

A decorative horizontal bar spans the width of the page, positioned below the Gurit logo. It is composed of four segments: a cyan rectangle, a white rectangle with a thin black border, a dark blue rectangle, another white rectangle with a thin black border, and a yellow rectangle.

Annual Report 2008

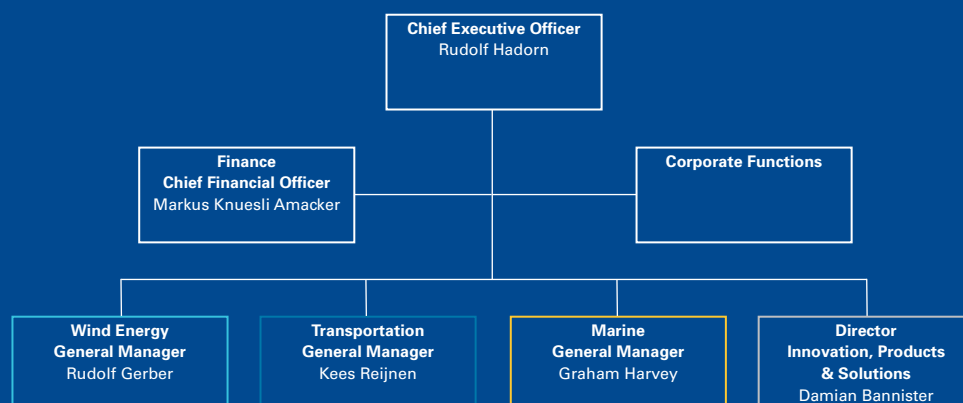
# ORGANIZATION

## Board and Group Management

As per March 31, 2009

<b>Board of Directors of Gurit Holding AG</b>	Dr Paul Hälg, Wollerau, Chairman of the Board Robert Heberlein, Zumikon, Chairman Audit Committee Nick Huber, Balgach, Chairman Nomination/Compensation Committee Urs Kaufmann, Jona Heinrich Fischer, Rüschtikon
<b>Group Management</b>	Rudolf Hadorn, CEO Markus Knuesli Amacker, CFO Damian Bannister, Director Innovation, Products and Solutions Rudolf Gerber, General Manager Wind Energy Graham Harvey, General Manager Marine Kees Reijnen, General Manager Transportation
<b>Group Communication / Investor Relations</b>	Bernhard Schweizer
<b>Group Controlling / Treasuring / Consolidation</b>	Patrick Sparer, Flavia Scandella, Fabrice Le Geldon
<b>Auditors</b>	PricewaterhouseCoopers AG, St. Gallen

# ORGANIZATIONAL CHART



## FACTS AT A GLANCE

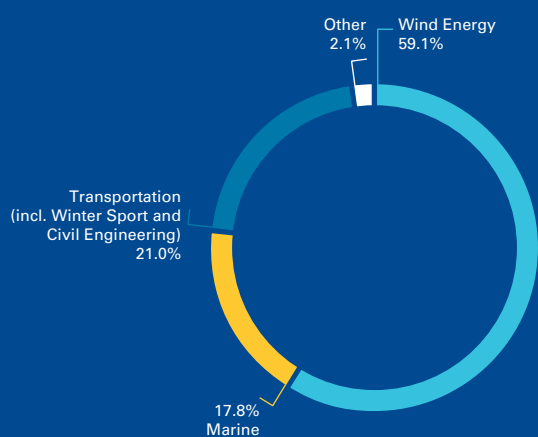
IN CHF MIO.

	2008	2007
<b>Group</b>		
Net sales	<b>456.2</b>	448.8
Change over previous year	<b>+1.6%</b>	
Net cash flow from operating activities	<b>31.1</b>	-7.5
Change over previous year	<b>+514.7%</b>	
EBIT (operating profit)	<b>27.9</b>	3.5
Change over previous year	<b>+697.1%</b>	
Profit before tax	<b>25.1</b>	0.6
Change over previous year	<b>+4 083%</b>	
Profit for the year	<b>17.0</b>	1.0
Change over previous year	<b>+1 600%</b>	
Investments in property, plant and equipment	<b>7.9</b>	41.9
Equity	<b>251.3</b>	309.0
in % of total assets	<b>67.5%</b>	63.3%
Number of employees (ø)	<b>1 581</b>	1 508
Net sales per capita in CHF	<b>288 559</b>	297 627
Net value added per capita CHF	<b>112 407</b>	107 023
<small>(net value added = net sales minus cost of goods and materials)</small>		

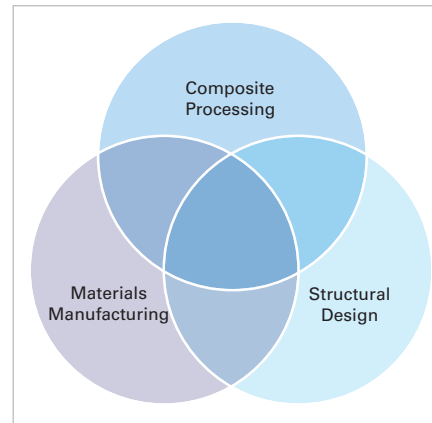
IN CHF MIO.

	2008	2007
<b>Gurit Holding AG</b>		
Profit for the year	<b>6.9</b>	15.2
Dividend in percent	<b>26%</b>	13%

## SALES 2008 BY MARKETS




Gurit is specialised on the development and manufacture of high-end composite materials featuring bespoke physical and chemical characteristics. The comprehensive product range comprises fibre reinforced glass and carbon prepregs, structural foam materials, gel coats, adhesives, resins and consumables as well as certain finished parts. Gurit focuses on the global Wind Energy, Transportation (Aerospace, Automotive, Rail), and Marine markets and offers its customers a unique know-how combination in materials manufacturing, composite processing and structural design. The international Group has production sites and offices in Switzerland, Germany, UK, Canada, Spain, Australia, New Zealand, USA, India and China.



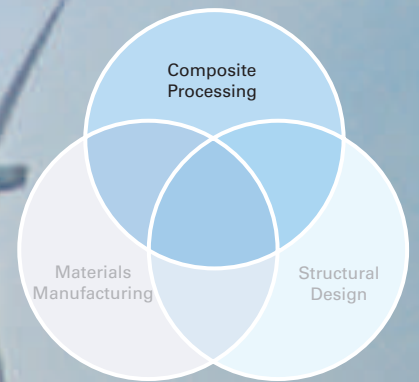
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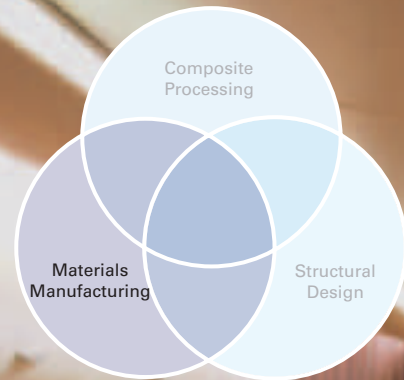
A scenic view of a stone bridge over a pond. The bridge is made of large, rectangular stone blocks. In the background, there are several palm trees and a traditional Chinese pavilion with a red roof. The sky is overcast and grey. The water in the pond is calm, reflecting the bridge and the trees.


Advanced composites are anything but simplistic materials. The combination of a variety of different reinforcement fibres, complex resin systems, integral structural cores, surfacing technology for protection and aesthetics, and the multiple ways in which these elements and other components of the finished composite parts can be combined, make sound technical support a prerequisite, right from the start of a project. A team of Chinese technical engineers has recently completed a year's intensive in-house training at the Group Technology Centre in the UK. Now working out of Gurit (Tianjin), they are of paramount importance in promoting state-of-the-art composites technology especially to the rapidly growing wind energy sector in China and other Asian countries as they offer our clients full local technical support. Making a complete understanding of composites processing available to our customers has proven to be essential to expand business, win promising new contracts and help customers to improve their performance, both technologically and financially.

WE PROMOTE  
STATE-OF-THE-ART  
COMPOSITES  
TECHNOLOGY,  
GLOBALLY.



NEW MATERIALS  
MAKE AIR-TRAVEL  
EVEN MORE  
COMFORTABLE AND  
SUSTAINABLE.



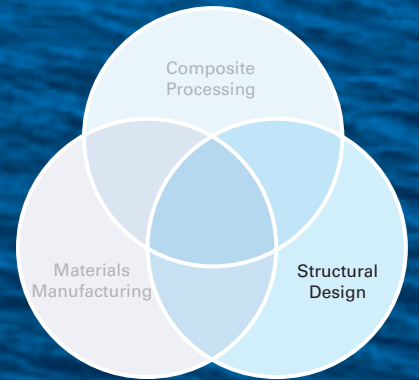
The background image shows the interior of an aircraft cabin. The seats are arranged in rows, with a mix of dark brown and orange upholstery. Each seat has a light blue pillow. The cabin walls and ceiling are visible, showing the typical structure of an airplane interior. The lighting is warm and focused on the seats.

Advanced composites are a constantly evolving class of materials. New applications require new physical and chemical characteristics and lead to the development of new materials. For many applications, Gurit has been instrumental in the development of today's leading material systems and we stay at the forefront of technological trends. One of the youngest material classes Gurit has developed are new prepreps based on benzoxazine resin matrices. In addition to being extremely light, this new class of composites features unparalleled chemical characteristics that make it a future material of choice for aircraft and rail interiors. Gurit's new benzoxazine (PB1000) resin has many benefits including excellent fire, smoke and toxicity properties complying with demanding international fire protection regulations, no free phenol or formaldehyde, rapid curing free of volatile organic compounds, high mechanical performance, good environmental standards, and an attractive cost base.

Advanced composites require and enable a new way of thinking in terms of design, structural engineering and manufacturing both small and large structures. Gurit has a long tradition of working with the world's leading boat-builders and designers to maximize boat performance. The pioneer in making finite element analysis part of boat engineering, Gurit has built up an extensive body of knowledge in structural engineering. The world's top-performing sailing yachts and power boats featuring Gurit engineering and materials are a testament to our expertise in structural engineering and our ability to incorporate the latest in materials technology and composite processing techniques. Involving us from an early stage guarantees optimized solutions, as is the case with Cyrus One, the first Cyrus 34 by Cyrus Yachts of Turkey. This beautiful vessel is based on Gurit's structural engineering, combines traditional skill with refined styling and uses Gurit's Corecell structural foams as well as Ampreg laminating resin.



OPTIMIZED  
STRUCTURES  
GUARANTEE BEST  
PERFORMANCE.



## REPORT OF THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

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With a solid sales growth in our target markets to CHF 456.2 million and an EBIT margin of 6.1%, Gurit achieved the dual goal of restoring profitability while maintaining growth. We closed the year with a net cash position and a solid equity base. We reinforced our business model and we sharpened the focus on our continuously attractive target markets Wind Energy, Transportation and Marine by exiting the declining winter sports business. Each target market is now led by a dedicated general manager. In January 2008, we had announced a two-year improvement program, focusing on operational performance and consistent business process standards, fostering innovation, ensuring accountability and establishing a solid management information system. Group-wide purchasing was established as a proper function while key account and product management were reinforced. New materials position Gurit as a key systems partner. In 2008, we have greatly improved operational efficiency and we continue to implement the action plan at the same pace in 2009. Despite the global recession, Gurit looks ahead with confidence and optimism.

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

## GROUP BUSINESS DEVELOPMENT 2008

### Growing sales, improving profitability and strengthening the balance sheet

Consolidated Group sales rose by 1.6% to CHF 456.2 million, up from CHF 448.8 million in 2007. In the three target markets Wind Energy, Transportation and Marine, sales grew by 6.7% in reported Swiss francs. At constant December 2008 currency translation rates, Gurit reports a 17.8% revenue growth for the target markets.

Excluding one-time effects, Gurit achieved an operational EBIT of CHF 23.9 million or 5.2% of net sales. This compares favourably with a negative operational EBIT of CHF 4.1 million on a comparable basis in 2007. One-time costs and profits improve the overall EBIT to the reported CHF 28 million, yielding a 6.1% EBIT margin. With these figures, Gurit clearly exceeds its EBIT margin target of 4% for 2008, while significant further improvements are needed to achieve the formerly set 8–10% EBIT guidance for 2010.

Operations improvements, better sales and strictly controlled costs, all improved EBIT in our target markets. The one-time EBIT contributions, which were mainly related to the hedge of a legal case, were reduced by the cost of divesting the winter sports business and other restructuring efforts.

Gurit made noticeable progress in 2008 in managing its working capital: Tighter inventory controls and better collection efforts on outstanding receivables reduced the trade working capital ratio from 19.6% to 14.1%.

Impressive progress also shows when comparing the net debt position of CHF 45.7 million at year end 2007 with the net cash position of CHF 1.7 million as per December 31, 2008.

After the significant investments made in Canada and China in 2006 and 2007, capital expenditure activity remained limited in 2008. Gurit only invested some CHF 8.6 million, mainly in order to address specific smaller capacity bottlenecks across all operations.

The powerful combination of regaining profitability, attaining a truly cash-generating business model and having no net debt is significant in ensuring Gurit's prosperous future development.

In view of the solid improvements of 2008 and the intact outlook mid-term, the Board of Directors proposes to the Annual General Meeting scheduled for April 21, 2009 to pay out a cash dividend of CHF 13.00 per bearer share. This would represent an overall pay out ratio of 35.6% of the Group's net profit.

## DEVELOPMENT BY TARGET MARKET 2008

### Solid sales growth in Wind Energy

In 2008, Gurit performed well in its Wind Energy activities. At constant December 2008 currency translation rates, Gurit grew sales by 18.1% to CHF 269.8 million. In 2008, Gurit has re-established a profitable business model in its largest target market. We enhanced our position as a technology and material systems partner for the global wind turbine blade manufacturers and expanded business both at existing and new customers through a stronger key account and product management and the introduction of innovative new material systems.

