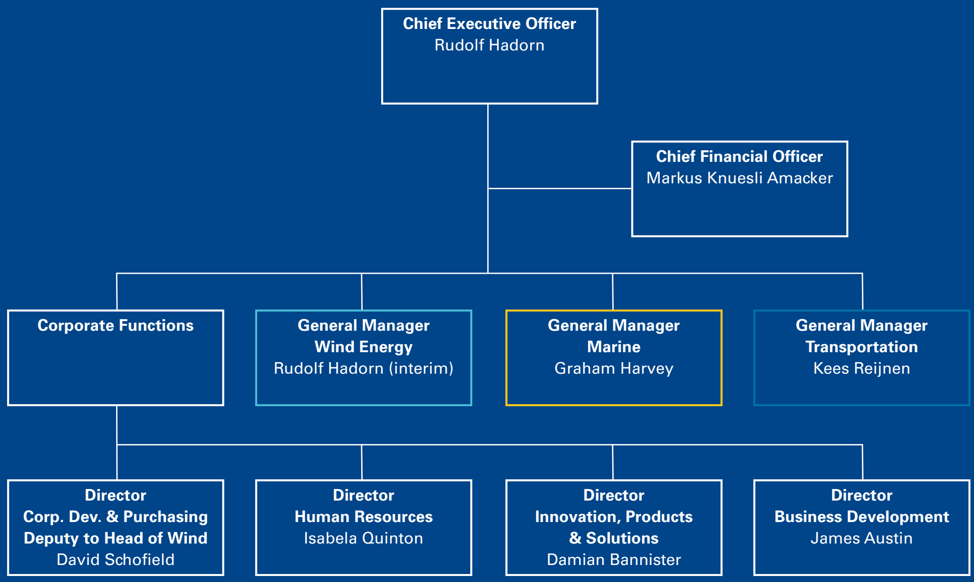
Gurit

Annual Report 2007

ORGANIZATION

Board and Group Management	As per March 31, 2008
Board of Directors of Gurit Holding AG	Dr Paul Hälg, Wollerau, Präsident Robert Heberlein, Zumikon, Vorsitz Audit Committee Nick Huber, Balgach Urs Kaufmann, Rapperswil-Jona Dr Walter Känel, Rapperswil-Jona, Vorsitz Nomination/ Compensation Committee Heinrich Fischer, Rüschlikon
Group Management	Rudolf Hadorn, CEO und General Manager Wind Energy ad interim Markus Knuesli Amacker, CFO James Austin, Director Business Development Damian Bannister, Director Innovation, Products and Solutions Graham Harvey, General Manager Marine Isabela Quinton, Director Human Resources Kees Reijnen, Director Transportation, Winter Sport and Civil Engineering David Schofield, Director Corporate Development and Purchasing
Group Communication / Investor Relations	Bernhard Schweizer
Treasuring / Group Controlling / Consolidation	Peter Lieberherr, Roland Jud
Auditors	PricewaterhouseCoopers AG, St. Gallen

ORGANIZATIONAL CHART



FACTS AT A GLANCE

IN CHF MIO.

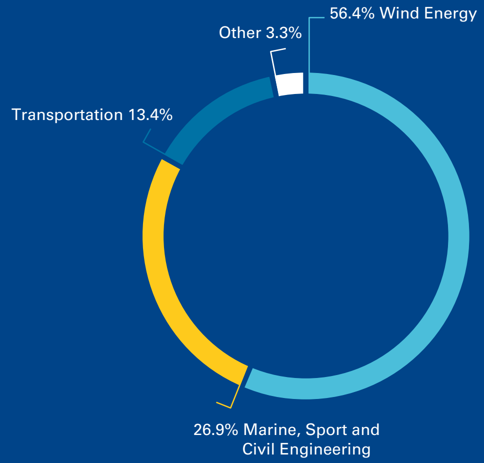
	2007	2006
Group		
Net sales	**448.8**	381.3
Change over previous year	**+17.7%**	
Cash flow	**22.4**	32.1
Change over previous year	**–30.3%**	
EBIT	**3.5**	27.5
Change over previous year	**–87.3%**	
Earnings before tax	**0.6**	18.6
Change over previous year	**–97.7%**	
Earnings after minority interests from activities continued as Gurit Holding AG	**1.0**	18.6
Change over previous year	**–94.8%**	
Investments in property, plant and equipment	**41.9**	31.0
Equity	**309.0**	311.8
in % of total assets	**63.3%**	
Number of employees ø	**1 508**	1 279
Net sales per capita in CHF	**297 627**	298 120
Net value added per capita CHF	**107 023**	127 000

(net value added = net sales minus cost of products)

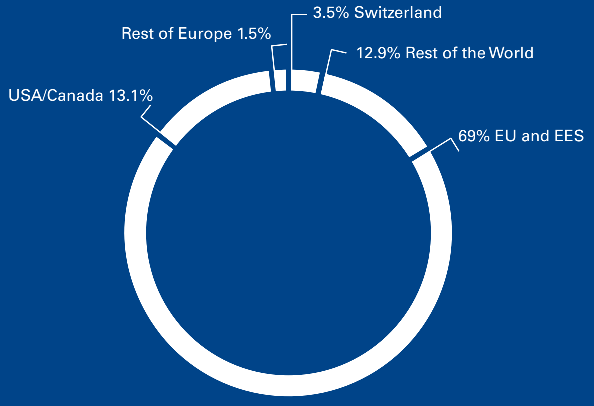
IN CHF MIO.

	2007	2006
Gurit Holding AG		
Result	**15.2**	7.4
Dividend	**13%**	26%

SALES 2007 BY MARKETS



SALES 2007 BY REGIONS



The companies of Gurit Holding AG, Wattwil/Switzerland, are specialised on the development and manufacture of high-end composite materials featuring bespoke physical and chemical characteristics. The comprehensive product range comprises fibre reinforced prepregs, structural foam, gel coats, adhesives, resins and consumables as well as certain finished parts. Gurit supplies growth markets in Wind Energy, Transportation (Aerospace, Automotive, Rail), Winter Sport, Civil Engineering and Marine. The international Group has production sites and offices in Switzerland, Germany, the UK, in Canada, Spain, Denmark, Australia, New Zealand, the USA, in India and China.

TABLE OF CONTENTS

Mankind uses more resources than our planet can sustainably provide. Each year, the World Overshoot Day marks the date when together we start to consume more resources than the world produces. Last year, scientist calculated, this occurred on October 6. By developing and manufacturing lightweight materials that enhance fuel efficiency in transportation or allow mankind to use more renewable energy sources, Gurit contributes to push the Overshoot Day further back in the calendar. Our material and technology innovations have repeatedly enabled the global wind energy industry to conceive and build better, higher performing wind turbine blades. Gurit partners closely with the leading wind energy companies to increase the share of wind energy. Experts say that globally up to 15% of electricity could come from wind – today we are only little above 1%.

OCTOBER 6, 2007 THE WORLD OVER-SHOOT DAY

OCTOBER 28, 2007 A380 IN SCHEDULED SERVICE

The A380 had obviously flown before for a long series of testing flights, but October 2007 was a month of memorable dates for the beginning of a new chapter for the aviation industry: the first A380 handed over to Singapore Airlines on October 15, 2007 took off on October 16, 2007 from Toulouse to arrive at Singapore's Changi International Airport the following day. This next-generation, eco-efficient double-decker featuring many Gurit materials entered service between Singapore and Sydney with a special charity flight, between both cities on October 25/26. Tickets for this flight were auctioned online to collect money for charity. A total of € 915 000 were raised that way. An Australian business man is reported to have paid € 73 000 for two airline suites featuring a luxurious twin bed and large flat panel screens. The scheduled daily service accessible with standard tickets started on October 28, 2007.

The Open 60 yacht HUGO BOSS set a new 24-hour record on December 6 and 7 2007: the boat, which is engineered and constructed with Gurit's SP branded marine technology, travelled 500.01 nautical miles in just 24 hours during the Barcelona World Race 2008. The regatta took a fleet of competing boats from Barcelona via the Canary Islands, St. Helena, the Cape of Good Hope and Cape Horn back to Barcelona. Paprec-Virbac 2 finished the race first on February 13, 2008, followed by HUGO BOSS the following day. All top five placed boats in this race which is one of the toughest, double handed, non-stop ocean races, benefited from SP engineering and/or material solutions: Temenos II came in third, while Mutua Madrileña finished fourth followed by fifth-placed Educación sin Fronteras.

DECEMBER 6/7, 2007
500.01 MILES
IN 24 HOURS

REPORT OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

For Gurit, 2007 was a year of operational and geographic expansion, and all the challenges that come with it. From mid-year on, signs that mainly its Wind Energy related expansion projects in Canada and China would be confronted by delays and additional costs began to multiply. These costs, coupled with operating difficulties in the Wind Energy business, saw the Group's margins fall dramatically. At year-end, it was thanks to book gains on the sale of real estate that Gurit achieved a slight profit. Despite this, 2007 had some encouraging aspects to report: Gurit posted robust performance in its Transportation and Marine activities. In the Wind Energy market, Gurit is today the only composites specialist with production sites in all major global locations. Still in 2007, Gurit was able to reverse the trend in Wind Energy and implement Group-wide necessary immediate measures. A comprehensive action plan focusing on operations, sales, purchasing as well as leadership and organisation will help put Gurit back on the path to successful development and lay firmer entrepreneurial grounds for the future development.


Dr Paul Hälg, Chairman of the Board of Directors
Rudolf Hadorn, CEO

During 2007, Gurit firmly established itself as one of the leading developers and manufacturers of Advanced Composites. Following major expansion projects in 2007, Gurit is now the world's only composites specialist to have its own production facilities in all major regions of the world: In North America last year, Gurit went on-stream with production of fibre-reinforced prepregs while doubling its structural foam capacity. A further prepreg plant as well as a foam expansion, tailoring and kitting facility, with possibility for expansion in both, was built in China. The global presence gives Gurit in its biggest business sector, Wind Energy, an important competitive advantage and made a significant contribution to the 17.7% increase in Group sales to CHF 448.8 million. In some markets, growth rates were even considerably higher.

Sales in the Wind Energy market increased strongly by 33% over the previous year to CHF 253 million, and these operations accounted for 56.4% of total sales in 2007.

Although sales growth in the Transportation market ran at a modest 2% to reach CHF 60 million, this was much as had been expected in the light of the known delays to the new Airbus A380 wide-bodied aircraft. The production of ready-made, carbon prepreg body parts for limited vehicle series, which started up in October, is a new field of activity for Gurit and did not yet make any significant contribution to sales in 2007. During the past year, Gurit has been able to establish itself successfully in an additional line of business consisting of the supply of materials for the construction of railway wagons in China. In 2007, the supply of materials for transportation-related applications accounted for 13.4% of Gurit's total sales.

Sales in the Marine, Sport and Civil Engineering markets remained stable at the same level as 2006 and, at CHF 121.0 million, accounted for 26.9% of Group sales. While the Marine business grew strongly, sales in the winter sports sector declined in about the same amount. The winter sports field of Group activity suffered from continuing market consolidation coupled with the effects of yet another mild winter in Europe in 2006 on the demand during 2007.

The consolidated increase in sales of around 18% is a success. However, the earnings situation was unable to keep pace with this development because of the expansion and operational difficulties mentioned above. A merely positive Group profit of CHF 1.0 million resulted only after sundry operating income of CHF 14.6 million (mainly book gains on the sale of real estate no longer operationally needed).

Margins down as expansion plans founder

From the middle of the year onwards, it became increasingly clear that expansion projects running simultaneously in North America, Europe and Asia would suffer from delays and massive knock-on costs. As one difficulty led to another, deficiencies in project management and in the handling of important customer relations became increasingly apparent. Projects started to demand ever-greater attention from management, with the Group's operational and commercial leadership suffering as a result. The situation was exacerbated by the fact that several important Group-wide control instruments were still under construction and that the information necessary to make important decisions was not available, or at least not immediately.

Concerned with these developments, the Board of Directors worked increasingly closely with Management from mid-year onwards and concluded that a new management team with proven turnaround skills was needed if matters were to be brought under control. At the end of October, the Board of Directors appointed Rudolf Hadorn as the Group's new CEO. The new CEO worked together with CFO Markus Knuesli Amacker – who joined the Group in the autumn after having already accepted his appointment in the spring – to define a comprehensive action plan to improve the situation. At the end of November, they announced the first priority measures to be taken to improve the Group result and in January 2008, the new team presented a more detailed plan of action. The Board of Directors and Group Management are confident that Gurit will be back on track for success in 2008. Nevertheless, the result for 2007 was unsatisfactory.

The multiple problems afflicting Gurit in 2007 cost the Group approximately CHF 39 million at operating level. Some CHF 15 million was directly attributable to delays in expansion projects and can to the bigger extent be considered as non-recurring costs. They are accounted for by follow-up conversion costs for plant and facilities and poorly coordinated qualification work on individual product lines and materials, which was completed later than expected.

Running at a similar level as the costs resulting from expansion, operating difficulties impacted EBIT by a further CHF 16 million. In 2007, Gurit felt the increase in raw material and energy costs and the effects commercially disadvantageous contracts with customers. In the meantime, Gurit's new management team has been able to renegotiate important contracts with major customers. At the same time, production cost variances at many levels throughout the Group have had a significant impact and reveal shortcomings in operational organization and controlling. The operating costs are also in part accounted for by a significant and, for the Gurit Group, disadvantageous shift in exchange rates, in particular between the US and Canadian dollar.

A further CHF 8 million of costs are due to restructuring measures and value adjustments. This includes the closure of the Ittigen factory in Switzerland, which was announced in November 2007 as the Group's winter sports business continued to dwindle. Further costs relate to job cuts in Newport/UK and Magog/Canada, where staffing levels in the prepreg production sector are being adjusted in the light of reduced plant utilization levels. Last but not least, these costs include depreciation relating to the raw materials and finished product stocks in Newport, and value adjustments in plant and equipment.

A comprehensive range of measures

As early as mid-January 2008, the new management team presented a forward-looking package of measures designed to put Gurit back on track for success during the current financial year and strengthen the Group's earnings potential in the long term. The problems encountered in organization and management in 2007 revealed the need for urgent action. The Group's new organization helps it focus more specifically on the market segments it services, assigns the individual production facilities more clearly to these target markets and increases performance transparency. As a result, the management of any given production site is now responsible for its own results and for the monitoring and control of the resources on which it has a direct influence. In Wind Energy, key account management is strongly being reinforced. Management throughout the entire Group will be assisted by the clearer definition of roles and responsibilities as well as by improvements made in the last quarter of 2007 in the operational and financial controlling systems which allow much more fact based decision-making in 2008. A business re-engineering project, already underway, will make the Group's processes even more reliable and boost its long-term efficiency. Initially, the primary focus was on Group-wide coordination of procurements from a more diversified supplier base. Both the costs of purchased materials and stock levels have a great impact on Gurit's profitability. Next steps will be to further streamline and strengthen the Group's organization and main operating processes during 2008. As part of these measures, the focus of specific production sites on individual market segments will be particularly important, because the highly project-specific nature of the marine sector demands much greater commercial flexibility than the Wind Energy and Transportation sectors which require high throughputs and the greatest possible efficiency.

