

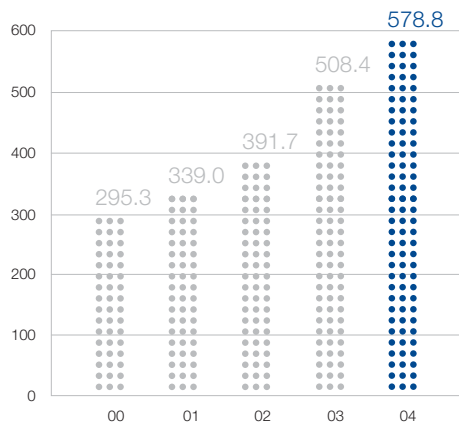
FIVE-YEAR COMPARISON

CHEMICAL AND SYNTHETICS TECHNOLOGY

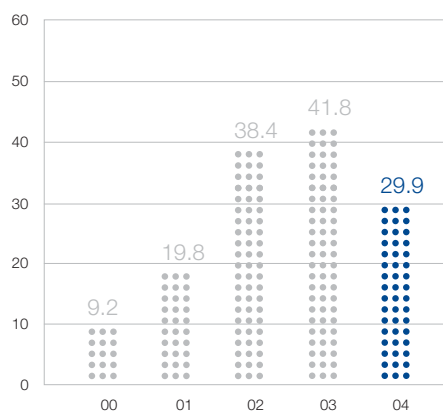
IN CHF MIO.

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

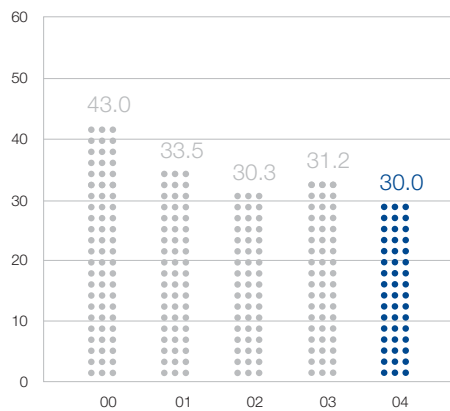
Group net sales



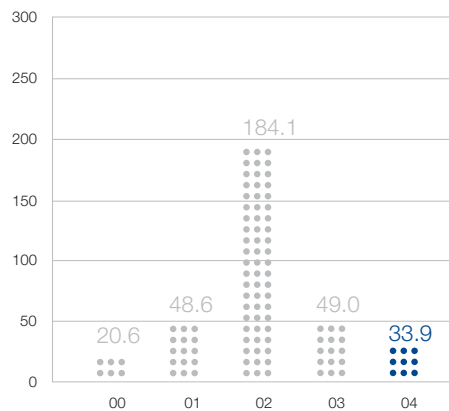
Investment in fixed assets



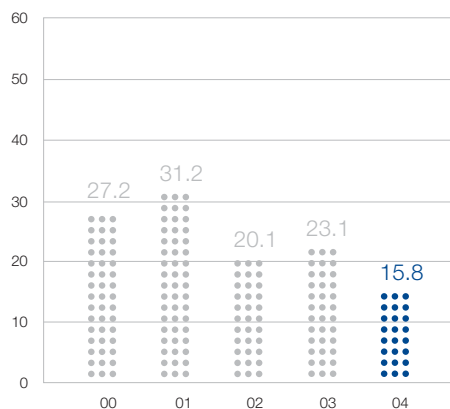
Group EBIT



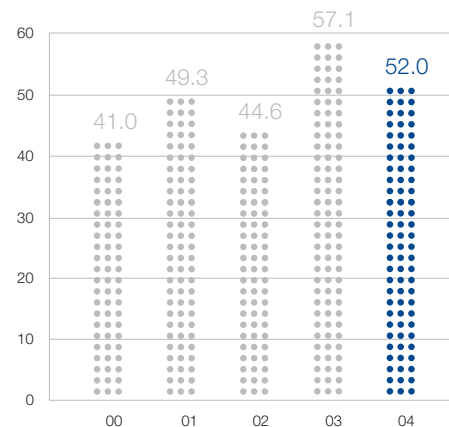
Total investments



Group profit



Group cash flow



DIVISIONAL RESULTS

CHEMICAL AND SYNTHETICS TECHNOLOGY

IN CHF 1000

Group Divisions Health Care and Industrial Applications (2000 excl. Gurit-Essex)

(comparable Group result, excl. result from exceptional factors)

	2004	2003	2002	2001	2000
Net sales	578 779	508 436	391 699	339 020	295 276
of which Health Care	218 889	203 148	207 143	167 537	152 840
Industrial Applications	355 615	300 918	179 613	165 829	134 949
Others/Consolidation	4 275	4 370	4 943	5 654	7 487
Cost of goods and materials	-250 517	-202 381	-142 850	-124 751	-101 439
Personnel expenses	-173 982	-154 017	-127 951	-110 243	-94 051
Other operating expenses	-48 731	-48 497	-33 832	-27 638	-23 070
Management and sales expenses	-45 123	-46 149	-36 977	-32 387	-27 080
Other operating income	+5 911	+7 892	+4 924	+7 246	+6 607
EBITDA	66 337	65 284	55 013	51 247	56 243
Depreciation	-25 101	-20 376	-16 480	-14 337	-11 688
Amortization of goodwill	-11 277	-13 664	-8 256	-3 366	-1 569
Operating profit (EBIT)	29 959	31 244	30 277	33 544	42 986
of which Health Care	22 908	11 823	24 852	19 292	17 126
Industrial Applications	5 193	19 106	3 633	13 372	18 943
Others/Consolidation	1 858	315	1 792	880	6 917
Financial expenses	-7 554	-7 725	-9 287	-11 331	-13 250
Financial income	+3 975	+8 619	+4 777	+15 962	+3 447
Profit before tax	26 380	32 138	25 767	38 175	33 183
Tax expense	-10 725	-9 038	-5 951	-6 601	-5 451
Profit after tax	15 655	23 100	19 816	31 574	27 732
Minority interests	107	25	312	-392	-537
Group profit (excl. minority interests)	15 762	23 125	20 128	31 182	27 195
Consolidated Cash flow (Profit after tax + depreciations)	52 033	57 140	44 552	49 277	40 989
EOS [Return (EBIT) on Sales]	5.2%	6.1%	7.7%	9.9%	12.5%
					(adjusted)
RONA [Return (EBIT) on Net Assets]	5.6%	6.2%	8.7%	n.v.	n.v.
ROE [Return (Profit) on Equity]	3.5%	5.2%	4.7%	7.6%	n.v.