Early improvements were achieved by renegotiating important supply contracts with key customers. Operational improvement and volume growth further strengthened the overall margins of this business. Over the year, Gurit added several new names to its global Wind Energy customer list, expanding activities in all geographies, across all major product categories and manufacturing technologies.

The new Wind Energy production site in China started to supply to more customers in 2008. This will further improve the utilization of the prepreg manufacturing capacity, while the foam expansion and kitting facility is already fully utilized. The investments into the Canadian prepreg plant were not yet utilized well in 2008 and will remain severely underutilized in 2009 due to customer-specific issues.

## **Strong growth in Transportation including first full year of automotive sales**

Gurit achieved the strongest growth in 2008 with materials and services supplied for transportation applications. At constant December 2008 currency translation rates, sales to this market increased by 20.7% to CHF 70.4 million. This increase reflects the solid aerospace business where Gurit holds important market shares in the domain of aircraft interiors and certain secondary structure materials.

The successful ramp up of Gurit's carbon car body parts business also contributed rising sales over the year, with 2008 being the first full year with continuous sales from automotive.

Including the revenues from the Winter Sports materials activities fully exited in the course of the first eight months of 2008 as well as the sales volumes related to Civil Engineering, the revenues of the former Transportation, Sport and Civil Engineering markets have declined slightly by 2.0% at constant currency translation rates.

## **Marine activities slowed down towards year-end**

While the first half of 2008 was characterized by a very strong sales increase in Gurit's Marine business, the economic slow-down especially impacted sales in North America and Australasia starting in autumn. While the international production boat market was severely hit by the global recession, the superyacht and race boat markets which Gurit primarily targets, have lost less momentum. Year over year, Marine still showed an impressive 14.8% sales increase to CHF 81.0 million at constant December 2008 currency translation rates.

## **STRATEGY IMPLEMENTATION**

### **Enhanced focus on target markets**

Gurit sharpened its focus on the main target markets Wind Energy, Transportation and Marine. These three markets all promise substantial growth in the short- and/or mid-term future. The traditional Winter Sports materials business, on the contrary, had been consolidating for years and Gurit decided to exit this dilutive activity in 2008. By August, all former three winter sports production sites in Switzerland and Germany were phased out or sold, whilst assuring seamless transition of customer service. To date, Gurit still has some real estate near Berne from these activities up for sale.

Important changes were also made in Gurit's Management team: Each target market area is now led by a General Manager. Formerly centralized functions like Human Resource Management, Business Development and Corporate Development today form key tasks of the General Management in the respective target markets. The strategic importance of Group-wide purchasing was emphasized by appointing a dedicated purchasing officer reporting directly to the CEO. Other personnel changes included Key Account and Product Management as well as various positions in Operations and Group Finances.

The two-year action plan presented in early January 2008 was implemented according to schedule over the course of the year and resulted in sizable operational improvements. Ongoing measures – predominantly in operations and purchasing – are planned for implementation in 2009 and should further strengthen the overall performance going forward. At the same time, a strong pipeline of innovative products and their orchestrated market introduction will broaden Gurit's position as a true materials system partner at key customer groups.

## OUTLOOK

### Growth perspectives and business attractiveness remain intact

In 2008, Gurit already straightened out important key operational issues. In 2009, we will continue to address improvement opportunities. At the same time, we plan for mid and long-term growth: The main growth drivers will be a widening global customer base in Wind Energy, substantial increases of structural foam and adhesives sales across all business units, a sharpened focus in Marine on the superyacht market and the growing aircraft interior and premium automotive parts business in Transportation.

Additionally, Gurit is interested in pursuing value-adding partnerships or value-creating acquisitions as we again dispose of operational integration capabilities and freed up resources.

Despite the most serious global recession since World War II, Gurit believes to be well-positioned for the mid- to longer-term future. Gurit faces the challenging markets of today as a much leaner, more focused and stronger company than we were a year ago.

Wind power is producing electricity at attractive prices and renewable energy generation will stay a global mega trend. Weight reduction and additional structural strength remain key goals in any kind of transportation applications.

Due to the persisting uncertainty in the global economy and the impaired visibility in some of our target markets, Gurit has decided to defer publication of specific financial goals for 2009. The major uncertainties are related to the Marine market as well as to specific situations at some Wind Energy customers. However, we should be able to maintain the 2008 operational EBIT margin level for the current year. Looking ahead, we continue to target our previously announced EBIT margin goal of 8 to 10%, provided the global economy recovers and allows us to return to our industries' growth corridors.

Gurit executes its strategy, drives innovation as well as operational performance and excellence, and demonstrates passion in all we undertake.

Management and Board of Directors would like to thank all Gurit employees for their dedication and contribution. We would also like to extend our sincere thanks to our customers for their continued trust in Gurit's products and services.


Yours sincerely



Dr Paul Hälg  
Chairman



Rudolf Hadorn  
Chief Executive Officer

- 
- 4 new customers
  - R&D initiative to significantly reduce production cost of wind rotor blades
  - Good market response to innovation
  - Steadily improving operational excellence

## WIND ENERGY

In 2008, Gurit returned to a sound level of profitability in its global Wind Energy activities. We added four new names to our list of wind energy customers, launched innovative new materials with existing customers and broadened our addressable market. We expect to continue to grow in Wind Energy.



“We help customers to reduce average rotor blade cost and enhance blade performance.”

Rudolf Gerber,  
General Manager Wind Energy

### What is Gurit's market position?

Rudolf Gerber: In key product categories such as prepreps and structural foams we rank among the world's top three suppliers. With innovative prepreps and structural foams, but also formulated resin products, adhesive systems and gel coats, Gurit is expanding its presence in this market. Our products are used in all existing wind blade production processes and the trend for larger blades points into the direction of prepreg technology – one of our true specialty areas.

### What are the main challenges?

Apart from hydro-power, wind energy offers the most attractive energy prices of all renewables. Wind power is at or at least near grid-parity. With an R&D initiative started in 2008, Gurit is determined to increase the sustainability and the profitability of

wind power. We contribute to the design of better performing blades and help reduce manufacturing costs of wind turbine blades. Our new materials have met good response in the market: After extensive tests, they are now moving into production at important customers.

### What makes them so special?

Take Sprint®IPT as an example: It combines formerly separate production steps into one layer of material. Combining the outmost prepreg layer with a surfacing film removes the production step of applying a priming layer in-mould and thus considerably reduces the shell manufacturing time. Innovative cutting patterns in structural foams, another example, increase the infusion quality while reducing infusion time. Or take lower exotherm resin systems that make the curing process of lam-

inates easier and quicker. We understand that reducing production time is key at our customers. Another approach is developing again lighter materials as this makes rotor blades more efficient. Here, too, we have materials to offer, e.g. unparalleled light-weight adhesives.

### What about operation performance?

Continuously improving operations remains a key task. The rising success of our Wind Energy activities is based on innovation, the increasing capacity utilization in our plants and improved operational performance.

### What do you expect for 2009?

We expect to achieve growth at least in terms of relative market share growth. With the limited visibility, a full-year prediction is very difficult to give today.



- New 4-year contract with Airbus
- Establishing tier-1 automotive supply position
- Development of next-generation materials

## TRANSPORTATION

With the successful industrialization of the finished car body parts production, Gurit has established itself as a tier-1 parts supplier to the automotive industry. This broadens the industrial scope of the aerospace dominated transportation activities which also comprise supplies to the rail industry. With the development of new materials, Gurit already prepares for the next generation of aerospace and rail applications.



”We develop new materials to provide early answers to our global customers’ needs.”

Kees Reijnen,  
General Manager Transportation

### What were the highlights 2008?

Signing a new 4-year contract with Airbus was certainly a highlight, providing a stable basis for a large portion of Gurit’s sales. This contract covers existing aircraft models and materials as well as new materials which are now exclusively used in the new A380 planes.

A second highlight was the completion of our benzoxazine prepregs, which we see as a more modern alternative to phenolics for next-generation plane applications.

Last but not least, we established ourselves as a true tier-1 automotive parts supplier in 2008. Working closely with Aston Martin, we managed to bring our newly built facility in the UK to full speed.

### What are next-generation planes?

The design of any new aircraft is a long-term project and it goes along with a quantum leap in technology which defines a new generation. New airplanes make long-distance travel more comfortable and more ecological at the same time.


Apart from its huge dimensions and novelties in its structural design, the Airbus A380 has seen a great many new materials on the interior side. Boeing’s Dreamliner and Airbus’ A350 will feature more than 50% composite materials in their structures.

These crafts will again include novel composites for their interior and secondary structures, for which we are an established supplier.

### What lies at the core of innovation?

Understanding the needs of customers, knowing what they are trying to achieve. Composites are per definition engineered materials. It is our job to tweak materials in such a way that they become best fit-for-purpose: We are building our automotive business on the development of materials and a manufacturing technology that make a car maker’s dream come true: a light-weight panel with a superior class-A surface at affordable cost.

Likewise, we see our benzoxazine prepregs in aircrafts as an alternative to traditional phenolics.

- 
- 11 of 20 new generation Vendée Globe yachts used Gurit materials
  - 4 of 8 Volvo Ocean race boats used Gurit materials
  - Marked prepreg and SPRINT sales growth

## MARINE

Gurit's Marine business supplies material solutions and engineering to the superyacht and high-performance race boat markets and key products to the production boat market. After a very successful first half-year with strong double-digit growth, Marine witnessed a flat to slightly negative sales trend in the second half while the boat market at large suffered from a significant decline. Gurit is well positioned with its broad market offering.



“We have our strategies to address the challenges in the Marine market.”

Graham Harvey, General Manager Marine

### **What caused the halt in the Marine growth trend in the second half of 2008?**

Graham Harvey: In the wake of the global financial crisis, the demand for marine craft declined, some of the prestigious race and superyacht projects were postponed and demand for production boats dropped with reductions in consumer spending. This was especially true for the North American market.

Overall, we may still say that Gurit's Marine business developed in a rather stable manner in comparison with the overall boat-building market which suffered a pronounced downturn.

### **What makes Gurit's marine business rather stable?**

We are active in the top powerboat and sailing yacht business. Many of

the world's top-performing racing boats feature SP engineering and materials. Our Marine brand, SP, is a synonym for marine performance.

If you want to build a boat in that category, there are not that many alternative engineering and materials partners. So, demand is to some extent defined by the large international sailing events, and the luxury boat market which still has its own pace and does not solely follow the overall economy.

### **What were the most interesting developments in 2008?**

In 2008, we have seen the sales growth in our SPRINT® product range, as uptake of this technology for high-end production boats increases. We have also brought to market new adhesive systems which complement our strategy of provid-

ing general use marine products. This includes structural foam cores and tooling paste which allow us to increase the size of our target market.

### **What is the outlook for the marine business?**

The marine market is experiencing a downturn, although each segment is experiencing this decline to different extents.

Gurit is addressing the current market challenges through targeting specific performance products applicable to many production boat builders, and continuing to gain the project-based work in the superyacht and race markets.

## INNOVATION, PRODUCTS AND SOLUTIONS

Innovation is key at Gurit. Our R&D team works closely together with the sales specialists of the three target market areas and often closely cooperates with the development teams at our customers to come up with new solutions and products. External cooperation includes interdisciplinary contacts with suppliers, universities and consultancies.



“Interdisciplinary contacts to many parties foster innovation.”

Damian Bannister,  
Director Innovation Products and Solutions

### How would you describe Gurit's innovation process?

Innovation relies on informal communication networks, high degrees of interdisciplinary interactions and a broad knowledge of the subject matter. This we recognized early and all technical functions were consolidated to one technical office. Gurit is in the unique position of having expertise in the three cornerstones of composite technology: composite processing, structural engineering and materials development.

### How often do you meet with customers?

Our structural and composite process engineers are at the forefront of customer interaction and form

a critical component of the sales process. The majority of new projects are initiated by technical discussions either with designers in the marine market or with other customers' engineering departments. Gurit's expertise in structural engineering and composite processing means we are involved early. This maximizes our potential to develop new materials to give our customers a competitive advantage and to secure our future material sales.

### What were the major innovations in 2008?

The major achievement in 2008 was the development of a new range of fire retardant materials. We were challenged to develop new materials

and solutions to replace the incumbent phenolic technology with its inherent drawbacks of free phenol and formaldehyde and rather poor surface finish. The result was two new products called PB1000 and SE140FRS that provide market leading performance both in fire property terms as well as in processing.

### How do you cooperate with external parties?

Whenever there is a requirement to develop knowledge in a new field of technology, our first objective is to evaluate the current state of the art on the market. Once a supplier, university, consultancy firm has been identified, Gurit will investigate collaboration opportunities.

## CORPORATE DEVELOPMENT AND PURCHASING

Gurit's main focus in 2008 was to strengthen the existing organization through a continuation of ongoing improvements. Another key focus lay on purchasing which has an important impact on the Group's cost structure.



“2008 was a year of limited investments.”

David Schofield,  
Director of Corporate Development and Purchasing

### **What was more important in 2008 – Corporate Development or Purchasing?**

In the long-run they are both decisive strategic factors. In the short-run we devoted more energy on further implementing our global sourcing processes and policies. It is here, that we can really make a difference in our cost structure.

### **What are the goals in Purchasing?**

One of the important tasks was to bring our purchasing pattern more in line with our sales structure. We supply global customers and this should naturally also be reflected on the purchasing side. We looked carefully at where we source our

material and tried to establish a competitive sourcing pattern. Our objective is to reduce risks for Gurit by synchronizing purchasing contracts as best as we can with our sales conditions.

### **What about Corporate Development?**

Our team led a major strategy review. One major result was the decision to discontinue our activities in winter sport materials. Within six months we then sold or phased out this business consisting of three production sites whilst taking best care of ongoing service to our former customers.

Apart from that, we focused on internal improvements and streamlining processes, rather than on growing our structures. In fact, we only invested where we realized we had bottlenecks that impeded our performance.

Last but not least, the protection of our intellectual property is an essential task. Gurit has important patents that need to be protected and we also have a lot of process and product specific trade secrets that we need to keep safely within our organization.

