

# Financial Review

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# Divisional results

## Chemical and Synthetics Technology

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

in CHF 1000

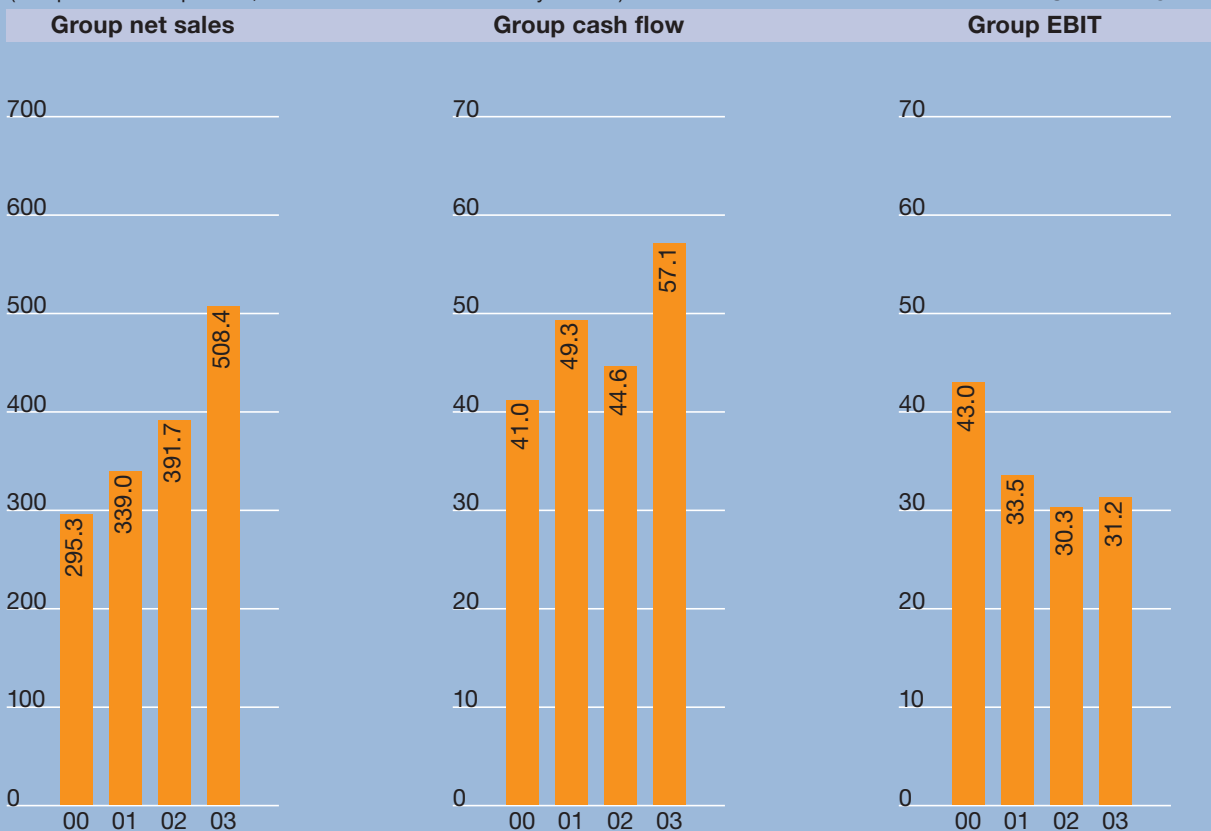
	2003	2002	2001	2000
<b>Net sales</b>	<b>508 436</b>	<b>391 699</b>	<b>339 020</b>	<b>295 276</b>
of which Health Care	203 148	207 143	167 537	152 840
Industrial Applications	300 918	179 613	165 829	134 949
Others/Consolidation	4 370	4 943	5 654	7 487
Cost of goods and materials	-202 381	-142 850	-124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

