Gurit Heberlein Group

Annual Report 2001

Contents

Facts at a Glance

Group	2001	2000*
Group net sales in CHF million	**339.0**	492.9
Group net sales (excl. Gurit-Essex)	**339.0**	295.3
As compared to previous year	+14.8%	
Cash flow in CHF million	**49.3**	77.3
Cash flow in CHF million (excl. Gurit-Essex)	**49.3**	41.0
As compared to previous year	+20.2%	
Operating result (EBIT) in CHF million	**33.5**	562.3
Operating result (EBIT) (excl. Gurit-Essex)	**33.5**	43.0
As compared to previous year	–22.0	
Group result for fiscal year (incl. third party interests) in CHF million	**31.6**	496.4
Group result in CHF million (excl. Gurit-Essex)	**31.6**	27.7
As compared to previous year	+13.9%	
Result for fiscal year (excl. third party interests) in CHF million	**31.2**	495.7
Result for fiscal year in CHF million (excl. Gurit-Essex)	**31.2**	27.2
As compared to previous year	+14.7%	
Investment in fixed assets in CHF million	**19.8**	22.4
Equity (incl. third party interests) in CHF million	**414.7**	648.1
in % of total assets	61.3%	65.4%
Equity (excl. third party interests) in CHF million	**411.7**	645.0
in % of total assets	60.9%	65.0%
Number of employees (Ø)	**1 410**	1 617
Net sales per capita in CHF	**240 440**	304 800
Net value added per capita in CHF	**151 960**	180 210

Net value added = Net sales minus material costs of products sold

* Previous year restated according IAS 31 (Quota consolidation of Joint Ventures)

For three year comparison see financial review, page 23

Gurit-Heberlein AG	2001	2000
Ordinary result in fiscal year in CHF million	**15.0**	21.9
Result from extraordinary factors	**–**	283.1
Result in fiscal year in CHF million	**15.0**	305.0
Dividend	**24%**	24%
in CHF per bearer share at par CHF 100.–	**24.–**	24.–
in CHF per registered share at par CHF 20.–	**4.80**	4.80

Board and Group Management

(As per January 1, 2002)

Board	Robert Heberlein, Zumikon, Chairman Dr. Paul Hälg, Bäch Hans Huber, Appenzell Nick Huber, Balgach Dr. Walter Känel, Jona Moritz Suter, Basel
Group Management	Dr. Rudolf Wehrli, CEO Hans Ruedi Hefti Peter Lieberherr
Group Finances	Peter Lieberherr
Group Staff	Siniša Stamenic
Auditors	PricewaterhouseCoopers AG, St.Gallen

Management

(As per January 1, 2002)

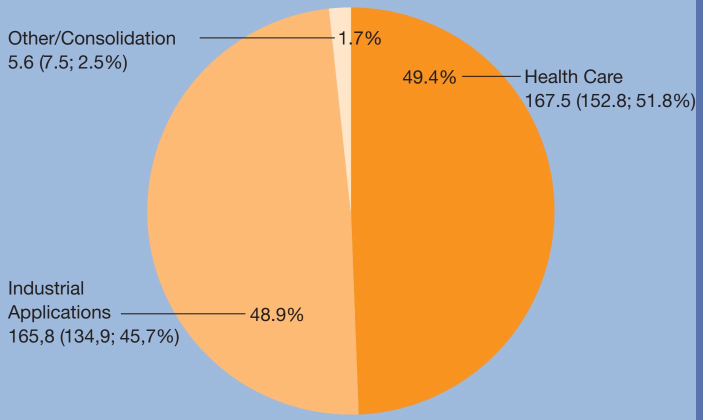
Health Care	
Coltène AG	Hans Ruedi Hefti
Coltène/Whaledent Inc., USA	Jerry Sullivan
Coltène/Whaledent Ltd., UK	Stephen Lawry
Coltène Whaledent GmbH, Germany	Annamaria Kabusreiter-Beck
Coltène/Whaledent S.à.r.l., France	Thierry Fetick
Roeko GmbH & Co. KG, Germany	Hans Ruedi Hefti, Werner Mannschedel, Markus Gilgen
GMB/Medisize	*Willem van den Bruinhorst
B+P Beatmungsprodukte GmbH	Rudi Bruning
Homedica AG	Reto Andreoli
Industrial Applications	
Gurit-Worbla AG	*Ernst Flückiger
IMS Group	*Martin Lütschg
Stesalit AG	Mark A. Erath
Heberlein Fasertechnologie AG	*Heinz Michel
Heberlein Machine Works, India	Vivek Dhawan
Enka tecnica GmbH	Kees Reijnen
Arova Schaffhausen AG	*Josef Kessler