Future prospects remain bright

Gurit expects to continue to achieve strong growth in its Wind Energy business in the next couple of years. Wind power, which today only accounts for about 1% of energy production should multiply tenfold by the year 2010. The Marine business sees rapidly growing demand especially in the market segment of super-yachts which is hardly impacted by the general economic trends. In this specific market segment, Gurit holds a very strong market share of over 40%. Transportation will also perform well based on rising material shipments to the major customer Airbus and benefit from the rising composite content of aircrafts in general.

The renegotiation of the supply contracts for 2008 to the Group's major customers – particularly in the wind energy sector – are not only an important direct response measure but will also make an effective, long-term contribution to sustained earnings growth. Following the rapid expansion of 2007, the Group has room to grow in 2008 and is well positioned to meet the rising demand for its materials and services. With many highly regarded product innovations, Gurit is strengthening its position as a major technology and development partner. Based on its extensive technical know how and innovation power, Gurit is a preferred partner helping customers to better differentiate themselves in their markets with superior product characteristics and lower costs per unit. The same high level of importance is attached to the development and patent protection of new products and system solutions designed to meet specific market needs.

In fiscal 2007, Gurit invested a total amount of CHF 41.9 million into maintenance and expansion of Group assets. With capital expenditures amounting to CHF 72.8 million in total for the two years 2006 and 2007, Gurit has made great leaps forward. For 2008, Gurit expects the significantly reduced capital expenditures to roughly equal depreciation.

In 2007, Gurit reported a cash flow (net profit plus depreciation) of CHF 22.4 million.

The Group profit amounted to CHF 1.0 million after comparable CHF 18.6 million for the previous year.

Gurit closed its books on December 31, 2007 with shareholders' equity of CHF 309 million. This equals an equity ratio of 63% of total assets. Gurit thus continues to be very solidly financed.

Gurit Holding AG, the parent company of the Group, reported a result for the fiscal year of CHF 15.2 million, including one-off gains from the sale Medisize shares and from the reduction of treasury stock.

Expected improvement in EBIT

Thanks to its broad-based plan of action, Gurit expects to strengthen operational EBIT to approximately CHF 30 million in 2008 alone, thus restoring the Group to a position where it can again boast a healthy operating profit. For the year 2007, Gurit reports sundry operating income of CHF 14.6 million which mainly consists of book gains on the sale of Swiss real estate superfluous to operating requirements. With this contribution, the EBIT for 2007 stood at CHF 3.4 million; looking at operations only, a loss of CHF 11.5 million would have resulted. Gurit expects operating profit to return to CHF 20 million in 2008, with the EBIT margin set to grow to at least 4%.

2008 will be a year of transition showing improving levels of performance and a rising utilization of the installed capacities. While Gurit will establish a more solid entrepreneurial platform to move ahead, the measures initiated will not yet fully yield the expected benefits in 2008. As for the more distant future, Gurit remains optimistic in view of the very strong potential for growth in its core markets. Group Management is hopeful that after sales growth of between 7 and 10% during the current year, 2009 will see a return to double-digit growth rates and EBIT margins of between 8 and 10% from 2010 onwards.

Both Group Management and the Board of Directors are well aware that 2007 was not a good year for shareholders. This is the reason why we wish to thank you all the more sincerely for your continued confidence in Gurit. Our technological, product management and market success will repay your trust: Customers recognize the quality of our products and services and we shall do all we can to intensify these valuable relations in the future. Prospects, thus, are intact and the Board of Director proposes to pay a dividend of 13%. This is half of the dividend payment of last year.

We want to take this opportunity to thank all our suppliers, customers and everyone employed at Gurit for their confidence, cooperation and total commitment to a sustained partnership in the future.

Yours sincerely

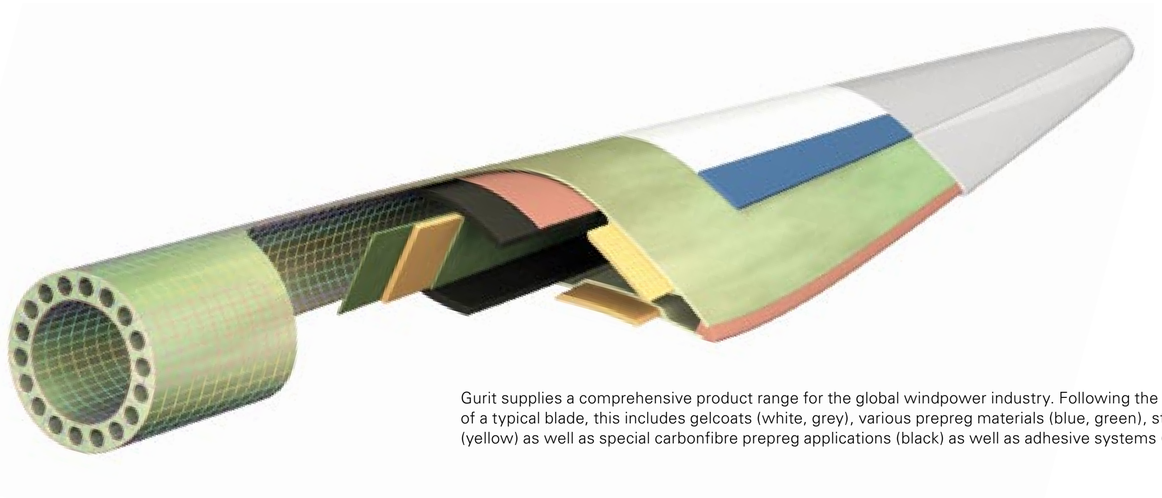
Dr Paul Hälg	Rudolf Hadorn
Chairman of the Board	Chief Executive Officer

“We see ourselves as an enabling partner of the global Wind Energy industry.”

Rudolf Hadorn, CEO and General Manager Wind Energy ad interim

WIND ENERGY

In 2007, Gurit became a global supplier to the world-wide wind energy industry. With production sites in Europe, North America and China, Gurit is ideally positioned to benefit from the mega-trend in renewable energies. The main focus in 2008 is to restore the profitability which had suffered from the rapid expansion and organisational shortfalls in 2007.



Gurit supplies a comprehensive product range for the global windpower industry. Following the cross-section of a typical blade, this includes gelcoats (white, grey), various prepreg materials (blue, green), structural foams (yellow) as well as special carbonfibre prepreg applications (black) as well as adhesive systems (pink).

Gurit faced various difficulties in the Wind Energy market in 2007. What went wrong?
Rudolf Hadorn: Expanding the capacities in Europe, North America and Asia at the same time proved to be too big a challenge for Gurit as an organisation, especially when difficulties and delays started to occur. The new management team focuses on better project management, more sophisticated controlling instruments and the establishment of sustainable, long-term relationships with key customers and new leads. Against all odds, 2007 was an important year for Gurit in Wind Energy: By going global in a big way we are well positioned in a global market which is boosted by a true mega-trend.

How would you qualify your relationship with key customers?
In a global market like wind energy, customers and suppliers are closely interlinked. We have openly discussed the reason for our difficulties with our key accounts. Jointly we have completed the qualification processes, and our customers do appreciate Gurit's willingness and capability to go global with them. Looking ahead, we will not only focus on volumes and growth within our established value chain position. We will give greater emphasis to the value adding aspects of being a key technology partner. We have currently a couple of highly interesting technology and material projects going on with key customers. Therefore I am pleased to say that our relationships are very solid.

So why do you expect growth to be slower in 2008 in Wind Energy?
As I just said, we do not focus solely on growth. We need to make our wind energy business more profitable. This will lead to some changes in our product mix, some from our side, some from our customers'. After the carbon fibre shortages in former years and their sharp price increase, we see a certain design-related shift from carbon fibre prepregs to less expensive glass fibre prepregs. So, while volumes continue to grow, this will not reflect in sales terms. Across all our customers and products and based on agreed contracts, we expect to achieve at last 9% higher sales in 2008. Looking ahead, we expect carbon prepreg volumes to rise again as these products are enablers to make ever bigger turbine blades.

"We are well positioned with growing supplies going into flagship projects such as Airbus A380 planes and Aston Martin DBS cars."

Kees Reijnen, General Manager Transportation, Winter Sport and Civil Engineering

TRANSPORTATION, WINTER SPORT, CIVIL ENGINEERING

The prospects are promising: Gurit's supplies to Airbus reflect the rising build rates for the A380 planes. In the UK, production of carbon-fibre based care body parts has started and interesting opportunities arise in the rail business. Due to the proximity of the continental European production sites, Gurit will report on its Winter Sport and Civil Engineering activities together with Transportation.

Production of finished car body parts for the Aston Martin DBS cars started in autumn 2007.

Rail traffic is rapidly being expanded in China.

Have you already boarded one of the new A380 planes yourself?

Kees Reijnen: Not yet, but the chances become bigger all the time. I believe it will be a wonderful experience for long flights. Most of my business related travel, however, is short-haul within Europe where the Gurit worksites for Transportation are located. – Talking about Europe, the proximity of our central European works for Winter Sports and Civil Engineering is the reason why Gurit will report on these businesses now together with Transportation.

What are your expectations for the current year?

We have a very stable and long-term relationship with Airbus. Our current projections for this business include the effect of rising build rates for the A380 planes but also take some product mix changes for older aircraft types into consideration. Overall, the Aerospace business will continue to perform well in sales and earnings terms in 2008. Looking ahead, next generation of planes such as Airbus' A350 will again offer great opportunities for our innovative new products. What is more, after the successful start in our finished car body parts production last year in the UK, we expect to see a rising sales contribution from this new activity and we hope to continue to attract additional business in the rail industry – especially from Asia. Ground transportation will continue to grow at a fast pace in those rapidly expanding economies.

Is Gurit broadly entering the automotive business?

Gurit has quite a tradition in supplying this demanding industry, so it is not a new industry for us. The way we approach it now, is quite different. We have a true competitive advantage producing finished car body parts based on carbon-fibre prepregs. Our parts can directly be painted without further sanding, time-consuming touch ups or priming jobs. This revolutionary production technology is a very interesting solution for the production of smaller car series of up to say 5000 cars. Producing finished parts also means that we establish ourselves as a true tier-1 production partner. With the Aston Martin DBS cars we have a prestigious showcase for our technology and capabilities.

What about Winter Sport and Civil Engineering?

After the restructuring measures announced at the end of last year, the Winter Sport business will again positively contribute to the overall result. We do not, however, expect this activity to return to positive growth rates. Higher growth potential we see in the Civil Engineering field: Here we produce mainly pultruded lamellas which are being used to strengthen or reinforce bridges and other infrastructure. In many ways, composites are an exciting building material allowing for all sorts of innovative shapes and designs.

“We sell Performance to the leading marine market segments.”

Graham Harvey, General Manager Marine

MARINE

While the overall marine market grows at around 2–4% per year, Gurit is active in market segments that experience much higher growth rates, such as super yachts, race boats or the top range of the production boat segment. Based on its performance-oriented material and technology packages, Gurit holds strong market shares in these segments.

The 33-meter yacht Angel of Joy features Gurit's SP structural engineering and materials.

Many Gurit-Materials are used in the top production yacht Hanse 470e.

What are your sales expectations for 2008?

Graham Harvey: We are quite ambitious for the current year, striving for double-digit growth. In 2007, we achieved solid growth rates in our Marine business. This did not show in the reported sales figures as Marine sales were combined with the revenues of our Winter Sport and Civil Engineering activities. Had we not been hit by the adverse currency fluctuations – especially in North America between the US and the Canadian dollar – last year's performance would have been even stronger.

This is a sharp contrast to the overall marine market, isn't it?

That is correct. The overall marine market grows at around 2–4% per year. But at Gurit, we concentrate on specific marine markets such as super-yachts, race boats and the top segment of production boats. These markets are rather detached from the overall economic trend, hold great opportunities and can best be characterized as project-driven in nature.

How big are these markets?

The overall market for composites in marine accounts for some CHF 1.3 billion and we hold maybe a market share of 6%. But that figure is not really relevant. The race boat market alone accounts for some CHF 30 million, and the super-yacht market is easily worth CHF 150 million a year. In these markets, we hold prime positions with strong double-digit market shares. The biggest market we are rapidly entering from the top end is the production boat market which is some CHF 1 billion in market size.

Where are these markets located geographically?

Marine is a global business. The segments we target are typically located where a lot of affluent people live or like to spend time. Roughly speaking, half of our sales are generated in Europe while North America and Australasia contribute a quarter each.

What are your strategic targets?

We sell performance, not products. So strategically speaking, we want to enforce our position as highly valued technology partners who lead the top-end of this industry to new frontiers. We offer comprehensive packages including engineering, design, technology and materials. This offering is tried and tested in the most demanding high-performance boat markets and we want to leverage our appropriate technology into the production boat segment.

BUSINESS DEVELOPMENT

Composites are the materials of choice for a growing number of applications. Gurit is carefully evaluating new market opportunities and seeks to identify the most promising projects in terms of new markets, new products or new applications. Applying a holistic life cycle analysis of composite applications, Business Development sets the scope for the future.

"We need to decide which markets we want to be in long-term."

James Austin,
Director Business Development

What is the scope of the new Business Development activity?

James Austin: History may offer a good answer to that question. Gurit's longest tradition in composite materials is in Winter Sports and dates back to the early 1960s. Key contacts in Marine go back as far as the early 80ies, in Aerospace to the late 1980s. Wind Energy rapidly became a key application in the 1990s and developed into being the biggest market for us ever since. Parallel to that, we have started to produce materials that go into Civil Engineering and – most recently in a big way – into Automotive. We want to actively shape our future by identifying the most promising new application areas for us.

What new business areas do you target?

We have three different starting points: (1) We can expand what we do; that is to grow in existing markets with existing products. Excellence in key account management is what this is all about. (2) We can discuss options for new products within existing customers and markets on one hand and opportunities for existing products in other applications. Here, our key account managers need to closely work together with our technology team. Or else (3), we start investigating the combination of new customers and new products. This is entering new territory. We look at these options in a holistic way over the whole life cycles of products and applications.

What is the time frame for this approach?

Basically we look at short-term and long-term options. Gurit has significantly expanded its capacities over the last months. This was a very important step to serve our existing customers in the rapidly growing wind energy market; but it should also open the doors for new markets. Let us look at the near-term and more market-driven opportunities first. Here we certainly concentrate on expanding the businesses we are in. We have identified new wind energy customers in Asia and we are expanding our position – again in Asia – in the rail industry. Then, we are certainly looking at ways to expand our car body parts and civil engineering business. If we look at the possibilities from a product-driven view point, we should be able to find new customers for our product offering in structural foams and prepregs.

What are your goals in the longer term?

Our goal is to lay the foundations for tomorrow. Gurit's contribution to solving tomorrow's most pressing energy needs is our materials. The high and long-term rising energy costs drive the need for lightweight materials in both obvious and less obvious ways – and for obvious and maybe less obvious applications. Some of the obvious ways include for instance making aircrafts or cars more fuel-efficient by helping to reduce their weight or to increase the yield of wind energy power generators by contributing to high-performance lightweight turbine blades. In 1990 Wind Energy as a composite application was very far from obvious – but a similar move then to what Business Development is doing now – yielded what we have today. And identifying and defining future activities for Gurit is what Business development is all about.

