans	6	75 624	47 748
Accounts payable to suppliers		37 661	31 077
Other accounts payable and prepaid expenses	7	36 165	36 827
Tax reserves	8	3 682	3 975
Other reserves	8	4 059	3 545
Short-term borrowings		157 191	123 172
Mortgages and loans	9	50 788	40 388
Other accounts payable	10	7 665	9 472
Reserves for deferred taxes	11	33 731	29 460
Other reserves	12	6 135	6 334
Long-term borrowings		98 319	85 654
Total borrowings		255 510	208 826
Minority interests	13	2 441	2 322
Share capital		45 905	45 446
Additional paid-in capital		28 642	28 642
Exchange rate differences		-10 213	-7 100
Retained earnings		387 901	372 826
Total equity (excl. third party interests)	14	452 235	439 814
Total equity (incl. third party interests)		454 676	442 136
Total liabilities		710 186	650 962

Structure of assets and liabilities

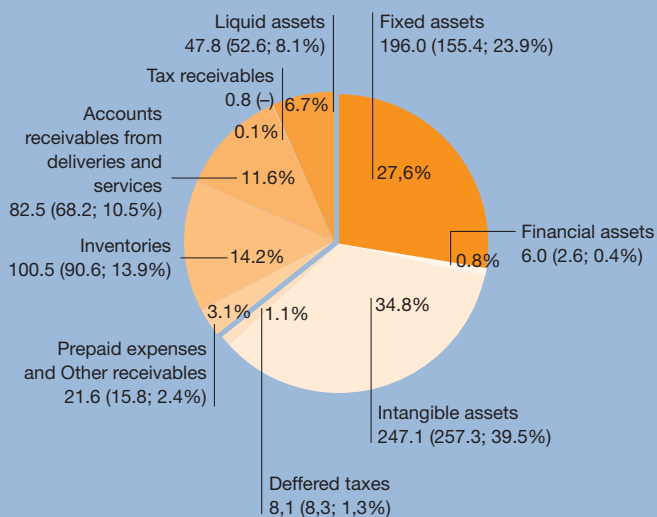
in CHF million

Working capital

Fixed assets

Total equity

Borrowings



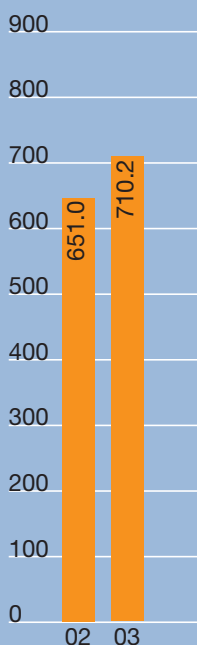
Previous year figures in brackets

Rate of self-financing (incl. third party interests)

in CHF million

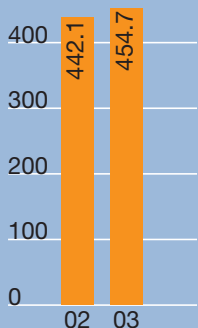
Total assets

Total equity (incl. third party interests)



$$\frac{\text{Total equity}}{\text{Total assets}} \times 100$$

Rate of self-financing
2003: 64.0%
2002: 67.9%



Group Financial Statements

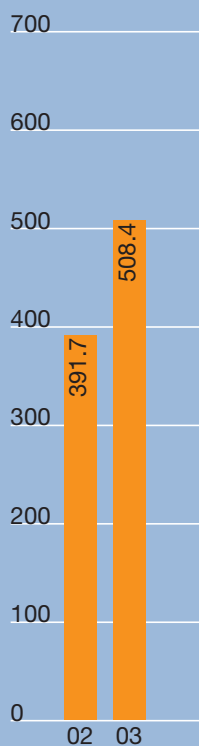
Group Income Statement

Income statement (IAS)	Ref.	in CHF 1000	
		2003	2002
Net sales	15	508 436	391 699
Cost of goods and materials	16	-202 381	-142 850
Personnel expenses	17	-154 017	-127 951
Other operating expenses	18	-48 497	-33 832
Marketing and administrative expenses	18	-46 149	-36 977
Other operating earnings	19	+7 892	+4 924
Depreciation	20	-34 040	-24 736
Operating result (EBIT)		31 244	30 277
Financial expenses	21	-7 725	-9 287
Financial income	21	+8 619	+4 777
Profit before tax		32 138	25 767
Earnings tax	22	-9 038	-5 951
Profit after tax		23 100	19 816
Minority interests		+25	+312
Group result (excl. minority interests)	23	23 125	20 128
Earnings per share	23	CHF 50.62	CHF 44.29
Diluted earnings per share	23	CHF 50.59	CHF 44.29
Result from ordinary Group activities		2003	2002
Group cash flow		57 140	44 552
EBITDA		65 284	55 013
Depreciation		-20 376	-16 480
EBITA		44 908	38 533
Amortization Goodwill		-13 664	-8 256
EBIT		31 244	30 277
Financial expenses/income		+894	-4 510
Earnings tax		-9 038	-5 951
Minority interests		+25	+312
Group Result		23 125	20 128

Group result and cash flow as percentage of net sales

in CHF million

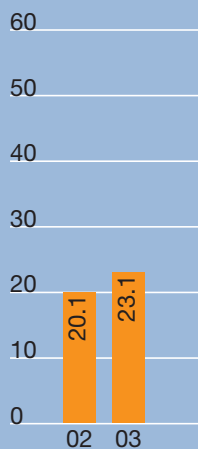
Net sales



Ordinary Group result

$$\frac{\text{Group result}}{\text{Net sales}} \times 100$$

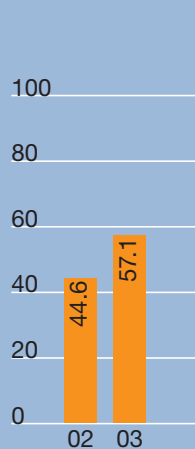
Group result as percentage of net sales
2003: 4.5%
2002: 5.1%



Group cash flow

$$\frac{\text{Group cash flow}}{\text{Net sales}} \times 100$$

Group cash flow as percentage of net sales
2003: 11.2%
2002: 11.4%

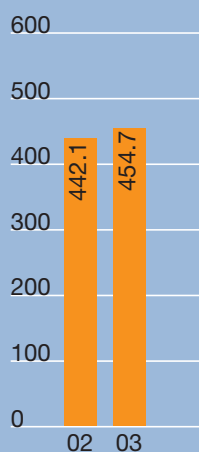


Return on Equity

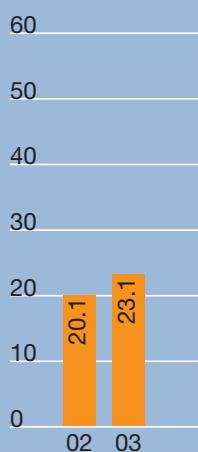
in CHF million

(Values incl. minority interests)