## FINANCE

Group Finance has worked on a couple of internal projects in 2008. The Group's controlling, forecasting and business data gathering system was tuned to rapidly produce a consistent set of facts and figures. At the end of 2008, Gurit has a strong balance sheet, mainly thanks to a solid operational performance and improved net working capital management.



“The strength of our balance sheet is a valuable asset these days: We have a very solid equity ratio and are net debt free.”

Markus Knuesli Amacker,  
Chief Financial Officer

### How has the controlling and business data process changed?

Markus Knuesli Amacker: One of the major projects was the implementation of a revised monthly management reporting system in line with the Group's management structure as well as the set up of common cost accounting rules across all sites. This will enable Gurit to benchmark the performance of its production entities internally and it will provide reliable data for product management. It is already well advanced and should become fully operational during 2009. Re-enforced inventory controls and closer monitoring of our debtor balances were key in managing our net working capital. Finally, the implementation of a new

bidding process provided Gurit with a more effective and precise tool to establish the right offer for the needs of our customers.

### What improved Gurit's financial situation most?

First and foremost we improved our operational performance across the organization. Lower production variances, reduced material needs for line qualifications, higher production loading and less carriage costs all improved our results. Certain adapted sales prices combined with a more favourable balance of material costs and sales prices have been another key driver. Finally, a higher awareness of the importance of net working capital management across

all sites as well as a rigorous liquidity management have helped us to keep net working capital tight.

### What about currency effects?

Most of our sales are denominated in euros or dollars, some in sterling and Swiss francs. The currency development in 2008 impacted our reported consolidated sales in Swiss francs. On the other hand, we have rather large manufacturing cost blocks in the UK and Canada. The weakening of these currencies against the main selling currencies in the second half of 2008 has helped our profitability. Should these currencies remain at the current levels, we might benefit even more from this competitive advantage in 2009.

# CORPORATE GOVERNANCE

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SHAREHOLDERS' PARTICIPATION RIGHTS PAGE 29

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AD HOC PUBLICITY PAGE 30

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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 SIX Swiss Exchange. Unless otherwise indicated, all information refers to balance sheet date on December 31, 2008. Significant changes that have occurred between that date and the copy deadline for this report have also been indicated as appropriate.

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## 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 SIX Swiss Exchange; the registered shares are not listed. Based on the bearer shares year-end closing price of CHF 450 and equally valuating the par-value adjusted registered shares, the market capitalization on December 31, 2008, amounted to some CHF 210.6 million.

1.1.3 Information about the non-listed companies can be found in the overview on page 65 of the Financial Review.

### 1.2 Major shareholders

On December 31, 2008, the Company knew of the following shareholders holding over 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Bahnhofstrasse 2, 9435 Heerbrugg, 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.

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

Martin Bisang, 8700 Küsnacht, held with 22 000 bearer shares 3.333% of the voting rights in Gurit Holding AG on March 20, 2008.

BlackRock Inc., 40 East 52nd Street, New York, 10022 USA, announces according to a notification signed on March 5, 2009, by Merrill Lynch Capital Markets AG, Stockerstrasse 23, 8002 Zürich, and by Blackrock Investment Management Ltd, 33 King William Street, London EC4R 9AS, UK, ownership of 24878 bearer shares in Gurit Holding which translates into 3.769% of the voting rights. According to an agreement completed on February 27, 2009, with Merrill Lynch, now a wholly owned subsidiary of Bank of America Corporation, BlackRock Inc., is now directly a reporting shareholder. BlackRock holds its position directly by BlackRock Group, Limited, and indirectly by BlackRock, Inc., BlackRock Holdco2, Inc., BlackRock Financial Man-

agement, Inc., BlackRock Advisors Holdings, Inc. und BlackRock International Holdings, Inc.

### 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 Report and the Statements on Gurit Holding AG as well as in the Investor Relations section on page 76 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 notes to Gurit Holding AG's financial statements on page 71.

### 2.2 Authorized or contingent capital in particular

Gurit Holding AG has no authorized or contingent capital.

### 2.3 Changes in equity

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

in CHF 1000

	Pos. 31.12.2006	Pos. 31.12.2007	Pos. 31.12.2008
Share capital	23 400 000	23 400 000	23 400 000
General reserves	11 700 000	11 700 000	11 700 000
Treasury stock reserves	4 802 537	1 721 820	1 535 860
Other reserves	29 291 469	32 372 186	32 558 146
Retained earnings	38 233 537	47 303 100	51 162 137
Total	107 427 543	116 497 106	120 356 143

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 SIX 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, 2008, the Board of Directors of Gurit Holding AG consisted of five 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:

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**Paul Hälg**

Chairman of the Board of Directors  
Doctorate in chemistry  
Swiss citizen, 1954  
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

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**Heinrich Fischer**

Dipl. Ing. ETH Zurich, MBA University of Zurich  
Swiss citizen, 1950  
Non-executive member

**Professional background (main stages)**

1980–1990 Balzers Division of Oerlikon Bühle Group  
1991–1995 Executive Vice President, Corporate Development,  
Oerlikon Bühle Group  
1996–2005 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

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**Robert Heberlein**

Member  
Dr. iur., attorney-at-law  
Swiss citizen, 1941  
Non-executive member

**Professional background (main stages)**

Since 1977 Partner/Counsel, 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 COLTENE Holding AG, Wattwil

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**Nick Huber**

Member of the Board of Directors  
Businessman  
Swiss citizen, 1964  
Non-executive member

**Professional background (main stages)**

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

**Other important activities and vested interests**

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

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**Urs Kaufmann**

Member of the Board of Directors  
Dipl. Ing. ETH Zurich, Senior Executive Program IMD  
Swiss citizen, 1962  
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

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### 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. Dr. Paul Hälg left the Board of Directors of COLTENE Holding AG in April 2009.

### 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 BoD	Election to BoD	Elected until
Dr. Paul Hälg	1954	Chairman	14.06.2001	2011
Robert Heberlein	1941	Member	22.11.1984	2011
Nick Huber	1964	Member	15.06.1995	2011
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,  
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: Nick Huber

Members: Paul Hälg, 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 2008, the Board of Directors met six times.

The Audit and Corporate Governance Committee met two times in 2008, and the Compensation and Nomination Committee met two times and held one conference call in 2008.

Meetings are summoned in writing by the Chairman. An invitation together with a detailed agenda and documentation is sent to all participants at least five 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 investment decisions 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 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, 2008, Gurit Holding AG's Group Management consisted of the CEO and the CFO as well as an Executive Management Team consisting of additional five members.

### 4.1/2 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:

<p><b>Rudolf Hadorn</b>  Chief Executive Officer  MBA University of St. Gallen  Swiss citizen, 1963</p>	<p><b>Professional background (main stages)</b>  1989–2000 Various management and executive 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  <b>Other important activity and vested interest</b>  Advisory Board of Cross 1 Private Equity Firm</p>
<p><b>Markus Knuesli Amacker</b>  Chief Financial Officer  Degree in economics HEC Lausanne  Swiss and French citizen, 1962</p>	<p><b>Professional background (main stages)</b>  1989–1993 Coopers &amp; Lybrand, Genf, General audit supervisor  1993–1997 Tetra Laval International, Pully, Controlling &amp; Consolidation  1997–2003 Nextrom Group, Morges, CFO  2004–2007 Unicable SA, Prilly, CFO  Since 1.10.2007 Gurit CFO</p>
<p><b>Damian Bannister</b>  Director Innovation, Products and Solutions  Bachelor of Science, PhD  British citizen, 1970</p>	<p><b>Professional background (main stages)</b>  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</p>
<p><b>Rudolf Gerber</b>  General Manager Wind Energy  Bsc. Engineering  Swiss Citizen, 1958</p>	<p><b>Professional background (main stages)</b>  1986–1988 Varian AG, Zug, Area Sales Manager  1988–1995 Schlatter Ltd., Harrogate/UK, Managing Director  1995–2001 Alcan Airex AG, Sins, Divisional Manager  2002–2008 Armstrong Metal Ceilings Group, St. Gallen, CEO  2008–today Gurit, General Manager Wind Energy</p>
<p><b>Graham Harvey</b>  General Manager Marine  BSc Ship Science  British citizen, 1965</p>	<p><b>Professional background (main stages)</b>  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 &amp; Civil Engineering  2008 General Manager Marine</p>
<p><b>Kees Reijnen</b>  Managing Director Transportation, Winter Sport and Civil Engineering  MSc in Physics  Dutch citizen, 1957</p>	<p><b>Professional background (main stages)</b>  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 Managing 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</p>

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### David Schofield

Director of Corporate Development and Purchasing  
MA Metallurgy and Materials Science, University of Cambridge  
British citizen, 1966

### 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
2008–2009	Director of Corporate Development and Purchasing

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## 4.3 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.

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 2008, this programme was not used due to the share price development.

## 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. In addition, the members of the Board of Directors receive a certain number of shares as part of their compensation. During the year under review, 150 shares were allotted to the Board of Directors. The yearly fixed amount in cash and the number of shares awarded are determined by the Board of Directors upon recommendation by the Compensation and Nomination Committee.

For a summary of the remunerations paid during the year under review, refer to pages 72 to 73 of the financial report.

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.

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

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.

There were no options issued on Gurit bearer shares on December 31, 2008, in the context of a participation programme.

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 the performance of the company.

Lenz & Staehelin, Attorneys-at-Law, in which Robert Heberlein, member of the Board of Directors, is a counsel since January 1, 2009, presented Gurit Holding AG or its Group companies with fee invoices totalling approximately CHF 6700 for legal advisory services during the year under review.

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.

## 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 forth 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 defense 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 764 000.

### 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 261 000.

### 8.4 Supervisors and control instruments pertaining to the auditors

As explained in section 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](http://www.gurit.com).

E-mail alerts: The latest financial information from Gurit Holding can be automatically sent via e-mail alert; sign up is available in the Publications/Download section of the Gurit website at [http://investors.gurit.com/investor-relations/news\\_en.html](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 30, 2009	Presentation of annual results 2009; financial analysts' and media conference; publication of Annual Report 2008
April 21, 2009	General Meeting
September 10, 2009	Half-yearly report, shareholders' letter
End of March 2010	Presentation of annual results 2009; financial analysts' and media conference; publication of Annual Report
April 2010	General Meeting

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# FINANCIAL REPORT

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## CONSOLIDATED INCOME STATEMENT

IN CHF 1000

	Note	Year ended December 31, 2008	Year ended December 31, 2007
Net sales	6	456 211	448 821
Cost of goods and materials		-278 495	-287 430
Personnel expense	7	-87 307	-91 924
Other operating expenses	8	-53 349	-59 145
Other gains and losses, net	9	5 502	14 583
Impairment, net of reversals	20, 21	-1 512	-3 330
Depreciation and amortization	20, 21	-13 101	-18 063
Operating profit		27 949	3 512
Finance expense	10	-10 306	-6 865
Finance income	11	7 423	3 957
Profit before tax		25 066	604
Income tax (expense)/credit	12	-8 028	360
<b>Profit for the year</b>		<b>17 038</b>	<b>964</b>
<b>Earnings per share</b>	13		
Basic earnings per bearer share		CHF 36.55	CHF 2.21
Diluted earnings per bearer share		CHF 36.55	CHF 2.21
Basic earnings per registered share		CHF 7.31	CHF 0.44
Diluted earnings per registered share		CHF 7.31	CHF 0.44

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

IN CHF 1000

	Note	At December 31, 2008	At December 31, 2007
<b>Assets</b>			
Cash and cash equivalents		45 900	42 371
Securities at fair value through profit and loss		116	178
Derivative financial instruments	16	341	–
Trade receivables	17	53 434	74 891
Other receivables	18	18 123	9 688
Current income tax assets		169	299
Inventories	19	41 049	57 391
<b>Current assets</b>		<b>159 132</b>	<b>184 818</b>
Other receivables	18	142	3 499
Deferred income tax assets	24	4 255	6 720
Property, plant and equipment	20	91 287	130 065
Intangible assets	21	117 555	162 913
<b>Non-current assets</b>		<b>213 239</b>	<b>303 197</b>
<b>Total assets</b>		<b>372 371</b>	<b>488 015</b>
<b>Liabilities and equity</b>			
Borrowings	22	23 525	48 594
Derivative financial instruments	16	511	–
Trade payables		30 329	44 477
Other payables	23	17 857	19 197
Current income tax liabilities		3 753	3 854
Provisions	25	4 158	4 078
<b>Current liabilities</b>		<b>80 133</b>	<b>120 200</b>
Borrowings	22	20 723	39 473
Derivative financial instruments	16	1 765	–
Deferred income tax liabilities	24	15 073	16 253
Provisions	25	3 372	3 058
<b>Non-current liabilities</b>		<b>40 933</b>	<b>58 784</b>
<b>Total liabilities</b>		<b>121 066</b>	<b>178 984</b>
Share capital	27	23 308	23 309
Additional paid-in capital		28 642	28 642
Hedging reserve		–1 341	–
Currency translation adjustments		–65 979	4 572
Retained earnings		266 675	252 508
<b>Total equity</b>		<b>251 305</b>	<b>309 031</b>
<b>Total liabilities and equity</b>		<b>372 371</b>	<b>488 015</b>