# Four-year Comparison

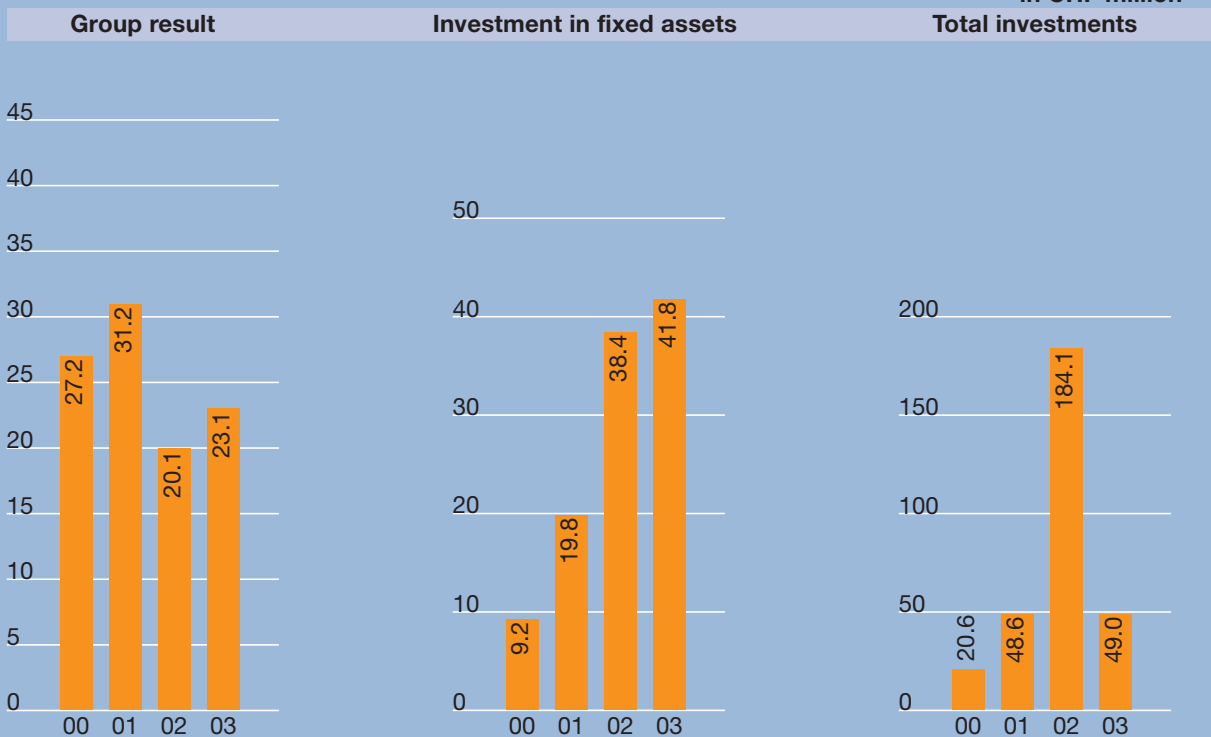
## Chemical and Synthetics Technology

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

in CHF million



in CHF million



## Changes in the scope of consolidation since 2000

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

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

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

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

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

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

# Group Organization



Dr. Rudolf Wehri, CEO Peter Lieberherr, CFO

## Health Care Division

### Gurit Dental Care

Jerry Sullivan

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

### Gurit Medical Business

Willem van den Bruinhorst

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

## Industrial Applications Division

### Gurit Composite Technologies

Paul J. Rudling, CEO  
Martin Lüttsch, COO

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

### Gurit Fiber Technology

Heinz Michel

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

(Stand: 1. Januar 2004)