* Members of the executive committee

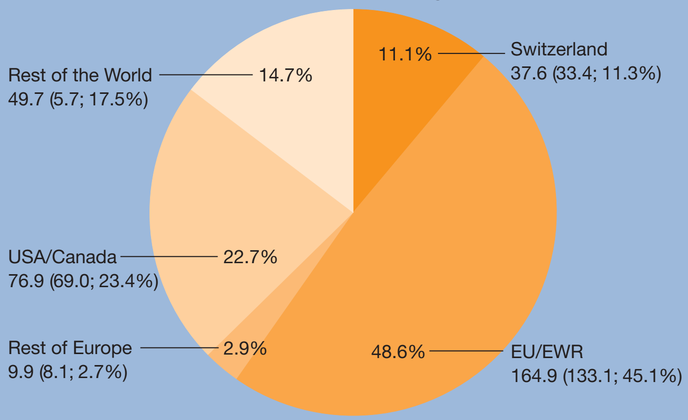
Report of the Board of Directors and

Targeted expansion
of core activities

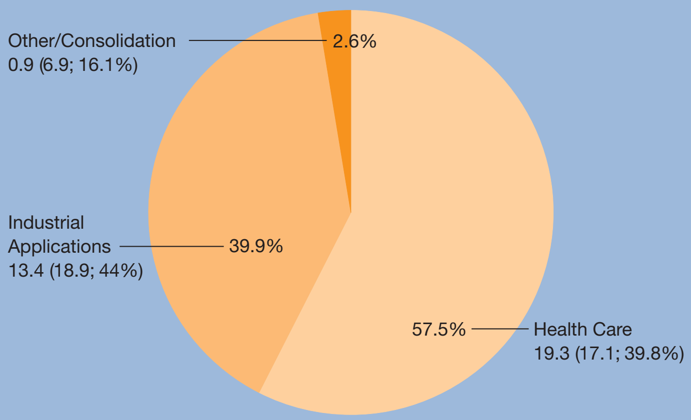
Sales 2001 per Divisions



Sales 2001 per Region



EBIT-Contribution 2001 by Divisions
(excl. third party interests)



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

Group Management

In 2001 the face of the Gurit-Heberlein Group changed substantially. The sale of the Group's automobile operations generated a considerable amount of liquidity. Some of these funds were used to buy back stock totalling CHF 250 million while the rest was invested – and continues to be channelled into – the strategic goal of establishing and expanding the Group's industrial operations. Since selling off its automotive activities, the Group has already established new revenue-generating operations worth more than CHF 100 million. Selective acquisitions and special activities together with the conclusion of several important co-operation agreements have, over the past twelve months, made a lasting improvement to the market positions of both divisions, Industrial Applications and Health Care. The new companies were rapidly integrated into the Group and have noticeably strengthened Gurit's position as a systems provider.

Whenever purchasing new companies and interests, the Group has consistently adhered to familiar strategic criteria: Gurit operates in clearly distinguishable and dynamically growing market segments, in which we either hold or can establish a leading market position with a high market share. Acquisitions, therefore, are made selectively in areas where the products and services the companies offer can be extended to the Group's strategic direction. We consider our core competence to be expertise in Chemical and Synthetics Technology. If Gurit can improve its market position as a systems provider, it will inevitably draw in other related activities that go beyond this narrow definition. However, the main criterion that applies to all our acquisition activities is the acceptability of the price. Gurit-Heberlein has very clear ideas about the value it attaches to external growth.

In 2001, Gurit generated net sales of CHF 339 million. Compared with the corresponding figure of CHF 295 million for the previous year, this represents an increase of 14.8%.

After three encouraging quarters, the economic downturn of the final three months also left its mark on certain areas of the Gurit Group. While growth in the Health Care Division was sustained into the fourth quarter, the Industrial Applications Division saw a decline in deliveries to North America and Asia in both the fiber technology and film processing sectors. At the end of the year, the Group's EBIT stood at CHF 33,5 million, net profit at CHF 31.2 million.