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

IN CHF 1000

	Note	Year ended December 31, 2008	Year ended December 31, 2007
Profit for the year		17 038	964
Income tax expense/(credit)	12	8 028	-360
Finance income and expense, net	10, 11	2 883	2 908
<b>Operating profit</b>		<b>27 949</b>	<b>3 512</b>
Adjustments for:			
Impairment, net of reversals	20, 21	1 512	3 330
Depreciation and amortization	20, 21	13 101	18 063
Change in non-current liabilities		1 144	117
Other non-cash items		-831	-16 759
Working capital changes (excluding the effects of disposals of subsidiaries):			
Change in trade receivables		7 047	4 638
Change in inventories		5 521	-11 857
Change in other receivables		-12 741	11 310
Change in trade and other payables		-1 985	-12 416
Finance cost paid		-3 967	-5 350
Finance income received		831	1 523
Income tax paid		-6 491	-3 648
<b>Net cash flow from operating activities</b>		<b>31 090</b>	<b>-7 537</b>
Purchase of property, plant and equipment	20	-7 859	-41 879
Proceeds from sale of property, plant and equipment		13 129	24 887
Change in non-current other receivables		-6	148
Purchase of intangible assets	21	-708	-945
Proceeds from disposal of subsidiary	30	6 239	-
<b>Net cash flow from investing activities</b>		<b>10 795</b>	<b>-17 789</b>
Proceeds from borrowings		12 644	29 687
Repayment of borrowings		-44 508	-3 097
Lease payments		-	-200
Dividend distribution	14	-3 030	-5 944
Sale of treasury shares		-	12 060
Purchase of treasury shares		-12	-
<b>Net cash flow from financing activities</b>		<b>-34 906</b>	<b>32 506</b>
<b>Net change in cash and cash equivalents</b>		<b>6 979</b>	<b>7 180</b>
Cash and cash equivalents at the beginning of the year		42 371	35 580
Net change in cash and cash equivalents		6 979	7 180
Exchange losses on cash		-3 450	-389
<b>Cash and cash equivalents at the end of the year</b>		<b>45 900</b>	<b>42 371</b>

The accompanying notes form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN CHF 1000

	Note	Share capital	Additional paid-in capital	Hedging reserve	Currency translation adjustments	Retained earnings	Total Equity
<b>Balance at January 1, 2007</b>		<b>22 861</b>	<b>28 642</b>	<b>–</b>	<b>14 592</b>	<b>245 678</b>	<b>311 773</b>
Profit for the year		–	–	–	–	964	964
Currency translation adjustments		–	–	–	–10 020	–	–10 020
<i>Total income and expense for the year</i>		–	–	–	–10 020	964	–9 056
Dividend distribution	14	–	–	–	–	–5 944	–5 944
Share-based compensation	32	9	–	–	–	189	198
Sale of treasury shares		439	–	–	–	11 621	12 060
<i>Total transactions with shareholders</i>		<i>448</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>5 866</i>	<i>6 314</i>
<b>Balance at December 31, 2007</b>		<b>23 309</b>	<b>28 642</b>	<b>–</b>	<b>4 572</b>	<b>252 508</b>	<b>309 031</b>
Profit for the year		–	–	–	–	17 038	17 038
Cash flow hedges:							
– Changes in fair value and transfers to sales		–	–	–1 193	–	–	–1 193
– Tax effect of cash flow hedges		–	–	–148	–	–	–148
Currency translation adjustments		–	–	–	–70 551	–	–70 551
<i>Total income and expense for the year</i>		–	–	<i>–1 341</i>	<i>–70 551</i>	<i>17 038</i>	<i>–54 854</i>
Dividend distribution	14	–	–	–	–	–3 030	–3 030
Share-based compensation	32	–	–	–	–	170	170
Purchase of treasury shares		–1	–	–	–	–11	–12
<i>Total transactions with shareholders</i>		<i>–1</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–2 871</i>	<i>–2 872</i>
<b>Balance at December 31, 2008</b>		<b>23 308</b>	<b>28 642</b>	<b>–1 341</b>	<b>–65 979</b>	<b>266 675</b>	<b>251 305</b>

The accompanying notes form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Gurit Holding AG, incorporated in Wattwil, Switzerland (“the Company”) and its subsidiaries (together “the Group”) are specialized in 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 and Marine.

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

These consolidated financial statements were signed off by the Board of Directors on March 16, 2009 for publication. The Annual General Meeting of shareholders, scheduled for April 21, 2009, will vote on these consolidated financial statements.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of Gurit Holding AG have been prepared in accordance with International Financial Reporting Standards and are in conformity with the Swiss law and the requirements of the SIX Swiss exchange. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss. All financial information included in the consolidated financial statements and notes to the consolidated financial statements are presented in thousands of Swiss Francs (CHF 1000) and rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and

estimates are significant to the consolidated financial statements, are disclosed in note 3.

#### 2.2 Changes in accounting policies

##### 2.2.1 Amendments and interpretations to existing standards that are effective in 2008

The Group has adopted the following amended standards and interpretations as of January 1, 2008 or during the year 2008. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

- IAS 39 (Amendment), “Financial instruments: Recognition and measurement” and IFRS 7 (Amendment), “Financial instruments: disclosure”
- IFRIC 11, “Group and treasury share transactions”
- IFRIC 12, “Service concession arrangements”
- IFRIC 14, “IAS 19 – “The limit on a defined benefit asset, minimum funding requirements and their interaction”

##### 2.2.2 New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The below amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after January 1, 2009, but the Group has not early adopted them. The Group is currently assessing the possible impact that the application of these changes will have on the Group’s financial statements in the period of initial application.

- IFRS 1 (Amendment), “First time adoption of IFRS” and IAS 27 “Consolidated and separate financial statements” (effective January 1, 2009)
- IFRS 2 (Amendment), “Share-based payment” (effective from January 1, 2009)
- IFRS 3 (Revised), “Business combinations” (effective from July 1, 2009)
- IFRS 8, “Operating segments” (effective from January 1, 2009)
- IAS 1 (Revised), “Presentation of financial statements” (effective from January 1, 2009)
- IAS 20 (Amendment), “Accounting for government grants and disclosure of government assistance” (effective from January 1, 2009)
- IAS 23 (Amendment), “Borrowing costs” (effective from January 1, 2009)

- IAS 27 (Revised), “Consolidated and separate financial statements”, (effective from July 1, 2009)
- IAS 32 (Amendment), “Financial instruments: Presentation” and IAS 1 (Amendment), “Presentation of financial statements” – “Puttable financial instruments and obligations arising on liquidation” (effective from January 1, 2009)
- IFRIC 13, “Customer loyalty programmes” (effective from July 1, 2008)
- IFRIC 15, “Agreements for construction of real estates” (effective from January 1, 2009)
- IFRIC 16, “Hedges of a net investment in a foreign operation” (effective from October 1, 2008)
- IFRIC 17, “Distributions of non-cash assets to owners” (effective from July 1, 2009)
- IFRIC 18, “Transfers of assets from customers” (effective from July 1, 2009)
- Furthermore, in May 2008, the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments are unlikely to have a significant impact on the Group’s financial performance or position.

## 2.3 Consolidation

### 2.3.1 Changes in the scope of consolidation

During 2008, the Group sold its subsidiary Gurit (Vreden) GmbH, Germany and disposed of further assets related to the winter sports and shoecaps business. In 2008, net sales of the winter sports and shoecaps business amounted to CHF 19 131 000 (2007: CHF 32 829 000). Furthermore, the Group liquidated its subsidiary Gurit (Innsbruck) GmbH, Austria in 2008. Gurit (India) Pvt Ltd, India was incorporated and added to the scope of consolidation of the Group in 2007. Further details on the scope of consolidation and changes in the scope of consolidation are provided in notes 30 and 34.

### 2.3.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3.3 Joint ventures

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group records its interest in jointly controlled entities using proportionate consolidation. The Group’s share of the assets, liabilities, income and expense of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group’s interest in the joint venture.

## 2.4 Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Gurit has only one business segment, Composites. Geographic segments reflect the fact that customers are located in different geographic areas.

## 2.5 Foreign currency translation

### 2.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the Company's functional and the Group's presentation currency.

### 2.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

### 2.5.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal exchange rates used were as follows:

	December 31, 2008	Ø 2008	December 31, 2007	Ø 2007
1 USD	1.0561	1.0814	1.1276	1.2009
1 EUR	1.4888	1.5862	1.6595	1.6435
1 GBP	1.5286	1.9913	2.2472	2.4030
1 CAD	0.8643	1.0166	1.1521	1.1313

## 2.6 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

## 2.7 Employee benefits

### 2.7.1 Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or state-administered funds. The Group has both, defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries at least every three years using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

#### *2.7.2 Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

#### *2.7.3 Share-based compensation*

The Group operates two different equity-settled share-based compensation plans, under which the entity receives services from directors and from members of Management as consideration for equity instruments of the Company (see note 32). The fair value of the services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

## **2.8 Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## **2.9 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 2.10 Financial assets

### 2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and 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.

#### – Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### – 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 are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, other receivables and cash and cash equivalents in the balance sheet (notes 2.12 and 2.13).

### 2.10.2 Recognition and measurement

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 recognized at fair value, and transaction costs are expensed in the income statement. Financial assets 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.

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. 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. 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.

## 2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

### 2.11.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### *2.11.2 Derivates accounted for at fair value through profit or loss*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement.

### **2.12 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.13 Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "other operating expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating expenses" in the income statement.

### **2.14 Inventories**

Inventories are stated at the lower of average cost price or manufacturing cost and net realizable value. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **2.15 Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Plant and equipment: 5–10 years,  
in exceptional cases 15 years
- Buildings: 40–50 years

Any property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.17). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains and losses, net" in the income statement.

## 2.16 Intangible assets

### 2.16.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

### 2.16.2 Other intangible assets

Other intangible assets contain patents, software and other intangible assets. They are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives, which normally do not exceed five years, but can extend to twelve years in exceptional cases.

### 2.16.3 Research and development

Expenditure on research is recognised as an expense when it is incurred. An intangible asset arising from development is recognised if, and only if its costs can be reliably measured, and if it can be safely assumed that the project in question will be successfully completed and that it will generate probable future economic benefits. Development costs recognised as intangible assets are amortized on a straight-line basis over a maximum of five years.

## 2.17 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

## 2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

## 2.20 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 2.21 Provisions

Provisions for warranties, restructuring costs and legal cases are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

## 2.22 Share capital

Ordinary registered and bearer shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## 3 Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 addressed below.

### 3.1 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.17. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 21). Based on these calculations, goodwill was not impaired as of December 31, 2008.

### 3.2 Income taxes

The Group is subject to income taxes in numerous jurisdictions. In the context of their operations, some subsidiaries report tax losses. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are provided in note 24.

## 4 Risk management

Risk management forms an integral part of the Group's conduct of business and is therefore an important part of each managers and employees daily business responsibility. Risk management is carried out by the Executive Committee (EC) and the target markets' management, under the supervision of the Board of Directors.

A formal risk management review and subsequently an update of the risk profiles are done by the target markets' management, which present their findings to the EC. The EC ensures that appropriate measures are taken to mitigate the risks. The Board of Directors is informed in the Board of Directors meetings of the Group's risk profile and the mitigating action plans. If the Group is exposed to major new risks, the chief executive officer or his deputy will inform the chairman of the Board of Directors immediately after he became aware of the risk in line with the delegation of authority and the standing orders of the Board of Directors with the chief executive officer.

### 4.1 Risk assessment

Risks are categorized and prioritized by the target markets' management for target market specific risks as well as by the EC for global Group risks. The risks are categorized into the following three categories:

- (a) Strategy execution risks: risks which endanger the going concern of the Company and/or the implementation of the Group's strategy.
- (b) Operational risks: risks related to inadequate business processes, human resources and systems. Such risks are normally of a short and medium term nature.
- (c) Financial risks: although all risks can ultimately be reduced to a financial impact, this category includes short or long term financial risks, which are not or only in a limited way linked to operational processes or the strategy implementation.

The different risks are assessed and prioritized according to their financial impact and their likelihood.

### 4.2 Strategy execution and operational risks

Strategy execution risks are captured and assessed annually during the strategy workshops. Operational risks are closely linked to the internal control system. They are reviewed and assessed as part of the operational reviews of the target markets as well as by the EC reviews.

### 4.3 Financial risk management

Due to the global activities of Gurit, the Group is exposed to certain financial risks such as currency risks, interest rate risks, credit risks as well as liquidity risks. The EC defines the principles for the financial risk management. Rules exist for the management of liquid and financial assets. The respective entities manage their financial risks according to the defined risk policies with the aim of minimizing the above mentioned risks. If appropriate, derivative financial instruments are used to hedge certain risk positions.

#### 4.3.1 Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro, the UK pound and the Canadian dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge significant foreign exchange risk exposures in accordance with this policy. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use natural hedges (e.g. purchasing raw materials in the currency, in which the related sales are invoiced, and the utilization of loans and deposits denominated in the foreign currency of future commercial transactions and recognized assets and liabilities) and forward contracts, transacted in co-operation with Group treasury.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the translation of the net assets of the Group's foreign operations is not hedged.

The following table demonstrates the sensitivity to a reasonably possible change in the various foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (as a result of foreign exchange gains/losses on foreign currency denominated monetary assets and liabilities).

At December 31, 2008

IN CHF 1000 Currency pair	Change in exchange rate	Effect on profit before tax
USD/CAD	14%	211
	-14%	-211
EUR/CAD	9%	295
	-9%	-295
USD/GBP	17%	1 874
	-17%	-1 874
EUR/GBP	14%	1 374
	-14%	-1 374
EUR/CHF	7%	329
	-7%	-329

At December 31, 2007

IN CHF 1000 Currency pair	Change in exchange rate	Effect on profit before tax
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

#### 4.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's borrowings issued at variable interest rates. The potential effect on the Group's profit arising from this risk is assessed to be not significant.

#### 4.3.3 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by Management. The utilisation of credit limits is regularly monitored. See note 17 for further disclosure on credit risk.