# Group Financial Statements

## Balance Sheet

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

**Structure of assets and liabilities**

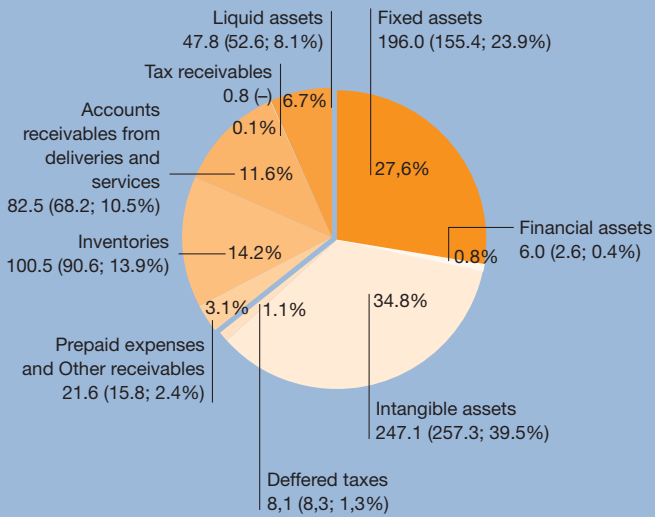
in CHF million

**Working capital**

**Fixed assets**

**Total equity**

**Borrowings**



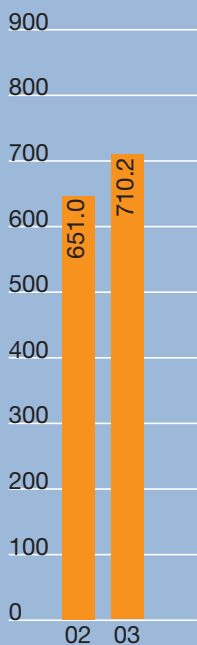
Previous year figures in brackets

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

in CHF million

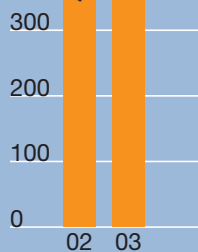
**Total assets**

**Total equity (incl. third party interests)**



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

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



# Group Financial Statements

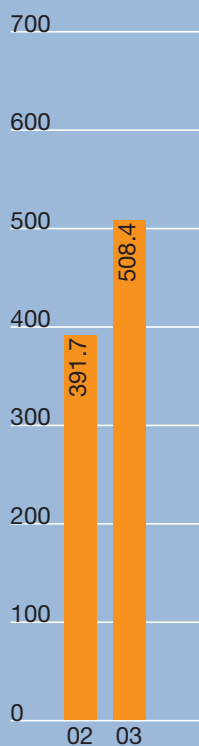
## Group Income Statement

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

**Group result and cash flow as percentage of net sales**

in CHF million

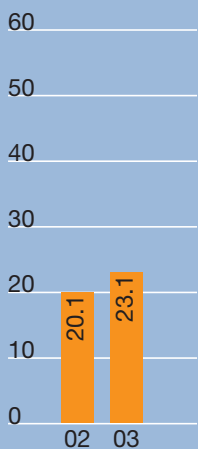
**Net sales**



**Ordinary Group result**

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

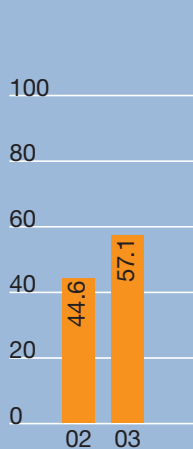
**Group result as percentage of net sales**  
**2003: 4.5%**  
**2002: 5.1%**



**Group cash flow**

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

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

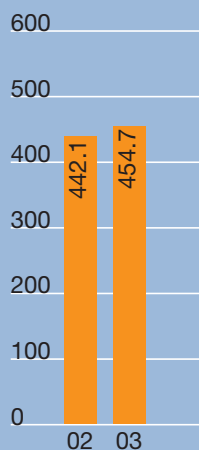


**Return on Equity**

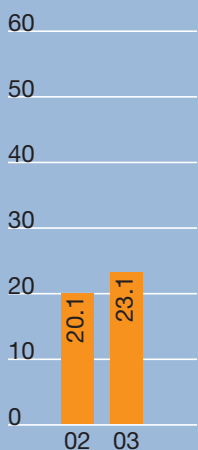
in CHF million

(Values incl. minority interests)

**Equity**



**Ordinary Group result**



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

**Return on equity**  
**2003: 5.2%**  
**2002: 4.7%**

# Group Financial Statements

## Consolidated flow of funds

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

## Shareholders' equity and Minority holdings

in CHF 1000

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

# Notes on Group Financial Statements

## Summary of assets: Fixed assets

in CHF 1000

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

## Summary of assets: Financial and intangible assets

in CHF 1000

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

# Group Financial Statements

## Segment Information

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

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

\*) Inter Company sales are irrelevant.