Equity



Ordinary Group result



$$\frac{\text{Group result}}{\text{Average equity}} \times 100$$

Return on equity
2003: 5.2%
2002: 4.7%

Group Financial Statements

Consolidated flow of funds

		in CHF 1000	
	Ref.	2003	2002
Result for fiscal year (after depreciation)		31 244	30 277
Depreciation		34 040	24 736
Other non-cash influences		- 8 239	-1 781
Change in accounts receivable		- 11 446	6 862
Change in inventories		- 6 890	1 113
Change in sundry working capital		- 4 061	6 529
Change in short-term borrowing		595	-10 632
Change in long-term provisions		-308	-76
Financial expenses		-3 527	-6 521
Financial revenue		363	3 252
Tax payments		-6 734	-9 321
Flow of funds from operating activities	24	25 037	44 438
Investments in fixed assets		-39 656	-36 306
Disposal of fixed assets		9 688	14 491
Financial investments		-3 336	-190
Disposal of financial investments		139	647
Investments in intangible assets		- 2 724	-3 198
Investments in goodwill		-	-5 278
Disposal of investments in intangible assets		9	312
Acquisition of holdings	25	-12 954	-132 618
Flow of funds of investment activities	25	-48 834	-162 140
Free Cash flow (before dividend payment)	26	-23 797	-117 702
Changes in short-term bank loans		22 719	-42 055
Changes in long-term bank and other loans		6 441	-10 987
Changes in sundry long-term payables		-1 815	-
Repayment of the bond loan		-	-100 000
Lease payments		-2 146	-2 025
Capital payment minority shareholders		126	5
Dividend distributions to Gurit-Heberlein AG shareholders	27	-10 932	-10 443
Distributions to minority shareholders	28	-111	-286
Sale/Purchase of treasury stock		3 341	11 713
Flow of funds from financial activities	29	17 623	-177 504
Exchange rate differences		1 372	-2 797
Change in cash at bank and in hand	30	-4 802	-298 003
Liquid assets at start of year		52 552	350 555
Liquid assets at end of year	31	47 750	52 552
Free Cash flow (before dividend payment)	26	-23 797	-117 702
thereof purchase of holdings		12 954	132 618
Free Cash flow from ordinary operations (before acquisitions)		-10 843	+14 916

Shareholders' equity and Minority holdings

in CHF 1000

	Shareholders' Equity					Total Equity	Minority holdings
	Share capital	Additional paid-in capital	Hedge differences	Exchange rate differences	Retained earnings		
31.12.2001	43 305	0	-1 009	1 878	367 502	411 676	3 042
Capital increase	2 652	28 642				31 294	
Dividend distribution					-10 443	-10 443	-286
Annual result					20 128	20 128	-312
Minority interests in founding capital							5
Cash flow hedge influences			1 009			1 009	
Currency effects				-8 978		-8 978	-127
Change in Treasury stock	-511				-4 361	-4 872	
31.12.2002	45 446	28 642	0	-7 100	372 826	439 814	2 322
Capital increase					-10 932	-10 932	-111
Annual result					23 125	23 125	-25
Minority interests in founding capital						-	126
Currency effects				-3 113		-3 113	129
Change in Treasury stock	459				2 882	3 341	
31.12.2003	45 905	28 642	0	-10 213	387 901	452 235	2 441

Notes on Group Financial Statements

Summary of assets: Fixed assets

in CHF 1000

	Plant and equipment	Leased plant and equipment	Plant under constr.	Land	Buildings	Leased buildings	Total fixed assets
Gross values							
Value 31.12.2001	157 696	3 308	1 737	26 560	84 619	4 592	278 512
Additions	13 869	1 898	1 927	1 493	19 164	10	38 361
Disposals	-18 899	-70	-65	-11 262	-5 621	-28	-35 945
Change in consolid.	41 405	1 963	674	612	17 186	310	62 150
Currency effects	-4 013	-49	1	-45	-1 695	-69	-5 870
Other	1 064		-2 287	436	-188		-975
Value 31.12.2002	191 122	7 050	1 987	17 794	113 465	4 815	336 233
Additions	16 900	2 050	5 134	1 046	16 685		41 815
Disposals	-11 826		-52	-1 430	-14 563		-27 871
Change in consolid.	25 999		51		1 365		27 415
Currency effects	3 566	2	112	-28	230	328	4 210
Other	803		-878		75		-
Value 31.12.2003	226 564	9 102	6 354	17 382	117 257	5 143	381 802
Accumulated depreciation							
Value 31.12.2001	121 905	697	0	3 400	37 690	1 347	165 039
Additions	11 398	415		-510	3 671	127	15 101
Disposals	-18 545	-70			-4 337		-22 952
Change in consolid.	20 824	806			5 085	197	26 912
Currency effects	-2 795	-22			-521	-22	-3 360
Other	42				49		91
Value 31.12.2002	132 829	1 826	0	2 890	41 637	1 649	180 831
Additions	13 637	811		32	4 375	164	19 019
Disposals	-11 396				-13 887		-25 283
Change in consolid.	7 469				786		8 255
Currency effects	2 328	-3		-1	591	118	3 033
Other	0						-
Value 31.12.2003	144 867	2 634	0	2 921	33 502	1 931	185 855
Net values							
Value 31.12.2001	35 791	2 611	1 737	23 160	46 929	3 245	113 473
Value 31.12.2002	58 293	5 224	1 987	14 904	71 828	3 166	155 402
Value 31.12.2003	81 697	6 468	6 354	14 461	83 755	3 212	195 947

Summary of assets: Financial and intangible assets

in CHF 1000

	Financial assets			Goodwill	Badwill	Other intangible assets
	Securities	Extra Group loans	Total			
Gross values						
Value 31.12.2001	457	2 913	3 370	66 644	0	6 363
Additions	56	134	190	141 712		3 868
Disposals		-695	-695			-4 085
Change in consolid.	1		0	73 144		1 144
Currency effects	-6	-24	-30	-6 046		-49
Other			0			1 068
Value 31.12.2002	508	2 328	2 836	275 454	0	8 309
Additions	57	3 279	3 336	3 619	-2 923	3 196
Disposals		-187	-187	-15		-107
Change in consolid.	79		79	16		1 892
Currency effects	33	153	186	-2 218	116	384
Other			0			
Value 31.12.2003	677	5 573	6 250	276 856	-2 807	13 674
Accumulated depreciation						
Value 31.12.2001	49	204	253	8 850	0	4 879
Additions	50	1	51	8 256		1 328
Disposals		-48	-48			-3 773
Change in consolid.			0	7 535		670
Currency effects	-1		-1	-1 320		-28
Other			0			
Value 31.12.2002	98	157	255	23 321	0	3 076
Additions		1	1	13 800	-136	1 356
Disposals		-48	-48	-15		-98
Change in consolid.	79		79	7		294
Currency effects	7		7	-741	21	166
Other			0		-424	
Value 31.12.2003	184	110	294	36 372	-539	4 794
Net values						
Value 31.12.2001	408	2 709	3 117	57 794	-	1 484
Value 31.12.2002	410	2 171	2 581	252 133	-	5 233
Value 31.12.2003	493	5 463	5 956	240 484	-2 268	8 880

Group Financial Statements

Segment Information

The segment activities are described in detail on pages 12–23.

Net sales by Group Division (in CHF million)	2003		2002	
Health Care	203.1	40.0%	207.1	52.9%
Industrial Applications	300.9	59.2%	179.6	45.8%
Other/Consolidation	4.4	0.8%	5.0	1.3%
Total net sales *)	508.4	100%	391.7	100%

*) Inter Company sales are irrelevant.

Net sales by markets (in CHF million)	2003		2002	
Switzerland	32.5	6.4%	35.9	9.2%
EU + EEA	308.2	60.7%	205.8	52.5%
Rest of Europe	14.9	2.9%	12.8	3.3%
USA/Canada	80.5	15.8%	79.0	20.2%
Others	72.3	14.2%	58.2	14.8%
Total net sales	508.4	100%	391.7	100%

EBIT by Group Division (in CHF million)	2003		2002	
Health Care	11.8	37.8%	24.9	82.2%
Industrial Applications	19.1	61.2%	3.6	11.9%
Other/Consolidation	0.3	1.0%	1.8	5.9%
Total EBIT *)	31.2	100%	30.3	100%
Financial result	0.9		-4.5	
Earnings tax	-9.0		-6.0	
Minority interests	0.0		0.3	
Total Group results	23.1		20.1	

*) Inter-company Division settlements on an "arm's length" basis.