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

#### 4.3.4 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed and uncommitted credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. The Group monitors its risk to a shortage of funds by reviewing short-term cash forecasts on monthly basis and performs annual cash forecasts once a year.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31, 2008

IN CHF 1000	Total	0-3 months	4-12 months	1-5 years	> 5 years
Borrowings	46 489	14 747	10 559	21 093	90
Derivative financial instruments	1 935	273	-103	1 765	-
Trade payables	30 329	30 329	-	-	-
Other payables	17 857	15 192	2 665	-	-
<b>Total</b>	<b>96 610</b>	<b>60 541</b>	<b>13 121</b>	<b>22 858</b>	<b>90</b>

At December 31, 2007

IN CHF 1000	Total	0-3 months	4-12 months	1-5 years	> 5 years
Borrowings	90 317	28 677	20 412	41 136	92
Trade payables	44 477	27 758	16 719	-	-
Other payables	19 197	15 840	3 357	-	-
<b>Total</b>	<b>153 991</b>	<b>72 275</b>	<b>40 488</b>	<b>41 136</b>	<b>92</b>

At the reporting date, the Group analyzed liquidity as follows:

IN CHF 1000		
	2008	2007
<b>Liquidity reserves and credit lines</b>		
Cash and cash equivalents	45 900	42 371
Securities through profit and loss	116	178
Credit lines and loans	143 828	155 213
Less: used credit lines and loans	-44 248	-88 067
<b>Total liquidity reserves and credit lines</b>	<b>145 596</b>	<b>109 695</b>

#### 4.3.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using the ratios and calculations as shown below.

IN CHF 1000		
	2008	2007
Interest bearing debt	44 248	88 067
EBITDA	42 562	24 905
<b>EBITDA-to-debt ratio</b>	<b>1.0</b>	<b>3.5</b>
Assets	372 371	488 015
Equity	251 305	309 031
<b>Equity ratio</b>	<b>67.5%</b>	<b>63.3%</b>

## 5 Segment information

IN CHF 1000

	Year ended December 31, 2008		Year ended December 31, 2007	
<b>Net sales by division</b>				
Composite	456 027	100.0%	445 621	99.3%
Other/Consolidation	184	0.0%	3 200	0.7%
<b>Total net sales</b>	<b>456 211</b>	<b>100.0%</b>	<b>448 821</b>	<b>100.0%</b>

### Net sales

Switzerland	11 670	2.5%	15 773	3.5%
EU and EEA	304 837	66.8%	309 598	69.0%
Rest of Europe	4 854	1.1%	6 765	1.5%
USA/Canada	58 320	12.8%	58 680	13.1%
Other	76 530	16.8%	58 005	12.9%
<b>Total net sales</b>	<b>456 211</b>	<b>100.0%</b>	<b>448 821</b>	<b>100.0%</b>

### Operating profit by division

Composite	25 506	91.3%	-9 168	-261.0%
Other/Consolidation	2 443	8.7%	12 680	361.0%
<b>Total operating profit</b>	<b>27 949</b>	<b>100.0%</b>	<b>3 512</b>	<b>100.0%</b>
Financial result	-2 883		-2 908	
Income taxes	-8 028		360	
<b>Total profit for the year</b>	<b>17 038</b>		<b>964</b>	

### Employees per division (average)

Composite	1 569	99.2%	1 492	98.9%
Other/Consolidation	12	0.8%	16	1.1%
<b>Total employees</b>	<b>1 581</b>	<b>100.0%</b>	<b>1 508</b>	<b>100.0%</b>

### Assets / CapEx / Depr./Amort. by division

	Assets	CapEx	Depr./Amort.	Assets	CapEx	Depr./Amort.
Composite	341 266	8 567	14 551	466 627	42 816	20 944
Other/Consolidation	31 105	-	62	21 388	7	449
<b>Total assets / CapEx</b>	<b>372 371</b>	<b>8 567</b>	<b>14 613</b>	<b>488 015</b>	<b>42 823</b>	<b>21 393</b>

### Assets / CapEx by region

	Assets	CapEx	Assets	CapEx
Switzerland	219 117	164	239 128	827
EU and EEA	79 815	3 098	142 862	12 479
USA/Canada	47 115	2 234	77 214	15 375
Other	26 324	3 071	28 811	14 142
<b>Total assets / CapEx</b>	<b>372 371</b>	<b>8 567</b>	<b>488 015</b>	<b>42 823</b>

### Liabilities by division

Composite	96 411	146 332
Other/Consolidation	24 655	32 652
<b>Total Liabilities</b>	<b>121 066</b>	<b>178 984</b>

## 6 Net sales

IN CHF 1000

	2008	2007
Sales of goods	451 568	441 417
Sales of services	4 643	7 404
<b>Total net sales</b>	<b>456 211</b>	<b>448 821</b>

## 7 Personnel expense

IN CHF 1000

	2008	2007
Salaries and wages	76 262	80 810
Pension expenses – defined benefit plans (note 26)	1 107	862
Pension expenses – defined contribution plans	2 771	3 515
Social security expenses	5 350	5 839
Other personnel expenses	1 817	898
<b>Total personnel expenses</b>	<b>87 307</b>	<b>91 924</b>

## 8 Other operating expenses

IN CHF 1000

	2008	2007
Marketing and administrative expenses	21 345	25 033
Other operating expenses	32 004	34 112
<b>Total other operating expenses</b>	<b>53 349</b>	<b>59 145</b>

Other operating expenses include research and development costs of CHF 582 000 (2007: CHF 655 000).

## 9 Other gains and losses, net

IN CHF 1000

	2008	2007
Gain from disposal of subsidiary (note 30)	1 223	–
Gains from disposals of fixed assets	4 482	15 796
Gain from legal case, net of costs (note 33)	6 271	–
Other income	1 224	2 133
<b>Total other gains</b>	<b>13 200</b>	<b>17 929</b>
Losses from disposals of fixed assets	–2 971	–14
Losses from disposals of intangibles	–484	–
Restructuring costs	–1 429	–1 500
Impairment of other receivables	–1 400	–
Other expenses	–1 414	–1 832
<b>Total other losses</b>	<b>–7 698</b>	<b>–3 346</b>
<b>Total other gains and losses, net</b>	<b>5 502</b>	<b>14 583</b>

## 10 Finance expense

IN CHF 1000		
	2008	2007
Interest expenses	3 568	4 212
Exchange rate losses	2 698	2 653
Effect of recycling currency translation adjustments upon liquidation of a subsidiary	483	–
Impairment of loans	2 793	–
Other finance expenses	764	–
<b>Total finance expense</b>	<b>10 306</b>	<b>6 865</b>

## 11 Finance income

IN CHF 1000		
	2008	2007
Interest income	816	757
Exchange rate gains	6 568	2 877
Other finance income	39	323
<b>Total finance income</b>	<b>7 423</b>	<b>3 957</b>

## 12 Income tax expense/(credit)

IN CHF 1000		
	2008	2007
Current income tax expense	7 579	5 507
Deferred income tax expense/(credit) (note 24)	449	–5 867
<b>Total income tax expense/(credit)</b>	<b>8 028</b>	<b>–360</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Switzerland, the home country of the Company, as follows:

IN CHF 1000		
	2008	2007
Profit before tax	25 066	604
Tax expense at a tax rate of 25%	6 267	158
Effect of different tax rates in other countries	–186	–1 306
Utilization of previously unrecognized tax losses	–716	–1 829
Tax losses for which no deferred income tax asset was recognized	2 004	3 658
Expenses not deductible for tax purposes	2 005	–473
Adjustment in respect of prior years	–1 045	–523
Income not subject to tax	–347	–
Others	46	–45
<b>Income tax expense/(credit) recognized in profit or loss</b>	<b>8 028</b>	<b>–360</b>

### 13 Earnings per share

Basic and diluted earnings per share are calculated on the basis of the profit of the year and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. The calculation takes into account the different par values of the bearer and registered shares. The Company does not have any categories of dilutive potential ordinary shares.

	2008	2007
Profit for the year (in CHF 1000):	17 038	964

Weighted average number of shares in issue during the year:

Bearer shares	418 169	415 017
Registered shares	239 800	239 800

#### Basic and diluted earnings per share (in CHF):

Bearer shares (par value of CHF 50)	CHF 36.55	CHF 2.21
Registered shares (par value of CHF 10)	CHF 7.31	CHF 0.44

### 14 Dividends

The dividends paid in 2008 and 2007 amounted to CHF 3 030 000 (CHF 1.30 per registered share and CHF 6.50 per bearer share) and CHF 5 944 000 (CHF 2.60 per registered share and CHF 13.00 per bearer share), respectively. A dividend in respect of the year ended December 31, 2008 of CHF 2.60 per registered share and CHF 13.00 per bearer share, amounting to a total dividend of CHF 6 084 000, is to be proposed at the Annual General Meeting on April 21, 2009. These financial statements do not reflect this dividend payable.

## 15 Financial instruments by category

IN CHF 1000	Assets			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Securities at fair value through profit and loss	116	116	178	178
<b>Total assets at fair value through profit and loss</b>	<b>116</b>	<b>116</b>	<b>178</b>	<b>178</b>
Cash and cash equivalents	45 900	45 900	42 371	42 371
Trade receivables (note 17)	53 434	53 434	74 891	74 891
Other receivables excluding prepayments (note 18)	17 227	17 227	12 526	12 526
<b>Total loans and receivables</b>	<b>116 561</b>	<b>116 561</b>	<b>129 788</b>	<b>129 788</b>
Derivative financial instruments (note 16)	341	341	–	–
<b>Derivatives used for hedging</b>	<b>341</b>	<b>341</b>	<b>–</b>	<b>–</b>

IN CHF 1000	Liabilities			
	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments (note 16)	–285	–285	–	–
<b>Total liabilities at fair value through profit and loss</b>	<b>–285</b>	<b>–285</b>	<b>–</b>	<b>–</b>
Borrowings (note 22)	44 248	44 248	88 067	88 067
Trade payables	30 329	30 329	44 477	44 477
Other payables excluding accruals (note 23)	7 862	7 862	6 886	6 886
<b>Other financial liabilities at amortized cost</b>	<b>82 439</b>	<b>82 439</b>	<b>139 430</b>	<b>139 430</b>
Derivative financial instruments (note 16)	–1 991	–1 991	–	–
<b>Derivatives used for hedging</b>	<b>–1 991</b>	<b>–1 991</b>	<b>–</b>	<b>–</b>

The carrying values of current receivables, current payables and current borrowings approximate their fair values. The carrying values of non-current borrowings also approximate their fair values, as the most significant portion of the Group's non-current borrowings are issued at variable interest rates.

## 16 Derivative financial instruments

IN CHF 1000	2008		2007	
	Assets	Liabilities	Assets	Liabilities
	Cash flow hedges, categorized as derivatives used for hedging	341	–1 991	–
Cash flow hedges, categorized as derivatives at fair value through profit and loss	–	–285	–	–
<b>Total derivative financial instruments</b>	<b>341</b>	<b>–2 276</b>	<b>–</b>	<b>–</b>

Whereof:

Current portion	341	–511	–	–
Non-current portion	–	–1 765	–	–

All of the Group's cash flow hedges relate to forward foreign exchange contracts. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates within the next five years.

## 17 Trade receivables

IN CHF 1000

	2008	2007
Trade receivables	54 817	75 444
Less: provision for impairment	-1 383	-553
<b>Trade receivables – net</b>	<b>53 434</b>	<b>74 891</b>

IN CHF 1000

	2008	2007
<b>Aging of trade receivables</b>		
Not due	40 724	52 506
Overdue 1–30 days	9 647	17 852
Overdue 31–60 days	1 426	3 046
Overdue 61–90 days	1 210	1 301
Overdue 91–120 days	914	153
Overdue more than 120 days	896	586
<b>Total trade receivables</b>	<b>54 817</b>	<b>75 444</b>
Less: provision for impairment	-1 383	-553
<b>Total trade receivables – net</b>	<b>53 434</b>	<b>74 891</b>

IN CHF 1000

	2008	2007
<b>Movements on the provision for impairment</b>		
Balance at January 1	553	546
Provision for receivables impairment	1 741	474
Receivables written off as uncollectible	-667	-293
Unused amounts reversed	-244	-174
<b>Balance at December 31</b>	<b>1 383</b>	<b>553</b>

IN CHF 1000

	2008	2007
<b>Trade receivables by currency</b>		
Swiss franc	250	1 291
US dollar	13 859	15 782
GB pound	4 464	6 037
Euro	30 552	44 763
Others	4 309	7 018
<b>Total trade receivables – net</b>	<b>53 434</b>	<b>74 891</b>

## 18 Other receivables

IN CHF 1000		
	2008	2007
Other receivables	9 691	9 185
Prepaid expenses	1 038	661
Receivable from hedged legal case (note 33)	7 394	–
Loans	142	3 341
<b>Total other receivables</b>	<b>18 265</b>	<b>13 187</b>

Whereof:

Current portion	18 123	9 688
Non-current portion (loans)	142	3 499

## 19 Inventories

IN CHF 1000		
	2008	2007
Raw materials	17 486	25 849
Traded goods	3 250	2 148
Work in progress	1 278	1 198
Semi-finished and finished goods	19 035	28 196
<b>Total inventories</b>	<b>41 049</b>	<b>57 391</b>

The amount of write-down of inventories recognized as an expense is CHF 2 778 000 (2007: CHF 514 000), which is recognized in "cost of goods and materials". An impairment of CHF 287 000 is recognized in "other gains and losses, net" (2007: zero). In addition, "cost of goods and materials" include an amount of CHF 8 285 000 for changes in semi-finished, finished goods and work in progress (2007: CHF 2 513 000).