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

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

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

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

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

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

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

# Group Companies

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

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

(As per January 1, 2004)

# Accounting Policies

## Introductory remarks

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

## Principles of Consolidation

### General remarks

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

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

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

### Companies consolidated

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

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

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

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

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

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

### Consolidation method

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

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

## Principles of valuation

### General comment

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

### Liquid assets

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

### Accounts receivable

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

### Inventories

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

### Plant and equipment

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

### Leased machines and equipment

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

### Real estate

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

### Financial investments

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

### Intangible assets

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

### Value impairment of assets

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

**Provisions**

Necessary reserves are made in respect of identifiable risks. Reserves are created to cover guarantee obligations and liability claims where these are not insured. Provisions for restructuring measures are made as soon as the corresponding decision is taken and communicated.

**Pension contributions**

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

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

**Management stock participation program**

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

**Taxes**

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

**Net sales**

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

**Repair and maintenance costs**

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

**Interest payments**

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

**Research and development**

As a rule, research and development costs are charged to expenses as they occur. Development costs are only capitalized if they can accurately be determined and if it can be safely assumed that the project in question will be successfully completed resulting in a future benefit. If development costs are capitalized, they are normally depreciated over a maximum of five years.

### Definition of segments

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

### Financial risk management

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

### Credit risk

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

### Interest risk

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

### Currency risk

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

### Foreign currency conversion

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

The most important exchange rates are listed below:

#### Exchange rates in CHF

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

# Notes on Group Financial Statements

## Group Balance Sheet

### Notes to balance sheet items Assets

#### Assets

##### 1 Liquid assets

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

##### 2 Other receivables and prepaid expenses

These items include:

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

##### 3 Inventories

Inventories are as follows:

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

##### 4 Fixed assets

(see also Summary of Assets, on page 46)

##### 5 Financial and intangible assets

(see also Summary of Assets, on page 47)

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

#### Liabilities

##### 6 Bank loans

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

##### 7 Other accounts payable and prepaid expenses

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

##### 8 Reserves

Short-term reserves include the following items:

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

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

##### 9 Mortgages and loans

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

**as of 31.12.2003** **in CHF 1000**

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

**as of 31.12.2003** **in CHF 1000**

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

### 10 Other obligations

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

### 11 Reserves

These reserves include the following items:

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

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

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

### 12 Other reserves

Other reserves include the following items:

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

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

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

# Notes on Group Financial Statements

## **13 Minority interests**

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

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

## **14 Equity**

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

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

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

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

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

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

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

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

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

# Group Income Statement

## Notes to the income statement

### 15 Net sales

(see also Segment Information on page 48)

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

### 16 Cost of goods and materials

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

### 17 Personnel expenses

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

### 18 Other operating, marketing and administrative expenses

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

### 19 Other operating income

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

### 20 Depreciation

(see also List of Assets pages 46/47)

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

### 21 Financial expenses/financial earnings

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

#### 2003

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

#### 2002

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

### 22 Taxes

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

#### Tax expenditure

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

# Notes on Group Financial Statements

Tax expense can be analyzed as follows:

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

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

#### Losses carried forward and duration

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

#### 23 Group result

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

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

EPS are calculated as follows:

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

## Consolidated flow of funds and other notes

### Notes on the statement of the flow of funds

#### 24 Flow of funds from operating activities

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

#### 25 Flow of funds from investment activities

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

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

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

#### 26 Free Cash Flow

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

#### 27/28/29 Dividends and financial activities

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

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

#### 30/31 Cash at bank and in hand

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

### Other notes

#### Subsequent events

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

#### Contingent liabilities

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

#### Pledged assets

Pledged assets (mainly real estate for mortgages) are:

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

#### Fire insurance values

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

# Notes on Group Financial Statements

## Pension funds

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

## Transactions with related parties

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

## Obligations from investments

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

## R&D:

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

## Financial instruments

The positive re-procurement value of the currency futures included in other obligations amounts to CHF 2.8 million (previous year CHF 0). The following open derivative financial instruments existed at December 31, 2003: Currency futures with a contract value of CHF 27.9 million (previous year CHF 11.9 million). Of these contracts, CHF 18.7 million are due in one year, CHF 9.2 million in one to five years.