Employees by Group Division (Ø)	2003		2002	
Health Care	1 102	50.5%	1 044	58.8%
Industrial Applications	1 052	48.3%	706	39.8%
Other/Consolidation	26	1.2%	25	1.4%
Total employees	2 180	100%	1 775	100%

Assets/Investments in fixed assets by Group Division (in CHF million)	2003			2002		
	Assets	Investments	Depreciation	Assets	Investments	Depreciation
Health Care	228.1	17.4	10.8	224.2	55.0	14.2
Industrial Applications	470.2	31	22.8	412.6	127.4	10.1
Other/Consolidation	11.9	0.3	0.4	14.2	1.7	0.3
Total assets/Investments	710.2	49.0	34.0	651.0	184.1	24.7

Liabilities by Group Division	2003	2002
Health Care	153.2	145.7
Industrial Applications	267.7	219.5
Other/Consolidation	-165.4	-156.4
Total liabilities	255.5	208.8

Assets/Investments in fixed Assets by Regions (in CHF million)	2003		2002	
	Assets	Investments	Assets	Investments
Switzerland	223.0	16	206.7	22.2
EU + EEA	391.5	21	366.7	154
Rest of Europe	0.6	0.0	0.5	0
USA/Canada	89.3	11	71.6	8.2
Others	5.8	0.8	5.5	0.2
Total assets/Investments	710.2	49.0	651.0	184.0

Group Companies

Gurit-Heberlein AG holds an interest in the following companies either directly or jointly/indirectly via a subsidiary:
(bold = direct holdings by Gurit-Heberlein AG; inserted (-) = indirect holdings by means of subsidiaries)

Company	Activity	Registered capital	Group ownership
Coltène AG , Altstätten CH	Production and sales of dental specialities	CHF 1 600 000	100%
- Coltène/Whaledent GmbH + Co. KG, Langenau GER	Production and sales of dental specialities	EUR 1 850 000	100%
- Coltène/Whaledent Ltd., Burgess Hill GB	Sales of dental specialities	GBP 200 000	100%
- Coltène/Whaledent S.à.r.l., St-Ouen FR	Sales of dental specialities	EUR 503 000	100%
Coltène/Whaledent Inc. , Cuyahoga Falls, OH/USA	Production and sales of dental specialities	USD 5 000 000	100%
GMB/Medisize BV , Hillegom NL	Production and sales of plastic medical products	EUR 7 941 000	100%
- Medisize Ireland Ltd. Letterkenny IE	Production and sales of plastic medical products	EUR 1 587 000	100%
- Medisize CZ sro, Trhové Sviny CZ	Production and sales of plastic medical products	CZK 200 000	66%
- Medisize Belgium BVBA, Antwerpen BE	Production and sales of plastic medical products	EUR 18 509	100%
- B+P Beatmungs-Produkte GmbH, Neunkirchen-Seelscheid GER	Production and sales of plastic medical products	EUR 307 000	100%
IMS-Biopur AG, Freienbach CH	Participations, research and development	CHF 5 000 000	100%
- Homedica AG, Hünenberg CH	Sales of medical products	CHF 250 000	100%
Structural Polymer Group Limited , Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 3 333 324	100%
- Structural Polymer Systems S.A., Albacete, ESP	Production and sales of plastic semi-manufactured products	EUR 1 094 722	100%
- SP Systems (Canada) Inc., Magog (Quebec) CA	Production and sales of plastic semi-manufactured products	CAD 3 866 667	100%
IMS Kunststoff Holding AG , Worb CH	Holding company	CHF 4 000 000	80%
- IMS Kunststoff AG, Worb CH	Production and sales of plastic semi-manufactured products for sports applications	CHF 500 000	100%
- IMS Kunststoffges. mbH, Innsbruck AT	Production and sales of plastic semi-manufactured products	EUR 727 000	100%
- IMS Kunststoff GmbH, Vreden GER	Production of sintered ski bases	EUR 27 000	100%
- IMS France S.A.S., Perrignier FR	Production of extruded ski coatings	EUR 300 000	100%
- UC Plastics, Sittard NL	Sales of plastic semi-manufactured products	EUR 18 000	100%
Stesalit AG , Zullwil CH	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%
- Stesalit-AIK, Kassel GER	Production and sales of plastic semi-manufactured products	-	(100%)
Gurit Suprem , Flurlingen CH	Development, production and sales of plastic semi-manufactured products	-	(100%)
Gurit-Worbla AG , Ittigen CH	Production and sales of plastic sheeting, laminates and slabs	CHF 6 500 000	100%
Heberlein Fasertechnologie AG , Wattwil CH	Production and sales of textile machinery components	CHF 1 000 000	100%
- Enka tecnica GmbH, Wuppertal GER	Production and sales of textile machinery components	EUR 511 000	100%
- ET Filtration sarl, Zalka LB	Production and sales of textile machinery components	USD 470 000	80%
- Wetzel GmbH, Gröbzig GER	Production and sales of textile machinery components	EUR 26 000	100%
- Electrotex AG, Niederurnen CH	Production and sales of textile machinery components	CHF 600 000	100%
Arova Schaffhausen AG , Schaffhausen CH	Production and sales of yarns, real estate company	CHF 8 000 000	100%
Heberlein & Co. AG , Wattwil CH	Real estate and service company	CHF 1 000 000	100%
Hepatex AG , Wattwil CH	Management Company	CHF 100 000	100%

(As per January 1, 2004)

Accounting Policies

Introductory remarks

Gurit-Heberlein AG – the holding company of the Gurit-Heberlein Group – is a joint-stock company according to Swiss law with its legal domicile in Wattwil, Switzerland. The company comprises two divisions – Health Care and Industrial Applications. The bearer shares are traded on SWX Swiss Exchange. The registered shares are mostly in firm hands and are not listed on the stock exchange.

Principles of Consolidation

General remarks

The financial statements prepared according to the following principles of consolidation and valuation give a true and fair view of the assets, the financial and earnings situation of the Group in accordance with the International Financial Reporting Standards (IFRS) and the published interpretations thereof.

The Group financial statement is based on the individual statements of the Group's Subsidiaries, all drawn up according to identical guidelines as of December 31.

The Group accounts were drawn up in accordance with Swiss company law and the accounting principles of the listing regulations of the Swiss stock exchange.

Companies consolidated

Group subsidiaries, controlled directly or indirectly by Gurit-Heberlein AG are consolidated. Subsidiaries acquired during the year of this report are consolidated from the date of acquisition. Earnings from subsidiaries which were sold during the year are shown up to the date of disposal.

The companies were consolidated as shown in the summary on page 49. The following changes in the scope of consolidation occurred in 2003.

Diatech Dental AG, Heerbrugg CH	integrated/merged into Coltène AG, Altstätten CH	01.01.2003
SP Systems (Canada) Inc., Magog (Quebec) CA	Founded	01.07.2003
ET Filtration sarl, Amarat Shelhoub-Zalka LB	Founded	01.07.2003

Medisize Belgium BVBA, Antwerpen BE	Founded	01.08.2003
V.O.F. Kapellen BE	Acquired	01.08.2003
V.O.F. Kapellen BE	integrated/merged into Medisize Belgium BVBA	30.09.2003
Wetzel GmbH, Gröbzig GER	Acquired	01.10.2003

The following changes in the scope of consolidation occurred in 2002:

Coltène/Whaledent GmbH+Co KG, Langenau GER	Acquired	01.01.2002
Medisize CZ, Trhové Sviny CZ	Founded	01.01.2002
UC Plastics, Sittard NL	Acquired	01.01.2002
Stesalit-AIK, Kassel GER	Acquired	01.03.2002
Gurit Suprem, Flurlingen CH	Founded	01.05.2002
Medisize Donegal Health Care, Letterkenny IE	Acquired	01.07.2002
SP Group, Newport/Isle of Wight, GB	Acquired	01.09.2002

Consolidation method

The capital consolidation is made in accordance with the purchase price method. Assets and liabilities are re-valued at the time of the acquisition of subsidiaries. Any resulting surplus in the value of the holding over the commercially assessed value of own funds (goodwill) is included in the accounts from January 1, 1995 and depreciated via the income statement. All goodwill accumulated before December 31, 1994, was taken directly into account in shareholders' equity. Any goodwill created in connection with definable and foreseeable expenses and losses that are not characterized as liabilities at the moment of the acquisition, are stated in the item goodwill and included in the period when losses occur. Any goodwill beyond foreseeable expenses and losses is realized over the remaining duration of the acquired fixed or intangible assets.