## 20 Property, plant and equipment

IN CHF 1000

	Plant and equipment	Land	Buildings	Equipment under construction	Total property, plant and equipment
<b>Cost</b>					
Balance at January 1, 2007	135 666	15 996	77 068	4 501	233 231
Additions	33 314	47	7 932	586	41 879
Disposals	-27 835	-3 044	-20 067	-1 308	-52 254
Exchange differences	2 277	49	487	-80	2 733
Others	489	-	-47	-215	227
Balance at December 31, 2007	143 911	13 048	65 373	3 484	225 816
Additions	6 568	-	1 022	269	7 859
Disposals	-24 507	-3 992	-8 275	-827	-37 601
Disposal of subsidiary (note 30)	-8 343	-222	-3 393	-	-11 958
Exchange differences	-22 345	-157	-5 705	-391	-28 598
Reclassifications	1 435	-	1	-1 700	-264
<b>Balance at December 31, 2008</b>	<b>96 719</b>	<b>8 677</b>	<b>49 023</b>	<b>835</b>	<b>155 254</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2007	76 165	3 171	38 735	-	118 071
Depreciation charge	14 389	5	2 836	-	17 230
Impairment charge	2 415	484	420	-	3 319
Disposals	-26 464	-	-16 812	-	-43 276
Exchange differences	189	-	-9	-	180
Others	227	-	-	-	227
Balance at December 31, 2007	66 921	3 660	25 170	-	95 751
Depreciation charge	10 707	-	1 573	-	12 280
Impairment charge, net of reversals	818	-479	972	-	1 311
Disposals	-20 646	-1 726	-3 611	-	-25 983
Disposal of subsidiary (note 30)	-7 571	-	-2 022	-	-9 593
Exchange differences	-8 814	-	-1 501	-	-10 315
Reclassifications	516	-	-	-	516
<b>Balance at December 31, 2008</b>	<b>41 931</b>	<b>1 455</b>	<b>20 581</b>	<b>-</b>	<b>63 967</b>
<b>Net book values</b>					
Balance at January 1, 2007	59 501	12 825	38 333	4 501	115 160
Balance at December 31, 2007	76 990	9 388	40 203	3 484	130 065
<b>Balance at December 31, 2008</b>	<b>54 788</b>	<b>7 222</b>	<b>28 442</b>	<b>835</b>	<b>91 287</b>

At December 31, 2008, the net book value of leased plant and equipment, included within plant and equipment, amounts to zero (2007: CHF 398 000). The net book value of leased buildings, included within buildings, at December 31, 2008, amounts to zero (2007: CHF 3 432 000). During 2008, the Group recorded a reclassification between the cost of plant and equipment and accumulated depreciation of plant and equipment in the amount of CHF 1 822 000. In addition an item with a net book value of CHF 780 000 was reclassified from property, plant and equipment to intangible assets during 2008.

The impairment charge of CHF 2 215 000 in 2008 relates to assets, which at the time of recognition of the charge were held for sale and written down to its fair value less costs to sell. These assets were sold later in the year. The reversal of impairment charges of CHF 904 000 in 2008 relates to assets, which are held for sale and for which the impairment no longer exists, based on a purchase offer received.

Fire insurance values of property, plant and equipment amount to CHF 186 000 000 (2007: CHF 285 000 000).

## 21 Intangible assets

IN CHF 1000

	Goodwill	Other intangible assets	Total intangible assets
<b>Cost</b>			
Balance at January 1, 2007	168 065	7 792	175 857
Additions	–	945	945
Disposals	–330	–60	–390
Exchange differences	–8 984	15	–8 969
Balance at December 31, 2007	158 751	8 692	167 443
Additions	–	708	708
Disposals	–	–982	–982
Disposal of subsidiary (note 30)	–	–84	–84
Exchange differences	–44 293	–1 974	–46 267
Reclassifications	–	2 086	2 086
<b>Balance at December 31, 2008</b>	<b>114 458</b>	<b>8 446</b>	<b>122 904</b>

### Accumulated amortization

Balance at January 1, 2007	330	3 697	4 027
Amortization charge	–	833	833
Impairment charge	–	11	11
Disposals	–330	–59	–389
Exchange differences	–	48	48
Balance at December 31, 2007	–	4 530	4 530
Amortization charge	–	821	821
Impairment charge	–	201	201
Disposals	–	–498	–498
Disposal of subsidiary (note 30)	–	–83	–83
Exchange differences	–	–928	–928
Reclassifications	–	1 306	1 306
<b>Balance at December 31, 2008</b>	<b>–</b>	<b>5 349</b>	<b>5 349</b>

### Net book values

Balance at January 1, 2007	167 735	4 095	171 830
Balance at December 31, 2007	158 751	4 162	162 913
<b>Balance at December 31, 2008</b>	<b>114 458</b>	<b>3 097</b>	<b>117 555</b>

The impairment charge relates to software which suffered an impairment based on a review of its future usability.

### Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. The Group consists of one operating segment: Composites. All of the Group's goodwill is therefore allocated to this segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management covering a four-year period. Cash flows beyond the four-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

	2008	2007
Average growth rate over 4 years	6.8%	9.8%
Operating profit margin after 4 years	9.0%	9.0%
Discount rate	8.3%	8.0%
Perpetuum growth after 4 years	1.5%	1.5%

As in prior year, the impairment test did not reveal any impairment of goodwill. The recoverable amount exceeds the carrying value. A sensitivity analysis shows that:

- considering an operating profit margin after four years of 8%, goodwill would still not suffer any impairment; and that
- considering a perpetuum growth rate of 1% after four years, goodwill would still not suffer any impairment.

## 22 Borrowings

IN CHF 1000

	2008	2007
<b>Current</b>		
Bank overdrafts	6 064	27 400
Bank loans	16 112	21 194
Other loans	1 349	
<b>Total current borrowings</b>	<b>23 525</b>	<b>48 594</b>
<b>Non-current</b>		
Bank loans	14 735	22 251
Other loans	5 988	17 222
<b>Total non-current borrowings</b>	<b>20 723</b>	<b>39 473</b>
<b>Total borrowings</b>	<b>44 248</b>	<b>88 067</b>

Bank loans mature until 2012 and bear average interest rates of 5.39% annually (2007: 5.44%). Other loans mature until 2014 and bear average interest rates of 1% (2007: 3.46%).

Total borrowings include secured bank borrowings of CHF 7 065 000 (2007: CHF 24 351 000) which are secured as follows:

IN CHF 1000

	2008	2007
Cash	1 611	1 410
Receivables	13 117	19 926
Inventories	9 149	12 619
Property, plant and equipment	33 156	57 268
<b>Total net book value of pledged assets</b>	<b>57 033</b>	<b>91 223</b>

Borrowings become due as follows:

IN CHF 1000

	2008	2007
3 months or less	11 497	28 182
4–12 months	12 028	20 412
1–5 years	20 633	39 381
Over 5 years	90	92
<b>Total borrowings</b>	<b>44 248</b>	<b>88 067</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

IN CHF 1000	2008	2007
<b>Currency</b>		
Swiss franc	–	15 000
Canadian dollar	25 332	45 866
Chinese yuan renminbi	9 935	10 023
Euro	1 797	15 562
US dollar	5 524	197
Others currencies	1 660	1 419
<b>Total borrowings</b>	<b>44 248</b>	<b>88 067</b>

## 23 Other payables

IN CHF 1000	2008	2007
Other payables	7 862	6 886
Accruals	9 995	12 311
<b>Total other payables</b>	<b>17 857</b>	<b>19 197</b>

## 24 Deferred income tax

IN CHF 1000	2008	2007
Deferred income tax assets	–4 255	–6 720
Deferred income tax liabilities	15 073	16 253
<b>Deferred income tax liabilities, net</b>	<b>10 818</b>	<b>9 533</b>

The movement on the deferred income tax account is as follows:

IN CHF 1000	2008 Deferred tax liabilities, net	2007 Deferred tax liabilities, net
Balance at January 1	9 533	15 400
Deferred income tax expense/(credit) (note 12)	449	–5 867
Tax effect recorded in equity	148	–
Disposal of subsidiary (note 30)	–178	–
Exchange differences	866	–
<b>Balance at December 31</b>	<b>10 818</b>	<b>9 533</b>

Deferred income tax assets and liabilities arise from temporary differences between the tax bases and their carrying amounts in the Group's financial statements in the following balance sheet items:

IN CHF 1000

	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	7	27	35	79
Other receivables	17	92	75	14
Inventories	723	284	1 211	765
Property, plant and equipment	610	8	1 261	2 557
Intangible assets	–	348	172	415
Investments in subsidiaries	–	13 931	–	14 035
Current borrowings	108	568	458	579
Non-current liabilities	851	138	612	–
Deferred income taxes from losses carried forward	2 262	–	5 087	–
Offset of deferred income tax assets and liabilities	–323	–323	–2 191	–2 191
<b>Total</b>	<b>4 255</b>	<b>15 073</b>	<b>6 720</b>	<b>16 253</b>

The Group did not recognize deferred income tax assets of CHF 16 000 000 (2007: CHF 18 655 000) in respect of unused tax losses amounting to CHF 68 043 000 (2007: CHF 75 657 000). These tax losses expire as shown in the table below.

IN CHF 1000

	2008	2007
0–3 years	21 700	22 446
4–6 years	38 246	36 771
over 6 years	8 097	16 440
<b>Total unrecognized tax losses</b>	<b>68 043</b>	<b>75 657</b>

## 25 Provisions

IN CHF 1000

	Retirement benefit obligation (note 26)	Warranties	Restructuring	Other	Total provisions
Balance at January 1, 2008	2 885	862	1 014	2 375	7 136
Utilised during the year	–946	–21	–736	–340	–2 043
Additions	1 107	–	239	2 271	3 617
Unused amounts reversed	–	–337	–48	–109	–494
Disposal of subsidiary (note 30)	–	–	–217	–	–217
Exchange differences	–	–162	–13	–294	–469
<b>Balance at December 31, 2008</b>	<b>3 046</b>	<b>342</b>	<b>239</b>	<b>3 903</b>	<b>7 530</b>

Whereof at January 1, 2008:

Current portion	–	862	1 014	2 202	4 078
Non-current portion	2 885	–	–	173	3 058

Whereof at December 31, 2008:

Current portion	–	342	239	3 577	4 158
Non-current portion	3 046	–	–	326	3 372

Other provisions comprise principally site restoration provisions and provisions for assumed obligations in connection with the disposal of a subsidiary (note 30).

## 26 Retirement benefit obligations

IN CHF 1000

	2008	2007
<b>Pension expense</b>		
Current service cost	2 144	2 174
Interest cost	771	1 248
Expected return on plan assets	-831	-1 316
Amortization of net recognized actuary gains and losses	-83	30
Effect of asset recognition restrictions	16	-
Recognition of actuary gains and losses (58 A)	-49	-
Gains on curtailment	-151	-
Employees' contributions (premium)	-710	-1 274
<b>Total expenses for defined benefit plans</b>	<b>1 107</b>	<b>862</b>

IN CHF 1000

	2008	2007
<b>Change in the defined benefit obligation</b>		
Balance at January 1	23 709	38 415
Current service cost	2 144	2 174
Interest cost	771	1 248
Employees' contributions (deposits)	2 198	1 274
Curtailment	-151	-
Benefits paid	-11 630	-18 570
Actuarial losses/(gains)	414	-832
<b>Balance at December 31</b>	<b>17 455</b>	<b>23 709</b>

IN CHF 1000

	2008	2007
<b>Change in the fair value of plan assets</b>		
Balance at January 1	23 731	37 595
Employees' contributions (premium and deposits)	2 907	2 199
Employers' contributions	946	1 030
Benefits paid	-11 630	-18 570
Expected return on plan assets	831	1 316
Actuarial (losses)/gains	-405	161
<b>Balance at December 31</b>	<b>16 380</b>	<b>23 731</b>

IN CHF 1000

	2008	2007
<b>Major categories of plan assets</b>		
Receivables from insurance company	16 380	23 731

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

IN CHF 1000

	2008	2007	2006	2005
<b>Amount included in the balance sheet</b>				
Present value of funded obligations	17 455	23 709	38 415	75 300
Fair value of plan assets	-16 380	-23 731	37 595	68 700
Funded status	1 075	-22	820	6 600
Unrecognized actuarial gains	1 925	2 877	1 883	200
Restrictions on asset recognition	46	30	-	-2 300
<b>Net liability from defined benefit obligation</b>	<b>3 046</b>	<b>2 885</b>	<b>2 703</b>	<b>4 500</b>

**Experience adjustments**

Experience adjustments on plan assets	-405	161	489	200
Experience adjustments on pension liabilities	-414	832	1 394	2 100

IN CHF 1000

	2008	2007
<b>Change in the net liability (note 25)</b>		
Balance at January 1	2 885	2 703
Pension expenses	1 107	862
Employers' contributions	-946	-680
<b>Balance at December 31</b>	<b>3 046</b>	<b>2 885</b>

**Actuary assumptions**

	2008	2007
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 (in years)	18.69	18.70
Expected lifetime after retirement for women (in years)	22.72	22.80

The actual return on plan assets for the year ended December 31, 2008 was a gain of CHF 524 000 (2007: CHF 809 000). The Group expects to contribute CHF 1 207 000 to its defined benefits pension plans in 2009.

## 27 Share capital

The issued share capital of the Company consists of 420 000 bearer shares (2007: 420 000 shares) with a par value of CHF 50.00 each and 240 000 registered shares (2007: 240 000 shares) with a par value of CHF 10.00 each. All issued shares are fully paid. The Company has no authorized or conditional 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 amount of the share capital is adjusted by the par value of the Company's shares, which were acquired by any Group companies (treasury shares). At December 31, 2008, treasury shares consist of 1 791 bearer shares (2007: 1 952 shares) and 200 registered shares (2007: 200 shares).

## 28 Contingent liabilities

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 US dollars 1 300 000 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 US dollars 77 000 000 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. On November 13, 2008, the court granted Gurit's motion to dismiss this lawsuit. The court found that Zoltek's claims were without merit and dismissed the case in its entirety. On December 8, 2008, Zoltek gave notice of appeal. The Group continues to believe that Zoltek's claims are for various legal and factual reasons without merit.