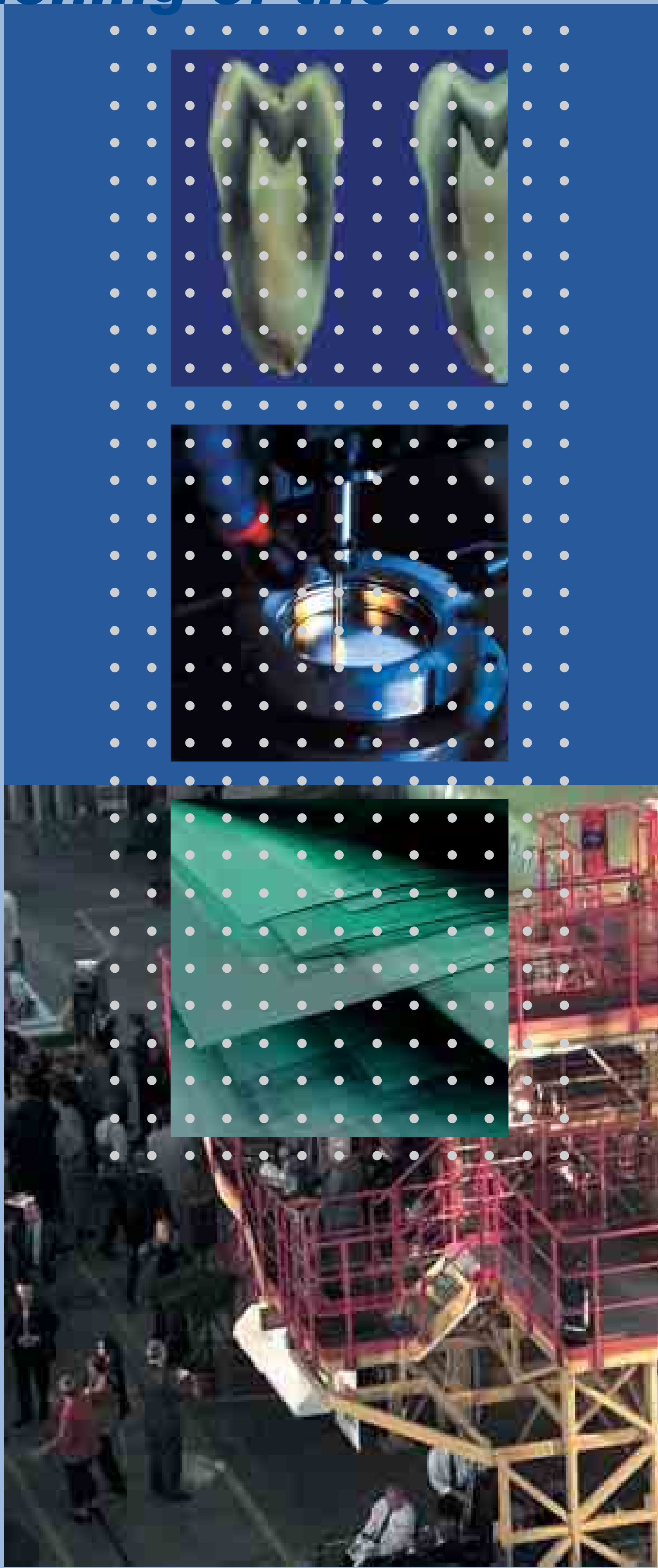
Gurit-Heberlein AG closed the fiscal year with an overall result of CHF 15.0 million. At the Annual General Meeting on May 23, 2002, the Board of Directors will ask shareholders to approve an unchanged dividend of 24%, or CHF 24 per quoted bearer share of nominal value CHF 100.

At this point we should like to offer a warm welcome to the many new employees who have joined us as a result of acquisitions. We look forward to working with all our existing and new staff in expanding our activities and should like to thank all our associates, partners, suppliers and customers for all their help and invaluable cooperation in 2001.

Robert Heberlein
President of the Board of Directors

Dr. Rudolf Wehrli
Chief Executive Officer

Strategic strengthening of the



Gurit embarked upon the first year of the new millennium as a Group with a clear focus on Chemical and Synthetics Technology. The period of transition that has marked the Group's development over many years is now over. After the market-induced disposal of Gurit's automobile operations, the main priority during the year under review was the strategic expansion of its Industrial Applications and Health Care divisions.

Common to both divisions is a basic strategy, whereby Gurit concentrates on clearly distinguishable market segments with exceptionally high growth potential where the Group already holds or can establish a dominant position. For an industrial supplier and systems partner like Gurit, this strategic orientation seems destined to pay big dividends in the years to come.