The assets, liabilities and equity as well as the earnings and expenses of consolidated subsidiaries are shown in their entirety in the consolidated Financial Statement. The share of profit and equity to which third-party shareholders are entitled is shown separately in the Group balance sheet and income statement. Intra-Group accounts receivable and payable, income from sales, other income and expenses together with profits from the brokerage of Intra-Group sales are eliminated.

Principles of valuation

General comment

In the Group Financial Statements, the purchase price method is generally applicable. Exceptions are some items such as derivative financial instruments and assets up for sale. These items are stated at market value.

Liquid assets

Liquid assets consists of money at bank and at hand as well as other easily marketable receivables with a maximum maturity of three months.

Accounts receivable

Accounts receivable in respect of deliveries and services and other accounts receivable are shown at their nominal value minus value adjustments. Value adjustments are made when it is objectively foreseeable that less than the full nominal value can be achieved. The value adjustments are made to cover the gap between the future expected flow of funds and the book value.

Inventories

Inventories are valued at average cost price or manufacturing cost, or at net attainable market price where this is lower. Value adjustments for risks associated with warehousing periods or reduced utility have been carried out.

Plant and equipment

Plant and equipment is valued at purchase cost minus linear depreciation. The normal useful life of operating plant and equipment is five to ten years. In individual cases this may be extended to up to 15 years.

Leased machines and equipment

When the company assumes substantial risk liabilities for certain leased goods, the equipment is treated as financial leasing. The equipment is carried as assets and depreciated along with other assets. The corresponding lease obligations are entered as liabilities. Lease installments are distributed to the corresponding leased assets and entered accordingly as either capital repayments or interest expenses.

Real estate

Real estate is recorded at purchase price; buildings are recorded at purchase price minus straight-line depreciation. A normal service life of maximal 40 to 50 years is assumed for buildings.

Financial investments

Financial assets are categorized as follows: derivative financial instruments, easily marketable financial assets, loans to third parties. Derivative financial instruments are included in the working capital under other receivables and prepaid expenses. The item financial assets consists of marketable securities held on a longer term perspective. New items are entered at purchase price on the day the transaction occurred. Transaction costs are included in the purchase price. After that, derivatives and securities are carried at market value. Market values are based on traded market prices. Realized and unrealized gains and losses are shown in the income statement. Loans are valued at depreciated costs applying the effective interest method.

Intangible assets

The purchase price of holdings in excess of pro-rated shareholders' equity is shown in the accounts as goodwill. This is written off in the income statement over a maximum period of 20 years. Other intangible assets are valued at purchase costs. They are subject to linear depreciation over a maximum period of five years.

Value impairment of assets

The value of fixed, intangible and financial assets is periodically reviewed, especially when a valuation exceeding book value seems likely because of new circumstances or occurrences. If the book value exceeds the actual value associated with the use of the respective item the item is re-valued. The value associated with the use corresponds with the higher amount of either the discounted value of all futures cash flows or the sale price.

Provisions

Necessary reserves are made in respect of identifiable risks. Reserves are created 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. The Swiss and also most of the foreign pension plans are based on contributions individually made. Some foreign plans feature schemes that qualify them as defined benefit plans according to IAS 19. Management has qualified the potential impact of these plans on balance sheet and statement of income as unsubstantial, so that these plans, too, are treated like contribution based pension plans.

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 is a management stock participation scheme for members of senior management that entitles them to purchase Gurit-Heberlein bearer shares. Participants in the scheme are entitled to buy a maximum of 25 shares annually with a 20% discount on market price on the appointed day, together with 50 options to buy stock at a later date with a 10% premium on the price on the appointed day. The bearer stock may not be resold for a period of four years. (See also chapter on Corporate Governance, Page 24.)

Taxes

All taxes owing in respect of earnings to balance sheet date and all liabilities in respect of taxes on capital and assets incurred during the period to which the balance relates are taken into account in this Financial Statement. Deferred taxation in respect of all differences between tax statements and Group valuations is taken into account, including tax impacts of losses carried forward. Provisions are always calculated at the actual expected tax rate and adapted in the event of any change in tax rates (the comprehensive liability method). Tax savings relating to losses carried forward are only entered in cases where the benefit from these savings is almost certain. No provisions are formed in respect of non-reclaimable withholding taxes on repayable profits made by subsidiaries (not payments 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 in profit.

Repair and maintenance costs

Repair and maintenance costs are entered in the income statement at the date on which they accrue. Expenses which increase the value of assets are entered under the fixed assets and depreciated accordingly.

Interest payments

Interest payments are entered in the income statement in the period in which they occur.

Research and development

As a rule, research and development costs are charged to expenses as they occur. Development costs are only 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. If development costs are capitalized, they are normally depreciated 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. Geographical segments are defined by different geographical 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 conversion

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.

The most important exchange rates are listed below:

Exchange rates in CHF

	31.12.03	Ø2003	31.12.02	Ø2002
1 USD	1.250	1.345	1.40	1.56
1 EUR	1.560	1.520	1.46	1.47
1 GBP	2.210	2.197	2.25	2.33

Notes on Group Financial Statements

Group Balance Sheet

Notes to balance sheet items Assets

Assets

1 Liquid assets

The liquid assets consist of cash at bank and in hand. The changes over the previous year are shown in the flow of funds statements.

2 Other receivables and prepaid expenses

These items include:

in CHF 1000	2003	2002
Other receivables	16 043	13 765
Currency futures	2 842	0
Prepaid expenses	2 666	2 106
Total	21 551	15 871

3 Inventories

Inventories are as follows:

in CHF 1000	2003	2002
Raw materials	33 491	32 435
Marketable goods	11 343	6 322
Goods in manufacturing	9 214	8 161
Finished and semi-finished goods	46 449	43 722
Total	100 497	90 640

4 Fixed assets

(see also *Summary of Assets*, on page 46)

5 Financial and intangible assets

(see also *Summary of Assets*, on page 47)

Intangible assets include CHF 238,2 million (previous year CHF 252,1 million) in goodwill purchased along with interests in other companies, which is to be written off over a period of 20 years. The remaining amortization period is roughly 17 years. There are no substantial development costs included in the other intangible assets of CHF 8.9 million (previous year CHF 5.2 million). The item also includes purchased IT software. Treasury stock are offset against shareholders' equity (see also 14).

Liabilities

6 Bank loans

Short-term bank loans include current account overdrafts and fixed-rate advances. The interest rate is continuously adjusted and reflects standard market interest rates (between 1% and 8%).

7 Other accounts payable and prepaid expenses

Other accounts payable include CHF 1.7 million (previous year CHF 1.3 million) in short term lease commitments.