CORPORATE DEVELOPMENT AND PURCHASING

The tasks of the dedicated Corporate Development team at Gurit have been extended to cover the Group's purchasing activities as well. Materials and servics sourced are by far the biggest cost block in the Group's income statement and of pivotal importance in securing a long-term competitive advantage.

"Up to 60% of our net revenues are materials sourced."

David Schofield,
Director of Corporate Development and Purchasing

In addition to Corporate Development, your responsibilities in Gurit's Executive Team include Group-wide purchasing. What is the connection?

David Schofield: In Corporate Development, our role is to optimise the company's competitive position in the value chain. Therefore Gurit has an interface to the market upstream and downstream.
While we have aligned our sales activity according to the target markets we serve, we are also seeking to best structure our sourcing activities on a Group level.

Why is sourcing so important?

The material and services we buy are the single biggest cost block in our income statement. Last year we felt this painfully when some of the raw material prices increased significantly. That is why a strong performance in purchasing represents a great opportunity – or a great risk if we fail. Up to 60% of our net revenues are materials and services bought from outside sources.
Last year's operational and commercial difficulties clearly showed that there is a lot of room for improvement here. But we should not look at purchasing alone.

What other priorities do you have for 2008?

We do not plan for large capital expenditures or expansion projects this year. We strive to best understand the current business trends in our markets in order to help prepare the grounds for a fact based, fast and solid decision-making.
Our markets are, by definition, fast growing and fast changing ones. Therfore, our strategies need to be frequently reviewed. This is the major ongoing priority for our team.

INNOVATION, PRODUCTS AND SOLUTIONS

Gurit has a long tradition of developing new materials and technologies which offer significant advantages over existing methods and products. Closely inter-linking key account management, business development, structural engineering and basic research ensures an ongoing pipeline of innovation.

"We innovate to offer solutions for demanding-market needs."

Damian Bannister,
Director Innovation Products and Solutions

What types of product would you most like to introduce to the market?

Damian Bannister: A product that offers true advantages over existing technology, opens new market applications or helps our customers to better differentiate themselves within their respective market environment.

Did you and your team invent such a product in 2007?

I guess we are pretty close to that definition when we think of recent product innovations within the Transportation market, with the development and production of the carbon fibre body panels for automotive applications. This product opened a new market application for high performance composites, displacing more expensive and lower performance incumbent technologies. This enables the customer to have significant performance differentiation within their market, and an increased level of flexibility and customisation.

We have continued in this vein in 2007, developing these exciting types of products for the Marine and Wind Energy sectors ready for launch in 2008.

How do you know what the market is looking for?

At Gurit, we innovate to meet market expectations or market needs. Our market intelligence is based on our customer interaction at many commercial and technical levels, from Key Account Management, Technical Support and Structural Engineering, to our Sales and Distribution Network. We also have the advantage of being able to cross-fertilise technology from one market to another and offer our customers a broad selection of material solutions and consultancy services.

The technology group also have extensive links with universities and the wider composites technical community giving valuable insight into emerging technologies. This combination of customer and technology focus gives a good balance for the development of appropriate products and solutions.

How important is the protection of intellectual property for Gurit?

Protection of intellectual property is essential in securing future sales and increasing the profitability of the company. During 2007 the IP strategy was refined to focus on our core areas of technology and to build a secure portfolio of patents and trade secrets. We are also committed to defend our competitive advantages and we were successful in this respect in December 2007 by winning an opposition to one of our key SPRINT patents at a hearing before the European Patent Office. The European patent has been maintained un-amended and as granted, providing a solid base to further develop this patent family and associated technologies.

HUMAN RESOURCES

Over 300 colleagues started at Gurit last year; the number of employees grow to over 1500 people. While a smaller organisation can rely on a shared culture based on individual behaviours and skills, there is a rising need for well established structures and processes in a rapidly growing organisation.

"A rapidly growing organisation needs structures and systems."

Isabela Quinton,
Director Human Resources

2007 was a year of expansion for Gurit. What did that mean for Human Resources?

Isabela Quinton: Last year, Gurit welcomed over 300 new people across all our operations. This is certainly a sign of strong growth. But it is also a big challenge. Integrating these new employees into Gurit's culture, processes and knowledge has not been easy.

What difficulties were there?

A smaller organisation – and this is where we come from – has completely different needs in terms of organisational development than a rapidly growing and maturing one.
Just think of this: About a fifth of the employees working for Gurit today joined us last year. They have no understanding of the past that the older colleagues have shared together. Their sense of belonging and identity with Gurit has to be fostered consistently and their business knowledge developed very fast through intensive training. So one of the major tasks for Human Resources in 2007 was to bridge this gap.

What did you and your team do to bring all employees together and bridge this gap?

We put new tools in place to strengthen internal communications, monitored a systematic approach to knowledge transfer and we concentrated on a project called "Values-4Success." This was a broad process where over 80 people from all locations, functions and backgrounds were invited to participate to identify and define the set of guiding principles that will help foster a common Gurit spirit on one side and promote our economic success on the other.

But we did not see too much of that success!

No one lives in a fairytale world of eternal sunshine! When the expansion projects got off-track and operational issues called for management's full attention, the values project slowed down. The change at the helm of Gurit delayed it again for obvious reasons.

Personally I am very happy that the new management team supports the value initiative as part of the overall measures to bring Gurit forward. All the structures and processes we are about to refine or define, need people and their support. They – we! – are the link between all these measures. And this link works better if we all share a common understanding of what our values are.
I cannot introduce you to them here, but I invite you to read more about it in SHAPE – The Gurit Magazine.

FINANCE

The financial reporting of Gurit is solid. The difficulties encountered in 2007, however, have put the spotlight on the need for improvement in the Group's controlling, forecasting and business data gathering systems. CFO Markus Knuesli Amacker will drive these important projects ahead in 2008.

"Rapidly available, coherent and consistent business data will provide better grounds for our decision making."

Markus Knuesli Amacker,
Chief Financial Officer

You were appointed CFO of Gurit last autumn. How would you describe your first months?

Markus Knuesli Amacker: Busy, very busy, indeed. I am quite happy with the financial reporting system of Gurit which provides a solid set of figures every month. Yet, in turbulent times like Gurit experienced in 2007, the need for rapidly available, more consistent business data became obvious. We need to improve on the monitoring and follow up systems of our operational performance, and we need to understand our cost base better.

Can you explain that in more detail?

Gurit as we know it today is the result of the combination of various formerly independent organisations. Integration has come a long way. But while the financial reporting is solid, we need to define a truly coherent and consistent set of relevant business data across the whole organisation. We need to fine-tune our controlling and forecasting systems and reinforce standards in our enterprise resource planning system.

What are the corner stones of these projects?

We need to bring cost accounting and operation management closer together and define and implement common rules and processes on how to allocate and follow costs through the whole value chain throughout the company. We will deploy new and reinforce existing global Group policies and strengthen our internal controlling system through more precise definitions of roles and responsibilities as well as through the standardisation of basic controls. Finally, we will pay special attention to the management of our net working capital.

Will there be changes in the way Gurit reports its financial results?

No major changes are anticipated. We will certainly continue to report according to IFRS requirements and publish annual and semi-annual reports as well as quarterly sales figures.
Because of the geographical vicinity of the Transportation, the Winter Sports as well as the Civil Engineering operations, we will combine the reporting on the developments in these activities. This also means that – going forward – the developments in our Marine business will be reported on separately.

CORPORATE GOVERNANCE

The following chapter describes the principles of corporate governance applied at Group and senior management level within the Gurit Group. The central elements are contained in the statutes and organizational regulations and are based on the guidelines and recommendations set out in the "Swiss Code of Best Practice for Corporate Governance" published by 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 SWX Swiss Exchange. Unless otherwise indicated, all information refers to balance sheet date on December 31, 2007. Significant changes that have occurred between that date and the copy deadline for this Report have also been indicated as appropriate.

1 Group structure and shareholders

1.1 Group structure

1.1.1 Operative Group structure

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

1.1.2 Legal structure of subsidiaries

Of all the companies consolidated, Gurit Holding AG (the Gurit Group's holding company) is the only one listed. It is headquartered in Wattwil/SG; Gurit bearer shares (security No. 801223, ISIN CH0008012236, symbol GUR) are listed on SWX Swiss Exchange; the registered shares are not listed. Based on the bearer shares year-end closing price of CHF 1121 and equally valuating the par-value adjusted registered shares, the market capitalization on December 31, 2007, amounted to CHF some 525 million.

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

1.2 Major shareholders

On December 31, 2007, the Company knew of the following shareholders holding over 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Heerbrugg, Rässengüetli 9, 9050 Appenzell, holds 220 000 registered shares. This equals 9.4% of the share capital and 33.33% of all voting rights in Gurit Holding. The shares of Huwa Finanz- und Beteiligungs AG are controlled by Hans Huber, Appenzell.

Deutsche Bank AG, Theodor-Heuss-Allee 70, 60468 Frankfurt am Main, Deutsche Asset Management Investmentgesellschaft mgH, Mainzer Landstrasse 178–190, 60327 Frankfurt am Main, DWS Investment GmbH, Mainzer Landstrasse 178–190, 60327 Frankfurt am Main, as well as Tilney Group Limited, Royal Liver Building, Pier Head, Liverpool L3 1NY, held on November 27, 2007 as a group within the Deutsche Bank Group 5.593% of the voting rights in Gurit based on granted conversion & share purchase rights.

Martin Bisang, 8700 Küsnacht, held 5.758% of the voting rights In Gurit Holding AG on December 28, 2007. 1.9696 percentage points thereof stem from the ownership of 13 000 bearer shares and 3.7878 percentage points from the call options representing 25 000 voting rights.

On January 28, 2008, Robert Heberlein, Tobelmülistrasse 20, 8126 Zumikon, announced that he held directly and indirectly via Burix Holding AG, Bleicherweg 58, 8027 Zürich, 4.12% of the voting rights in Gurit. 2.9614 percentage points stem from the ownership of 19 545 registered shares and 1.1386 percentage points from 7633 bearer shares.

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

2 Capital structure
Information about the capital structure can be found in Gurit Holding AG's statutes, in the Financial Review and the Statements on Gurit Holding AG as well as in the Investor Relations section on page 68 of this Report. The statutes (in German) are available on the website at http://www.gurit.com/page.asp?section=0001000100070002&sectionTitle=Corporate+governance

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

2.2 Authorized or contingent capital in particular
Gurit Holding AG has no authorized or contingent capital.

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

in CHF 1000

	Pos. 31.12.2005	Pos. 31.12.2006	Pos. 31.12.2007
Share capital	46 800 000	23 400 000	23 400 000
General reserves	23 400 000	11 700 000	11 700 000
Treasury stock reserves	5 548 930	4 802 537	1 721 820
Other reserves	47 265 076	29 291 469	32 372 186
Net result	48 087 176	38 233 537	47 303 100
Total	171 101 182	107 427 543	116 497 106

In the context of the separation of the former Gurit-Heberlein Group into two companies in 2006, the share capital of Gurit Holding AG was reduced by CHF 23.4 million (50%) by means of a par value reduction from CHF 100 to CHF 50 for each bearer share and from CHF 20 to CHF 10 for each registered share.

2.4 Shares and participation certificates
The company's share capital consists of 240 000 registered shares at par CHF 10 and 420 000 bearer shares at par CHF 50. Bearer shares are traded in the main section of the SWX Swiss Exchange (security No. 801223, ISIN CH0008012236, symbol GUR). All shares are fully paid up and entitled to dividends. All registered shares and bearer shares, regardless of their nominal value, are entitled to one vote.

Gurit Holding AG has not issued any participation certificates.

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

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

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

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

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

3.1/2 Members of the Board of Directors
The personal details together with the other activities and vested interests of individual members of the Board of Directors are listed over-leaf:

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

Professional background (main stages)

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

Other important activity and vested interest
Chairman of the Board of Medisize Holding AG, Wattwil

Heinrich Fischer
Dipl. Ing. ETH Zurich, MBA University of Zurich
Swiss citizen, 58 yerars
Non-executive member

Professional background (main stages)

1980–1990	Balzers Division of Oerlikon Bührle Group
1991–1996	Executive Vice President, Corporate Development, Oerlikon Bührle Group
1994–2005	CEO SaurerGroup

Other important activities and vested interests
- Member of the Board of Schweiter AG, Horgen
- Member of the Board of Tecan AG, Männedorf
- Member of the Board of Hilti AG, Schaan FL

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

Professional background (main stages)

Since 1977	Partner, Lenz & Staehelin, Zurich

Other important activities and vested interests:
- Member of the Board of Directors of Geberit AG, Jona
- Member of the Board of Directors of Medisize Holding AG, Wattwil

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

Professional background (main stages)

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

Other important activities and vested interests
- Member of the Board of Directors, Alpha Rheintal Bank, Heerbrugg
- Member of the Board of Directors of Medisize Holding AG, Wattwil
- Member of the Board of Directors, Huwa Finanz- und Beteiligungs AG, Heerbrugg SG

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

Professional background (main stages)

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

Other important activity and vested interest
Member of the Board of Directors of Medisize Holding AG, Wattwil

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

Professional background (main stages)

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

Other important activities and vested interests
- Member of Board of Swissmem
- Member of the oard of SGSQS
- Vice Chairman of Instite for Technology Management of University of St. Gallen

3.3 Cross-involvement

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

3.4 Election and term of office

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

Members of the Board of Directors

Name	Born	Position in BD	Election in BD	Elected to BD until
Dr. Paul Hälg	1954	Chairman	14.06.2001	2008
Robert Heberlein	1941	Member	22.11.1984	2008
Nick Huber	1964	Member	15.06.1995	2008
Dr. Walter Känel	1935	Member	22.11.1984	2008
Urs Kaufmann	1962	Member	12.04.2006	2009
Heinrich Fischer	1950	Member	17.04.2007	2010

3.5 Internal organization

3.5.1 Allocation of tasks within the Board of Directors

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

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

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

The Board has formed permanent committees:

Audit and Corporate Governance Committee

Chairman: Robert Heberlein
Members: Paul Hälg, Nick Huber, Walter Känel, Urs Kaufmann, Heinrich Fischer

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

Compensation and Nomination Committee

Chairman: Walter Känel
Members: Paul Hälg, Nick Huber, Robert Heberlein, Urs Kaufmann, Heinrich Fischer

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

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

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors meets annually at least for four ordinary meetings. In 2007, the Board of Directors met six times and held two conference calls.

The Audit and Corporate Governance Committee met three times in 2006, wherease the Compensation and Nomination Committee met two times in 2006.

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

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

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

Decisions may also be made in writing.

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

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

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

3.6 Definition of areas of responsibility

The Board of Directors' main duties are:

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

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

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

4 Group Management

On December 31, 2007, Gurit Holding AG's Group Management consisted of the CEO and the CFO as well as an Executive Management Team consisting of additional six members.