GROUP FINANCIAL STATEMENTS

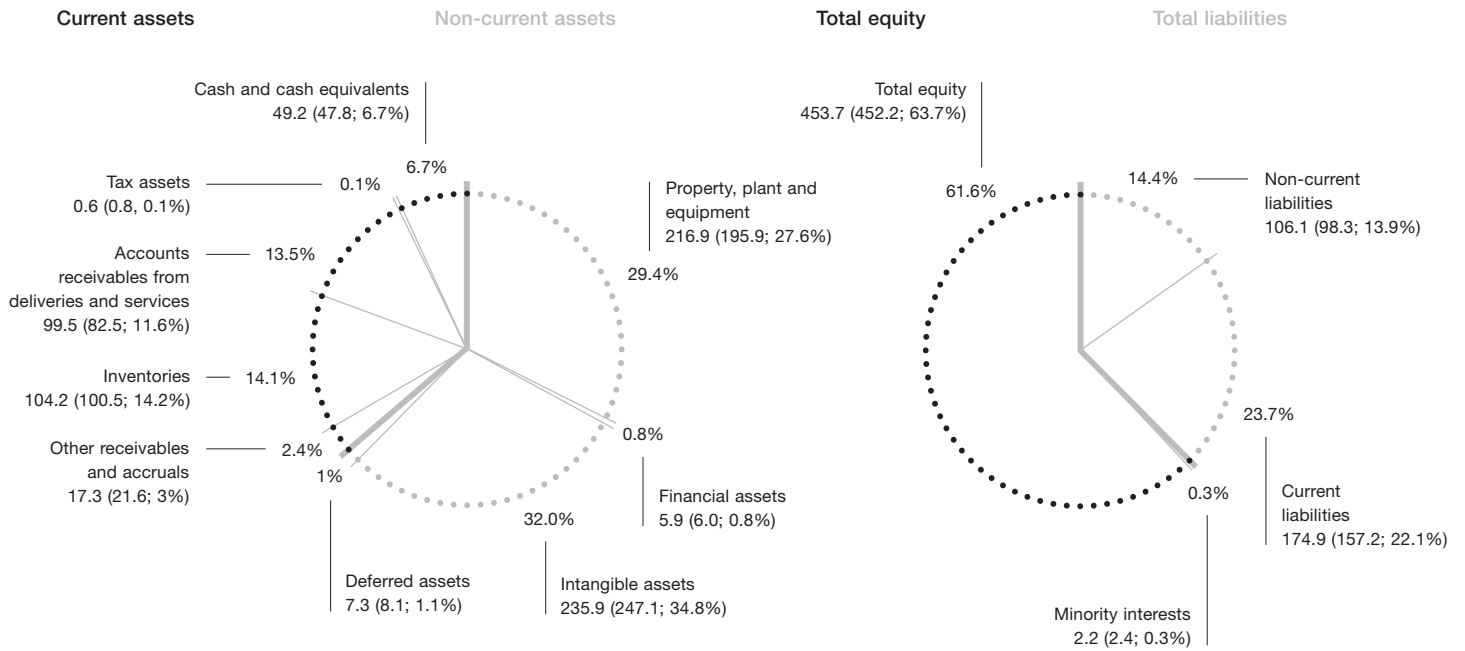
GROUP BALANCE SHEET

IN CHF 1000

	Ref.	31.12.2004	31.12.2003
Assets			
Cash and cash equivalents	1	49 191	47 750
Accounts receivable from deliveries and services		99 527	82 472
Tax assets		570	867
Other receivables and accruals	2	17 293	21 551
Inventories	3	104 219	100 497
Current assets		270 800	253 137
Plant and equipment		98 910	94 519
Real estate		118 039	101 428
Property, plant and equipment	4	216 949	195 947
Financial assets	5	5 935	5 956
Intangible assets	5	235 910	247 096
Deferred tax assets	(11)	7 284	8 050
Non-current assets		466 078	457 049
Total assets		736 878	710 186
Equity and liabilities			
Bank loans	6	77 818	75 624
Accounts payable to suppliers		42 978	37 661
Other accounts payable and accruals	7	41 160	36 165
Tax liabilities	8	6 801	3 682
Other provisions	8	6 129	4 059
Current liabilities		174 886	157 191
Mortgage and loans	9	64 522	50 788
Other liabilities	10	5 084	7 665
Deferred tax provisions	11	31 927	33 731
Other provisions	12	4 517	6 135
Non-current liabilities		106 050	98 319
Total liabilities		280 936	255 510
Minority interests	13	2 201	2 441
Share capital		46 052	45 905
Additional paid-in capital		28 642	28 642
Currency translation adjustments		-14 548	-10 213
Retained earnings		393 595	387 901
Total equity (excl. minority interests)	14	453 741	452 235
Total equity (incl. minority interests)		455 942	454 676
Total Equity and liabilities		736 878	710 186

IN CHF MILLION

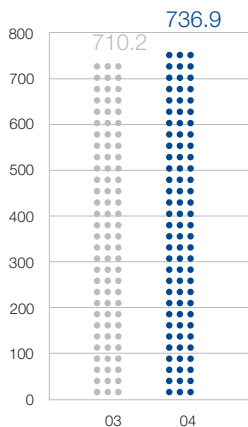
Structure of assets and liabilities



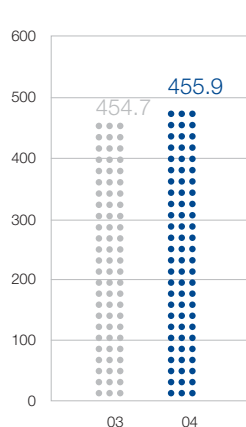
PREVIOUS YEAR FIGURES IN BRACKETS

Rate of self-financing (incl. minority interests)

Total assets



Total equity (incl. minority interests)



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

Rate of self-financing

2004: 61.9%

2003: 64.0%

GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

IN CHF 1000

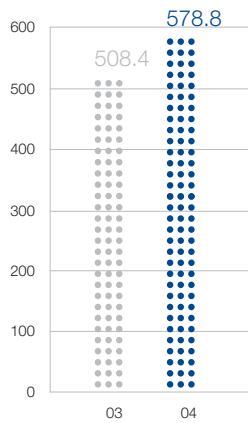
	Ref.	2004	2003
Income statement			
Net sales	15	578 779	508 436
Costs of goods and materials	16	-250 517	-202 381
Personnel expenses	17	-173 982	-154 017
Other operating expenses	18	-48 731	-48 497
Marketing and administrative expenses	18	-45 123	-46 149
Other operating income	19	+5 911	+7 892
Depreciation and amortization	20	-36 378	-34 040
Operating profit		29 959	31 244
Financial expenses	21	-7 554	-7 725
Financial income	21	+3 975	+8 619
Profit before tax		26 380	32 138
Tax expense	22	-10 725	-9 038
Profit after tax		15 655	23 100
Minority interests		+107	+25
Group profit (excl. minority interests)	23	15 762	23 125
Earnings per bearer share	23	CHF 34.23	CHF 50.62
Diluted earnings per bearer share	23	CHF 34.21	CHF 50.59
Earnings per registered share		CHF 6.85	CHF 10.12
Diluted earnings per registered share		CHF 6.84	CHF 10.12

		2004	2003
Depreciation and amortization			
Group cash flow (profit after tax + depreciations)		52 033	57 140
EBITDA		66 337	65 284
Depreciation		-25 101	-20 376
EBITA		41 236	44 908
Amortization of Goodwill		-11 277	-13 664
EBIT		29 959	31 244
Financial expenses/income		-3 579	+894
Tax expense		-10 725	-9 038
Minority interests		+107	+25
Group profit		15 762	23 125

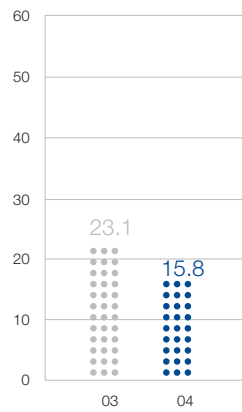
IN CHF MILLION

Group result and cash flow as percentage of net sales

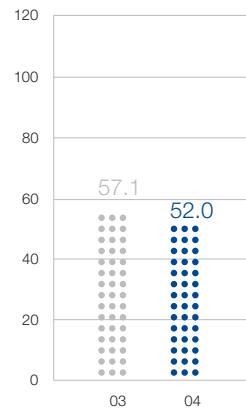
Net sales



Group profit



Group cash flow



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

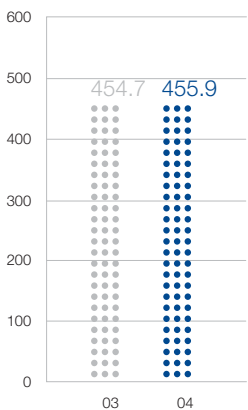
Group result
as percentage of net sales
2004: 2.7%
2003: 4.5%

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

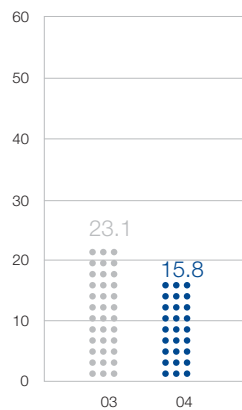
Group cash flow
as percentage of net sales
2004: 9.0%
2003: 11.2%

Return on Equity
(Values incl. minority interests)

Equity



Group result



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

Return on equity
2004: 3.5%
2003: 5.2%

GROUP FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT

IN CHF 1000

	Ref.	2004	2003
Operating profit		29 959	31 244
Depreciation and amortization		36 378	34 040
Other non-cash items		-4 508	- 8 239
Change in accounts receivable		-13 025	- 11 446
Change in inventories		-452	- 6 890
Change in sundry current assets		5 149	- 4 061
Change in current liabilities		5 210	595
Change in non-current liabilities		-251	-308
Financial expenses		-4 406	-3 527
Financial income		367	363
Tax payment		-7 856	-6 734
Cash flow from operating activities	24	46 565	25 037
Purchase of property, plant and equipment		-28 781	-39 656
Proceeds from sale of property, plant and equipment		5 428	9 688
Financial investments		-139	-3 336
Disposal of financial investments		92	139
Investments in intangible assets		-1 320	- 2 724
Disposal of investments in intangible assets		2	9
Acquisition of subsidiaries	25	-6 516	-12 954
Cash flow from investment activities	25	-31 234	-48 834
Free cash flow (before dividend payment)	26	15 331	-23 797
Change in current bank loans		-232	22 719
Change in non-current bank and other loans		1 373	6 441
Change in sundry non-current payables		-1 793	-1 815
Lease payments		-2 429	-2 146
Capital payments from minority shareholders		0	126
Dividend to Gurit-Heberlein AG shareholders	27	-11 063	-10 932
Distribution to minority shareholders	28	-113	-111
Sale/purchase of treasury stock		320	3 341
Cash flow from financing activities	29	-13 937	17 623
Exchange rate differences		47	1 372
Change in cash and cash equivalents	30	1 441	-4 802
Cash and cash equivalents at beginning of year		47 750	52 552
Cash and cash equivalents at end of year	31	49 191	47 750
Free Cash flow (before dividend payment)	26	15 331	-23 797
thereof purchase of holdings		6 516	12 954
Free Cash flow from ordinary operations (before acquisitions)		21 847	-10 843

SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

IN CHF 1000

	SHAREHOLDERS' EQUITY					TOTAL EQUITY	MINORITY INTERESTS
	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	CURRENCY TRANSL. ADJUSTMENTS	RETAINED EARNINGS			
31.12.2002	45 446	28 642	-7 100	372 826	439 814	2 322	
Dividend distribution				-10 932	-10 932	-111	
Group profit				23 125	23 125	-25	
Minority interest in capital increase						126	
Currency effects			-3 113		-3 113	129	
Change in treasury stock	459			2 882	3 341		
31.12.2003	45 905	28 642	-10 213	387 901	452 235	2 441	
Dividend distribution				-11 063	-11 063	-113	
Group profit				15 762	15 762	-107	
Currency effects			-4 335		-4 335	-20	
Change in treasury stock	147			995	1 142		
31.12.2004	46 052	28 642	-14 548	393 595	453 741	2 201	

NOTES TO GROUP FINANCIAL STATEMENTS

SUMMARY OF ASSETS: PROPERTY, PLANT AND EQUIPMENT

IN CHF 1000

	PLANT AND EQUIPMENT	LEASED PLANT AND EQUIPMENT	PLANT UNDER CONSTRUCTION	LAND	BUILDINGS	LEASED BUILDINGS	TOTAL PROPERTY, PLANT AND EQUIPMENT
Gross values							
Value 31.12.2002	191 122	7 050	1 987	17 794	113 465	4 815	336 233
Additions	16 900	2 050	5 134	1 046	16 685		41 815
Disposals	-11 826		-52	-1 430	-14 563		-27 871
Change in consolid.	25 999		51		1 365		27 415
Currency effects	3 566	2	112	-28	230	328	4 210
Other	803		-878		75		-
Value 31.12.2003	226 564	9 102	6 354	17 382	117 257	5 143	381 802
Additions	19 102	1 008	3 545	303	5 831	64	29 853
Disposals	-10 805	-1 056	-45	-221	-936	-31	-13 094
Change in consolid.	11 689	1 200	1 047		11 362		25 298
Currency effects	-2 822	-88	286	-145	-1 688	-49	-4 506
Other	1 693	-260	-9 770	897	2 106	5 318	-16
Value 31.12.2004	245 421	9 906	1 417	18 216	133 932	10 445	419 337
Accumulated depreciation							
Value 31.12.2002	132 829	1 826	0	2 890	41 637	1 649	180 831
Depreciation 2003	13 637	811		32	4 375	164	19 019
Disposals	-11 396				-13 887		-25 283
Change in consolid.	7 469				786		8 255
Currency effects	2 328	-3		-1	591	118	3 033
Other	0						-
Value 31.12.2003	144 867	2 634	0	2 921	33 502	1 931	185 855
Depreciation 2004	16 715	862		64	5 163	461	23 265
Disposals	-9 490	-689			-488	-5	-10 672
Change in consolid.	4 448	785			660		5 893
Currency effects	-2 270	-19		-8	-580	932	-1 945
Other	119	-128		-2	3		-8
Value 31.12.2004	154 389	3 445	0	2 975	38 260	3 319	202 388
Net values							
Value 31.12.2002	58 293	5 224	1 987	14 904	71 828	3 166	155 402
Value 31.12.2003	81 697	6 468	6 354	14 461	83 755	3 212	195 947
Value 31.12.2004	91 032	6 461	1 417	15 241	95 672	7 126	216 949

SUMMARY OF ASSETS: FINANCIAL AND INTANGIBLE ASSETS

IN CHF 1000

	FINANCIAL ASSETS			INTANGIBLE ASSETS			
	SECURITIES	EXTRA GROUP LOANS	TOTAL	GOODWILL	NEGATIVE GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Gross values							
Value 31.12.2002	508	2 328	2 836	275 454	0	8 309	283 763
Additions	57	3 279	3 336	3 619	-2 923	3 196	3 892
Disposals		-187	-187	-15		-107	-122
Change in consolid.	79		79	16		1 892	1 908
Currency effects	33	153	186	-2 218	116	384	-1 718
Other			0				0
Value 31.12.2003	677	5 573	6 250	276 856	-2 807	13 674	287 723
Additions		139	139	4 564	-2 021	1 320	3 863
Disposals	-43	-117	-160	-734	2 021	-2	1 285
Change in consolid.			0			611	611
Currency effects	-5	-77	-82	-2 646	54	-145	-2 737
Other			0			8	8
Value 31.12.2004	629	5 518	6 147	278 040	-2 753	15 466	290 753
Accumulated amortization							
Value 31.12.2002	98	157	255	23 321	0	3 076	26 397
Amortization 2003		1	1	13 800	-136	1 356	15 020
Disposals		-48	-48	-15		-98	-113
Change in consolid.	79		79	7		294	301
Currency effects	7		7	-741	21	166	-554
Other			0		-424		-424
Value 31.12.2003	184	110	294	36 372	-539	4 794	40 627
Amortization 2004	-12	1	-11	14 067	-2 790	1 847	13 124
Disposals	-20	-48	-68		2 021		2 021
Change in consolid.			0				0
Currency effects	-3		-3	-933	41	-37	-929
Other			0				0
Value 31.12.2004	149	63	212	49 506	-1 267	6 604	54 843
Net values							
Value 31.12.2002	410	2 171	2 581	252 133	-	5 233	257 366
Value 31.12.2003	493	5 463	5 956	240 484	-2 268	8 880	247 096
Value 31.12.2004	480	5 455	5 935	228 534	-1 486	8 862	235 910

NOTES TO GROUP FINANCIAL STATEMENTS

SEGMENT INFORMATION

The segment activities are described in detail on pages 19–30.

	2004		2003			
Net sales by Divisions IN CHF MILLION						
Health Care	218.9	37.8%	203.1	40.0%		
Industrial Applications	355.6	61.5%	300.9	59.2%		
Other/Consolidation	4.3	0.7%	4.4	0.8%		
Total net sales¹	578.8	100%	508.4	100%		
Net sales by Regions IN CHF MILLION						
Switzerland	32.9	5.7%	32.5	6.4%		
EU + EEA	369.5	63.8%	308.2	60.7%		
Rest of Europe	16.2	2.8%	14.9	2.9%		
USA/Canada	71.5	12.4%	80.5	15.8%		
Others	88.7	15.3%	72.3	14.2%		
Total net sales	578.8	100%	508.4	100%		
Operating profit by Divisions IN CHF MILLION						
Health Care	22.9	76.4%	11.8	37.8%		
Industrial Applications	5.2	17.3%	19.1	61.2%		
Other/Consolidation	1.9	6.3%	0.3	1.0%		
Total operating profit²	30.0	100.0%	31.2	100%		
Financial result	-3.6		0.9			
Income tax	-10.7		-9.0			
Minority interests	0.1		0.0			
Group profit	15.8		23.1			
Employees by Divisions (Ø)						
Health Care	1 125	43.5%	1 102	50.5%		
Industrial Applications	1 435	55.5%	1 052	48.3%		
Other/Consolidation	26	1.0%	26	1.2%		
Total employees	2 586	100%	2 180	100%		
Assets/CapEx by Divisions IN CHF MILLION						
	Assets	CapEx	Depr./Amort.	Assets	CapEx	Depr./Amort.
Health Care	248.3	3.8	9.2	228.1	17.4	10.8
Industrial Applications	474.6	29.6	26.7	470.2	31.0	22.8
Other/Consolidation	14.0	0.5	0.5	11.9	0.3	0.4
Total assets/CapEx	736.9	33.9	36.4	710.2	49.0	34.0
Liabilities by Group Division IN CHF MILLION						
Health Care			161.1			153.2
Industrial Applications			279.4			267.7
Other/Consolidation			-159.6			-165.4
Total liabilities			280.9			255.5
Assets/CapEx by Regions IN CHF MILLION						
	Assets	CapEx		Assets	CapEx	
Switzerland	240.2	11.4		223.0	16.0	
EU + EEA	395.0	14.7		391.5	21.0	
Rest of Europe	0.6	0.0		0.6	0.0	
USA/Canada	94.5	7.5		89.3	11.3	
Others	6.6	0.3		5.8	0.8	
Total assets/CapEx	736.9	33.9		710.2	49.0	

¹ INTER-COMPANY SALES ARE IRRELEVANT. ² INTER-COMPANY DIVISION SETTLEMENTS ON AN "ARM'S LENGTH" BASIS.