8 Reserves

Short-term reserves include the following items:

in CHF 1000	Tax	Guarantees	Other	Total 2003	Total 2002
31.12.2002	3 975	464	3 081	7 520	15 488
Dissolution	-1 407	-10	0	-1 417	-9 409
Appropriation	1 114	134	381	1 629	1 031
Exchange rate differences		9		9	0
Change in the scope of consolidation					410
31.12.2003	3 682	597	3 462	7 741	7 520

The short-term tax reserves include earnings taxes that are likely to be due according to the fiscal year and with respect to the pending tax ruling. Reserves for guarantees were made according to estimates based on experience for guarantee claims that can not be insured. Other reserves mainly regard demolition, sanitation and other costs in connection with the real estate of former Heberlein Textiles in Wattwil. A cash outflow is expected to occur during the following year.

9 Mortgages and loans

Mortgages amount to CHF 16 million (previous year CHF 2 million). Long-term loans from bank and others amount to CHF 35 million (previous year CHF 38 million). A large portion of this sum relates to loans granted to foreign subsidiaries in local currencies. Book values equal fair values. The following tables show when payments are due:

as of 31.12.2003 **in CHF 1000**

Maturity	Bank loans	Loans	Mortgages	Total
2005	7 978	2 349	930	11 257
2006	19 044	360	6 165	25 569
2007	1 916	2 313	465	4 694
2008	0	115	465	580
More	963	119	7 606	8 688
Total	29 901	5 256	15 631	50 788
Interest rate Ø	3,9%	3,0%	3,4%	

as of 31.12.2003 **in CHF 1000**

Maturity	Bank loans	Loans	Mortgages	Total
2004	13 265	2 402	2 060	17 727
2005	11 691	2 219	0	13 910
2006	2 250	229	0	2 479
2007	563	0	0	563
More	3 780	1 929	0	5 709
Total	31 549	6 779	2 060	40 388
Interest rate Ø	3,3%	5,7%	3,0%	

10 Other obligations

This item includes long-term lease commitments of CHF 3.3 million (previous year CHF 3.3 million) as well as interest free purchase price debt from new acquisitions, payable in three to five years' time.

11 Reserves

These reserves include the following items:

in CHF 1000	Total 2003	Total 2002
31.12.2002	29 460	27 099
Appropriation	2 977	818
Dissolution	-14	-760
Change in scope of consolidation	1 308	2 303
31.12.2003	33 731	29 460

Deferred tax receivables and payables stem from valuation differences between Group valuations and tax valuations in the following balance sheet items:

in CHF 1000	31.12.2003		31.12.2002	
	Deferred tax receivables	Deferred tax payables	Deferred tax receivables	Deferred tax payables
Receivables	493	1 080	594	332
Inventories	1 350	1 949	1 365	1 733
Fixed and financial assets	4 560	30 674	5 530	27 457
Intangible assets	20	604	0	660
Short-term borrowings	326	306	187	177
Long-term borrowings	1 147	1 358	1 217	1 149
Deferred taxes from				
losses carried forward	25 686		23 734	
Adjustments of deferred				
losses carried forward	-23 292		-22 277	
Settlement of deferred				
debt and receivables	-2 240	-2 240	-2 048	-2 048
Total	8 050	33 731	8 302	29 460

12 Other reserves

Other reserves include the following items:

in CHF 1000	Pension plans and other social security payments	Other reserves	Total 2003	Total 2002
31.12.2002	5 082	1 252	6 334	5 138
Consumption	-258	-50	-308	-76
Dissolution	-427	-181	-608	-287
Appropriation	368	106	474	1 559
Exchange rate differences	243	0	243	0
31.12.2003	5 008	1 127	6 135	6 334

The reserves 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. These items mainly refer to foreign Group subsidiaries.

The other reserves cover guarantee obligations and unforeseeable costs in relation with real estate sales. A capital outflow is expected in the next two to five years.

Notes on Group Financial Statements

13 Minority interests

(see also Summary on Shareholders' equity and Minority holdings on page 45)

The interests of third parties in capital, reserves and profit amount to CHF 2.4 million (previous year CHF 2.3 million).

14 Equity

(see also Summary Shareholders' equity and Minority holdings on page 45.)

The share capital shows the capital of Gurit-Heberlein AG; adjusted by treasury stock.

Treasury stock at December 31, 2003 included 8943 bearer shares (previous year 13 535) and 25 registered shares (previous year 25).

(See also Statements on Gurit-Heberlein AG on page 64).

The outstanding capital remained unchanged and is split into 420 000 bearer shares of CHF 100 par value each and 240 000 registered shares of CHF 20 par value each. All shares are issued; there is no additional conditional or approved capital.

(See also Statements on Gurit-Heberlein AG on page 64).

The entitlement to dividend payments is based on the nominal value of the shares while the voting power is defined by the number of shares.

The payment of an unchanged dividend of CHF 24 per bearer share or CHF 4.80 per registered share is proposed to the Annual General Meeting of May 27, 2004.

(See also Statements on Gurit-Heberlein AG on page 63).

Group Income Statement

Notes to the income statement

15 Net sales

(see also Segment Information on page 48)

Consolidated net sales amount to CHF 508.4 million (previous year CHF 391.7 million). Production in Switzerland accounted for 27% (previous year 38%) of sales, while the remaining 73% (previous year 62%) was covered by foreign production.

16 Cost of goods and materials

This item amounted to 39.8% of net sales (previous year 36.5%). This item also includes changes in the production value of goods held in stock of CHF 0.5 million.

17 Personnel expenses

The workforce numbers in average and pro rata 2180 (previous year, pro rata 1775). (See also Information by Segments for numbers broken down by Group Division.) The expenses for post-employment benefits according to IAS 19 (except for Social Security) are CHF 6.1 million (previous year CHF 5.2 million). This amount is recorded as personnel expenses in the consolidated income statement.

18 Other operating, marketing and administrative expenses

Other operating expenses were CHF 94.6 million (previous year CHF 70.8 million). Operating expenses include repair and maintenance of fixed assets as well as R&D costs.

19 Other operating income

Other operating income of CHF 7.9 million (previous year CHF 4.9 million) include losses stemming from the sale of fixed assets amounting to CHF 0.047 million (previous year CHF 0.093 million) and earnings from the sale of fixed assets of CHF 7.147 million (previous year CHF 1.619 million).

20 Depreciation

(see also List of Assets pages 46/47)

in CHF 1000	2003	2002
Depreciation on fixed assets	19 019	15 101
Depreciation on financial assets	1	51
Depreciation on intangible assets	1 356	1 328
	20 376	16 480
Amortization goodwill	13 664	8 256
Total depreciation according to list of assets	34 040	24 736

21 Financial expenses/financial earnings

Financial expenses were CHF 0.9 million net (previous year CHF 4.5 million).

2003

in CHF million	Financial expenses	Financial earnings	Net
Interest	4.0	0.4	-3.6
Exchange rate differences	3.7	8.2	+4.5
Total	7.7	8.6	+0.9

2002

in CHF million	Financial expenses	Financial earnings	Net
Interest	6.8	3.3	-3.5
Exchange rate differences	2.5	1.5	-1.0
Total	9.3	4.8	-4.5

22 Taxes

Tax costs amounted to CHF 9.0 million (previous year CHF 6.0 million).

Tax expenditure

in CHF million	2003	2002
Earnings taxes	5.7	6.7
Deferred taxes	3.3	-0.7

Notes on Group Financial Statements

Tax expense can be analyzed as follows:

in CHF million	2003	2002
Group result before income taxes	32,1	25,8
Tax expenses at applicable		
tax rate of 25%	8,0	6,5
Tax expenses at other rates	2,7	2,4
Tax savings thanks to losses		
carried forward	-2,1	-2,1
Loss for the period excl.		
actual tax savings	1,3	1,1
Effect of not accepted tax positions	-0,5	-1,8
Other irrelevant impact	-0,4	-0,1
Actual tax payments	9,0	6,0
Actual tax rate	28,1%	22,8%

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

Losses carried forward and duration

in CHF million	2003	2002
1-3 years	33,7	6,4
4-6 years	32,7	57,2
More	31,7	23,3
Total	97,6	86,9
Positive tax effect		
	25,7	23,7
Adjustments		
	-23,3	-22,3

23 Group result

The Group result (excl. minority interests) amounts to CHF 23.1million (previous year CHF 20.1 million).