The Group has other contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

## 29 Commitments

Capital expenditures for the purchase of property, plant and equipment contracted for at the balance sheet date but not yet incurred amounted to zero (2007: CHF 900 000).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

IN CHF 1000		
	2008	2007
No later than 1 year	2 103	2 803
Later than 1 year, no later than 5 years	7 433	10 323
Later than 5 years	12 388	18 634
<b>Total</b>	<b>21 924</b>	<b>31 760</b>

## 30 Disposal of subsidiary

Effective as of July 1, 2008, the Group sold 100% of the shares of its subsidiary Gurit (Vreden) GmbH, Germany. The transaction is summarized as follows:

IN CHF 1000	
	2008
Cash received	7 874
Direct costs related to the disposal	–38
Obligations assumed	–883
<b>Total disposal consideration received, net</b>	<b>6 953</b>
Net assets disposed of:	
Cash and cash equivalents	1 597
Trade and other receivables	3 070
Inventory	1 223
Property, plant and equipment (note 20)	2 365
Trade and other payables	–1 784
Provisions (note 25)	–217
Deferred income tax liabilities (note 24)	–178
Other liabilities	–543
<b>Total net assets disposed of</b>	<b>5 533</b>
<b>Total disposal consideration received, net</b>	<b>6 953</b>
Less: total net assets disposed of	–5 533
Plus: recovery of currency translation adjustments charged to equity	–197
<b>Gain on disposal of subsidiary (note 9)</b>	<b>1 223</b>
Disposal consideration received in cash	
	7 836
Less: cash and cash equivalents in subsidiary disposed	–1 597
<b>Cash inflow from disposal of subsidiary</b>	<b>6 239</b>

### 31 Stakes in joint ventures

The Group has a 50% interest in a joint venture, GuMa Sarl., Italy. The following amounts represent the Group's 50% share of the assets, liabilities, sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

IN CHF 1000

	2008	2007
<b>Income statement</b>		
Net sales	8 779	9 290
Operating profit before depreciation	490	1 500
Depreciation	-420	-312
Operating profit	70	1 188
Financial result	-134	-96
Profit before tax	-64	1 092
Income tax expense	-120	-454
<b>Group's share of GuMa's profit for the year</b>	<b>-184</b>	<b>638</b>

IN CHF 1000

	2008	2007
<b>Balance sheet</b>		
Current assets	3 642	4 101
Non-current assets	3 662	4 094
Total assets	7 304	8 195
Liabilities	3 818	4 116
<b>Net assets</b>	<b>3 486</b>	<b>4 079</b>

## 32 Related party transactions

IN CHF 1000

	2008	2007
<b>Key Management compensation</b>		
Salaries and other short-term employee benefits	3 414	2 962
Post-employment benefits	238	288
Share-based compensation	170	198
Termination benefits	–	459
<b>Total Key Management compensation</b>	<b>3 822</b>	<b>3 907</b>

Further details are provided in note 8 to the financial statements of Gurit Holding AG. Key Management includes members of the Board of Directors and members of the Executive Committee.

The Group operates two different equity-settled share-based compensation plans.

Under one of the two plans of the Group, the members of the Board of Directors receive a fixed number of bearer shares as part of their total annual remuneration. These shares are subject to a lock-up period of three years. The plan was first approved and adopted on January 12, 2007. This date represents the grant date covering the service period from January 12, 2007 to December 31, 2007. Thereafter, the grant remains to be January 12, 2007 until the date when the boards of directors pass a new resolution in respect of this plan. During 2008, the Board of Directors did not pass a new resolution. For the year 2008, the Board of Directors receive, in aggregate, 150 bearer shares, which are expensed at a fair value of CHF 1 130 each, amounting to a total expense of CHF 169 500 (2007: 175 bearer shares at a fair value of CHF 1 130 each, amounting to a total expense of CHF 197 750).

Under the other share-based compensation plan of the Group, members of the Management are provided the option to use a specified portion of their cash bonus, if any, to purchase bearer shares of the Company at a fixed price of CHF 900 per share. In 2007, no bonuses were paid out. In 2008, the fair value of the shares at grant date was significantly below the exercise price of CHF 900. Thus the options were worthless and elapsed unexercised. Therefore, in 2008 and in 2007, this share-based compensation plan resulted in no expenses to the Group.

## 33 Subsequent events

In connection with a lawsuit against Zoltek, and following the denial by the United States Court of Appeals for the Eighth Circuit of Zoltek's petition for re-hearing on December 2, 2008, the United States district court enforced Zoltek's appeal bond on February 3, 2009, and ordered that Zoltek's surety pay the outstanding judgment plus interest. On February 26, 2009, Gurit has received the payment from the bondholder in the amount of US dollars 23 500 000. In the first half-year of 2008, the Group entered into a hedge agreement with a financial institution, who agreed to pay out the difference between US dollars 7 000 000 and the final amount awarded by the courts, if less than US dollars 7 000 000. In consideration for this hedge, Gurit has agreed to pay to the financial institution a defined premium, which is variable, based on the final amount awarded by the courts. As at December 31, 2008, the Group records an asset in regards to this claim to the extent of the hedged amount of US dollars 7 000 000 within "other receivables" (note 18). See also "other gains and losses, net" (note 9).

## 34 Subsidiaries and jointly controlled entities

Company	Activity	Registered capital	Group ownership and voting rights	
			2008	2007
<b>Australia</b>				
Gurit (Australia)	Sales of plastic semi-manufactured products	AUD 55 000	100%	100%
<b>Austria</b>				
Gurit (Innsbruck) GmbH, Innsbruck*	Production and sales of plastic semi-manufactured products		0%	100%
<b>Canada</b>				
Gurit (Canada) Inc., Magog (Quebec)	Production and sales of plastic semi-manufactured products	CAD 16 627 000	100%	100%
<b>China</b>				
Gurit (Tianjin), Tianjin	Production and sales of plastic semi-manufactured products	CNY 56 445 000	100%	100%
<b>Denmark</b>				
Gurit (Scandinavia)	Sales of plastic semi-manufactured products	DDK 125 000	100%	100%
<b>France</b>				
Gurit (France) SAS, Perrignier	Production of extruded ski coatings	EUR 300 000	100%	100%
<b>Germany</b>				
Gurit (Kassel) GmbH, Kassel	Production and sales of plastic semi-manufactured products	EUR 100 000	100%	100%
Gurit (Vreden) GmbH, Vreden**	Production of sintered ski bases		0%	100%
<b>India</b>				
Gurit (India) Pvt. Ltd, Pune	Sales of plastic semi-manufactured products	INR 3 269 000	100%	100%
<b>Italy</b>				
GuMa Sarl., Castiglione Olona	Production and sales of plastic sheeting	EUR 3 900 000	50%	50%
<b>New Zealand</b>				
Gurit (New Zealand)	Sales of plastic semi-manufactured products	NZD 0	100%	100%
<b>Spain</b>				
Gurit (Spain) S.A., Albacete	Production and sales of plastic semi-manufactured products	EUR 1 553 000	100%	100%
<b>Switzerland</b>				
Arova Schaffhausen AG, Schaffhausen	Real estate company	CHF 8 000 000	100%	100%
Bürki AG, Oberbipp	Real estate company	CHF 500 000	100%	100%
Heberlein & Co. AG, Wattwil	Real estate and service company	CHF 1 000 000	100%	100%
Gurit (Ittigen) AG, Ittigen	Production and sales of plastic foil, laminates as well as plastics for sport applications	CHF 6 500 000	100%	100%
Gurit Services AG, Wattwil	Management service company	CHF 500 000	100%	100%
Gurit (Zullwil) AG, Zullwil	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%	100%
<b>United Kingdom</b>				
Gurit Material Systems	Holding company	GBP 52 011 210	100%	100%
Gurit (Newport) Ltd., Newport, Isle of Wight	Production and sales of plastic semi-manufactured products	GBP 50 000	100%	100%
Gurit (UK) Limited, Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 143 000	100%	100%
Structural Polymer Group Limited, Newport, Isle of Wight	Holding company	GBP 3 333 324	100%	100%
SP Holdings	Holding company	GBP 1 394 000	100%	100%
<b>USA</b>				
Gurit (USA) Inc., Fort Lauderdale	Sales of plastic semi-manufactured products	USD 3 000	100%	100%

\* Company liquidated

\*\* Company disposed of (see note 30)

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Gurit Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 32 to 65), for the year ended December 31, 2008.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended December 31, 2008 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.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Lorenz Lipp  
Audit expert  
Auditor in charge



Bruno Räss  
Audit expert

St. Gallen, March 16, 2009



## INCOME STATEMENT

IN CHF 1000

	Year ended December 31, 2008	Year ended December 31, 2007
Income from investments	5 012	373
Other income	1 223	1 108
Income from sale of investments	1 679	–
Financial income	8 507	17 486
<b>Total income</b>	<b>16 421</b>	<b>18 967</b>
Financial expenses	–6 184	–1 581
Depreciation	–1 100	–
Administration expenses	–1 893	–1 302
<b>Total operating expenses</b>	<b>–9 177</b>	<b>–2 883</b>
<b>Profit before taxes</b>	<b>7 244</b>	<b>16 084</b>
Tax expense	–343	–930
<b>Profit for the year</b>	<b>6 901</b>	<b>15 154</b>

## BALANCE SHEET

IN CHF 1000

	Note	At December 31, 2008	At December 31, 2007
<b>Assets</b>			
Cash and cash equivalents		23 232	7 838
Securities		101	178
Other receivables from third parties and accruals		306	151
Other receivables from group companies		706	7 476
<b>Current assets</b>		<b>24 345</b>	<b>15 643</b>
Loans to group companies (whereof subordinated CHF 14 400 000)		77 013	74 423
Investments	2	35 019	43 024
Treasury shares		824	1 722
<b>Non-current assets</b>		<b>112 856</b>	<b>119 169</b>
<b>Total assets</b>		<b>137 201</b>	<b>134 812</b>
<b>Liabilities and equity</b>			
Bank loans		–	3 000
Other payables to third parties		281	351
Other payables to group companies		15	151
Loans from group companies		14 283	10 325
Accruals and provisions		2 266	4 488
<b>Current liabilities</b>		<b>16 845</b>	<b>18 315</b>
<b>Total liabilities</b>		<b>16 845</b>	<b>18 315</b>
Share capital	4	23 400	23 400
General reserves		11 700	11 700
Reserve for treasury shares	6	1 536	1 722
Free reserves	5	32 558	32 372
Retained earnings		51 162	47 303
<b>Total equity</b>		<b>120 356</b>	<b>116 497</b>
<b>Total liabilities and equity</b>		<b>137 201</b>	<b>134 812</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Contingent liabilities

IN CHF 1000

	2008	2007
Warranty liabilities	24 941	23 397
Group loans (general contracts)	46 191	42 229

### 2 Investments

Company	Activity	Registered capital	Group ownership and voting rights	
			2008	2007
<b>Austria</b>				
Gurit (Innsbruck) GmbH, Innsbruck*	Production and sales of plastic semi-manufactured products		0%	100%
<b>China</b>				
Gurit (Tianjin), Tianjin	Production and sales of plastic semi-manufactured products	CNY 56 445 000	100%	100%
<b>Denmark</b>				
Gurit (Scandinavia)	Sales of plastic semi-manufactured products	DDK 125 000	100%	100%
<b>France</b>				
Gurit (France) SAS, Perrignier	Production of extruded ski coatings	EUR 300 000	100%	100%
<b>Germany</b>				
Gurit (Vreden) GmbH, Vreden**	Production of sintered ski bases		0%	100%
<b>India</b>				
Gurit (India) Pvt. Ltd, Pune	Sales of plastic semi-manufactured products	INR 3 269 000	100%	100%
<b>Italy</b>				
GuMa Sarl., Castiglione Olona	Production and sales of plastic sheeting	EUR 3 900 000	50%	50%
<b>Switzerland</b>				
Arova Schaffhausen AG, Schaffhausen	Real estate company	CHF 8 000 000	100%	100%
Heberlein & Co. AG, Wattwil	Real estate and service company	CHF 1 000 000	100%	100%
Gurit (Ittigen) AG, Ittigen	Production and sales of plastic foil, laminates as well as plastics for sport applications	CHF 6 500 000	100%	100%
Gurit Services AG, Wattwil	Management service company	CHF 500 000	100%	100%
Gurit (Zullwil) AG, Zullwil	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%	100%
<b>United Kingdom</b>				
Gurit Material Systems	Holding company	GBP 52 011 210	100%	100%

\* Company liquidated

\*\* Company disposed of

### 3 Significant shareholders

In percentage of all voting rights (all above 5%)

	2008	2007
Huwa Finanz- und Beteiligungs AG, Heerbrugg, registered shares	33.33%	33.33%
Deutsche Bank AG, Deutsche Asset Management Investmentgesellschaft mbH, DWS Investment GmbH, Tilney Group Limited (as a group company)	–	5.593%
Martin Bisang, Küssnacht	–	5.758%

## 4 Share capital

IN CHF 1000

	2008	2007
The share capital at December 31 consisted of:		
240 000 registered shares at CHF 10	2 400	2 400
420 000 bearer shares at CHF 50	21 000	21 000
<b>Total share capital</b>	<b>23 400</b>	<b>23 400</b>

## 5 Free reserves carried forward

IN CHF 1000

	2008	2007
Balance at January 1	32 372	29 291
Transfers from reserve for treasury shares	186	3 081
<b>Balance at December 31</b>	<b>32 558</b>	<b>32 372</b>

## 6 Treasury shares

The reserves for treasury shares were valued at cost. As December 31, 2008, the reserves for treasury shares amounted to CHF 1 536 000 (2007: CHF 1 722 000) and thereby covered the treasury shares recognized as assets of CHF 824 000 (2007: CHF 1 722 000).

In number of shares

	2008	2007
Registered shares:		
Balance at January 1	200	200
Additions	–	–
Disposals	–	–
<b>Balance at December 31</b>	<b>200</b>	<b>200</b>
Bearer shares:		
Balance at January 1	1 952	10 742
Additions at CHF 842.10	14	–
Disposals (used for share-based compensation of board of directors) at CHF 1 130.00	–175	–8 790
<b>Balance at December 31</b>	<b>1 791</b>	<b>1 952</b>

## 7 Hidden reserves

IN CHF 1000

	2008	2007
Release of hidden reserves	2 554	–

## 8 Management compensation

The following table shows the compensation of Key Management personnel in line with § 663b<sup>bis</sup> and § 663c of the Swiss Code of Obligations. Variable compensation contains the accrued bonuses for the year 2008, which will be paid out in 2009. Other compensation comprise of pension contributions, social benefits and car allowances.