4.1 Members of Group Management

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

Rudolf Hadorn
Chief Executive Officer
MBA University of St. Gallen
Swiss citizen, 45 years

Professional background (main stages)

1989–2000	Various management and financial positions with GM in Europe
2000	CEO Krone GmbH, Berlin, CFO Krone Gruppe
2002	Ascom Group, Berne, CFO
2004–2007	Ascom Group, Berne, CEO
Since 1.11.2007	Gurit CEO

Other important activity and vested interest
Advisory Board of Cross 1 Private Equity Firma

Markus Knuesli
Chief Financial Officer
Degree in economics HEC Lausanne
Swiss and French citizen, 46 years

Professional background (main stages)

1989–1993	Coopers & Lybrand, Genf, General audit supervisor
1993–1997	Tetra Laval International, Pully, Controlling & Consolidation
1997–2003	Nextrom Group, Morges, CFO
2004–2007	Unicible SA, Prilly, CFO
Since 1.10.2007	Gurit CFO

James Austin
Director Business Development, New Products, New Markets
BSc Chemical Sciences
British citizen, 41 years

Professional background (main stages)

1988–1995	Various commercial functions at Hexcel
1995	Joined former SP Systems, marine sales
2002–2005	Sales director at SP Systems
2006	Gurit, COO
2008	Director Business Development, New Products, New Markets

Damian Bannister
Director Innovation, Products and Solutions
Bachelor of Science, PhD
British citizen, 37 years

Professional background (main stages)

2000	Joined former SP Systems as project engineer Wind Energy
2002	Technical Manager Wind Energy
2004	Development and Processing Manager
2005	Head of Technology at SP Systems
2006	Gurit, Chief Technology Officer
2008	Director Innovation, Products and Solutions

Graham Harvey
General Manager Marine
BSc Ship Science
British citizen, 42 years

Professional background (main stages)

1991–2000	Engineering Consultancy Manager at SP Technologies
2000–2004	Head of Technology at SP Systems
2005	Managing Director SP Systems Europe
2006	Gurit, Business Manager Marine, Sports & Civil Engineering
2008	General Manager Marine

Isabela Quinton
Director Human Resources
Psychologist
Colombian and British citizen, 53 years

Professional background (main stages)

1978–1988	Lecturer in psychology, Universidad Santo Tomás de Aquino and Universidad Católica de Colombia
1989–1992	Freelance consultant
1992–1995	Banco de Occidente, Cali, Colombia, Manager Internal Communications
1995–1997	Colgate-Palmolive, Cali, Colombia, Manager of Communications
1998–2000	Joined former SP Systems, Training & Development Manager
2000–2005	Head of Human Resources & Development at SP Systems
2006	Gurit, Head of Human Resources & Development at Gurit
2008	Director Human Resources

Kees Reijnen
Managing Director Transportation, Winter Sport and Civil Engineering
MSc in Physics
Dutch citizen, 50 years

Professional background (main stages)

1987–1991	Fluid Dynamics Corp. European Sales and Marketing
1991–1995	Schenk Filterbau GmbH, World-wide Sales and Marketing Director, Filtration systems
1995	WPT GmbH, Co-Founder and Manging Director, Water recycling technology
1998–2006	Enka-Tecnica, Managing Director; Enka-Tecnica was acquired by Gurit in 2000
2006	Gurit, Business Manager Transportation
2008	Managing Director Transportation, Winter Sport and Civil Engineering

David Schofield
Director of Corporate Development and Purchasing
MA Metallurgy and Materials Science, University of Cambridge
British citizen, 42 years

Professional background (main stages)

1986–1991	Ciba-Geigy plc, Duxford UK, last as Planning & Supply Manager
1992–1996	Ciba-Geigy AG, Basel, Head of Inventory Management
1997–1998	Ciba Specialty Chemicals, Duxford UK, Head of Product Portfolio Europe, Adhesives and Tooling
1999–2004	Huntsman Advanced Materials, Head Global Marketing, Tooling STU
2004–2006	Gurit (UK), Head of Business Management
2006	Gurit, Head Corporate Development
2008	Director of Corporate Development and Purchasing

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

5 Compensation, shareholdings and loans
5.1 Content and method of determining compensation and shareholding schemes
Members of the Board of Directors are paid a fixed amount in cash for their services. This compensation is determined by the Board of Directors upon recommendation by the Compensation and Nomination Committee.

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

Apart from their basic salary, the members of Group Management receive a performance and success-related bonus. The basic salary takes into account the functional value of the position, the individual qualifications required and local employment conditions. The size of the bonus depends on how successful the area for which the member is responsible has been in achieving its targets. No bonifications were paid for the year 2007.

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

There is a share participation programme in place for the senior management members: bonus payments can be partially used to buy bearer shares at CHF 900. For fiscal year 2007, no bonifications were paid and therefore no shares were purchased in the context of this participation programme.

5.2 Remuneration to acting members of governing bodies
The total sum of all remunerations[1] paid during the year under review was as follows:

a) to members of Group Management a total of CHF 2 528 600 (eight persons in all); and
b) to non-executive members of the Board of Directors a total of CHF 918 726[2] (six persons in all). The highest remuneration paid to a non-executive member of the board was CHF 322 468.

(See also Notes to Gurit Holding AG on page 65)

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

2 Figures cannot directly be compared with the previous year as in 2006 the remuneration of the Board was divided in the context of the restructuring of Gurit/Medisize.

5.3 Remuneration to former members of governing bodies

No exit remuneration to a person leaving office during the year under review, and no remuneration to former members of governing bodies was paid during the year under review. However, provisions were made of CHF 458 958 million for contractual payments during the year 2008 to a management member who has left the Group.

5.4 Share allotment in the year under review

During the year under review 175 shares were allotted to the Board of Directors as part of their compensation (see also 5.2 b)

5.5 Share ownership

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

a) members of Group Management and parties closely linked to them 438 bearer shares at par CHF 50; and
b) non-executive members of the Board of Directors and parties closely linked to them: 19 545 registered shares at par CHF 10 and 9355 bearer shares at par CHF 50.

(See also Notes to Gurit Holding AG on page 64)

5.6 Options

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

5.7 Additional fees and payments

Lenz & Staehelin, Attorneys-at-Law, in which Robert Heberlein, member of the Board of Directors, is a partner, presented Gurit Holding AG or its Group companies with invoices totalling approximately CHF 43 000 for legal advisory services during the year under review.

5.8 Loans to governing bodies

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

5.9 Maximum total remuneration

The Board member with the highest total remuneration in the year under review received CHF 322 468 (previous year 170 000.)

6 Shareholders' participation rights

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

6.1 Voting right restrictions and representation

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

6.2 Statutory quorums

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

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

6.3 Convocation of the General Meeting

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

6.4 Agenda

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

6.5 Entries in the share register

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

7 Changes of control and defence measures

7.1 Public purchase offers

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

7.2 Clauses on changes of control

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

8 Auditors

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

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

8.2 Auditing fees

The total sum charged during the year under review by PricewaterhouseCoopers in its capacity as Group auditor amounted to CHF 683 000.

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 335 000.

8.4 Supervisors and control instruments pertaining to the auditors

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

9 Information policy

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

10 Internet

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

E-mail alerts: The latest financial information from Gurit Holding can be automatically sent via E-mail alert; sign up is available in the investor relations section of the Gurit website at http://investors.gurit.com/investor-relations/news_en.html

11 Ad hoc publicity

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

Important dates

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

March 31, 2008	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
April 24, 2008	General Meeting
September 9, 2008	Half-yearly report, shareholders' letter
End of March 2009	Presentation of annual results; financial analysts' and media conference; publication of Annual Report
April 2009	General Meeting

Contact address

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

FINANCIAL REVIEW

GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

IN CHF 1000

	Ref.	2007	2006
Income Statement			
Activities continued as Gurit Holding AG			
Net sales	1	448 821	381 295
Cost of goods and materials	2	–287 430	–218 855
Personnel expenses	3	–91 924	–86 298
Other operating expenses	5	–34 112	–17 462
Marketing and administrative expense	5	–25 033	–22 896
Management services for third party		0	2 316
Sundry operating result	6	14 583	2 919
Depreciation and amortization	7	–21 393	–13 480
Operating profit		3 512	27 539
Financial expenses	8	–6 865	–5 494
Financial income	8	3 957	3 825
Profit before tax		604	25 870
Tax expenses	9	360	–7 268
Profit from activities continued as Gurit Holding AG		**964**	**18 602**
Result from discontinuing operations (Medisize Holding AG)	12	0	10 144
Profit after tax		964	28 746
Minority interest		0	0
Group profit	13	**964**	**28 746**

Earnings per share from activities continued as Gurit Holding AG		
Earnings per bearer share	CHF 2.21	CHF 39.94
Diluted earnings per bearer share	CHF 2.21	CHF 39.94
Earnings per registered share	CHF 0.44	CHF 7.99
Diluted earnings per registered share	CHF 0.44	CHF 7.99

Earnings per share from discontinued operation Medisize Holding AG		
Earnings per bearer share		CHF 21.78
Diluted earnings per bearer share		CHF 21.78
Earnings per registered share		CHF 4.36
Diluted earnings per registered share		CHF 4.36

The notes are part of the group financial statements.

GROUP BALANCE SHEET

IN CHF 1000

	Ref.	31.12.2007	31.12.2006
Assets			
Cash and cash equivalents		42 371	35 580
Securities through profit&loss		178	8 484
Accounts receivable from deliveries and sales	16	74 891	80 806
Tax assets		299	218
Other receivables and accruals	17	9 688	10 524
Inventories	18	57 391	45 474
Current assets		184 818	181 086
Property, plant and equipment	19	130 065	115 160
Financial assets	20	3 499	3 300
Intangible assets	21	162 913	171 830
Deferred tax assets	10	6 720	1 394
Non-current assets		303 197	291 684
Total assets		**488 015**	**472 770**
Equity and liabilities			
Bank loans	22	48 594	36 506
Accounts payable to suppliers	23	44 477	47 907
Other accounts payable and accruals	24	19 197	22 380
Tax liabilities		3 854	1 947
Short-term provisions	25	4 078	8 963
Current liabilities		120 200	117 703
Mortgage and loans	26	39 473	23 563
Deferred taxes	10	16 253	16 794
Long-term provisions	28	3 058	2 937
Non-current liabilities		58 784	43 294
Total liabilities		**178 984**	**160 997**
Share capital	29	23 309	22 861
Additional paid-in capital		28 642	28 642
Currency translation adjustments		4 572	14 592
Retained earnings		252 508	245 678
Total equity of Gurit Holding AG shareholders		309 031	311 773
Minority interests		0	0
Total equity		309 031	311 773
Total equity and liabilities		**488 015**	**472 770**

The notes are part of the group financial statements.

GROUP FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENTS

IN CHF 1000

	Ref.	2007	2006
Operating profit		3 512	27 539
Depreciation and amortization	7	21 393	13 480
Other non-cash items		–16 759	–3 363
Change in accounts receivable		4 638	–10 614
Change in inventories		–11 857	–7 335
Change in sundry current assets		11 310	–7 750
Change in current liabilities (excl. bank loans)		–12 416	5 249
Change in non-current liabilities		117	–356
Financial expenses		–5 350	–3 331
Financial income		1 523	2 350
Tax payments		–3 648	–4 097
Cash flow from operating activities discontinued operation Health Care	12	0	6 992
Cash flow from operating activities		**–7 537**	**18 764**
Purchase of property, plant and equipment	19	–41 879	–30 951
Proceeds from sale of property, plant and equipment		24 887	14 434
Financial investments		–3	–225
Disposal of financial investments		150	3 507
Investments in intangible assets	21	–945	–393
Disposal of investments in intangible assets		1	3
Cash flow from investment activities Health Care	12	0	–2 596
Cash flow from investment activities	30	**–17 789**	**–16 221**
Change in current bank loans		3 840	–27 429
Pay-back of non-current bank loans and other loans		–3 097	–6 807
New of non-current bank loans and other loans		25 847	21 442
Lease payments		–200	–1 640
Dividend distribution		–5 944	–11 036
Sale of treasury stock		12 060	745
Cash flow from financing activities Health Care	12	0	28 639
Cash flow from financing activities		**32 506**	**3 914**
Exchange rate differences		–389	–152
Total cash flow		**6 791**	**6 305**
Separation Health Care Division	12	0	–27 137
Change in cash and cash equivalents		**6 791**	**–20 832**
Cash and cash equivalents at beginning of the year		35 580	56 412
Cash and cash equivalents at end of the year		42 371	35 580

The notes are part of the group financial statements.

SHAREHOLDERS' EQUITY

IN CHF 1000

	Ref.	Equity Share capital	Additional paid-in capital	Cur. transl. adjustments	Retained earnings	Gurit shareholders' equity	Minority interests	Total Equity
1.1.2006		46 035	28 642	–850	349 986	423 813	0	423 813
Group result					28 746	28 746		28 746
Currency effects				7 063		7 063		7 063
Total of all profit and losses		*0*	*0*	*7 063*	*28 746*	*35 809*	*0*	*35 809*
Dividend distribution					–11 036	–11 036		–11 036
Split-off Health Care division		–23 400		8 379	–122 537	–137 558		–137 558
Sale of treasury stock		226			519	745		745
Total transaction with shareholders		*–23 174*	*0*	*8 379*	*–133 054*	*–147 849*	*0*	*–147 849*
31.12.2006		22 861	28 642	14 592	245 678	311 773	0	311 773
Group result	13				964	964		964
Currency effects				–10 020		–10 020		–10 020
Total of all profit and losses		*0*	*0*	*–10 020*	*964*	*–9 056*	*0*	*–9 056*
Dividend distribution	29				–5 944	–5 944		–5 944
Change from equity settled transaction	33	9			189	198		198
Sale of treasury stock		439			11 621	12 060		12 060
Total transaction with shareholders		*448*	*0*	*0*	*5 866*	*6 314*	*0*	*6 314*
31.12.2007		**23 309**	**28 642**	**4 572**	**252 508**	**309 031**	**0**	**309 031**

The notes are part of the group financial statements.

NOTES TO GROUP FINANCIAL STATEMENTS

ACCOUNTING POLICIES

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

The former Healthcare Division of Gurit became fully independent with the listing of Medisize Holding AG on SWX Swiss Exchange on June 23, 2006.

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

Definition of segments

Business segments constitute the primary structure. Based on their respective products and customers they face certain risks that substantially distinguish them from other segments. After the separation of the healthcare activities as Medisize Holding AG, Gurit has now only one primary segment. Geographic segments reflect the fact that customers are located in different geographic areas.

Accounting Policies

General remarks

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

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

The International Accounting Standards Board (IASB) issued the following new standards to be applied:
IAS 1 – Presentation of Financial Statements
IFRS 7 – Financial Instruments: Disclosures
IFRIC 8 – Scope of IFRS 2
IFRIC 9 – Reassessment of Embedded Derivatives
IFRIC 10 – Interim Reporting and Impairment
IFRIC 11 – Group and Treasury Share Transactions

The adoption of these new or revised standards resulted in changes to the consolidated financial statements 2007 regarding the disclosures of financial instruments plans. Comparative amounts have been restated in all material respects.

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

These financial statements were signed off by the Board of Directors on March 12, 2008, for publication. The Annual General Meeting of Shareholders scheduled for April 24, 2008, will vote on these financial statements.