The new year, then, got off to a promising start. Even at the beginning of September, after analyzing figures for the first half of the year, Group Management firmly believed that the trend would continue. The companies in the Health Care Division lived up to expectations and continued to perform very satisfactorily even in the fourth quarter of the calendar year. The Industrial Applications Division, however, was unable to avoid the repercussions of a slowing economy and marked recessive tendencies in certain sections of the market, with the result that it was unable to achieve its sales targets. On the one hand, there was a clear fall-off in fiber technology deliveries to North America and the Asian markets with their strong dependence on the dollar; on the other, there was a dramatic decline in the production of films and semi-finished materials for the ski and snowboard industries.

If the interests acquired in the course of the year are excluded, net sales were slightly down. One reason for this was the change in raw materials prices. As a general rule

operational divisions

Gurit is striving to achieve strong market positions and quality sales growth in clearly distinguishable market segments with above-average potential.

Strategic strengthening of the

for the synthetics technology sector, falling raw materials prices lead to adjustments in the prices of high-grade products. In the course of the year under review, Gurit streamlined its Industrial Applications Division by selling off the operations with too high a commodity component that had become peripheral to its strategic interests. In the future this is reflected in a loss of approximately CHF 20 million in sales. Nevertheless, these disinvestments will have a positive effect on the EBIT margin.

For an industrial group like Gurit, an overall EBIT margin of 10% for fiscal 2001 amounted to a very attractive result. Sales during the year totalled CHF 339 million and profit stood at CHF 31.5 million. The two divisions, Industrial Applications and Health Care, contributed in varying degrees to this result. While Health Care contributed CHF 19.3 million, or 57.6%, to the Group's EBIT, the share generated by the companies in the Industrial Applications Division came to CHF 13.4 million, or 40.0%.

In view of the high liquidity resulting from the sale of the Group's automobile interests, the first six months of the year produced an extremely good financial result. During the second half, the stock buy-back program and a number of new acquisitions reduced the contribution made to the annual result from financial sources. Net financial earnings totalled CHF 4.6 million.

Selective acquisitions at reasonable terms

The identification, evaluation and inspection of possible acquisition opportunities together with the attendant due diligence and negotiations were one of the main tasks of Group Management and thus of immense importance in the year under review. Since selling off its 50% interest in Gurit-Essex, Gurit has already acquired new interests generating revenue worth some CHF 100 million per year. The most important criterion in any acquisition is strategic orientation, but Gurit also attaches importance to realistic conditions. Acquisitions need to be rapidly integrated into the Group and show a return on capital in the short to medium term.

During the current phase of consolidation in world industries, particularly the health care sector, companies occasionally pay prices that can scarcely be justified by any expected development in the business. This is the reason why not every new acquisition project necessarily leads to a successful conclusion. In view of last year's indisputably good result and the number of acquisition projects in the pipeline, external sales growth should continue for some time into the future.

Apart from acquisitions, Gurit is particularly keen to enter into strategic partnerships. Some of these, naturally, take the form of intra-Group activities, especially in the case of the Industrial Applications Division. However, Gurit's role as a problem-solver and system supplier have also resulted in several successful cooperative ventures with third parties. For several years now, the Medical sector has been working successfully with an American company, King Systems. Likewise, in the respiratory filter and disposable accessories segment, Gurit was able to extend an exclusive OEM agreement with Dräger, the European sector leader.

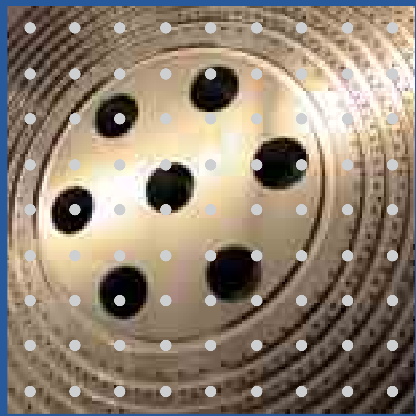
In the Industrial Applications Division, Gurit finalized an agreement with Sika on advanced composites in order to supply these futuristic materials to selected parts of the construction market. Gurit already e.g. supplies Sika with various advanced composites that are used in restorations and help prolong the useful life of old reinforced concrete bridges.