GROUP COMPANIES

Gurit-Heberlein AG holds an interest in the following companies either directly or jointly/indirectly via a subsidiary:

(bold = direct holding by Gurit-Heberlein AG; inserted = indirect holdings by means of subsidiaries)

Company	Activity	Registered capital	Group ownership
Coltène/Whaledent AG , Altstätten CH	Production and sales of dental specialities	CHF 1 600 000	100%
Coltène/Whaledent GmbH + Co. KG, Langenau GER	Production and sales of dental specialities	EUR 1 850 000	100%
Coltène/Whaledent Ltd., Burgess Hill GB	Sales of dental specialities	GBP 200 000	100%
Coltène/Whaledent S.à.r.l., St-Quen FR	Sales of dental specialities	EUR 503 000	100%
Coltène/Whaledent Inc. , Cuyahoga Falls, OH/USA	Production and sales of dental specialities	USD 5 000 000	100%
GMB/Medisize BV , Hillegom NL	Production and sales of plastic medical products	EUR 7 941 000	100%
Medisize Ireland Ltd., Letterkenny IE	Production and sales of plastic medical products	EUR 1 587 000	100%
Medisize CZ sro, Trhové Sviny CZ	Production of plastic medical products	CZK 200 000	66%
Medisize Belgium BVBA, Antwerpen BE	Development of plastic medical products	EUR 18 509	100%
B+P Beatmungs-Produkte GmbH, Neunkirchen-Seelscheid GER	Production and sales of plastic medical products	EUR 307 000	100%
Medisize Italia Srl., Rome IT	Sales of plastic medical products	EUR 50 000	100%
Createchnic AG (Medisize Schweiz) , Nürensdorf ZH	Production and sale of plastic products	CHF 1 700 000	100%
IMS-Biopur AG , Freienbach CH	Participations, research and development	CHF 5 000 000	100%
Homedica AG, Hünenberg CH	Sales of medical products	CHF 250 000	100%
Structural Polymer Group Limited , Newport, Isle of Wight GB	Production and sales of plastic semi-manufactured products	GBP 3 333 324	100%
Structural Polymer Systems S.A., Albacete, ESP	Production and sales of plastic semi-manufactured products	EUR 1 094 722	100%
SP Systems (Canada) Inc., Magog (Quebec) CA	Production and sales of plastic semi-manufactured products	CAD 3 866 667	100%
IMS Kunststoff Holding AG , Worb CH	Holding company	CHF 4 000 000	80%
IMS P-Tex AG, Worb CH (previously IMS Kunststoff AG)	Production and sales of plastic semi-manufactured products for sports applications	CHF 500 000	100%
IMS Kunststoffges. mbH, Innsbruck AT	Production and sales of plastic semi-manufactured products	EUR 727 000	100%
IMS Kunststoff GmbH, Vreden GER	Production of sintered ski bases	EUR 27 000	100%
IMS France S.A.S., Perrignier FR	Production of extruded ski coatings	EUR 300 000	100%
IMS Kunststoffen B.V., Sittard NL	Sales of plastic semi-manufactured products	EUR 18 000	100%
IMS Kunststoff AG, Ittigen CH (before Gurit-Worbla AG)	Production and sales of plastic films, sheets and laminates	CHF 6 500 000	100%
Stesalit AG , Zullwil CH	Production and sales of plastic semi-manufactured products	CHF 7 500 000	100%
Stesalit (Geschäftsbereich Kassel), Kassel GER	Production and sales of plastic semi-manufactured products	–	(100%)
Gurit Suprem , Flurlingen CH	Development, production and sales of plastic semi-manufactured products	–	(100%)
Heberlein Fasertechnologie AG , Wattwil CH	Production and sales of textile machinery components	CHF 1 000 000	100%
Enka tecnica GmbH, Wuppertal GER	Production and sales of textile machinery components	EUR 511 000	100%
Enka tecnica GmbH, Gröbzig GER	Production and sales of textile machinery components	EUR 26 000	100%
ET Filtration sarl, Zalka LB	Production and sales of textile machinery components	USD 470 000	80%
Electrotex AG, Niederurnen CH	Production and sales of textile machinery components	CHF 600 000	100%
Arova Schaffhausen AG , Schaffhausen CH	Production and sales of yarns, real estate company	CHF 8 000 000	100%
Heberlein & Co. AG , Wattwil CH	Real estate and service company	CHF 1 000 000	100%
Hepatex AG , Wattwil CH	Management Company	CHF 100 000	100%

ACCOUNTING POLICIES

INTRODUCTORY REMARKS

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

These financial statements are a translation of the relevant German version.

Principles of Consolidation

General remarks

The Group financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) based on the historical cost convention as modified by the revaluation of financial assets and non-current assets held for sale at fair value.

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

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

Companies consolidated

Group subsidiaries, controlled directly or indirectly by Gurit-Heberlein AG are fully consolidated. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The companies were consolidated as shown in the summary on page 53.

The following changes in the scope of consolidation occurred in 2004:

Electrotex AG, Niederurnen CH	Acquired	01.01.2004
Createchic AG, Nürensdorf CH	Acquired	01.11.2004

The following changes in the scope of consolidation occurred in 2003.

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

Consolidation method

The Group uses the purchase price method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. Identifiable assets acquired and (contingent) liabilities assumed are measured initially at fair value at the date of acquisition, irrespective of the extent of any minority interest.

The difference of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill from acquisitions before 1 January 1995 has been charged to equity. Goodwill from acquisitions after 1 January 1995 has been amortized on a straight-line bases over the useful life not exceeding 20 years. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the difference (negative goodwill) is recognized as follows: For acquisitions before 31 March 2004 negative goodwill related to definable and foreseeable expenses and losses not recognized as liabilities at the acquisition date is recognized as income when the future losses and expenses are recognized. Any negative goodwill beyond foreseeable expenses and losses is recognized as income over the remaining useful life of the acquired non-monetary assets. For acquisitions after 31 March 2004 negative goodwill is directly recognized in the income statement.

The assets, liabilities and equity as well as the earnings and expenses of consolidated subsidiaries are shown in their entirety in the consolidated Financial Statement. The share of profit and equity to which third-party shareholders are entitled is shown separately in the Group balance sheet and income statement. Intra-Group transactions, balances and unrealized gains on transactions are eliminated. Minority interest is presented separately in the Group balance sheet and income statement.

Principles of valuation

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

Equipment

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

Leased machines and equipment

Leases in which the company has a significant portion of risks and rewards of ownership are classified as financial leases. The respective machines and equipment are stated at the lower of the fair value of the asset and the present value of the minimum lease payments less depreciation on a straight-line basis over the useful life of 5 to 10 years.

The equipment is carried as assets and depreciated along with other assets. The corresponding lease obligations are entered as liabilities. Lease installments are distributed to the corresponding leased assets and entered accordingly as either capital repayments or interest expenses.

Real estate

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

Financial investments

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

Intangible assets

Intangible assets other than goodwill such as licenses and computer software are stated at historical costs less amortization on a straight-line basis over the useful life not exceeding 5 years.

Impairment of assets

Assets that are subject to amortization or depreciation 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 an value in use.

Provisions

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

Pension contributions

The Group maintains various pension fund schemes according to state law and other legal requirements according to the respective local regulations. The non-governmental pension plans are mostly organized in form of legally independent pension funds; contributions are paid both by employer and employee. The Swiss and also most of the foreign pension plans are based on contributions individually made. Some foreign plans feature schemes that qualify them as defined benefit plans according to IAS 19. Management has qualified the potential impact of these plans on balance sheet and statement of income as unsubstantial, so that these plans, too, are treated like contribution based pension plans.

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

Management stock participation program

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

Taxes

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

Net sales

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

Repair and maintenance costs

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

Interest payments

Interest payments are expensed to the income statement when they occur.

Research and development

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

Definition of segments

Business segments define the primary structure. Based on their respective products and customers the segments face certain risks that substantially distinguish them from other segments. Geographical segments are defined by different geographic areas that the respective customers belong to.

Financial risk management

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

Credit risk

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

Interest risk

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

Currency risk

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

Foreign currency conversion

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

The most important exchange rates are listed below:

Exchange rates in CHF

	31.12.04	Ø2004	31.12.03	Ø2003
1 USD	1.145	1.243	1.250	1.345
1 EUR	1.545	1.544	1.560	1.520
1 GBP	2.185	2.275	2.210	2.197

NOTES TO GROUP FINANCIAL STATEMENTS

GROUP BALANCE SHEET

Notes to balance sheet items

Assets

01 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and other current assets. The changes to the previous year are shown in the Group Cash flow statements.