Principles of consolidation

Companies consolidated

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

The following change in the scope of consolidation occurred in 2007:
Gurit (India) Ptv. Ltd, foundation

The following changes in the scope of consolidation occurred in 2006:
Medisize Holding AG, separation as per June 22, 2006
GuMa Sarl., foundation
Gurit (Tianjing), foundation
Gurit (Scandinavia), foundation
IMS Kunststoffen b.v., Sittard NL, Liquidation

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

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

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

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

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

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

Property, plant and equipment
Property, plant and equipment are categorized as follows:
- Machines and equipment
- Leased machines and equipment
- Real estate

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

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

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

Financial assets
Classification:
The Group classifies its financial assets in the following categories:
- at fair value through profit or loss
- loans and receivables

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

– Financial assets at fair value through profit or loss

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

– Loans and receivables

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

Recognition

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

Subsequent measurement/impairment

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the income statement within financial income or financial expense in the period in which they arise. Loans and receivables are carried at amortized cost using the effective interest method. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. The Group assesses at each balance sheet date whether there is objective evidence that financial assets are impaired. In case of impairment the respective expense is recognized in the income statement.

Intangible assets

– Goodwill

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

– Intangible assets other than goodwill

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

Impairment of assets

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

Provisions

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

Pension contributions

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

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

Top 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 400 000 and at least one third of the premium contributions are financed by the senior management staff members themselves.

Management stock participation program

There used to be a management stock participation scheme for members of senior management that entitled them to purchase Gurit-Heberlein bearer shares. In the context of the separation of the Group into two independent companies in 2006, the management stock participation program was terminated. With the new management stock participation scheme for members of the senior management bonus payments could partly be used for the purchase of bearer shares at a price of CHF 900 each. For the reporting year 2007 no bonuses will be paid, therefore the management stock participation program will not be applied.

Share-based compensation

The members of the Board of Directors receive a certain number of bearer shares which are subject to a lock-up clause for 3 years.

Taxes

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

Net sales

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

Repair and maintenance costs

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

Interest payments

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

Research and development

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

Foreign currency

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

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

Exchange rates in CHF

	31.12.2007	Ø 2007	31.12.2006	Ø 2006	31.12.2005
1 USD	1.1276	1.2009	1.225	1.2536	1.315
1 EUR	1.6595	1.6435	1.608	1.5730	1.558
1 GBP	2.2472	2.4030	2.397	2.3077	2.260

Financial risk management

Due to the global activitities of Gurit, the Group is exposed to certain financial risks such as currency risks, interest rate risks, credit risks as well as liquidity risks. Group management defines the principles for the financial risk management. 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 If appropriate, derivative financial instruments are used to hedge certain risk positions. The Group does not apply hedge accounting as defined by IAS 39. Derivative financial instruments are only agreed upon with first class counter parties.

Credit risk

Credit risk may exist on liquid assets, receivables at financial institutions and on accounts receivable from deliveries and sales.

Gurit has group-wide credit insuring instruments in place. Management thus does not expect any substantial losses from risks on receivables.

Liquidity risk

At the reporting date, available liquidity was as follows:

IN CHF 1000

	2007	2006
Liquidity reserves and credit lines		
Cash and cash equivalents	42 371	35 580
Securities through profit and loss	178	8 484
Credit lines	155 213	143 905
Used credit lines	–70 845	–60 069
Total liquidity reserves and credit lines	**126 917**	**127 900**

For the fiscal year 2008 and the subsequent years, Gurit Group anticipates a positive cashflow from operations. Together with granted credit lines totalling to unchanged amounts, these means should be sufficient for the ongoing operations. For larger, future financing purposes, credit lines could be amended. Issuing loans on the capital market is another financing option. At the reporting date, the Group had not issued any approved capital.

Interest risk

The Group has no substantial interest bearing activities. Income as well as cash flows from operations are thus hardly impacted by changes in market interest rates.

A sensitivity analysis does not show any substantial influences on the result.

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.

Currency risk at year end is shown on the following tables:

Per 31.12.2007

IN CHF 1000

Currency pair	"reasonable shift"	"impact" net result	"reasonable shift"	"impact" net result
USD/CHF	10%	98	–10%	–98
EUR/CHF	5%	1 199	–5%	–1 199
GBP/CHF	8%	1 227	–8%	–1 227
USD/EUR	15%	9	–15%	–9

Per 31.12.2006

IN CHF 1000

Currency pair	"reasonable shift"	"impact" net result	"reasonable shift"	"impact" net result
USD/CHF	5%	90	–5%	–90
EUR/CHF	3%	246	–3%	–246
GBP/CHF	5%	1 880	–5%	–1 880
USD/EUR	10%	63	–10%	–63

The changes are largely due to gains and losses on exchange rates on liquid assts, accounts receivable, accounts payable and other short-term liabilities.

Risk associated with the conversion of the foreign currency balance sheets of subsidiaries, however, is not hedged.

Capital risk

Managing its capital, Gurit focuses on safeguarding the Group's ongoing operations, achieving an appropriate return on capital for the shareholders, and an optimization of the balance sheet structure. In order to achieve these goals, the Group may adjust dividend payments, pay capital back to shareholders, issue new shares, or sell assets in order to reduce liabilities.

Gurit has accepted certain external capital covenants. Because of a waiver the infringement of these covenants had no impact on credit facilities.

Supervision of capital risk is executed based on the parameters shown below:

IN CHF 1000

	2007	2006
Interest bearing debt	88 067	60 069
EBITDA	24 905	41 019
Debt ratio	**3.5**	**1.5**
Assets	488 015	472 770
Equity	309 031	311 773
Equity ratio	**63.3%**	**65.9%**

Main sources of uncertainties

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

Goodwill

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

Property, plant and equipment, inventories and provisions

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

Deferred tax assets on loss caried forward

In the context of their operations, some subsidiaries report tax losses which in parts may be used to balance tax payments off in future periods. The Group closely supervises the development of such loss situations. Based on the mid-term planning of these companies, deferred tax assets on loss caried forward are made.

Futures changes in financial reporting standards

In 2007, the following new standards, amendments and interpretations to existing standards listed below have been published. None of them has been early adopted by Gurit-Group.

- IFRIC 12 – Service Concession Arrangements
  (effective as from January 1, 2008)
- IFRIC 13 – Customer Loyalty Programs
  (effective as from July 1, 2008)
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
  (effective as from January 1, 2008)
- IAS 1 (revised) – Presentation of Financial Statements
  (effective as from January 1, 2009)
- IAS 23 (revised) – Borrowing Costs
  (effective as from January 1, 2009)
- IAS 27 (revised) – Consolidated and Separate Financial Statements
  (effective as from July 1, 2009)
- IFRS 2 (revised) – Share-based Payement
  (effective as from January 1, 2009)
- IFRS 3 (revised) – Business Combinations
  (effective as from July 1, 2009)

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

NOTES TO GROUP FINANCIAL STATEMENTS

SEGMENT INFORMATION

Since the spin-off of the Healthcare division Gurit Holding AG is only active in one primary segment Composite Technologies.

IN CHF MIO.

			2007			2006
Net sales by division						
Composite		445.6	99.3%		379.9	99.6%
Other/Consolidation		3.2	0.7%		1.4	0.4%
Total net sales		**448.8**	**100.0%**		**381.3**	**100.0%**
Net sales						
Switzerland		15.8	3.5%		15.2	4.0%
EU and EEA		309.6	69.0%		265.3	69.6%
Rest of Europe		6.8	1.5%		8.4	2.2%
USA/Canada		58.7	13.1%		48.9	12.8%
Other		57.9	12.9%		43.5	11.4%
Total net sales		**448.8**	**100.0%**		**381.3**	**100.0%**
Operating profit by divisions						
Composite		−9.2	−262.9%		28.3	102.9%
Other/Consolidation		12.7	362.9%		−0.8	−2.9%
Total Group operating profit		**3.5**	**100.0%**		**27.5**	**100.0%**
Financial result		−2.9			−1.6	
Income taxes		0.4			−7.3	
Result from discontinued operations		0.0			10.1	
Total Group result		**1.0**			**28.7**	
Employees per division Ø						
Composite		1 492	98.9%		1 266	99.0%
Other/Consolidation		16	1.1%		13	1.0%
Total employees		**1 508**	**100.0%**		**1 279**	**100.0%**
Assets / CapEx by division	Assets	CapEx	Depr./Amort.	Assets	CapEx	Depr./Amort.
Composite	466.6	42.8	20.9	333.6	32.3	13.2
Health Care	0.0	0.0	0.0	0.0	1.4	0.0
Other/Consolidation	21.4	0.0	0.5	139.2	0.0	0.3
Total assets / CapEx	**488.0**	**42.8**	**21.4**	**472.8**	**33.7**	**13.5**
Liabilities by division						
Composite			146.3			241.3
Other/Consolidation			33.6			−80.3
Total Liabilities			**179.9**			**161.0**
Assets / CapEx by regions	Assets	CapEx		Assets	CapEx	
Switzerland	239.1	0.8		257.5	3.3	
EU and EEA	142.8	12.5		156.1	9.9	
Rest of Europe	0.0	0.0		0.0	0.1	
USA/Canada	77.3	15.4		51.1	18.2	
Other	28.8	14.1		8.1	2.2	
Total assets / CapEx	**488.0**	**42.8**		**472.8**	**33.7**	

NOTES TO GROUP FINANCIAL STATEMENTS

01 Net sales

Net sales can be analysed as followes:

IN CHF 1000

	2007	2006
Sales of goods	441 417	372 403
Sales of services	7 404	8 892
Total net sales	**448 821**	**381 295**
thereof:		
Production in Switzerland	16%	19%
Foreign production	84%	81%

02 Cost of goods and materials

The item amounted to 64% (previous year 57.4%) of net sales. This item also includes changes in finished goods and work in progress of CHF 2.5 million (previous year CHF 1.8 million).

03 Personnel expenses

The pro rata average workforce amounted to 1 508 employees (previous year pro rata 1 279).

Personnel expenses can be analysed as follows:

IN CHF 1000

	2007	2006
Salaries and wages	80 810	76 975
Pension expenses (defined benefit plans)	862	1 017
Pension expenses (defined contribution plans)	3 515	2 926
Other social expenses (incl. governamental social security)	5 839	2 918
Other personnel expenses	898	2 462
Total personnel expenses	**91 924**	**86 298**

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

04 Pension liabilities

Short-term payables against pension plans amount to CHF 0,11 million (previous year CHF 0.13 million).

Details to the defined benefit plans are as follows:

IN CHF 1000

	2007	2006
Pension costs		
Current service cost	2 174	1 842
Interest expenses	1 248	1 710
Expected earnings from plan assets	–1 316	–1 713
Amortization of net recognized actuary gains and losses	30	895
Employees' contribution (premium)	–1 274	–1 717
Total expenses for defined benefit plans	**862**	**1 017**
Change in pension liabilities		
Balance 1.1.	38 415	75 284
Change in accounting, valuation methods and scope	0	–36 461
Current service costs	2 174	1 842
Interest expenses	1 248	1 710
Employees' contribution (Premium)	1 274	1 717
Paid pensions from plans with separated assets	–18 570	–4 283
Actuary gains/losses	–832	–1 394
Balance 31.12.	23 709	38 415
Change in plan assets		
Balance 1.1.	37 595	68 654
Change in accounting, valuation methods and scope	0	–32 412
Employees' contribution (premium + input)	2 199	1 717
Emplovers' contribution	1 030	1 717
Paid pensions from plans with separated assets	–18 570	–4 283
Expected earnings from plan assets	1 316	1 713
Actuary gains/losses	161	489
Net assets from pension schemes	1 480	1 600
Impairment of net assets from pension schemes	–1 480	–1 600
Balance 31.12.	23 731	37 595

IN CHF 1000

	2007	2006
Make-up of plan assets		
Receivables from insurance company	23 731	37 595

No investments in shares of Gurit Holding AG or its subsidiaires were made.

IN CHF 1000

Change in plan assets	2007	2006	2005
Liabilities of plans with separated assets	23 709	38 415	75 300
Plan assets	23 731	37 595	68 700
Over-/Undercoverage	–22	820	6 600
Not recognized actuary gains and losses	2 877	1 883	200
Asset ceiling	30		–2 300
Net amount	2 885	2 703	4 500

This amount is part of long-term provisions.

Change in net amount		
Balance 1.1.	2 703	4 500
Change in accounting, valuation methods and scope	0	–1 097
Pension costs according to profit and loss accounts	862	1 017
Employers' contribution	–1 030	–1 717
Other impacts	350	0
Balance 31.12.	2 885	2 703

Actuary assumptions		
Discount rate	3.25%	3.25%
Expected return on plan assets	3.50%	3.50%
Future salary increases	1.50%	1.50%
Inflation	0.75%	0.75%
Future pension increases	0.75%	0.75%
Expected lifetime after retirement for men	18.7	18.7
Expected lifetime after retirement for women	22.7	22.8

IN CHF 1000

Other information	2007	2006	2005
Experience adjustments on plan assets	161	489	200
Experience adjustements on pension liabilities	832	1 394	2 100
Effective return on plan assets	809	1 323	
Expected contribution in FY 2008 (2007)	1 872	1 700	

05 Other operating, marketing and administrative expenses

Other operating expenses (net) were CHF 59.1 million (previous year CHF 40.4 million). Operating expenses include repair and maintenance cost of property, plant and equipment as well as R&D costs of CHF 0.7 million (previous year 2.1 million).

06 Sundry operating income

IN CHF 1000

	2007	2006
Profit/losses from disposal of Holdings	0	405
Profit from disposal of fixed assets	15 796	2 827
Losses from disposal of fixed assets	–14	–69
Other income	2 133	0
Other expenses	–3 332	–244
Net sundry operating income	**14 583**	**2 919**

Other operating income is mainly the result of the release of no longer necessary provision. Other operating expenses contain restructuring costs of CHF 1.5 million as well as project and destruction costs for buildings of the former textile printing activities in Wattwil amounting to CHF 1.5 million.

07 Depreciation and amortizationn

IN CHF 1000

	2007	2006
Depreciation on property, plant and equipment	17 230	12 188
Impairment on property, plant and equipment	3 319	187
Amortization of intangible assets	833	1 105
Impairment on intangible assets	11	0
Total depreciation and amortization	**21 393**	**13 480**

In the context of restructurings of Gurit (Ittigen) AG, impairments of a total of CHF 2.3 million were necessary on plant and machinery. The discontinuation of the delivery of an intermediate prodcut to a material client at Gurit (Spain) SA made impairments necessary on machines in the amount of CHF 1.0 million.

NOTES TO GROUP FINANCIAL STATEMENTS

08 Financial expenses/financial income

Financial expenses were CHF 2.9 million net (previous year CHF 1.7 million).