## Financial leasing and other commitments

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

in CHF 1000	Financial leasing commitments		Operating leasing and long-term commitments	
	2003	2002	2003	2002
2004 (2003)	1 719	1 336	2 127	2 605
2005 (2004)	1 778	1 109	1 967	1 598
2006 (2005)	1 037	912	1 807	1 412
2007 (2006)	445	590	1 607	1 282
2008 (2007)	0	641	1 078	1 229
darüber	0	0	5 528	6 181
	3 260	3 252	11 987	11 702
<b>Total</b>	<b>4 979</b>	<b>4 588</b>	<b>14 114</b>	<b>14 307</b>

## New acquisitions

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

The assets and liabilities stemming from acquisitions are as follows:

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

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

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

# Audit Report Group

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes/pages 40 to 60) of Gurit-Heberlein AG for the year ended December 31, 2003.

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

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

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

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

PricewaterhouseCoopers AG

Kurt Fischer    Werner Frei

St. Gallen, March 25, 2004

# Financial Statements

## Balance Sheet as at 31.12.2003

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

# Gurit-Heberlein AG

## Income Statement

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

## Proposal for the allocation of net income

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

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

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

# Notes on Gurit Heberlein AG

## Annex to Financial Statement

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

## Explanatory remarks on the Balance Sheet and Income Statement

### General remarks

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

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

### Balance sheet

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

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

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

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

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

## Income statement

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

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

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

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

# Audit Report Gurit-Heberlein AG

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

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

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

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

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

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

PricewaterhouseCoopers AG

Kurt Fischer    Werner Frei

St. Gallen, March 25, 2004

# Investor Relations

<b>Company capital:</b>	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]
<b>Stock exchange:</b>	Bearer shares are listed on the Swiss stock exchange: Price information can be found in the Swiss national and financial press. The following ticker symbols indicate how respective data on Gurit-Heberlein bearer shares can be obtained on electronic financial information systems: Bearer Share: Reuters GURZ Telekurs GUR Security number 801223
<b>Financial calendar:</b>	General Meeting of the Shareholders: May 27, 2004 Half-year-results 2004: End of August 2004 General Meeting: May 27, 2004 Half-yearly report, shareholders' letter: End of August 2004 Key figures from the annual results for 2004: End of March 2005 Presentation of annual results; financial analysts' and media conference; publication of Annual Report: End of April 2005 General Meeting: May 2005 Half-yearly report, shareholders' letter: End of August 2005

## Specifications below relate to listed bearer shares

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

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

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

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

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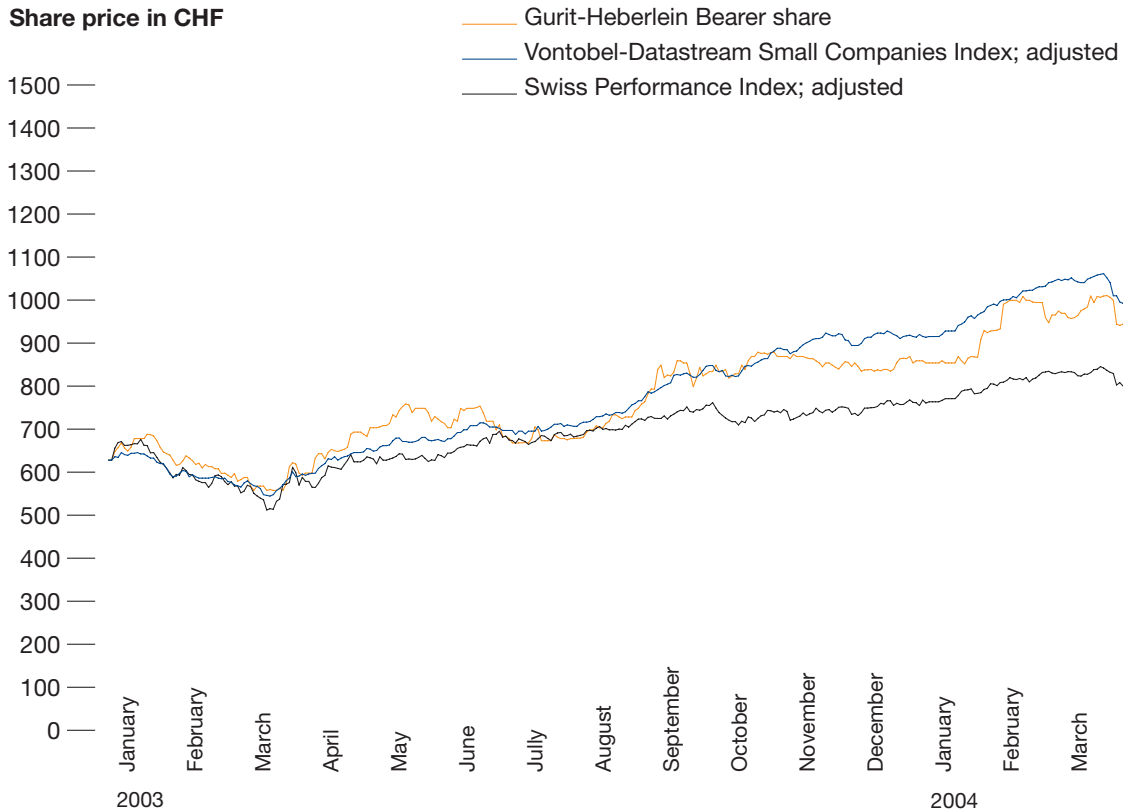
(Adjusted to bearer shares at CHF 100.– par value)