02 Other receivables and accruals

These items include:

	2004	2003
Other receivables	12 016	16 043
Assets from currency futures	2 713	2 842
Prepaid expenses	2 564	2 666
31.12.2004	17 293	21 551

IN CHF 1000

03 Inventories

Inventories are as follows:

	2004	2003
Raw materials	40 095	33 491
Marketable goods	10 092	11 343
Work in progress	7 309	9 214
Finished and semi-finished goods	46 723	46 449
31.12.2004	104 219	100 497

IN CHF 1000

04 Plant, property and equipment

(See also Summary of Assets, on page 48.)

05 Financial and intangible assets

(See also Summary of Assets, on page 49.)

Intangible assets include CHF 227.0 million (previous year CHF 238.2 million) in goodwill purchased along with interests in other companies, which is amortized over a period of 20 years. The value of other intangible assets totalled CHF 8.9 million (previous year CHF 8.9 million), which does not include substantial development costs. The item also includes purchased IT software. Treasury stock is offset against shareholders' equity (see also 14).

Liabilities

06 Bank loans

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

07 Other accounts payable and accruals

Other accounts payable include CHF 1.8 million (previous year CHF 1.7 million) in current lease commitments.

08 Tax liabilities and other provisions

Current reserves include the following items:

	TAX	GUARAN-TEES	RE-STRUCT.	OTHER	TOTAL 2004	TOTAL 2003
31.12.2003	3 682	597	–	3 462	7 741	7 520
Amounts used	–171	–132		–36	–339	–1 417
Additions	3 273	594	720	1 110	5 697	1 629
Reversal				–201	–201	–
Exchange rate differences					–	9
Change in the scope of consolidation	17	15			32	–
31.12.2004	6 801	1 074	720	4 335	12 930	7 741

IN CHF 1000

The current tax liabilities include income taxes that are likely to be due according to the fiscal year and with respect to the pending tax assessment. Reserves for guarantees were made according to estimates based on experience for guarantee claims that can not be insured. Other reserves were made mainly for risks regarding real estate in Wattwil. A cash outflow is expected to occur during the next year.

09 Mortgages and loans

Mortgages amount to CHF 26 million (previous year CHF 16 million). Non-current loans from bank and others amount to CHF 38 million (previous year CHF 35 million). A large portion of this sum relates to loans granted to foreign subsidiaries in local currencies. Book values equal for values. The following tables show when payments are due:

AS OF 31.12.2004				
MATURITY	BANK LOANS	LOANS	MORTGAGES	TOTAL
2006	8 316	775	6 126	15 217
2007	17 040	2 850	1 426	21 316
2008	6 017	542	2 426	8 985
2009	1 090	409	1 926	3 425
More	709	380	14 490	15 579
Total	33 172	4 956	26 394	64 522
Interest rate Ø	3.6%	1.5%	3.1%	

IN CHF 1000

AS OF 31.12.2003				
MATURITY	BANK LOANS	LOANS	MORTGAGES	TOTAL
2005	7 978	2 349	930	11 257
2006	19 044	360	6 165	25 569
2007	1 916	2 313	465	4 694
2008	0	115	465	580
More	963	119	7 606	8 688
Total	29 901	5 256	15 631	50 788
Interest rate Ø	3.9%	3.0%	3.4%	

IN CHF 1000

10 Other liabilities

This item includes non-current lease commitments of CHF 2.0 million (previous year CHF 3.3 million) as well as interest free purchase price debt from new acquisitions, payable over three to five years.

11 Deferred tax provisions

These reserves include the following items:

	TOTAL 2004	TOTAL 2003
31.12.2003	33 731	29 460
Additions	381	2 977
Amounts used	-2 283	-14
Change in scope of consolidation	98	1 308
31.12.2004	31 927	33 731

IN CHF 1000

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

	31.12.2004		31.12.2003	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX RECEIVABLES	DEFERRED TAX PAYABLES
Receivables	493	973	493	1 080
Inventories	1 110	1 967	1 350	1 949
P.P. & E.	4 773	30 029	4 560	30 674
Intangible assets	132	619	20	604
Current borrowings	297	323	326	306
Non-current borrowings	856	354	1 147	1 358
Deferred taxes from losses carried forward	25 725		25 686	
Adjustments of deferred losses carried forward	-23 764		-23 292	
Offset of deferred assets and liabilities	-2 338	-2 338	- 2 240	- 2 240
Total	7 284	31 927	8 050	33 731

IN CHF 1000

12 Other provisions

Other provisions include the following items:

	PENSION PLANS AND OTHER SOCIAL SECURITY PAYMENTS	OTHER PROVISIONS	TOTAL 2004	TOTAL 2003
31.12.2003	5 008	1 127	6 135	6 334
Amounts used	-14	-237	-251	-308
Additions	541		541	474
Reversals	-1 387	-656	-2 043	-608
Exchange rate differences	-35		-35	243
Change in scope of consolidation		170	170	-
31.12.2004	4 113	404	4 517	6 135

IN CHF 1000

The provisions for pension plans and other social payments include future pension claims, claims for exit settlements and age-related part-time work agreements, promised pension or capital payments to the extent that these payables are not included or reinsured by a legally separate fund. These items mainly refer to foreign Group subsidiaries. The other provisions cover guarantee obligations and unforeseeable costs in relation with real estate sales. A capital outflow is expected in the next two to five years.

NOTES TO GROUP FINANCIAL STATEMENTS

13 Minority interests

(See also Summary Shareholders' equity and Minority interests on page 49.)

The interests of minorities in capital, reserves and profit amount to CHF 2.2 million (previous year CHF 2.4 million).

14 Equity

(See also Summary Shareholders' equity and Minority holdings on page 49.)

The share capital shows the capital of Gurit-Heberlein AG; adjusted by treasury stock. Treasury stock at December 31, 2004 included 7446 bearer shares (previous year 8 943) and 150 registered shares (previous year 25).

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

The entitlement to dividend payments is based on the nominal value of the shares while the voting power is defined by the number of shares. The payment of an unchanged dividend of CHF 24 per bearer share or CHF 4.80 per registered share is proposed to the Annual General Meeting on May 19, 2005.

GROUP INCOME STATEMENT

Notes to the Group income statement

15 Net sales

(See also Segment Information on page 52)

Consolidated net sales amount to CHF 578.8 million (previous year CHF 508.4 million). Production in Switzerland accounted for 26% (previous year 27%) of sales, while the remaining 74% (previous year 73%) was covered by foreign production.

16 Cost of goods and materials

This item amounted to 43.3% of net sales (previous year 39.8%). This item also includes changes in finished and semi-finished goods and work in progress of CHF 0.7 million.

17 Personnel expenses

The pro rata average workforce amounted to 2 586 employees (previous year, pro rata 2 180). (See also Information by Segments for numbers broken down by Group Division.) The expenses for post-employment benefits excluding Social Security amounted to CHF 8.2 million (previous year: CHF 6.1 million) and is recorded as personnel expenses in the Group income statement.

18 Other operating, marketing and administrative expenses

Other (net) operating expenses were CHF 93.9 million (previous year CHF 94.6 million). Operating expenses include repair and maintenance cost of fixed assets as well as R&D costs.

19 Other operating income

Other operating income of CHF 5.9 million (previous year CHF 7.9 million) include losses stemming from the sale of fixed assets amounting to CHF 0.29 million (previous year CHF 0.047 million) and earnings from the sale of fixed assets of CHF 3.296 million (previous year CHF 7.147 million).

20 Depreciation and Amortization

(See also List of Assets pages 52/53)

	2004	2003
Depreciation on fixed assets	23 265	19 019
Depreciation on financial assets	-11	1
Amortization on intangible assets	1 847	1 356
	25 101	20 376
Amortization of goodwill	11 277	13 664
Total Depreciation and Amortization according to list of assets	36 378	34 040

IN CHF 1000

21 Financial expenses/financial income

Financial expenses were CHF 3.6 million net (previous year financial income CHF 0.9 million).

2004

	FINANCIAL EXPENSES	FINANCIAL INCOME	NET
Interest	4.5	0.4	-4.1
Exchange rate differences	3.1	3.6	+0.5
Total	7.6	4.0	-3.6

IN CHF MILLION

2003

	FINANCIAL EXPENSES	FINANCIAL INCOME	NET
Interest	4.0	0.4	-3.6
Exchange rate differences	3.7	8.2	+4.5
Total	7.7	8.6	+0.9

IN CHF MILLION

22 Tax expense

Tax expense amounted to CHF 10.7 million (previous year CHF 9.0 million).