2007

IN CHF 1000

	Financial expenses	Financial income	Net
Interest	4 212	757	–3 455
Exchange rate differences	2 653	2 877	224
Income from securities	0	323	323
Total	**6 865**	**3 957**	**–2 908**

2006

IN CHF 1000

	Financial expenses	Financial income	Net
Interest	2 777	1 423	–1 354
Exchange rate differences	2 717	2 402	–315
Total	**5 494**	**3 825**	**–1 669**

09 Tax expense

Tax expense consists of:

IN CHF 1000

	2007	2006
Payable taxes	5 507	4 634
Deferred taxes	–5 867	2 634
Total taxes	**–360**	**7 268**

Tax expense can be analyzed as follows:

IN CHF 1000

	2007	2006
Group result before income taxe	604	25 870
Tax espense at applicable tax rate of 25%	158	6 509
Tax expenses at other rates	–1 306	263
Tax effects from changes in tax rates	–213	0
Tax effects from not capitalized losses carried forward	–1 829	100
Tax effects from group taxation	–50	–1 800
Tax effects from revaluation of losses carried forward	0	306
Loss for the period excl. actual tax savings	3 658	2 254
Effect of non accepted tax positions	–473	130
Tax expenses from other periods	–523	0
Other irrelevant impacts	218	–494
Effective tax rate	**–360**	**7 268**

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

Losses carried forward and duration:

IN CHF 1000

	2007	2006
1–3 years	24 598	15 307
4–6 years	41 298	44 018
More	26 263	20 467
Total	92 159	79 792
Positive tax effects	23 742	19 942
Adjustments	–18 655	–17 926

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

10 Deferred taxes

Deferred tax provisions

Deferred tax provisions include the following items:

IN CHF 1000

	2007	2006
1.1.	16 794	19 572
Additions	458	3 070
Reversals	–975	–748
Change in scope	0	–5 074
Currency effects	–24	–26
31.12.	**16 253**	**16 794**

Deferred tax assets

Deferred tax assets include the following items:

IN CHF 1000

	2007	2006
1.1.	1 394	2 851
Additions	5 431	726
Reversals	–192	–545
Change in scope	0	–1 645
Currency effects	87	7
31.12.	**6 720**	**1 394**

Deferred taxes assets and liabilities stem from valuation differences between Group and tax valuations in the following balance sheet items:

IN CHF 1000

	31.12.2007 Deferred tax assets	31.12.2007 Deferred tax liabilities	31.12.2006 Deferred tax assets	31.12.2006 Deferred tax liabilities
Cash and cash equivalents				
Receivables	110	93	64	39
Inventories	1 211	765	571	768
Property, plant and equipment	1 261	16 592	1 110	19 009
Intangible assets	172	415	60	475
Current borrowings	458	579	424	
long-term liabilities	612		646	
deferred taxes from losses carried forward	23 742		19 942	
Adjustments of deferred losses carried forward	−18 655		−17 926	
Offset of deferred assets and liabilities	−2 191	−2 191	−3 497	−3 497
Total	**6 720**	**16 253**	**1 394**	**16 794**

11 Result from activities continued as Gurit

The result from activities continued as Gurit amount to CHF 1.0 million (previous year: loss CHF 18.6 million).

12 Result from discontinued operation Medisize Holding AG

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

Details are as follows:

IN CHF 1000

	1.1.–22.6.2006
Income statement	
Net sales	127 605
EBITDA	19 729
Depreciation	−4 917
Operating profit	14 812
Financial result	−1 697
Earnings before tax	13 115
Tax	−2 971
Result from discont. Operation Medisize Holding	10 144

IN CHF 1000

	31.12.2006
Balance sheet	
Current assets	
Fixed asset	
Total Assets	**0**
Liabilities	
Equity	
Total equity and Liabilities	**0**

IN CHF 1000

	1.1.–22.6.2006
Cash flow statement	
Cash flow from perations	6 992
Cash flow from investment activities	−2 596
Cash flow "operating" financing activities	−2 492
Cash flow from re-financing	31 131
Cash flow from financing acitivities	28 639

13 Group result

The Group result amounts to CHF 1.0 million (previous year CHF 28.8 million).

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

	2007	2006
Weighted amount fo shared issued as 31.12.	436 652	465 697
EPS from activities continued as Gurit Holding		
Earnings per bearer share	CHF 2.21	CHF 39.94
Diluted earnings per bearer share	CHF 2.21	CHF 39.94
Earnings per registered share	CHF 0.44	CHF 7.99
Diluted earnings per registered share	CHF 0.44	CHF 7.99
EPS from discontinued operations, Medisize Holding		
Earnings per bearer share		CHF 21.78
Diluted earnings per bearer share		CHF 21.78
Earnings per registered share		CHF 4.36
Diluted earnings per registered share		CHF 4.36

NOTES TO GROUP FINANCIAL STATEMENTS

14 Management options

The former management participation program was discontinued as per December 31, 2006. On that day, the executive members of the Board of Directors and related parties as well as the senior Group Management held no options out of this management participation program on Gurit Holding AG. The new management participation programm does not include any allotments of options.

15 Stakes in joint ventures

The stake in GuMa Sarl. is a joint venture founded in 2006 with Mazucchelli SA. Gurit's share is 50% and is proportionately consolidated in the Group financial statements. The details of Gurit's holdings interest in GuMa Sarl are as follows:

IN CHF 1000

	2007	2006
Income statement		
Net sales	9 290	5 993
EBITDA	1 500	376
Depreciation	–312	–10
Operating profit	1 188	366
Financial result	–96	–28
Earnings before tax	1 092	338
Tax	–454	–142
Gurit's share in GuMa's result	638	196

	31.12.2007	31.12.2006
Balance sheet		
Current assets	4 101	4 970
Fixed asset	4 094	1 881
Total Assets	**8 195**	**6 851**
Liabilities	4 116	3 353
Equity	4 079	3 498
Total equity and Liabilities	**8 195**	**6 851**

16 Accounts receivable from deliveries and sales

IN CHF 1000

	2007	2006
Accounts receivable from deliveries and sales (gross)	75 444	81 352
Value adjustments	–553	–546
Total net trade receivables	**74 891**	**80 806**

IN CHF 1000

	2007	2006
Trade receivables by currency		
CHF	1 291	4 596
USD	15 782	11 110
GBP	6 037	3 472
EUR	44 763	56 593
Others	7 018	5 035
Total trade receivables	**74 891**	**80 806**

IN CHF 1000

	2007	2006
Aging of trade receivables		
Not due	52 506	54 942
Overdue 1–30 days	17 852	23 964
Overdue 31–60 days	3 046	1 471
Overdue 61–90 days	1 301	444
Overdue 91–120 days	153	131
Overdue more than 120 days	586	400
Total trade receivables	**75 444**	**81 352**
Valuation adjustments	–553	–546
Total net trade receivables	**74 891**	**80 806**

IN CHF 1000

	2007	2006
Valuation adjustment on receivables		
1.1.	546	1 676
Increase of provision	459	211
Consumption	–293	–86
Release	–174	–182
Change in consolidation	0	–1 062
Exchange rate differences	15	–11
31.12.	**553**	**546**

Based on the effectively incurred losses on receivables in the past, the not impaired receivables are believed to be of good quality.

17 Other receivables and accruals

IN CHF 1000

	2007	2006
Other receivables	9 027	8 746
Prepaid expenses	661	1 778
Total	**9 688**	**10 524**

Financial assets

IN CHF 1000

	31.12.2007		31.12.2006	
	Book value	Fair Value	Book value	Fair value
Cash and cash equivalents	42 371	42 371	35 580	35 580
Securities through profit and loss	178	178	8 484	8 484
Securities in fixed assets	158	158	194	194
Total at fair value through profit and loss	**42 707**	**42 707**	**44 258**	**44 258**
Loans and receivables				
Trade receivables	74 891	74 891	80 806	80 806
Other receivables and accruals	9 986	9 986	10 742	10 742
Loans	3 341	3 341	3 105	3 105
Total Loans and receivables	**88 218**	**88 218**	**94 653**	**94 653**

Financial instruments

The assets resulting from currency futures included in other receivables amounts to CHF 0.5 million (previous year CHF 0.0 million). The following open derivative financial instruments existed at December 31, 2007: Currency futures with a national amount of CHF 12.7 million (previous year CHF 13.9 million) and are due within one year.

18 Inventories

Inventories are as follows:

IN CHF 1000

	2007	2006
Raw material	25 849	21 669
Trade merchandise	2 148	1 039
Work in progress	1 198	569
Semi-finished and finished goods	28 196	22 197
31.12.	**57 391**	**45 474**
Recognized value adjustments	–514	–969

The value adjustments are calculated on the basis of inventory turnover.

No inventories are pledged.

NOTES TO GROUP FINANCIAL STATEMENTS

SUMMARY OF ASSETS

19 Property, plant and equipment

IN CHF 1000

	Plant and equipment	Leased plant and equipment	Land	Buildings (incl. inst.)	Leased land	Leased buildings	Equipment under construction	Total property, plant and equipment
Gross values								
Value at 31.12.2005	201 659	8 492	17 802	116 546	2 400	18 783	1 205	366 887
Additions	24 599		254	1 848		1	6 528	33 230
Disposals	−22 396	−1 084	−254	−1 456		−4 843	−2 027	−32 060
Change in scope of cons.	−75 517	−312	−1 784	−45 752	−2 400	−8 432	−1 293	−135 490
Currency effects	695	129	−24	−458		382	84	808
Others	−600	1	2	445		4	4	−144
Value at 31.12.2006	128 440	7 226	15 996	71 173	0	5 895	4 501	233 231
Additions	33 314		47	7 932			586	41 879
Disposals	−25 345	−2 490	−3 044	−19 550		−517	−1 308	−52 254
Currency effects	2 378	−101	49	816		−329	−80	2 733
Others	3 178	−2 689		−47			−215	227
Value at 31.12.2007	**141 965**	**1 946**	**13 048**	**60 324**	**0**	**5 049**	**3 484**	**225 816**
Accumulated amortization								
Value at 31.12.2005	131 877	4 890	3 363	52 384	0	3 987	0	196 501
Depreciation current year	12 978	408	37	3 128		361		16 912
Impairment	−87							−87
Disposals	−17 549	−615	−19	−468		−1 892		−20 543
Change in scope of cons.	−56 146	−115	−202	−18 764		−580		−75 807
Currency effects	952	89	−8	170		129		1 332
Others	−518	1		278		2		−237
Value at 31.12.2006	71 507	4 658	3 171	36 728	0	2 007	0	118 071
Depreciations current year	13 998	391	5	2 606		230		17 230
Impairment	1 894	521	484	420				3 319
Disposals	−24 069	−2 395		−16 295		−517		−43 276
Currency effects	280	−91		94		−103		180
Others	1 763	−1 536						227
Value at 31.12.2007	**65 373**	**1 548**	**3 660**	**23 553**	**0**	**1 617**	**0**	**95 751**
Net values								
Value at 31.12.2005	69 782	3 602	14 439	64 162	2 400	14 796	1 205	170 386
Value at 31.12.2006	56 933	2 568	12 825	34 445	0	3 888	4 501	115 160
Value at 31.12.2007	**76 592**	**398**	**9 388**	**36 771**	**0**	**3 432**	**3 484**	**130 065**

The remaining changes are due to items sortet out of the list of assets.

– Investment commitments
On December 31, 2007, commitments from investments onto property, plant and equipment existed in the amount of CHF 0.9 million (previous year none).

– Pledged assets:
Pledged assets (mainly real estate for mortgages) are:

IN CHF 1000

	2007	2006
Book value	91	71
Maximum credit line	71	105
Loans contracted	24	5

– Fire insurance values:
Fire insurance values of property, plant and equipment amount to CHF 285 million (previous year CHF 391 million).

20 Financial assets

IN CHF 1000

	Securities	Loans	Total financial assets
Net values			
Value at 31.12.2005	532	6 248	6 780
Additions	155	6 218	6 373
Disposals	–496	–40 292	–40 788
Change in scope of cons.	0	31 129	31 129
Currency effects	3	–198	–195
Value at 31.12.2006	194	3 105	3 299
Additions	3	68	71
Disposals	–42	–118	–160
Currency effects	3	286	289
Value at 31.12.2007	**158**	**3 341**	**3 499**

21 Intangible assets

IN CHF 1000

	Goodwill	Recognized R&D costs	Other intangible assets	Total intangible assets
Gross values				
Value at 31.12.2005	219 444	14	17 905	237 363
Additions	508		442	950
Disposals			–341	–341
Change in scope of cons.	–60 089		–10 638	–70 727
Currency effects	8 202		207	8 409
Others		–14	217	203
Value at 31.12.2006	168 065	0	7 792	175 857
Additions			945	945
Disposals	–330		–60	–390
Currency effects	–8 984		15	–8 969
Value at 31.12.2007	**158 751**	**0**	**8 692**	**167 443**
Accumulated amortization				
Value at 31.12.2005	3 608	14	7 755	11 377
Amortization			1 573	1 573
Disposals			–341	–341
Change in scope of cons.	–3 316		–5 587	–8 903
Currency effects	38		90	128
Others		–14	207	193
Value at 31.12.2006	330	0	3 697	4 027
Amortization			833	833
Impairment			11	11
Disposals	–330		–59	–389
Currency effects			48	48
Value at 31.12.2007	**0**	**0**	**4 530**	**4 530**
Net values				
Value at 31.12.2005	215 836	0	10 150	225 986
Value at 31.12.2006	167 735	0	4 095	171 830
Value at 31.12.2007	**158 751**	**0**	**4 162**	**162 913**

The other intangible assets of CHF 4.2 million (previous year CHF 4.1 million) consist of patents, acquired IT software.

NOTES TO GROUP FINANCIAL STATEMENTS

Impairment test for goodwill:

Goodwill is allocated to the Group's cash-generating units (CGUs). After the separation of the Healthcare segment effective as at June 23, 2006, Gurit Group consists of just one primary segment called "Composites", formerly called "Industrial Applications." All the Group's goodwill amounting to CHF 158.8 million (previous year CHF 167,7 million) is allocated to this segement.

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

The following assumptions are applied:

	2007	2006
Average growth rate over 4 years	9.8%	13.2%
EBIT margin after 4 years	9.0%	10.0%
Discount rate	7.976%	7.868%
Eternal growth after 4 years	1.5%	1.0%

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

A sensitivity analysis shows that
- an EBIT margin lower by 1% results in impairments of CHF 33 million,
- anticipating an average growth rate of 8.5% over four years, the value in use continues to be larger than the book value,
- an eternal growth rate reduced by 0.5 percentage points would lead to necessary impairments of CHF 7 million.

22 Bank loans

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

23 Accounts payable to suppliers

IN CHF 1000

	2007	2006
Trade payables by currency		
CHF	2 048	2 698
USD	3 359	1 979
GBP	7 051	5 599
EUR	25 748	34 139
Others	6 271	3 492
Total trade payables	**44 477**	**47 907**

24 Other accounts payable and accruals

The other provisions include CHF 0.0 million (previous year CHF 0.2 million) for short-term lease commitments.