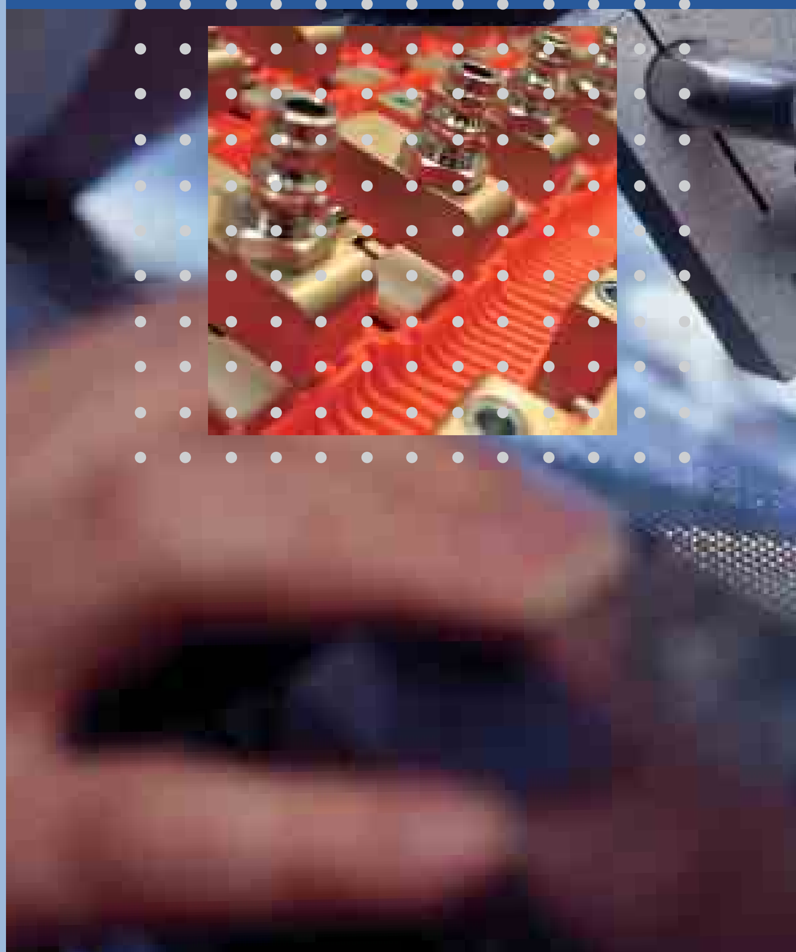
The past year was an impressive example of how quickly the economic situation can change and how strongly external factors can influence corporate development. Not only, but particularly, at times like these does the vital importance of ongoing corporate reporting become fully clear. Gurit has thus further consolidated its connections with the international financial community and, after the difficult fourth quarter in 2001, promptly delivered key figures from its financial statement for the past year right at the beginning of 2002. Gurit is firmly committed to providing fast, transparent and direct information.

Shareholders and other interested parties can visit the Group website at www.gurit.com to put their names on respective mailing lists if they wish to receive future news about corporate developments first-hand.

operational divisions

Industrial Applications





In 2001 the Industrial Applications Division pushed up sales by 22.9 % from CHF 135 million to CHF 166 million and contributed a total of CHF 13.4 million in EBIT to the Group result. The inclusion of Stesalit AG, Zullwil, Switzerland, and Enka tecnica, Heinsberg, Germany, in the list of consolidated companies means that a considerable share of sales was generated by newly acquired Group companies. On the markets, intra-Group activities have rapidly increased in impotance. A number of traditional activities with a strong commodity component were sold off to other industrial concerns.

Until the summer, the IMS Group reported extraordinarily high sales in its traditional market segment, the manufacture of ski and snowboard coatings, surfaces and construction materials. The almost excessive momentum developed during the first six months collapsed so dramatically during the second half of the year that the company failed to meet its targets for this period. It is also difficult to draw conclusions about the inventory situation in the winter sports sector on the basis of sales figures quoted for skis and snowboards. The popularity of carving will continue to boost the market, but snowboard sales appear to be much less promising. The ski materials market remains as demanding as ever: generally speaking, it is exposed to seasonal and weather-related factors, while individual manufacturers are very much dependent on material success in international ski racing competitions.

IMS poised to make major investments

For the IMS Group, as a supplier to this industry, the key to success lies, firstly, in ensuring maximum flexibility at the manufacturing stage and, secondly, in having close, contractually defined development agreements with ski manufacturers. Innovative synthetic formulae open up the way to new gliding characteristics and colour nuances in

The companies of the
Industrial Application Division all share
a broad know how base
in Chemical and Synthetics Technology.

the coatings or facilitate commercially more interesting processing times and temperatures. The typically cyclical nature of the winter sports business will be somewhat counterbalanced by the increasing significance of sales to the automobile industry or manufacturers of wind generators. The latter segment calls for an immense amount of expertise and IMS produces the "prepregs" – resin-impregnated glass fiber, carbon or aramide materials – that are used in the manufacture of the gigantic rotor blades or for tailor-made composite parts such as the clutch systems for large-scale wind power stations. The wide-ranging and highly demanding requirements listed in the specifications for each of these products can only be achieved by working extremely closely with the customer.