Earnings per share (EPS) are CHF 50.62 (previous year CHF 44.29). (See also page 68; Investor relations.)

EPS are calculated as follows:

	2003	2002
Weighted amount of shares		
issued as at 31.12.	456 823	454 460
Adjustments for MPP options	263	5
Adjusted amount of shares		
issued as at 31.12.	457 086	454 465
Earnings per share (EPS)	CHF 50.62	44.29
Diluted earnings per share	CHF 50.59	44.29

Consolidated flow of funds and other notes

Notes on the statement of the flow of funds

24 Flow of funds from operating activities

In 2002 funds generated by operations amounted to CHF 25.0 million (previous year CHF 44.4 million).

25 Flow of funds from investment activities

Funds required for investment activities amounted to a total of CHF 48.8 million (previous year CHF 162.1 million). This value includes an amount stemming from ordinary Group activities of CHF 35.8 million as well as a cash outflow of CHF 13 million for acquisitions.

Acquisitions made in the year 2003 (2002) are shown in the table on page 50. The following table shows the detailed financial information:

in CHF 1000	2003	2002
Liquid assets	283	3 406
Receivables	4 397	24 431
Inventories	2 967	22 701
Fixed assets	20 767	101 322
Short-term payables	-10 606	-88 286
Long-term payables	-3 959	-15 158
Reserves	-1 308	-2 303
Real Value (Fair value)	12 541	46 113
Goodwill	696	136 434
Paid acquisition price	13 237	182 547
Liquid assets acquired	-283	-3 406
Capital increase	-	-31 294
Payment in treasury stock	-	-6 841
Remaining purchase price	-	-8 388
Cash outflow	12 954	132 618

26 Free Cash Flow

The balance of the flow of funds from operating activities and the flow of funds from financing activities shows a free cash flow of CHF -23.8 million (previous year CHF -117.7 million). Before acquisitions, free cash flow would have stood at CHF -10.8 million for the year 2003.

27/28/29 Dividends and financial activities

The flow of funds from financing activities in 2002 shows the allocation of a dividend of

CHF 10.9 million (previous year CHF 10.4 million) to Gurit-Heberlein shareholders and payments of CHF 0.1 million (previous year CHF 0.3 million) to partners and minority shareholders.

30/31 Cash at bank and in hand

As a result, liquid assets decreased by CHF 4.8 million to a year-end amount of CHF 47.8 million (previous year CHF 52.6 million).

Other notes

Subsequent events

The consolidated financial statements was approved at the end of March 2003 by the Board of Directors. Effective 1.1.2004, 100% of the Shares of Electrotex AG, Niederurnen, CH, were acquired; (Sales approx. CHF 8 million). When the financial statements were signed off, the Board of Directors and Group Management do not know of any important events subsequent to the closing of books.

Contingent liabilities

Contingent liabilities on bills to the value of CHF 2.0 million (previous year CHF 2.0 million) exist in connection with business operations.

Pledged assets

Pledged assets (mainly real estate for mortgages) are:

Pledged assets	2003	2002
Book value	63	55
Maximum credit line	68	71
Loans contracted	17	14

Fire insurance values

Fire insurance values of fixed assets stood at CHF 567 million (previous year CHF 571 million).

Notes on Group Financial Statements

Pension funds

Money owed to pension funds amounts to CHF 0.6 million (previous year CHF 0.4 million).

Transactions with related parties

There are no payables or receivables with respect to major shareholders or senior management. No transactions were executed with related parties or companies.

Obligations from investments

At December 31, 2003 there were again no significant obligations from investments in fixed assets.

R&D:

In the year 2003, CHF 16.2 million (previous year CHF 11.0 million) were spent on development activities.

Financial instruments

The positive re-procurement value of the currency futures included in other obligations amounts to CHF 2.8 million (previous year CHF 0). The following open derivative financial instruments existed at December 31, 2003: Currency futures with a contract value of CHF 27.9 million (previous year CHF 11.9 million). Of these contracts, CHF 18.7 million are due in one year, CHF 9.2 million in one 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 long-term commitments	
	2003	2002	2003	2002
2004 (2003)	1 719	1 336	2 127	2 605
2005 (2004)	1 778	1 109	1 967	1 598
2006 (2005)	1 037	912	1 807	1 412
2007 (2006)	445	590	1 607	1 282
2008 (2007)	0	641	1 078	1 229
darüber	0	0	5 528	6 181
	3 260	3 252	11 987	11 702
Total	4 979	4 588	14 114	14 307

New acquisitions

In 2003, Gurit-Heberlein Group acquired the following three companies: 100% of SP Systems, Canada (effective July 1, 2003), 100% of V.O.F. Belgium (effective August 1, 2003) and 100% of Wetzell, Germany (effective October 1, 2003). Pro rata, the acquired companies contributed for the year 2003 a sales volume of CHF 11.4 million (previous year 87.1 million) and an operating profit of CHF 2.6 million (previous year CHF 4.3 million). All companies were fully consolidated effective from the acquisition moment.

The assets and liabilities stemming from acquisitions are as follows:

in CHF million	2003	2002
Assets	28,4	151,9
Liabilities	15,9	105,8
Fair value of net assets	12,5	46,1

The purchase price stood at CHF 13.2 million (previous year CHF 182.5 million; for details, see Notes on Consolidated flow of funds). The resulting net goodwill amounted to CHF 0.7 million (goodwill CHF 3.6 million; badwill CHF 2.9 million). In the previous year resulted a goodwill of CHF 136.4 million.

The badwill from the above mentioned acquisition was accounted for as follows: Of the total badwill amount of CHF 2.9 million, CHF 1 million is attributable to future costs relating to a reduction of overcapacities, while the conditions for the appropriation of reserves are not given. Thereof, in 2003 CHF 0.4 million was already dissolved in the income statement under operating expenses. The remaining expenses are expected to occur in 2004. The remainder of CHF 1.9 million will be depreciated over the remaining 16-year-long amortization period of the acquired fixed and intangible assets. In the year 2003 CHF 0.1 million of this amount was offset in the income statement against the position amortization of goodwill.

Audit Report Group

Report of the group auditors to the General Meeting of Gurit-Heberlein 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 40 to 60) of Gurit-Heberlein AG for the year ended December 31, 2003.