Financial liabilities

IN CHF 1000

	31.12.2007		31.12.2006	
	Book value	Fair Value	Book value	Fair value
To amortized cost				
Bank loans	48 594	48 594	36 506	36 506
Mortgages and loans	39 473	39 473	23 563	23 563
Total to amortized cost	**88 067**	**88 067**	**60 069**	**60 069**
Fair value through profit&loss				
Accounts payables	44 477	44 477	47 907	47 907
Other payables	19 197	19 197	22 380	22 380
Total financial liabilities at FTPL	**63 674**	**63 674**	**70 287**	**70 287**

The cashflows from financial liabilities are as follows:

IN CHF 1000

	31.12.2007				
	Book value	0–3 months	4–12 months	1–5 years	> 5 years
Short-term bank borrowings	48 594	28 677	20 412		
Acccounts payable	44 477	27 758	16 719		
Short-term leasing liabilities	3	1	2		
Other short-term liabilities	23 471	19 689	7 746		
Total short-term liabilities	116 545	76 125	44 879	0	0
Long-term loans	39 473			41 136	92
Total long-term liabilities	39 473	0	0	41 136	92
Derivative outflows	–12 640	–12 640			
Derivative inflows	13 171	13 171			
Total cashflows	**156 549**	**76 656**	**44 879**	**41 136**	**92**

The cashflows from financial liabilities are as follows:

IN CHF 1000

	31.12.2006				
	Book value	0–3 months	4–12 months	1–5 years	> 5 years
Short-term bank borrowings	36 506	13 184	23 322		
Acccounts payable	47 907	47 833	74		
Short-term leasing liabilities	224	224			
Other short-term liabilities	33 290	21 068	12 222		
Total short-term liabilities	117 927	82 309	35 618	0	0
Long-term loans	23 563			22 754	909
Total long-term liabilities	23 563	0	0	22 754	909
Derivative outflows	–13 859	–4 620	–9 239		
Derivative inflows	13 901	4 634	9 267		
Total Geldflüsse	**141 532**	**82 323**	**35 646**	**22 754**	**909**

NOTES TO GROUP FINANCIAL STATEMENTS

25 Short-term provisions

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

Short-term provisions include the following items:

IN CHF 1000

	Guarantees	Restructuring	Other	Total short term provisions
31.12.2005	8 018	4 076	4 079	16 173
Amount used		–2 342	–2 160	–4 502
Additions	3 759	541	1 685	5 985
Reversals	–7 925	–624	83	–8 466
Change in scope of cons.	–584			–584
Currency effects	299	48	10	357
31.12.2006	3 567	1 699	3 697	8 963
Amount used	–3 537	–925	–1 846	–6 308
Additions	811	730	1 891	3 432
Reversals		–519	–1 555	–2 074
Currency effects	21	29	15	65
31.12.2007	**862**	**1 014**	**2 202**	**4 078**

26 Mortgages and loans

Mortgages amount to CHF 0.0 million (previous year CHF 2.0 million). Non-current loans from bank and others mount to CHF 39.5 million (previous year CHF 21.6 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:

IN CHF 1000
Per 31.12.2007

Maturity	Bank loans	Loans	Mortgages	Total
2009	14 235	7 328		21 563
2010	5 721	5 445		11 166
2011	1 757	2 370		4 127
2012	538	1 626		2 164
More		453		453
Total	**22 251**	**17 222**	**0**	**39 473**
Interest rate	5.44%	3.46%		

IN CHF 1000
Per 31.12.2006

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

27 Other long-term liabilities

As in the previous year, there were no non-current liabilities included in the 2007 balance sheet.

– Financial leasing and other commitments:

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

IN CHF 1000

	Financial leasing commitments		Operating leasing and longterm rental commitments	
	2007	2006	2007	2006
2008 (2007)	3	224	2 800	
2009 (2008)			2 772	
2010 (2009)			2 761	
2011 (2010)			2 464	
More			2 325	
More over 1 year	0	0	28 957	0
Total	**3**	**224**	**31 757**	**0**

28 Other long-term provisions

Other long-term provisions include the following items:

IN CHF 1000

	Pension plans and other social security payments	Other provisions	Total
31.12.2005	4 452	927	5 379
Amount used	–9	–123	–132
Additions	133		133
Reversals	–155	–244	–399
Change in scope of cons.	–1 594	–457	–2 051
Currency effects		7	7
31.12.2006	2 827	110	2 937
Amount used	–84		–84
Additions	182		182
Reversals	19		19
Currency effects	4		4
31.12.2007	**2 948**	**110**	**3 058**

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

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

NOTES TO GROUP FINANCIAL STATEMENTS

29 Equity

The share capital shows the capital of Gurit Holding AG; adjusted by treasury stock. Treasury stock at December 31, 2007, included 1 952 bearer shares (previous year 10 742) and 200 registered shares (previous year 200).

Since the decision to separate the Group made on April 12, 2006, the outstanding capital is split into 420 000 bearer shares of CHF 50 par value each and 240 000 registered shares of CHF 10 par value each. In the context of the Group separation, the holdings in Medisize Holding AG together with its subsidiaries in the former Health Care division were distributed to Gurit Holding shareholders on June 23, 2006. This distribution was made by means of a capital reduction at Gurit Holding AG by TCHF 23 400 (50%) and compensation of statutory reserves and retained earnings in the amount of TCHF 30 420 (total TCHF 53 820). All shares are issued, there is no additional conditional or approved capital.

The entitlement to dividend payments is based on the par value of the shares, while the voting power is defined by the number of shares. The payment of a dividend of 13% (previous year 26%) per registered and bearer share is proposed to the Annual General Meeting of Shareholders scheduled for April 24, 2008.

30 Cash flow of investment activities

Funds paid for investment activities amount to a total of CHF 17.8 million (previous year CHF 16.2 million).

31 Contingent liabilities

As in the previous year, in connection with the operating activities the Group has no contingent liabilities resulting from bills of exchange, letters of credits and guarantees.

32 Contingent assets

In connection with a lawsuit against Zoltek, Gurit was granted damage payments in the amount of USD 21 million. The counterparty appealed to this first sentence. The appeal was heard in January 2008, but the court has not pronounced its sentence. Therefore, no contingent assets are capitalised in the balance sheet. The costs related to the lawsuit were charged to the income statement (see also note 34).

33 Transactions with related parties

IN CHF 1000

	2007	2006
Compensation for the Board of Directors		
Compensation	650	428
Share-based compensations *)	198	0
Other compensations	71	0
Contribution to pension funds	0	0
Total compensation of Board of Directors	**919**	**428**
Compensation for key management		
Compensation	2 240	3 097
Contribution to pension funds	288	82
Total	2 528	3 179
Provisions for contractual payments during 2007 (2006) to management members leaving the company	459	362
Total	2 987	3 541
Total management compensations	**3 906**	**3 969**

*) The members of the Board of Directors receive a part of their remuneration in form of shares of Gurit Holding AG. These shares are subject to a lock-up period of 3 years. For 2007, the Board of Director received a total of 175 shares at the market price of CHF 1 130 on the day of allowment (January 12, 2007). (For 2006 no remuneration was paid in form of shares.) In the Group financial statements, CHF 0.2 million are thus shown as personnel expenses.

There were no receivables and payables vis-à-vis important shareholders or senior management members. There were no further transactions with related parties.

34 Subsequent events

On March 6, 2008, Zoltek Corporation filed a two-count lawsuit against Structural Polymer Group, Ltd., and Gurit (UK) Ltd., in the Circuit Court for St. Louis County, State of Missouri. In this action, Zoltek seeks damages of approximately USD 1.3 million allegedly resulting from Gurit's cancellation of carbon fibre shipment orders placed in 2007 and unspecified actual and punitive damages related to alleged costs of USD 77 million at least claimed to have been incurred by Zoltek in order to increase production capacity to meet carbon fibre orders to be placed in 2008 through 2010. The company believes that Zoltek's claims are for various legal and factual reasons without merit (see also note 32).

The Group financial statements were signed off by the Board of Directors on March 12, 2007, for publication. When the financial statements were signed off, the Board of Directors and the Group Management were not informed of any more important events subsequent to the closing of the books.

The Group financial statements underlie the approval of the Annual General Meeting of Shareholders on April 24, 2008.

GROUP COMPANIES

35 Group companies

Gurit Holding AG holds an interest in the following companies either directly or indirectly via a subsidiary:

Company	Activity	Registered capital	Group ownership
Gurit Material Systems	Holding company	GBP 52 011 210	100%
Structural Polymer Group Limited Newport, Isle of Wight GB	Holding company	GBP 3 333 324	100%
SP Holdings GB	Holding company	GBP 1 324 000	100%
Gurit (UK) Limited, Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 143 000	100%
Gurit (Newport) Ltd., Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 50 000	100%
Gurit (Spain) S.A., Albacete E	Production and sales of plastic semi-manufactured products	EUR 1 094 722	100%
Gurit (Canada) Inc., Magog (Quebec), CA	Production and sales of plastic semi-manufactured products	CAD 386 6667	100%
Gurit (USA) Inc., Fort Lauderdale USA	Sales of plastic semi-manufactured products	USD 3 000	100%
Gurit (Australia), AUS	Sales of plastic semi-manufactured products	AUD 5 5000	100%
Gurit (New Zealand), NZ	Sales of plastic semi-manufactured products	NZD 0	100%
Gurit (Tianjin), Tianjin China	Production and sales of plastic semi-manufactured products	CNY 56 445 000	100%
Gurit (Scandinavia), DK	Sales of plastic semi-manufactured products	DDK 125 000	100%
Gurit (India) Pvt. Ltd, Pune India	Sales of plastic semi-manufactured products	INR 3 500 000	100%
GuMa Sarl., IT	Production and sales of plastic sheeting	EUR 3 900 000	50%
Gurit (Ittigen) AG, Ittigen CH	Production and sales of plastic foil, laminates as well as plastics for sport applications	CHF 6 500 000	100%
Gurit (Innsbruck) GmbH, Innsbruck A	Production and sales of plastic semi-manufactured products	EUR 727 000	100%
Gurit (Vreden) GmbH, Vreden DE	Production of sintered ski bases	EUR 27 000	100%
Gurit (France) SAS, Perrignier FR	Production of extruded ski coatings	EUR 30 0000	100%
Gurit (Zullwil) AG, Zullwil CH	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%
Gurit (Kassel) GmbH, Kassel DE	Production and sales of plastic semi-manufactured products	EUR 100 000	100%
Arova Schaffhausen AG, Schaffhausen CH	Real estate company	CHF 8 000 000	100%
Bürki AG, Oberbipp CH	Real estate company	CHF 500 000	100%
Heberlein & Co. AG, Wattwil CH	Real estate and service company	CHF 1 000 000	100%
Gurit Services AG, Wattwil CH	Management service company	CHF 1 000 000	100%

(inserted = indirect holding by means of subsidiaries)

As at January 1, 2008.

AUDIT REPORT GROUP

Report of the Group auditors to the General Meeting of Gurit Holding AG, 9630 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 34 to 60) of Gurit Holding AG for the year ended December 31, 2007.

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

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

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

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

PricewaterhouseCoopers AG

Lorenz Lipp　　Bruno Räss
Lead auditor

St. Gallen, March 12, 2008

FINANCIAL STATEMENTS OF GURIT HOLDING AG

BALANCE SHEET AS AT 31.12.2007

IN CHF

	31.12.2007	31.12.2006
Assets		
Cash and cash equivalents	7 838 151	10 541 360
Securities	177 600	8 484 260
Sundry receivables from extra-group sources	150 949	1 538 701
Sundry receivables from intra-group sources	7 476 096	14 375 127
Working capital	15 642 795	34 939 449
Loans to group companies	74 422 732	43 279 075
Holdings	43 024 485	38 319 995
Treasury stock	1 721 821	4 802 537
Fixed assets	119 169 038	86 401 606
Total assets	**134 811 833**	**121 341 055**
Equity and liabilities		
Bank debt	3 000 193	9 000 126
Sundry liabilities to extra-group sources	350 944	917 618
Sundry liabilities to intra-group sources	150 644	0
Loan from group companies	10 325 450	0
Accruals and reserves	4 487 496	3 995 768
Short-term borrowings	18 314 727	13 913 511
Total liabilities	**18 314 727**	**13 913 511**
Share capital	23 400 000	23 400 000
Statutory reserves	11 700 000	11 700 000
Reserves for treasury stock	1 721 821	4 802 537
Free reserves	32 372 186	29 291 469
Net income	47 303 100	38 233 537
Total equity	**116 497 107**	**107 427 543**
Total equity and liabilities	**134 811 833**	**121 341 055**

INCOME STATEMENT

IN CHF

	2007	2006
Income from holdings	372 496	1 383 256
Other income	1 107 822	300 000
Financial income	17 486 462	8 663 919
Total income	18 966 780	10 347 175
Financial expenses	1 580 956	744 030
Administrative expenses	1 302 384	761 572
Depreciation	0	1 410 060
Taxes	929 877	42 291
Total operating expenses	3 813 217	2 957 954
Result for fiscal year	**15 153 563**	**7 389 222**

NOTES TO GURIT HOLDING AG

ANNEX TO FINANCIAL STATEMENT

IN CHF

	31.12.2007	31.12.2006
1. Contingent liabilities		
Warranty liabilities	23 397 000	2 200 000
Group credits (general contracts)	42 229 000	35 399 000
2. Significant holdings		
see list on page 60		
3. Treasury shares		
Total at 31.12.		
200 registered shares at CHF 10.–	35 813	35 813
1 952 (10 742) bearer shares at CHF 50.–	1 686 008	4 766 724
Purchase: 0 (50) registered shares at an average price of	0	158
Purchase: 0 (7 864) bearer shares at an average price of	0	1 308
Sale: 8 790 (4 738) bearer shares at an average price of	1 372	1 070
Separation Medisize Holding (transfer to securities)	0	5 970 670
4. Significant shareholders		
who own over 5% of the voting rights:		
Huwa Finanz- und Beteiligungs AG, Heerbrugg, registered shares	220 000	220 000
Deutsche Bank AG, Deutsche Asset Management Investmentgesellschaft mbH, DWS Investment GmbH, Tilney Group Limited (as a group company)	5.593%	< 5%
Martin Bisang, Küsnacht	5.758%	< 5%
5. Share capital		
The nominal capital at 31.12. consisted of		
240 000 registered shares at CHF 10.–	2 400 000	2 400 000
420 000 bearer shares at CHF 50.–	21 000 000	21 000 000
	23 400 000	23 400 000
6. Statutory reserves carried forward		
Statutory reserves at 1.1.	11 700 000	23 400 000
Separation of Medisize Holding AG	0	–11 700 000
Statuory reserves at 31.12.	11 700 000	11 700 000
7. Free reserves carried forward		
Free reserves at 1.1.	29 291 470	47 265 076
Treasury stock reserves carried forward	3 080 716	746 394
Separation of Medisize Holding AG	0	–18 720 000
Free reserves at 31.12.	32 372 186	29 291 470
8. Net income carried forward		
Net income at 1.1.	38 233 537	48 087 176
Dividend distribution	–6 084 000	–11 232 000
Income from merger of IMS Biopur AG, Freienbach	0	1 950 981
Loss from merger of IMS Kunststoff Holding AG, Ittigen	0	–7 961 842
Profit of fiscal year	15 153 563	7 389 222
Net income at 31.12.	47 303 100	38 233 537

IN CHF

9. Management compensations

	2007	2006
Compensations to the Board of Directors		
Dr Paul Hälg	322 468	
Dr Robert Heberlein	112 862	
Nick Huber	113 815	
Dr Walter Känel	141 951	
Urs Kaufmann	113 815	
Heinrich Fischer	113 815	
Total	**918 726**	**428 000**
Compensation to the Group management		
Total Group management	2 528 608	3 179 000
(thereof: highest compensation to Jouni Heinonen CHF 458 958)		
Accruals for management personal leaving the company	458 958	362 000
Total compensation	**2 987 566**	**3 541 000**

	Bearer shares à nom. CHF 10	Registered shares à nom. CHF 50	Options on registered shares
Participation of the Board of Directors			
Dr Paul Hälg		190	
Dr Robert Heberlein	19 545	7 540	
Nick Huber		30	
Dr Walter Känel		425	
Urs Kaufmann		45	
Heinrich Fischer		1 125	

	Registered shares à nom. CHF 50	Options on registered shares
Participation of the Group management		
Rudolf Hadorn		100
Graham Harvey	74	
Kees Reijnen	250	
Isabela Quinton	14	

EXPLANATORY REMARKS TO THE BALANCE SHEET AND INCOME STATEMENT

General remark

As parent company of the Group, Gurit Holding AG reports a result for the fiscal year of CHF 15,2 million (previous year CHF 7,4 million).