Gurit is making major investments in the IMS Group during the current year. The Bern factory is just about to move into a new manufacturing and administration facility in Worb, which will involve the commissioning of new production plant. In Innsbruck, the total redesign and reorganization of the factory is almost completed, and from an operational point of view the Group is ideally equipped for the future.

Leading position as a supplier to the aircraft industry

In its first year with the Group, Stesalit AG reported a considerable increase in sales. Its greatest success was in the manufacture of advanced composites for aircraft interiors. Here, Gurit is one of five European manufacturers and among the leading suppliers of these customized and weight-optimized materials of the future. The materials systems used have been tested and approved by the world's two big aircraft manufacturers, Airbus and Boeing, as well as various other producers of medium-haul and business jets. There is enormous potential for replacments of traditional materials with advanced composites. Although the percentage share of high-performance composites used in the primary (load-bearing) and secondary (interior fittings) structures of modern fighter planes is already well into double figures, the figure for civilian aicraft is still much lower. However, the specifications for the projected new large-cabin jets call for much larger amounts of prepregs. Each general overhaul of existing fleets also creates a replacement need for advanced composite systems. This is the reason why this field is extremely interesting for Gurit, even at times when aircraft building temporarily stagnates or even goes into decline.

During the year under review Gurit also finalized a co-operation agreement with the Swiss Sika Group. The building industry, too, is making increasingly frequent use of fiber-reinforced materials to provide new buildings with greater, weight-optimized stability but also to strengthen older buildings as part of restoration measures. The useful life of reinforced concrete bridges in need of renovation, for instance, can be extended by decades simply by using pultruded advanced composite reinforcements. Overall, the use of composite fiber materials in the building industry developed rather more slowly than expected during the year under review. In professional circles, however, promising applications such as the manufacture of pultruded carbon fiber cables in suspension bridge construction are a subject for regular discussion and experiment.

As a result of the acquisition of AIK Elitrex operations in March 2002, Stesalit has further strengthened its position as a supplier to the aviation and space technology industries.

Gurit Material Systems: tackling the markets together

Between them, IMS, Stesalit and AIK Elitrex can draw on a huge body of common and complementary expertise in advanced composites that opens up a whole range of new and forward-looking applications. Now known jointly under the name Gurit Material Systems, they are forging ahead in various new markets that mainly include the energy sector (wind generators), the transport industry (automobiles, utility vehicles, buses, high-speed trains and shipbuilding) and the construction industry, but also extend to other high-tech areas such as the top end of the home entertainment market or the manufacture of observatories. The three companies made their first public appearance under the name Gurit Material Systems at the JEC Composites Show in Paris in April 2002.

Integration of the individual companies into the new group, Gurit Material Systems, has not only increased their market visibility but also offers organizational and operational advantages. Investment decisions, for instance, are easier to coordinate and some plant and equipment can be utilized jointly. Apart from this, acting as a single unit gives them clear advantages with the purchase of raw materials.

High-grade films from Gurit-Worbla

In the course of the year under review, Gurit sold the production of certain special high-grade film products that were beginning to play an increasingly peripheral role in the Group's strategic planning. Gurit-Worbla sold the production that remains at the existing facility in Ittigen near Bern to the German Renolit Group, Worms, which attaches considerably more importance to these operations as part of its core business.

Industrial Applications

At the same time, Gurit-Worbla has stepped up cooperation with other suppliers on the manufacture of reinforcing films for shoes and established a new extrusion line for this purpose. In the future the company will also be focusing increasingly on high-grade films and plates for optical applications.

After three successful quarters, sales during the fourth fell below target. There was a temporary slump in deliveries of films to North America in the wake of the economic downturn and a loss of orientation on the markets. This applied particularly to commodity films, which were sold with effect from January 1, 2002, and consolidated for the last time during the year under review.

World synthetic fiber production down for the first time in 20 years

The spectre of recession overshadowed developments in fiber technology during the fourth quarter to an even greater extent than film manufacturing. The hesitant recovery noted in some areas during the late summer months was suddenly obliterated by last September's tragic events. Both Heberlein Fiber Technology, Wattwil, and Enka tecnica, Heinsberg/Germany, which joined the Gurit Group in October 2000, finished the fourth quarter well below target. With an 18% fall-off in sales, Heberlein Fiber Technology was effectively below the unusually successful preceding years but still managed to post a double-digit EBIT margin over the year as a whole. Enka tecnica saw sales decline by 10% compared with the previous year and profits, too, were unsatisfactory.