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 auditing standards promulgated by the Swiss profession 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

Kurt Fischer Werner Frei

St. Gallen, March 25, 2004

Financial Statements

Balance Sheet as at 31.12.2003

	in CHF	
Assets	31.12.2003	31.12.2002
Liquid assets	9 387 551	10 940 572
Sundry receivables from extra-Group sources	157 886	1 034 791
Sundry receivables from intra-Group sources	12 006 885	8 545 527
Working capital	21 552 322	20 520 890
Loans to third parties	93 364	121 882
Loans to Group companies	145 383 223	140 996 213
Holdings	83 633 701	86 974 071
Fixes assets	229 110 288	228 092 166
Total assets	250 662 610	248 613 056
Equity and liabilities	31.12.2003	31.12.2002
Bank debts	16 810 000	6 237 859
Sundry liabilities to extra-Group entities	697 463	716 375
Sundry liabilities to intra-Group entities	202 964	379 211
Loan from Group companies	10 139 147	23 779 347
Prepaid liabilities and reserves	4 499 251	3 303 415
Short-term borrowings	32 348 825	34 416 207
Reprocurement reserves	9 481 728	9 481 728
Long-term borrowings	9 481 728	9 481 728
Total borrowings	41 830 553	43 897 935
Share capital	46 800 000	46 800 000
Statutory reserves	23 400 000	23 400 000
Reserves for treasury stock	5 391 159	8 731 529
Free reserves	47 422 847	44 082 477
Net income	85 818 051	81 701 115
Total equity	208 832 057	204 715 121
Total liabilities	250 662 610	248 613 056

Gurit-Heberlein AG

Income Statement

		in CHF
	2003	2002
Earnings from holdings	8 750 567	5 492 832
Financial earnings	8 391 381	9 519 488
Total Earnings	17 141 948	15 012 320
Financial costs	628 585	4 061 444
Administrative costs	677 197	698 406
Taxes	487 230	75 817
Depreciation	0	162 000
Total Expenses	1 793 012	4 997 667
Revaluation of treasury stock	0	-4 992 000
Dissolution of repurchase reserve	0	4 992 000
Profit for fiscal year	15 348 936	10 014 653

Proposal for the allocation of net income

The Board of Directors proposes that net income be allocated as follows:	in CHF
Net income carried forward from previous year	70 469 115
Result 2003	15 348 936
Available net income	85 818 051
Distribution of dividend of 24 percent	-11 232 000
To be carried forward	74 586 051

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

CHF 4.80	gross per registered share minus withholding tax
CHF 24.-	gross per bearer share minus withholding tax, payable on submission of voucher Nr. 22

Notes on Gurit Heberlein AG

Annex to Financial Statement

	in CHF	
	31.12.2003	31.12.2002
1. Contingent liabilities		
Warranty liabilities	28 003 300	49 326 346
Group Credits (General contracts)	73 772 635	50 236 960
2. Significant holdings		
see list on page 49		
3. Treasury stock		
Total at 31.12.:		
25 (25) registered shares at CHF 20.–	1 657	1 657
8 943 (13 535) bearer shares at CHF 100.–	5 389 502	8 729 872
Purchase: 344 (16 210) shares at an average price of	732	1 106
Sales: 4 936 (11 100) shares at an average price of	728	1 177
4. Significant shareholders (unchanged)		
The company is aware of the following registered shareholders who own over 5% of the voting rights:		
Geha Holding AG, Heerbrugg	Registered Shares 220 000	220 000
Harris Associates L.P., Chicago/USA	Bearer Shares 32 604	32 604
Franklin Templeton Companies, LLC, Fort Lauderdale/USA	Bearer Shares 33 219	–
5. Share capital		
The nominal capital at 31.12. consisted of:		
240 000 (240 000) registered shares at CHF 20.–	4 800 000	4 800 000
420 000 (420 000) bearer shares at CHF 100.–	42 000 000	42 000 000
	<u>46 800 000</u>	<u>46 800 000</u>
6. Statutory reserves carried forward		
Statutory reserves at 1.1.	23 400 000	22 074 000
Capital increase	0	1 326 000
Statutory reserves at 31.12.	<u>23 400 000</u>	<u>23 400 000</u>
7. Free reserves carried forward		
Free reserves at 1.1.	44 082 477	16 646 074
Treasury stock reserves carried forward	3 340 370	120 803
Capital increase	0	27 315 600
Free reserves at 31.12.	<u>47 422 847</u>	<u>44 082 477</u>
8. Net income brought forward		
Net income at 1.1.	81 701 115	82 281 982
Dividend distribution	–11 232 000	–10 595 520
Profit for fiscal year	15 348 936	10 014 653
Net income at 31.12.	<u>85 818 051</u>	<u>81 701 115</u>
9. Dissolution of hidden reserves		
Dissolution of procurement reserve to cover valuation changes of treasury stock	0	4 992 000

Explanatory remarks on the Balance Sheet and Income Statement

General remarks

As parent company of the Group, Gurit-Heberlein AG reports a profit for the fiscal year of CHF 15.3 million. It is proposed to the Annual General Meeting to pay again an unchanged dividend of 24%; this will account for a total dividend payment of CHF 11.2 million.

As at December 31, 2003, the share capital of Gurit-Heberlein AG was – as in the previous year – CHF 46 800 000. It is divided into 240,000 registered shares at CHF 20 par value and 420,000 bearer shares at CHF 100 par value.

Balance sheet

As at December 31, 2003, liquid assets stood at CHF 9.4 million (previous year CHF 10.9 million). Sundry receivables from extra-Group sources (mainly reclaimable withholding tax payments) were considerably reduced. Receivables from intra-Group sources mainly consist of interest receivables from Group companies.

Loans to Group companies and holdings did not change substantially over the previous year.

Liabilities show short-term bank loans of CHF 16.8 million (previous year CHF 6.2 million). The changes in other liabilities reflect normal business fluctuations. The loans from Group companies were reduced by internal restructurings. Prepaid liabilities and reserves stood at CHF 4.5 million (previous year CHF 3.3 million) and the re-procurement reserve amounts unchanged versus the previous year to CHF 9.5 million.

Total equity stood at CHF 208.8 million (previous year 204.7 million). The changes can be explained as follows:

	in CHF million
Equity as at 31.12.2001	174.0
– Previous years' dividend payment	–10.6
+ Profit for fiscal year	10.0
+ Capital increase of 3.9.2002 (26 520 bearer shares, issue price CHF 1 180)	31.3
Equity as at 31.12.2002	240.7
– Previous years' dividend payment	–11.2
+ Profit for fiscal year	15.3
Equity as at 31.12.2003	208.8

Income statement

Earnings from holdings amounted to CHF 8.7 million (previous year 5.5 million). They mainly consist of dividend payments by subsidiaries.

Financial income was CHF 8.4 million (previous year 9.5 million). Financial expenses was at the same time reduced to CHF 0.6 million (previous year 4.1 million). The previous year's figure included for ten months the interest from the bond loan paid back at the end of October 2002. The net financial result thus improved to CHF 7.8 million (previous year CHF 5.5 million).

Administrative cost remained unchanged compared to the previous year. Taxes paid by the holding company rose to CHF 0.5 million (previous year 0.1 million).

The reported profit for the year amounts to CHF 15.3 million (previous year CHF 10.0 million).

Audit Report Gurit-Heberlein AG

Report of the statutory auditors to the General Meeting of Gurit-Heberlein AG Wattwil

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 62 to 64) of Gurit-Heberlein AG for the year ended December 31, 2003.

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 promulgated by the Swiss profession, 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 the Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers AG

Kurt Fischer Werner Frei

St. Gallen, March 25, 2004

Investor Relations

Company capital:	After the capital increase of September 3, 2002, the company capital consists of: 240 000 registered shares at par CHF 20.– security number 185 039 420 000 bearer shares at par CHF 100.– security number 801 223 [adjusted to par value of CHF 100, the number of outstanding shares is 468 000]
Stock exchange:	Bearer shares are listed on the Swiss stock exchange: Price information can be found in the Swiss national and financial press. The following ticker symbols indicate how respective data on Gurit-Heberlein bearer shares can be obtained on electronic financial information systems: Bearer Share: Reuters GURZ Telekurs GUR Security number 801223
Financial calendar:	General Meeting of the Shareholders: May 27, 2004 Half-year-results 2004: End of August 2004 General Meeting: May 27, 2004 Half-yearly report, shareholders' letter: End of August 2004 Key figures from the annual results for 2004: End of March 2005 Presentation of annual results; financial analysts' and media conference; publication of Annual Report: End of April 2005 General Meeting: May 2005 Half-yearly report, shareholders' letter: End of August 2005

Specifications below relate to listed bearer shares

(figures adjusted to bearer shares at par CHF 100.–)