At December 31, 2007 the share capital of Gurit Holding AG consists of CHF 23 400 000 (prievious year 23 400 000). It consists of 240 000 registered shares at CHF 10 par value each and of 420 000 bearer shares of CHF 50 par value each.

It is proposed to the Annual General Meeting of Shareholders to pay a dividend of 13%. This will total to an amount of CHF 3,042 million.

Balance sheet

After the separation of Medisize Holding AG effective at end of June 2006, the balance sheet can again be directly compared with the previous year.

The reported shareholers' equity amounts to CHF 116,5 million (previous year 107,4 million). The changes 2006 and 2007 are as follows:

IN CHF MILLION	
Equity as at 31.12.2005	171.1
– Dividend payment	– 11.2
+ Result 2006	7.4
– Spin-off Medisize Holding AG	– 53.8
– Merge loss (internal)	– 6.1
Equity as at 31.12.2006	107.4
– Dividend payment	– 6.1
+ Result 2007	15.2
Equity as at 31.12.2007	**116.5**

The liabilities amounted to CHF 18,3 million (previous year CHF 13,9 million), thereof are CHF 3,0 million (previous year CHF 9,0 million) short-term bank debt and CHF 5,0 million (previous year CHF 4,9 million) sundry liabilities as well as accruals and provisions. Newly included in the balance sheet are CHF 10,3 million loans from subsidiaries.

The assets show a slight increase on the line holdings, mostly due to the build-up and extension of Gurit (Tianjin). Holdings now stand at CHF 43,0 million (previous year CHF 38,3 million).

Loans to group companies increased sharply to CHF 74,4 million (previous year CHF 43,3 million) as a result of internal financing activities for the capital expenditures of the Group and the working capital of the Group. Treasury shares decreased sharply to CHF 1,7 million (previous year CHF 4,8 million).

The working capital comprises cash and cash equivalents of CHF 7,8 million (previous year CHF 10,5 million) and securities of CHF 0,2 million (previous year CHF 8,5 million). The Medisize shares received through the ownership of former treasury stock were largely sold during the year under review.

Income statement

Earnings from holdings amounted to CHF 0,4 million (previous year CHF 1,4 million) and other income amounted to CHF 1,1 million (previous year CHF 0,3 million).

Financial income of CHF 17,5 million (previous year CHF 8,7 Mio) reflects interests received on loans to subsidiaries as well as certain one-off earnings in 2007 from the sale of Medisize shares as well as treasury stock.

Financial expenses were CHF 1,6 million (previous year CHF 0,7 million). Administrative cost increased to CHF 1,3 million (previous year CHF 0,8 million). Depreciations were not recognized in the year under review (previous year CHF 1,4 million). Tax expenses rose due to the reported result to CHF 0,9 million (previous year CHF 0,1 million).

The items discussed above lead to a result of the fiscal year of CHF 15,2 million (previous year CHF 7,4 million).

PROPOSAL FOR THE ALLOCATION OF NET INCOME

IN CHF

The Board of Directors proposes that net income be allocated as follows:	
Net income carried forward from previous year	32 149 537
Result 2007	15 153 563
Available net income	47 303 100
Distribution of dividend 13%	–3 042 000
Saldo	**44 261 100**

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

CHF 1.30	gross per registered share minus withholding tax
CHF 6.50	gross per bearer share minus withholding tax payable on submission of voucher nr 27

AUDIT REPORT GURIT HOLDING AG

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes / pages 62 to 67) of Gurit Holding AG for the year ended December 31, 2007.

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

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

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

PricewaterhouseCoopers AG

Lorenz Lipp		Bruno Räss
Lead auditor

St. Gallen, March 12, 2008

INVESTOR RELATIONS

Company Capital:

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

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

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

Stock market trading:

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

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

Important dates:

April 24, 2008	Annual General Meeting
September 9, 2008	Half-year report 2008
End of March 2009	Presentation full year results 2008; Analyst/Media conference Publication of Annual Report
April 2009	Annual General Meeting

Internet/e-mail:

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

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

Key figures per bearer share

(Money figures adjusted to bearer shares)

	Gurit Holding AG		Gurit-Heberlein AG		
	2007	2006	2005	2004	2003
Price at year end	CHF 1 121.–	CHF 1 064.–	CHF 1 300.–	CHF 929.–	CHF 859.–
Highest price	CHF 1 705.–	CHF 1 064.–	CHF 1 300.–	CHF 1 124.–	CHF 890.–
Date	11.7.2007	29.12.2006	30.12.2005	6.7.2004	16.10.2003
Lowest price	CHF 738.–	CHF 665.–	CHF 825.–	CHF 852.–	CHF 550.–
Date	21.11.2007	23.6.2006	26.5.2005	7.1.2004	17.3.2003
Earnings per share	CHF 2.06	CHF 39.75	CHF –63.27	CHF 33.67	CHF 49.41

(2007/2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)

Equity per share	CHF 660.–	CHF 666.–	CHF 906.–	CHF 968.–	CHF 966.–

(2007/2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)

Gross dividend	CHF 6.50	CHF 13.–	CHF 24.–	CHF 24.–	CHF 24.–

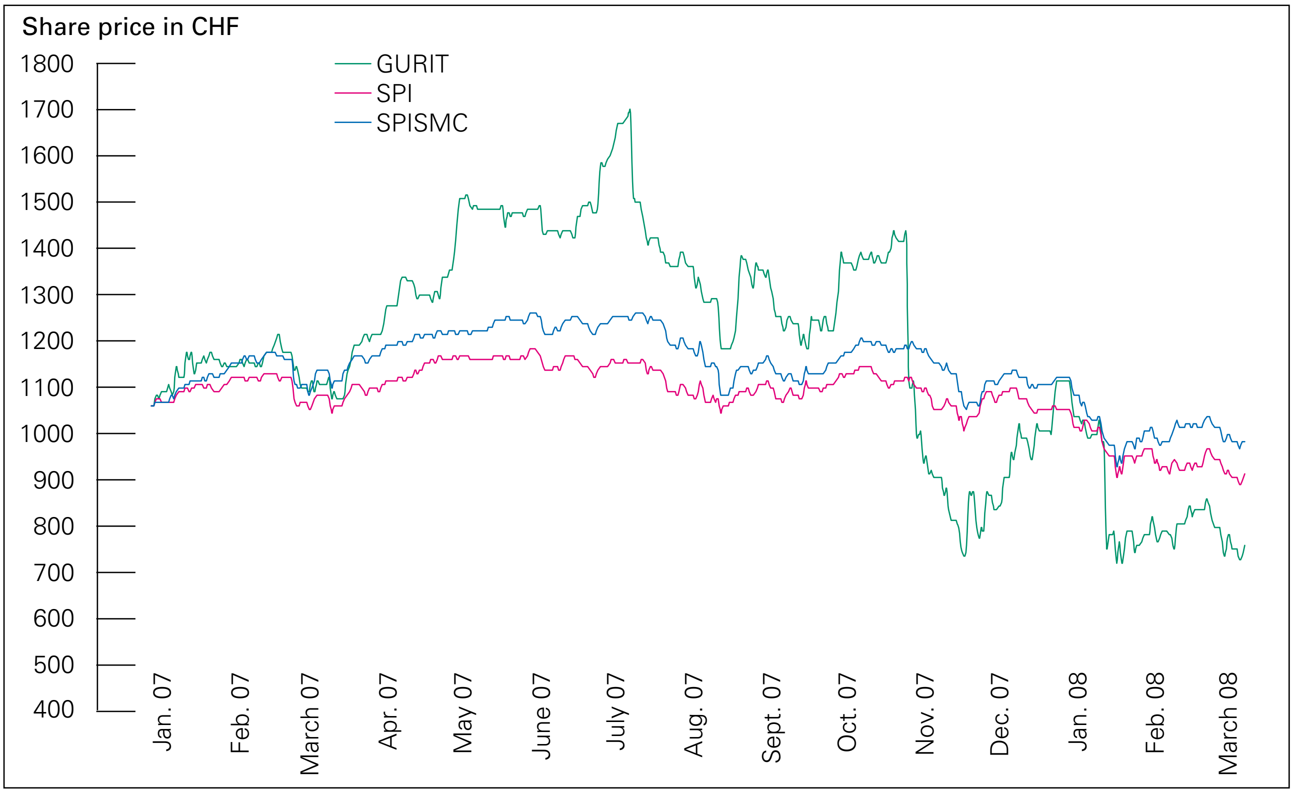
(2007/2006 figures adjusted to 468 000 bearer shares at CHF 50.– par value; before per bearer share at CHF 100.– par value)

Taxable values of traded securities

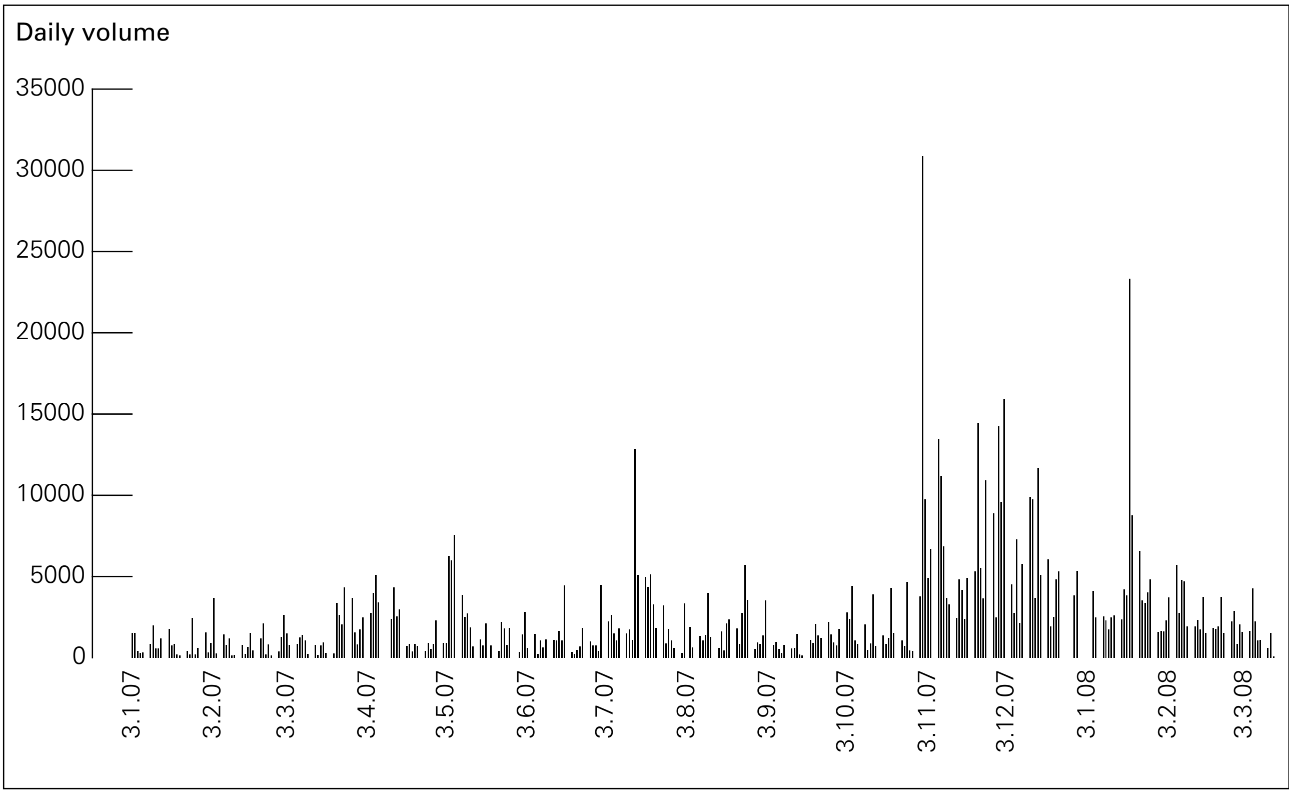
	31.12.2007	31.12.2006	31.12.2005	31.12.2004	31.12.2003
Bearer shares CHF 50.– (resp. CHF 100.–)	CHF 1 121.–	CHF 1 064.–	CHF 1 300.–	CHF 929.–	CHF 859.–

STOCK PRICE CHART

Gurit bearer shares and respective indices



Trading volumes in Gurit bearer shares



MOST IMPORTANT ADDRESSES
AS OF MARCH 31, 2008

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

Gurit Group Management
Pulverstrasse 11
CH-3063 Ittigen
Switzerland
Phone +41 (0)31 925 42 19
Telefax +41 (0)31 925 41 09

Gurit production sites

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

Gurit (Zullwil) AG
CH-4234 Zullwil
Phone ++41 (0)61 795 06 01
Telefax ++41 (0)61 795 06 04
www.gurit.com

Gurit (Kassel) GmbH
Geschäftsbereich Kassel
Otto-Hahn-Strasse 5
Industriepark Kassel-Waldau
D-34123 Kassel
www.gurit.com

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

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

Gurit (Canada) Inc.
175 rue Peladeau
Magog QC
J1X 5G9 Canada
Phone +1 819 847 2182
Telefax +1 819 847 2572
www.gurit.com

Gurit (Tianjin) Composite Materials Co., Ltd.
No. 16 Cuiming Road
YSP, TEDA,
301700 Tianjin
Peoples Republic of China
Phone +86 22 8210 6850
Telefax +86 22 8210 8622

Imprint

Gurit Holding AG, Wattwil, Switzerland
Bernhard Schweizer, Group Communications

Pictures:
Photo archives of Group companies; Airbus (photo by e^{x}m company/H. Goussé) (4, 5);
Hanse (Nico Krauss 17); dass.photographie (8, 12, 14, 16, 17, 18, 19, 20, 21, 22)

Concept:
Eclat, Erlenbach

Layout and printing:
Neidhart+Schön AG, Zurich

This annual report is also available in German.

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

Gurit Holding AG
Ebnater Strasse 79
CH-9630 Wattwil
www.gurit.com