In 2001 worldwide synthetic fiber production slowed for the first time in 20 years. Synthetic fiber manufacturers in all Heberlein Fiber Technology's main markets – the USA, Japan and mainly Taiwan, which had been the company's most important market for years – cut back on investment. Despite this hitch, Heberlein Fiber Technology still managed to achieve encouraging increases in sales in some Asian markets, such as the People's Republic of China, Malaysia, Thailand and India. By having a foot on the ground in Shanghai, the company succeeded in more than doubling sales in China, the biggest market of them all.

After years of building up considerable capacity, sales of air texturing jets fell by more than 40%. Apart from this, it appeared that air-textured yarns were less in demand from the fashion world. Fluctuations in this sector are nothing unusual for Heberlein Fiber Technology.

Developments in the air interlacing sector, which is more important in sales terms, were more encouraging. Here, not least thanks to the integration of air interlacing jets from Enka tecnica, sales were almost at the same high level as the previous year. Although notably fewer new texturing machines were delivered, the company's sensitivity to its customers' needs and a highly desirable product, Slide Jet, resulted in a number of major conversion

projects on existing machines. As this shows, Heberlein Fiber Technology is not exclusively dependent on new machine sales.

With time, customers have discovered the consistent quality and life span of the polyurethane friction discs launched just a year ago. In the year ahead, Heberlein Fiber Technology is planning to double its market share.

Heberlein Fiber Technology and Enka tecnica appeared together for the first time at the ITMA textile machine exhibition in Singapore and held discussions with a number of high-ranking decision makers on the Asian markets.

Prices on the market for spinnerets, the main speciality of the German subsidiary Enka tecnica, came under enormous pressure in 2001. The American nonwoven spinnerets market had previously gone into decline, whereas the markets for the spinpacks used in the spinning of bicomponent yarns or spinnerets for acetate tow developed positively. Here, Enka tecnica succeeded in carving out a good position for itself alongside players with a dominant hold on the market and secured a number of orders that were interesting in volume terms. In view of new technical possibilities, particularly in the bicomponent segment, such as the manufacture of extremely fine microfibers or the processing of recycled materials, the company is expecting unusually high growth rates.