Tax expense

	2004	2003
Taxes payable	11.3	5.7
Deferred taxes	-0.6	3.3

IN CHF MILLION

NOTES TO GROUP FINANCIAL STATEMENTS

Tax expense can be analyzed as follows:

	2004	2003
Group result before income taxes	27.0	32.1
Tax expenses at applicable tax rate of 25%	6.6	8.0
Tax expenses at other rates	0.8	2.7
Tax savings thanks to losses carried forward	-1.2	-2.1
Loss for the period excl. actual tax savings	3.0	1.3
Effect of not accepted tax positions	0.9	-0.5
Other irrelevant impact	0.4	-0.4
Tax expense	10.7	9.0
Effective tax rate	40.7%	28.1%

IN CHF MILLION

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

Losses carried forward and duration

	2004	2003
1–3 years	46.0	33.7
4–6 years	15.8	32.7
More	36.2	31.2
Total	98.0	97.6
Positive tax effect	25.7	25.7
Adjustments	-23.8	-23.3

IN CHF MILLION

23 Group profit

The Group profit (excl. minority interests) amounts to CHF 15.8 million (previous year CHF 23.1 million).

EPS are calculated as follows:

	2004	2003
Weighted amount of shares issued as at 31.12.	460 433	456 823
Adjustments for MPP options	372	263
Adjusted amount of shares issued as at 31.12.	460 805	457 086
Earnings per bearer share (EPS)	CHF 34.23	CHF 50.62
Diluted earnings per bearer share	CHF 34.21	CHF 50.59
Earnings per registered share	CHF 6.85	CHF 10.12
Diluted earnings per registered share	CHF 6.84	CHF 10.12

IN CHF MILLION

Notes to Management Options

On the reference date, the executive members of the Board of Directors, the members of Group Management and parties closely linked to them and the most Senior Group management staff held the following amounts of options on bearer shares of Gurit-Heberlein AG:

ISSUE YEAR	NO. OF OPTIONS	EXERCISE PRICE (CHF)	MATURITY	EXERCISE PERIOD
1999	42	577.–	2001–2006	1.4.2006
2000	640	880.–	2002–2007	1.4.2007
2001	766	1 638.–	2003–2008	1.4.2008
2002	1 124	1 260.–	2004–2009	1.4.2009
2003	1 200	680.–	2005–2010	1.4.2010
2004	1 454	1 056.–	2006–2011	1.4.2011
Total	5 226			

GROUP CASH FLOW STATEMENT

Notes to the Group Cash flow statement

24 Cash flow from operating activities

In 2004 funds generated by operations amounted to CHF 46.6 million (previous year CHF 25.0 million).

25 Cash flow of investment activities

Funds required for investment activities amounted to a total of CHF 31.2 million (previous year CHF 48.8 million). This value includes an amount stemming from ordinary Group activities of CHF 24.7 million as well as a cash outflow of CHF 6.5 million for acquisitions.

During the year 2004 (2003), companies were acquired as shown in the list on page 54. The following table shows the detailed financial information:

	2004	2003
Cash and Cash equivalents	594	283
Receivables	4 959	4 397
Inventories	3 270	2 967
Fixed assets	20 016	20 767
Current payables	7 553	-10 606
Non-current payables	-12 361	-3 959
Provisions	-300	-1 308
Real Value (Fair value)	8 625	12 541
Goodwill	774	696
Paid acquisition price	9 399	13 237
Cash and cash equivalents acquired	-594	-283
Non-current liabilities acquired	-500	
Current liabilities acquired	-967	
Payments in treasury stock	-822	
Cash outflow	6 516	12 954

IN CHF 1000

26 Free Cash flow

The balance of cash flow from operating activities and the cash flow from financing activities shows a free cash flow of CHF 15.3 million (previous year CHF -23.8 million). Before acquisitions, free cash flow would have stood at CHF 21.8 million for the year 2004 (previous year CHF -10.8 million).

27/28/29 Dividends and financing and investing activities

The cash flow from financing activities in 2004 includes dividends of CHF 11.1 million (previous year CHF 10.9 million) to Gurit-Heberlein shareholders and CHF 0.1 million (previous year CHF 0.1 million) to minority shareholders.

30/31 Cash and cash equivalents

As a result, cash and cash equivalents increased by CHF 1.4 million to a year-end amount of CHF 49.2 million (previous year CHF 47.8 million).

Other notes

Subsequent events

The Group financial statements were approved at the end of March 2004 by the Board of Directors. When the financial statements were signed off, the Board of Directors and Group Management do not know of any important events subsequent to the closing of books.

Contingent liabilities

Contingent liabilities related to bills, letters of credit and guarantees of the value of CHF 3.7 million (previous year CHF 2.0 million) exist in connection with business operations.

Pledged assets

Pledged assets (mainly real estate for mortgages) are:

Pledged assets

	2004	2003
Book value	100	63
Maximum credit line	101	68
Loans contracted	36	17

IN CHF MILLION.

Fire insurance values

Fire insurance values of fixed assets amounts to CHF 621 million (previous year CHF 567 million).

Pension funds

Money owed to pension funds amounts to CHF 0.8 million (previous year CHF 0.6 million).

NOTES TO GROUP FINANCIAL STATEMENTS

Post employment benefits (see also page 56)

Details to the defined benefit plans are as follows:

IN CHF 1000

	2004	2003
Pension costs		
Current service costs	932	959
Interest expenses	714	705
Expected earnings from plan assets	-655	-420
Gains/losses from changes in plan	-71	-136
Employees' contribution	-144	-132
Total pension expenses for defined benefit plans	776	976
Change in pension liabilities		
Balance 1.1.	12 963	11 586
Exchange rate differences	213	
Current service costs	933	934
Interest expenses	714	687
Employees' contribution	-144	-132
Payed pension from plans with separated assets	-69	-68
Payed pension from plans without separated assets	-45	-44
Actuary gains/-losses	655	
Balance 31.12.	15 220	12 963
Change in plan assets		
Balance 1.1.	10 115	9 261
Exchange rate differences	144	
Employees' contribution	144	136
Employers' contribution	173	176
Expected earnings from plan assets	655	551
Actuary gains/-losses	2	
Net assets from other plans	5 858	5 742
Accumulated depreciations of net assets from other plans	-5 858	-5 742
Balance 31.12.	11 233	10 115

IN CHF 1000

	2004	2003
Assets and liabilities included in balance sheet		
Liabilities of plans with separated assets	14 945	13 025
Plan assets	11 227	10 359
Over-/Undercoverage	3 718	2 666
Liabilities of plans without separated assets	266	279
Not recorded actuary gains or losses	-1 050	
Net amount	2 934	2 945

Changes in net amount

Balance 1.1.	2 870	2 869
Exchange rate differences	47	
Pension costs according to profit & loss accounts	307	283
Employers' contribution	-243	-237
Payed pensions from plans without separated assets	-45	-45
Balance 31.12.	2 936	2 870

	IN %	IN %
Actuary assumptions		
Discount rate	4.68	5.55
Expected return on plan assets	5.64	6.38
Future salary increase	3.53	2.84
Inflation	1.42	1.42
Future pension increases	1.00	0.61

Other informations

Effective return on plan assets (in CHF 1000)	656	552
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Members of the plan

Active members	306	385
Pensioners	6	6

NOTES TO GROUP FINANCIAL STATEMENTS

Transactions with related parties

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

Contractual Commitments

At December 31, 2004 there were again no significant contractual commitments to acquire property, plant and equipment.

R&D:

In the year 2004, CHF 13.0 million (previous year CHF 16.2 million) were spent on development activities.

Financial instruments

The assets resulting from currency futures included in other receivables amounts to CHF 2.7 million (previous year CHF 2.8 million). The following open derivative financial instruments existed at December 31, 2004: Currency futures with a national amount of CHF 46.7 million (previous year CHF 27.9 million). Of these contracts, CHF 43.4 million (previous year 18.7 million) are due in one year, CHF 3.3 million (previous year 9.2 million) in one to five years.

Financial leasing and other commitments

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

	FINANCIAL LEASING COMMITMENTS		OPERATING LEASING AND LONG-TERM COMMITMENTS	
	2004	2003	2004	2003
2005 (2004)	1 802	1 719	2 422	2 127
2006 (2005)	1 354	1 778	2 192	1 967
2007 (2006)	664	1 037	1 790	1 807
2008 (2007)		445	1 242	1 607
2009 (2008)			1 242	1 078
more			4 781	5 528
Total over 1 year	2 018	3 260	11 247	11 987
Total	3 820	4 979	13 669	14 114

IN CHF MILLION

New acquisitions

In 2004, Gurit-Heberlein Group acquired the following two companies: 100% of Electrotex AG, Niederurnen, (effective January 1, 2004), and 100% of Createchnic AG, Nürensdorf

(effective November 1, 2004). All companies were fully consolidated as from the acquisition date. The acquired companies contributed for the year 2004 sales of CHF 9.0 million and an operating profit of CHF 0.6 million to the Group. With Electrotex net assets of CHF 0.5 millions (assets CHF 3.2 million/liabilities CHF 2.7 million) for CHF 3.3 million were acquired. The goodwill according to IAS 22 of CHF 2.8 million is amortized pro rata in 2004 with a useful life of 20 years. The acquisition of Createchnic resulted in a negative goodwill, the details are shown in the following table. The negative goodwill was recognised in profit and loss according to IFRS 3.