	2003	2002	2001	2000	1999
Price at year end	CHF 859.–	CHF 645.–	CHF 1 310.–	CHF 1 525.–	CHF 950.–
Highest price for year	CHF 890.–	CHF 1 330.–	CHF 1 728.–	CHF 1700.–	CHF 950.–
Date	16.10.2003	2.1.2002	1.2.2001	30.11.2000	30.12.1999
Lowest price for year	CHF 550.–	CHF 615.–	CHF 890.–	CHF 835.–	CHF 600.–
Date	17.3.2003	11.10.2002	24.9.2001	10.3.2000	27.1.1999

Group result per share	CHF 49.41	CHF 43.–	CHF 72.–	CHF 106.–	CHF 83.–
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(Adjusted to 468 000 shares at CHF 100.– par value)

Equity per share	CHF 966.–	CHF 940.–	CHF 932.–	CHF 1 169.–	CHF 292.–
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(Adjusted to 468 000 shares at CHF 100.– par value)

Gross dividend	CHF 24.–	CHF 24.–	CHF 24.–	CHF 24.–	CHF 18.–
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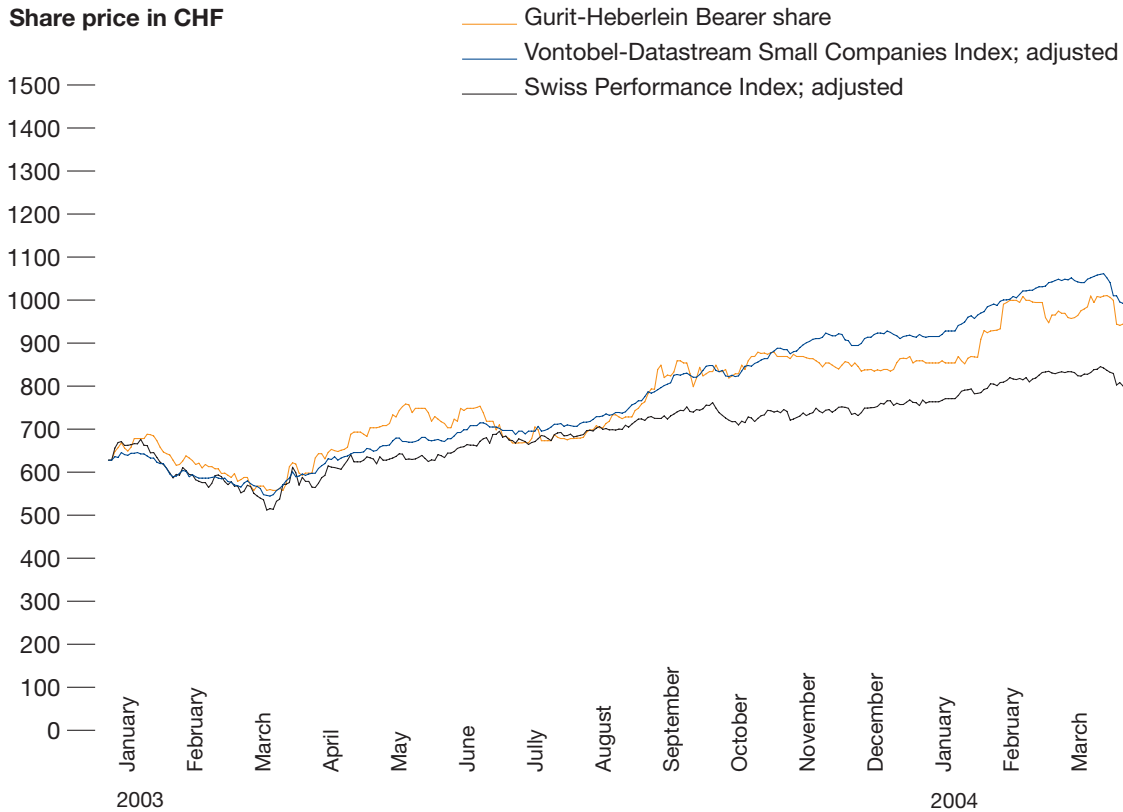
(Adjusted to bearer shares at CHF 100.– par value)

Taxable values of the traded securities

	31.12.2003	31.12.2002	1.1.2002	1.1.2001	1.1.2000
Bearer shares at CHF 100 (500) par	CHF 859.–	CHF 645.–	CHF 1 199.–	CHF 1 581.–	CHF 832.–
3½% bond 1997–2002	–	–	99.95%	99.25%	99.10%

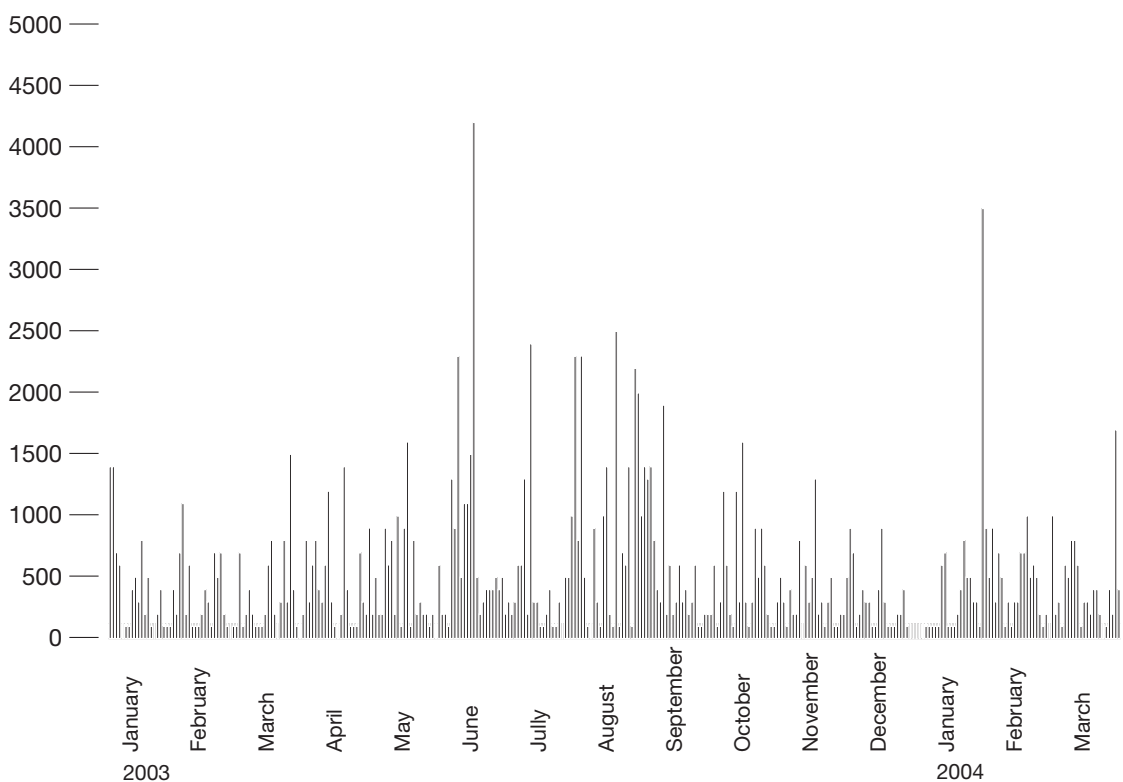
Bearer shares and respective indices

Share price in CHF



Gurit-Heberlein Bearer shares daily volumes

Daily volume



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As of April 1, 2004

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Imprint

Gurit-Heberlein Group, Wattwil

Bernhard Schweizer, Group Communications

Photographs

Christian Höfliger, Jona SG

Archives of Gurit-Heberlein Group Companies

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Typesetting and Printing

Neidhart+Schön AG, Zurich

This Annual Report is also published in German.