IN CHF 1000						2008
	Fixed cash compensation	Fixed share-based compensation	Variable cash compensation	Other compensation	Total compensation	
<b>Board of directors</b>						
Dr. Paul Hälgi (chairman)	250	58	–	13	321	
Robert Heberlein (member)	80	28	–	5	113	
Nick Huber (member)	80	28	–	5	113	
Urs Kaufmann (member)	80	28	–	5	113	
Heinrich Fischer (member)	80	28	–	5	113	
<b>Total board of directors</b>	<b>570</b>	<b>170</b>	<b>–</b>	<b>33</b>	<b>773</b>	
<b>Executive committee</b>						
Rudolf Hadorn (CEO)					978	
Other members					2 071	
<b>Total executive committee</b>	<b>1 733</b>	<b>–</b>	<b>966</b>	<b>350</b>	<b>3 049</b>	
<b>Total management compensation</b>	<b>2 303</b>	<b>170</b>	<b>966</b>	<b>383</b>	<b>3 822</b>	

IN CHF 1000						2007
	Fixed cash compensation	Fixed share-based compensation	Variable cash compensation	Other compensation	Total compensation	
<b>Board of directors</b>						
Dr. Paul Hälgi (chairman)	250	58	–	14	322	
Robert Heberlein (member)	80	28	–	5	113	
Nick Huber (member)	80	28	–	6	114	
Dr. Walter Känel (member)	80	28	–	34	142	
Urs Kaufmann (member)	80	28	–	6	114	
Heinrich Fischer (member)	80	28	–	6	114	
<b>Total board of directors</b>	<b>650</b>	<b>198</b>	<b>–</b>	<b>71</b>	<b>919</b>	
<b>Executive committee</b>						
Jouni Heinonen (former CEO)					459	
Other members (including accrual for termination benefit of 459)					2 529	
<b>Total executive committee</b>	<b>2 647</b>	<b>–</b>	<b>–</b>	<b>341</b>	<b>2 988</b>	
<b>Total management compensation</b>	<b>3 297</b>	<b>198</b>	<b>–</b>	<b>412</b>	<b>3 907</b>	

No compensations of former members of the Board of Directors or the Executive Committee took place in 2008. There were no transactions with current or former members of the Board of Directors or the Executive Committee (or their close family members) at conditions, which are not at arm's length. No loans or advances were granted to members of the Board of Directors or the Executive Committee (or their close family members).

## 9 Management participation

In number of shares	2008	
	Bearer shares	Registered shares
<b>Board of directors</b>		
Dr. Paul Hälg (chairman)	350	–
Robert Heberlein (member)	9 065	19 545
Nick Huber (member)	350	–
Urs Kaufmann (member)	110	–
Heinrich Fischer (member)	1 150	–
<b>Total board of directors</b>	<b>11 025</b>	<b>19 545</b>
<b>Executive committee</b>		
Rudolf Hadorn (CEO)	500	–
Rudolf Gerber (member)	100	–
Graham Harvey (member)	76	–
Kees Reijnen (member)	350	–
Damian Bannister (member)	79	–
<b>Total executive committee</b>	<b>1 105</b>	<b>–</b>
<b>Total management participation</b>	<b>12 130</b>	<b>19 545</b>

In number of shares	2007		
	Options on bearer shares	Bearer shares	Registered shares
<b>Board of directors</b>			
Dr. Paul Hälg (chairman)	–	190	–
Robert Heberlein (member)	–	7 540	19 545
Nick Huber (member)	–	30	–
Dr. Walter Känel (member)	–	425	–
Urs Kaufmann (member)	–	45	–
Heinrich Fischer (member)	–	1 125	–
<b>Total board of directors</b>	<b>–</b>	<b>9 355</b>	<b>19 545</b>
<b>Executive committee</b>			
Rudolf Hadorn (CEO)	100	–	–
Graham Harvey (member)	–	74	–
Kees Reijnen (member)	–	250	–
Isabela Quinton (former member)	–	14	–
<b>Total executive committee</b>	<b>100</b>	<b>338</b>	<b>–</b>
<b>Total management participation</b>	<b>100</b>	<b>9 693</b>	<b>19 545</b>

## 10 Risk Management

Gurit Holding AG is fully integrated into the Group-wide risk assessment process which is described in note 4.1 to the consolidated financial statements.

## PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE EARNINGS

IN CHF 1000

	2008	2007
Retained earnings carried forward from previous year	44 261	32 150
Net profit for the year	6 901	15 153
<b>Profit available to the Annual General Meeting</b>	<b>51 162</b>	<b>47 303</b>

IN CHF 1000

	2008 Proposal of the Board of Directors	2007 Resolution of the Annual General Meeting
Gross dividend of 26% (2007: 13%)	6 084	3 042
To be carried forward	45 078	44 261
<b>Total</b>	<b>51 162</b>	<b>47 303</b>

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

CHF 2.60 gross per registered share minus withholding tax  
CHF 13.00 gross per bearer share minus withholding tax  
payable on submission of voucher number 28

## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of Gurit Holding AG, which comprise the balance sheet, income statement and notes (pages 68 to 73), for the year ended December 31, 2008.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies 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  
Audit expert  
Auditor in charge



Bruno Räss  
Audit expert

St. Gallen, March 16, 2009

## INVESTOR RELATIONS

### Company Capital:

Since the separation of Medisize Holding AG (now COLTENE 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 SIX 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 21, 2009 Annual General Meeting  
 September 10, 2009 Half-year report 2008  
 End of March 2010 Presentation full year results 2009;  
 Analyst/Media conference  
 Publication of Annual Report  
 April 2010 Annual General Meeting

### Internet/e-mail:

Further information about Gurit can be found at [www.gurit.com](http://www.gurit.com).

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

### Key figures per bearer share

(Money figures adjusted to bearer shares)

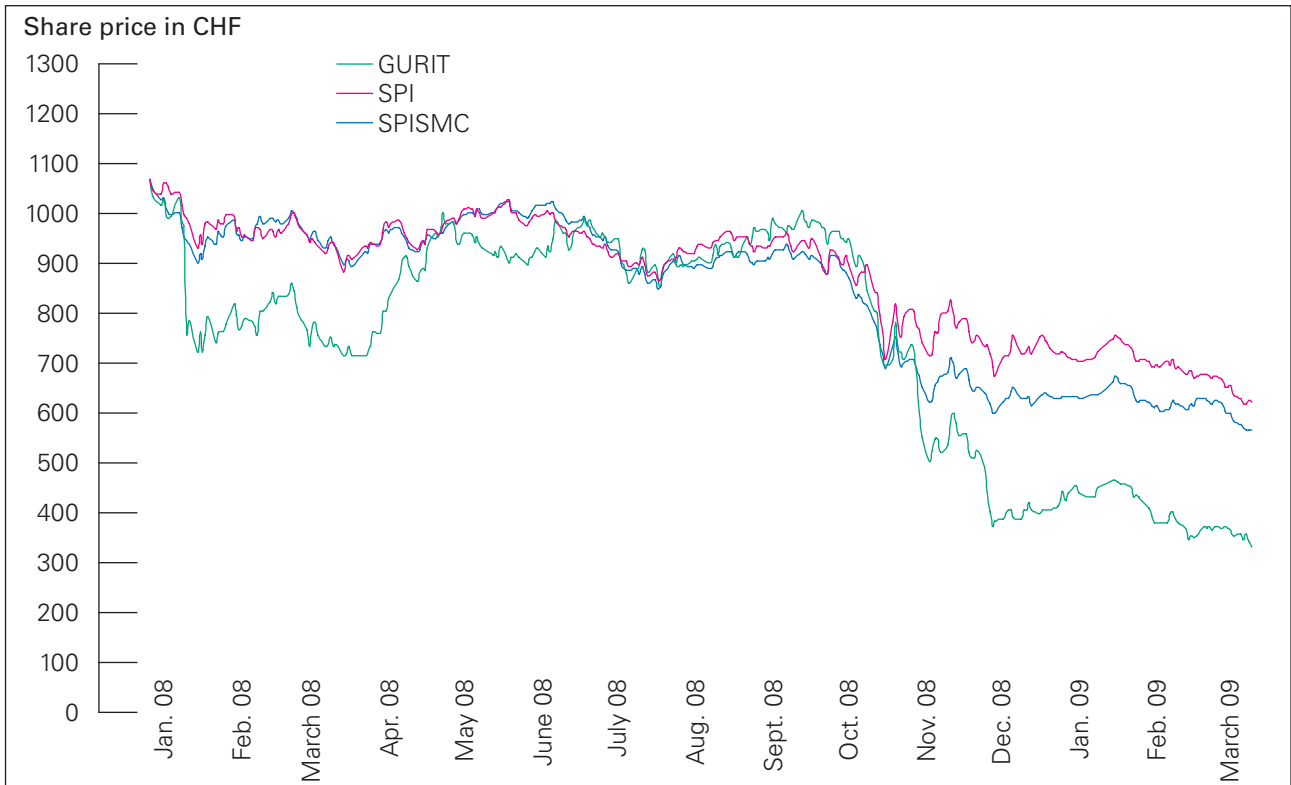
	Gurit Holding AG		Gurit-Heberlein AG		
	2008	2007	2006	2005	2004
Price at year end	CHF 450.–	CHF 1 121.–	CHF 1 064.–	CHF 1 300.–	CHF 929.–
Highest price	CHF 1 119.–	CHF 1 705.–	CHF 1 064.–	CHF 1 300.–	CHF 1 124.–
Date	3.1.2008	11.7.2007	29.12.2006	30.12.2005	6.7.2004
Lowest price	CHF 340.–	CHF 738.–	CHF 665.–	CHF 825.–	CHF 852.–
Date	20.11.2008	21.11.2007	23.6.2006	26.5.2005	7.1.2004
Earnings per share	CHF 36.55	CHF 2.06	CHF 39.75	CHF –63.27	CHF 33.67
(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 13.–	CHF 6.50	CHF 13.–	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

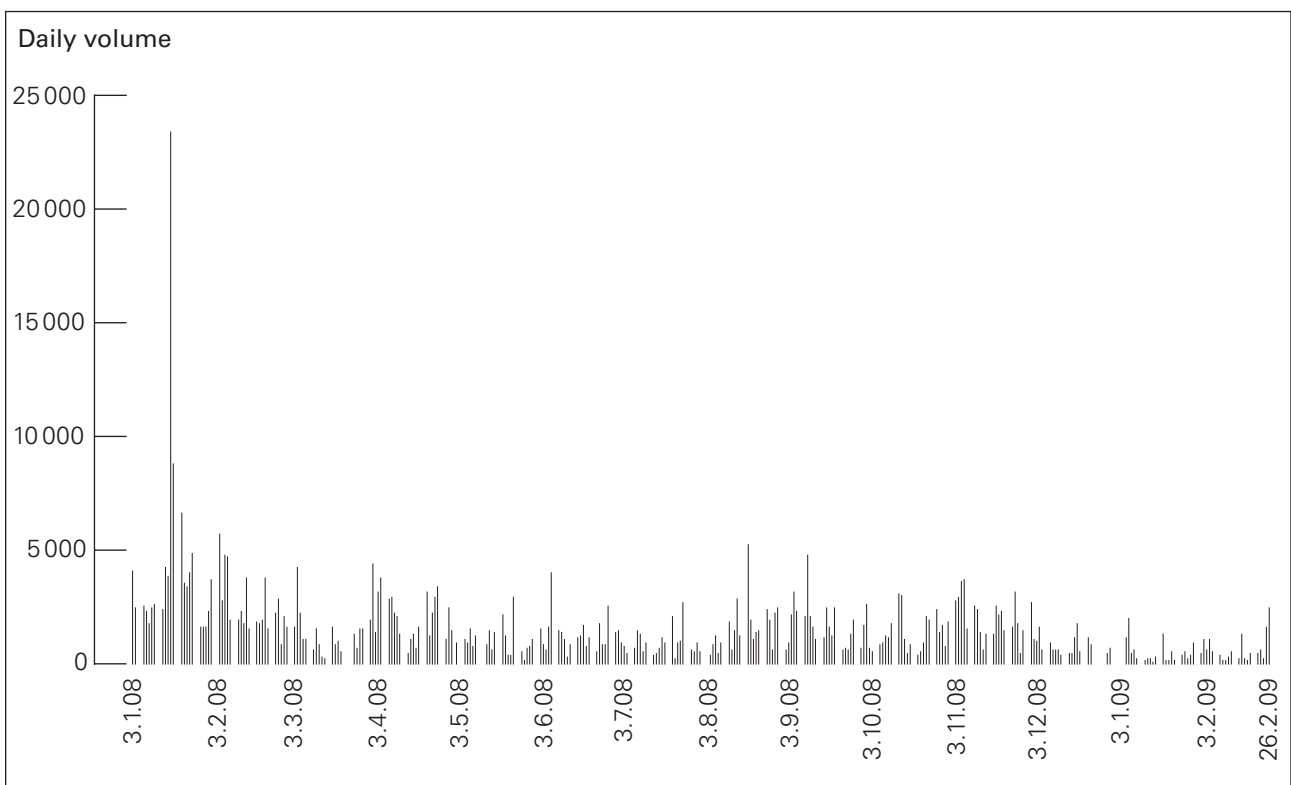
	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Bearer shares CHF 50.– (resp. CHF 100.–)	CHF 450.–	CHF 1 121.–	CHF 1 064.–	CHF 1 300.–	CHF 929.–

## STOCK PRICE CHART

Gurit bearer shares and respective indices



Trading volumes in Gurit bearer shares



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## **Imprint**

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### **Pictures:**

Photo archives of Gurit companies; Ryan Pyle (2, 3); Singapore Airlines (4, 5); Cyrus Yachts (6, 7); Oliver Henzi & Giuseppe Micciche (8, 13, 15, 17, 18, 19, 20); Puma (16).

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This Annual Report is also available in German.  
The English financial section is binding.

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