	FAIR VALUE	BOOKVALUE CREATECHNIC
Property, plant and equipment	6.8	6.4
Intangible assets	0.6	0.3
Other assets	18.2	18.1
Other liabilities	-17.5	-17.6
Acquired net assets	8.1	
Acquisition costs	6.1	
Negative Goodwill	2.0	

IN CHF MILLION

In 2003, Gurit-Heberlein Group acquired the following three companies: 100% of SP Systems, Canada (effective 1.7.2003), 100% of VOF, Belgium (effective 1.8.2003) and 100% of Wetzel GmbH, Germany (effective 1.10.2003). All companies were fully consolidated as from the acquisition date. The acquired companies contributed for the year 2003 sales of CHF 11.4 million and an operating profit of CHF 2.6 million to the Group. With these acquisitions net assets of CHF 12.5 million (assets CHF 28.4 million/liabilities CHF 15.9 million) for CHF 13.2 million were acquired resulted in a net goodwill of CHF 0.7 million (goodwill CHF 3.6 million/negative goodwill CHF 2.9 million).

The negative goodwill was treated as follows: from the total negative goodwill of CHF 2.9 million, CHF 1.0 million were allocated to future expenses in the context of overcapacities, conditions for a recognition as a provision are not given. CHF 0.4 million are recognised in 2003 as operating expenses, the remaining expenses were expected for 2004. The residual CHF 1.9 million are amortized over the useful life of 16 years of the acquired property, plant and equipments and the acquired intangible assets. In 2003, CHF 0.1 million is offset with the amortization of goodwill in the profit and loss statement.

AUDIT REPORT GROUP

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes / pages 44 to 66 of Gurit-Heberlein AG for the year ended December 31, 2004.

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

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

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

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

PricewaterhouseCoopers AG

Lorenz Lipp Werner Frei

St. Gallen, March 24, 2005

FINANCIAL STATEMENTS OF GURIT-HEBERLEIN AG

BALANCE SHEET AS AT 31.12.2004

IN CHF

	31.12.2004	31.12.2003
Assets		
Cash and cash equivalents	14 934 010	9 387 551
Sundry receivables from extra-Group sources	85 606	157 886
Sundry receivables from intra-Group sources	7 828 973	12 006 885
Working capital	22 848 589	21 552 322
Loans to third parties	93 364	93 364
Loans to Group companies	144 846 476	145 383 223
Holdings	82 966 765	83 633 701
Fixes assets	227 906 605	229 110 288
Total assets	250 755 194	250 662 610
Equity and liabilities		
Bank debts	23 822 754	16 810 000
Sundry liabilities to extra-Group entities	1 661 343	697 463
Sundry liabilities to intra-Group entities	144 515	202 964
Loan from Group companies	10 437 106	10 139 147
Prepaid liabilities and reserves	3 621 988	4 499 251
Short-term borrowings	39 687 706	32 348 825
Reprocurement reserves	0	9 481 728
Long-term borrowings	0	9 481 728
Total borrowings	39 687 706	41 830 553
Share capital	46 800 000	46 800 000
Statutory reserves	23 400 000	23 400 000
Reserves for treasury stock	4 724 223	5 391 159
Free reserves	48 089 783	47 422 847
Net income	88 053 482	85 818 051
Total equity	211 067 488	208 832 057
Total liabilities	250 755 194	250 662 610

INCOME STATEMENT

IN CHF

	2004	2003
Income from holdings	5 919 392	8 750 567
Financial income	8 946 035	8 391 381
Total income	14 865 427	17 141 948
Financial costs	567 295	628 585
Administrative costs	658 208	677 197
Taxes	172 494	487 230
Total Expenses	1 397 997	1 793 012
Profit for fiscal year	13 467 430	15 348 936

NOTES TO GURIT HEBERLEIN AG

ANNEX TO FINANCIAL STATEMENT

IN CHF

	31.12.2004	31.12.2003
1. Contingent liabilities		
Warranty liabilities	28 768 000	28 003 300
Group Credits (General contracts)	76 081 764	73 772 635
2. Significant holdings		
see list on page 53		
3. Treasury stock		
Total at 31.12.:		
150 (25) registered shares at CHF 20.–	27 908	1 657
7 446 (8 943) bearer shares at CHF 100.–	4 696 315	5 389 502
Purchase: 125 (0) shares at an average price of	210	–
Purchase: 225 (344) shares at an average price of	1 058	732
Sales: 1 722 (4 936) shares at an average price of	817	728
4. Significant shareholders (unchanged)		
The company is aware of the following registered shareholders who own over 5% of the voting rights:		
Geha Holding AG, Heerbrugg, Registered Shares	220 000	220 000
Harris Associates L.P., Chicago/USA, Bearer Shares	32 604	32 604
Franklin Templeton Companies, LLC, Fort Lauderdale/USA, Bearer Shares	33 219	33 219
5. Share capital		
The nominal capital at 31.12. consisted of:		
240 000 (240 000) registered shares at CHF 20.–	4 800 000	4 800 000
420 000 (420 000) bearer shares at CHF 100.–	42 000 000	42 000 000
	46 800 000	46 800 000
6. Statutory reserves carried forward		
Statutory reserves at 1.1.	23 400 000	23 400 000
Change	0	0
Statutory reserves at 31.12.	23 400 000	23 400 000
7. Free reserves carried forward		
Free reserves at 1.1.	47 422 847	44 082 477
Treasury stock reserves carried forward	666 936	3 340 370
Free reserves at 31.12.	48 089 783	47 422 847
8. Net income brought forward		
Net income at 1.1.	85 818 052	81 701 115
Dividend distribution	–11 232 000	–11 232 000
Profit for fiscal year	13 467 430	15 348 936
Net income at 31.12.	88 053 482	85 818 051
9. Dissolution of hidden reserves	486 000	0

EXPLANATORY REMARKS TO THE BALANCE SHEET AND INCOME STATEMENT

General remarks

As parent company of the Group, Gurit-Heberlein AG reports a net profit for the fiscal year of CHF 13.5 million. It is proposed to the Annual General Meeting of Shareholders to pay again an unchanged dividend of 24%. This will account for a total dividend payment of CHF 11.2 million.

Balance sheet

As at December 31, 2004, cash and cash equivalents amounted to CHF 14.9 million (previous year CHF 9.4 million). Sundry receivables from extra-Group sources (mainly reclaimable withholding tax payments) delined somewhat. Receivables from intra-Group sources mainly consist of interest receivables from Group companies.

Loans to Group companies and holdings are only marginally smaller than in the previous year. The re-procurement reserve was dissolved in the context of the acquisition of Crea-technic AG and to newly recapitalize a subsidiary (Previous year CHF 9.5 million).

Total equity stood at CHF 211.1 million (previous year CHF 208.8 million). The changes can be explained as follows:

Equity as at 31.12.2002	204.7
– previous year's dividend payment	–11.2
+ net profit 2003	15.3
Equity as at 31.12.2003	208.8
– previous year's dividend payment	–11.2
+ net profit 2004	13.5
Equity as at 31.12.2004	211.1

IN CHF MILLION

Income statement

Earnings from holdings amounted to CHF 5.9 million (previous year CHF 8.7 million). They mainly consist of dividend payments by subsidiaries.

Financial income was CHF 8.9 million (previous year CHF 8.4 million). At the same time, financial expenses were reduced to CHF 0.5 million (previous year CHF 0.6 million). The net financial result thus stood at CHF 8.4 million (previous year CHF 7.8 million).

The reported profit for the year amounts to CHF 13.5 million (previous year CHF 15.3 million).

PROPOSAL FOR THE ALLOCATION OF NET INCOME

IN CHF

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

Net income carried forward from previous year	74 586 052
Result 2004	13 467 430
Available net income	88 053 482
Distribution of dividend of 24 percent	-11 232 000
To be carried forward	76 821 482

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

CHF 4.80 gross per registered share minus withholding tax

CHF 24.- gross per bearer share minus withholding tax,
payable on submission of voucher Nr. 23

AUDIT REPORT GURIT-HEBERLEIN AG

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 68 to 72) of Gurit-Heberlein AG for the year ended December 31, 2004.