## Taxable values of the traded securities

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

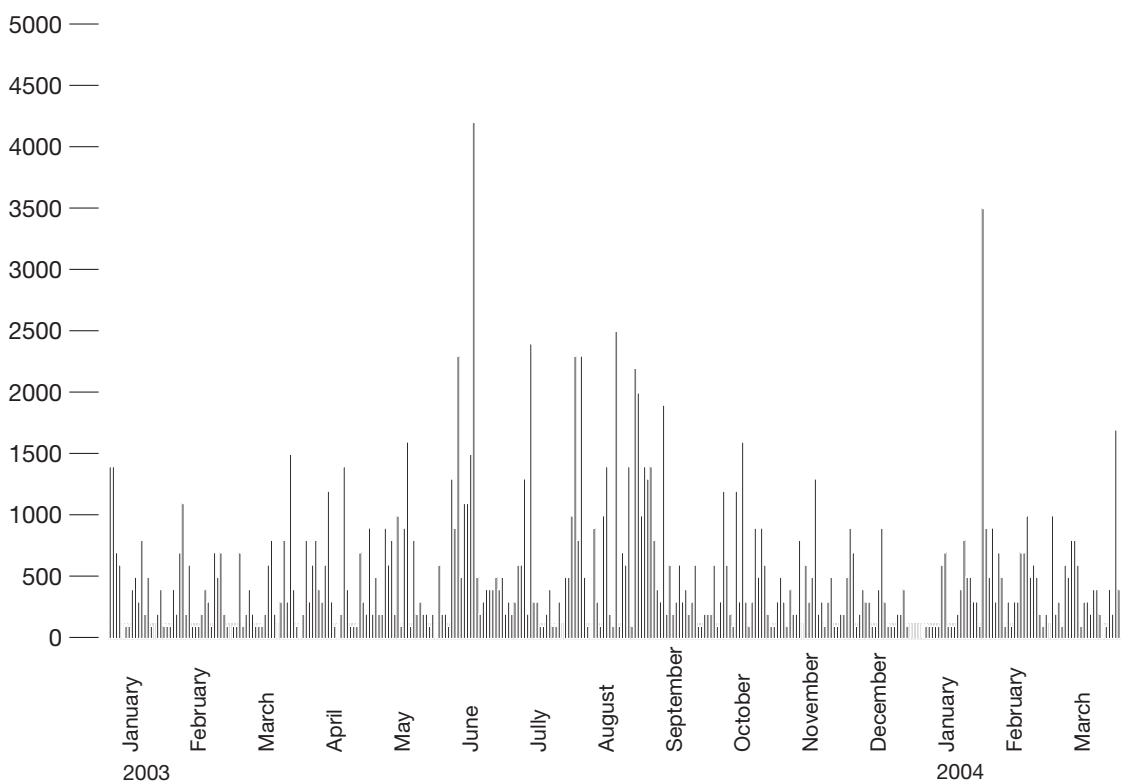
## Bearer shares and respective indices

### Share price in CHF



### Gurit-Heberlein Bearer shares daily volumes

#### Daily volume



# Most Important Addresses

As of April 1, 2004

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