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

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

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

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

PricewaterhouseCoopers AG

Lorenz Lipp Werner Frei

St. Gallen, March 24, 2005

INVESTOR RELATIONS

Company capital:

After the capital increase of September 3, 2002, the company capital consists of:

240 000 registered shares
at par CHF 20.– security number 185 039

420 000 bearer shares
at par CHF 100.– security number 801 223

(ADJUSTED TO PAR VALUE OF CHF 100, THE NUMBER OF OUTSTANDING SHARES IS 468 000)

Stock exchange:

Bearer shares are listed on SWX Swiss Exchange: Price information can be found in the Swiss national and financial press. The following ticker symbols indicate how respective data on Gurit-Heberlein bearer shares can be obtained on electronic financial information systems:

Bearer Share:	Reuters	GURZ
	Telekurs	GUR
	Security number	801 223

Financial calendar:

General Meeting of Shareholders: May 19, 2005
Half-year result 2005, Letter to Shareholders: End of August 2005
Key figures for fiscal year 2005: End of March 2006
Presentation of year-end result 2005, Media and Analyst Conferences,
Publication of Annual Report: End of April 2006
General Meeting of Shareholders: May 2006
Half-year result 2006, Letter to Shareholders: End of August 2006

Specifications below relate to listed bearer shares

(FIGURES ADJUSTED TO BEARER SHARES AT PAR CHF 100.–)

	2004	2003	2002	2001	2000
Price at year end	CHF 929.–	CHF 859.–	CHF 645.–	CHF 1 310.–	CHF 1 525.–
Highest price for year	CHF 1 124.–	CHF 890.–	CHF 1 330.–	CHF 1 728.–	CHF 1 700.–
Date	6.7.2004	16.10.2003	2.1.2002	1.2.2001	30.11.2000
Lowest price for year	CHF 852.–	CHF 550.–	CHF 615.–	CHF 890.–	CHF 835.–
Date	7.1.2004	17.3.2003	11.10.2002	24.9.2001	10.3.2000

Group result per share	CHF 33.67	CHF 49.41	CHF 43.–	CHF 72.–	CHF 106.–
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(ADJUSTED TO 468 000 SHARES AT CHF 100.– PAR VALUE)

Equity per share	CHF 970.–	CHF 966.–	CHF 940.–	CHF 932.–	CHF 1 169.–
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(ADJUSTED TO 468 000 SHARES AT CHF 100.– PAR VALUE)

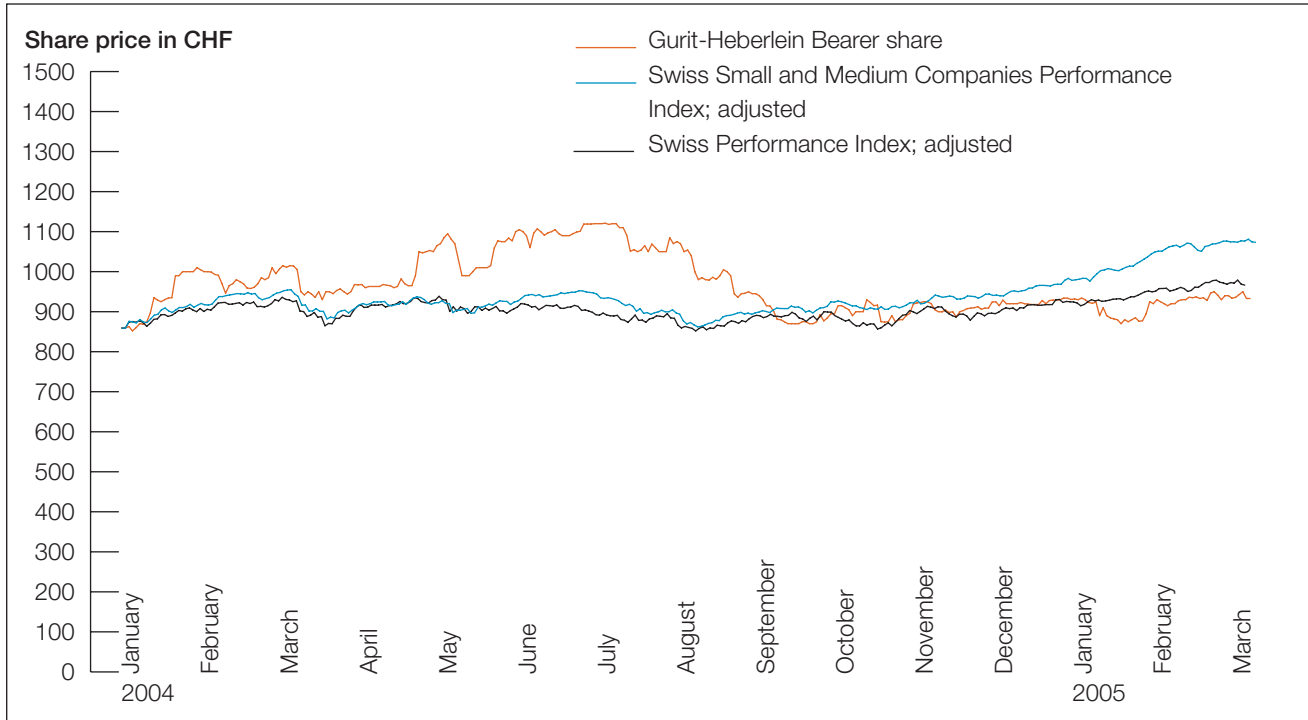
Gross dividend	CHF 24.–	CHF 24.–	CHF 24.–	CHF 24.–	CHF 24.–
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(ADJUSTED TO BEARER SHARES AT CHF 100.– PAR VALUE)

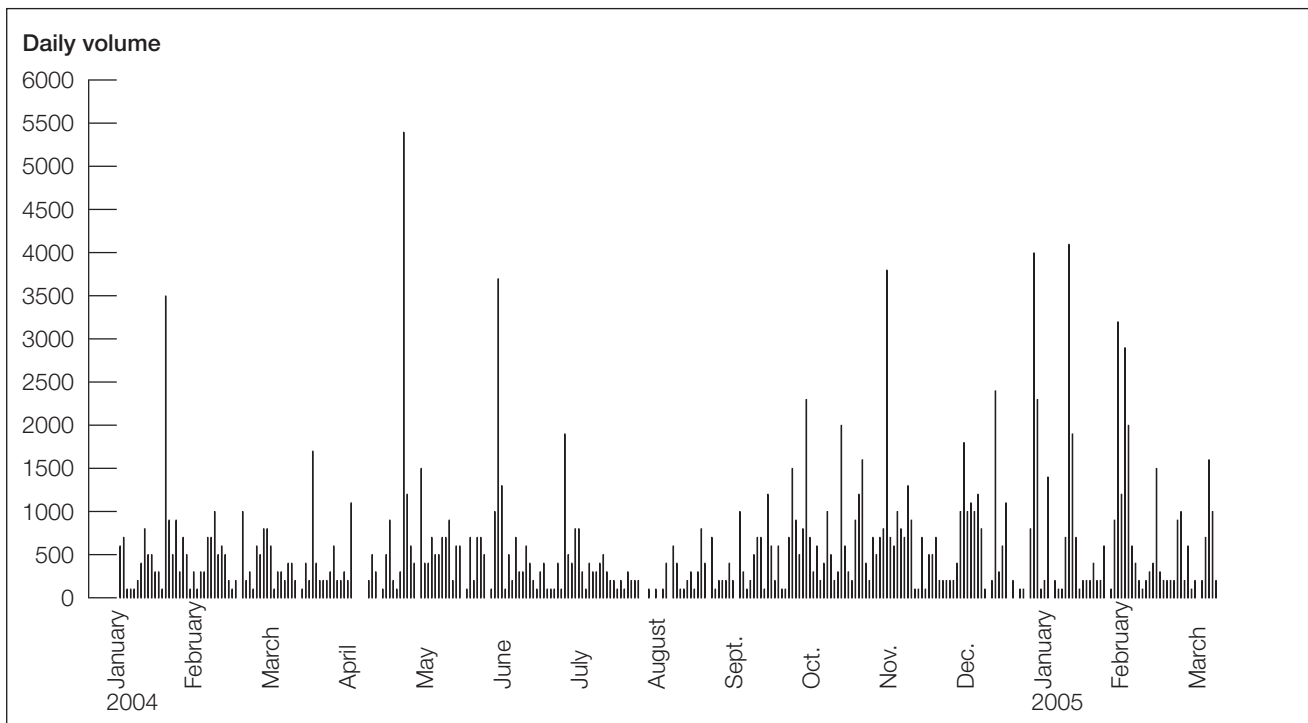
Taxable values of the traded securities

	31.12.2004	31.12.2003	31.12.2002	1.1.2002	1.1.2001
Bearer shares at CHF 100 (500) par	CHF 929.–	CHF 859.–	CHF 645.–	CHF 1 199.–	CHF 1 581.–
3½% bond 1997–2002	–	–	–	99,95%	99,25%

Bearer shares and respective indices



Gurit-Heberlein Bearer shares daily volumes



MOST IMPORTANT ADDRESSES

AS OF APRIL 1, 2005

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The financial statements are a translation of the relevant German version.