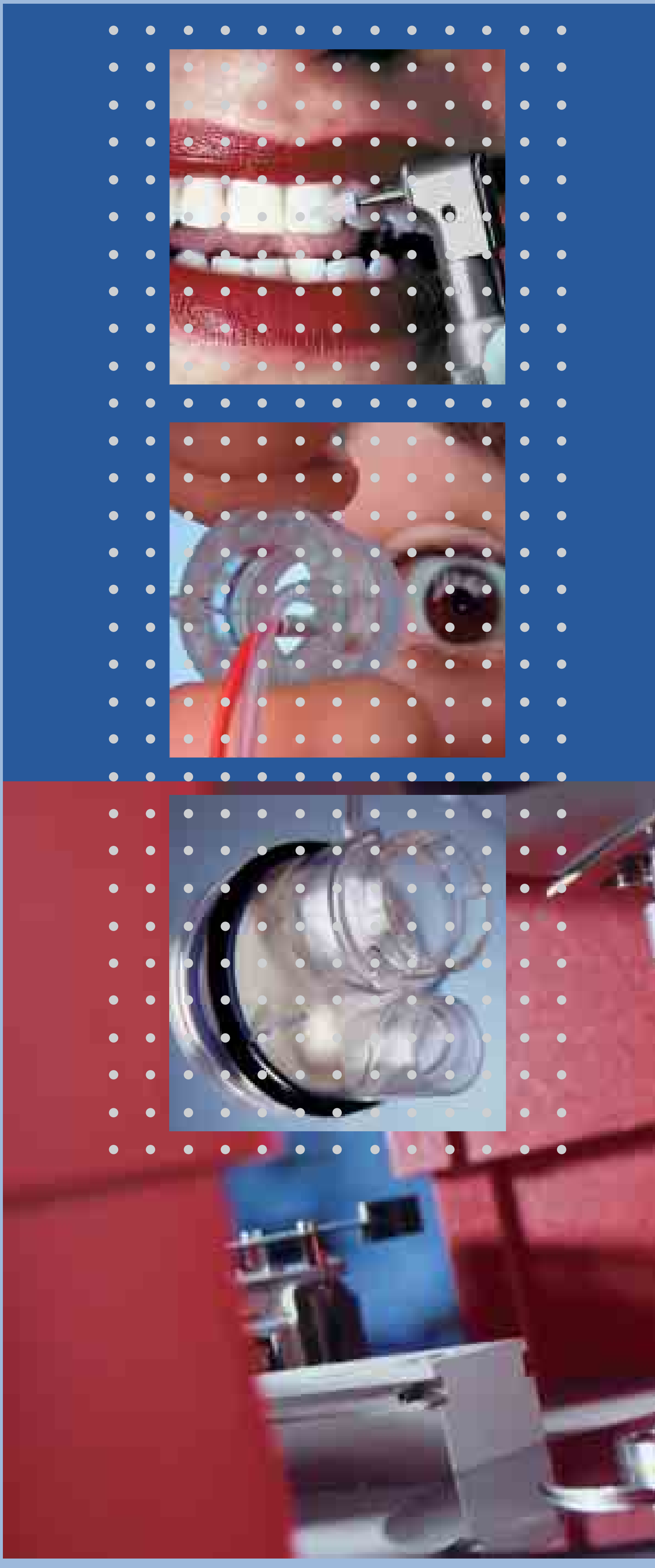
Online yarn quality testing

Enka tecnica has also been successful with its new sensors, which are integrated directly into the ongoing yarn production process. Yarnscan technology, as it is known, allows manufacturers to carry out quality testing while the yarn is actually being spun and not only later in the laboratory. When problems arise, they can intervene immediately and avoid the high cost of faulty production. The interest of international customers in online quality control is enormous, particularly for use in spotting breaks in the industrial yarns as used in airbags, for example.

In view of the unsatisfactory profit levels at Enka tecnica, a package of restructuring measures have been introduced. Apart from a number of organizational improvements and an efficiency-boosting program, Enka tecnica will be reducing the extent to which it is actively involved in production: the splicers used to join two threads and broken-end suction pistols will henceforth be produced at Heberlein Fiber Technology. Like air interlacing jets, these components work with compressed air and there is the prospect of interesting synergies in production and development. The measures introduced, together with the decision to concentrate on two core sectors, spinnerets and online testing technology, should make a sustained improvement to the company's profitability.

Arova Schaffhausen AG sold its twine-manufacturing operations to a competitor in the same region and from now on will be concentrating on special industrial yarns that involve greater expertise and generate higher value-added.

Health Care

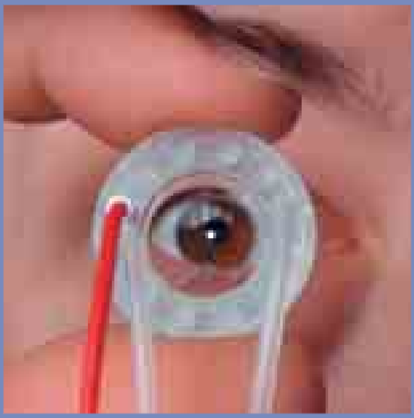


The Health Care Division was unaffected by the political and economic events of the year under review and development was extremely stable. Dental operations in particular were very encouraging and further expansion came in the shape of the German Roeko Group takeover. The Division's medical operations, ranging from the manufacture of respiratory items and OEM injection moulding products under clean-room conditions to trading activities, likewise performed solidly.

The Health Care Division continued to flourish even during the fourth quarter. The recessive market sentiment felt in many target markets went virtually unnoticed in the health care sector and Division sales rose by 9.6% to CHF 168 million as a result. Scarcely any other branch of industry is currently experiencing a more intensive trend towards creating larger company groups than the medical and dental sectors. Traditionally dominated by small and medium-sized companies, many of them specializing in their own domestic markets, the sector is now being increasingly dominated by larger companies with an international focus. Although Gurit is playing a successful role in this consolidation process, it has consistently maintained the necessary financial discipline.

Clients benefit from the broad offering of a systems supplier.

Health Care



Taking a responsible attitude to the needs of tiny patients

Gurit Medical Business witnessed a dynamic development during the year under review. The dutch company Medisize posted major successes with its own lines in the respiratory products segment as well as OEM clean-room production of medical products. The two medical commercial operations, B+P Beatmungs-Produkte in Germany and Homedica in Switzerland, also played their part in the sector's success with a significant improvement in results.

As a specialist manufacturer of respiratory filters and tubes, Medisize has in recent years increasingly turned its attention to the specific needs of newborn babies and infants. Intensive care and artificial respiration put an enormous psychological and emotional strain on babies and children as well as on their parents, doctors and nursing staff. It was in response to this problem that Medisize launched “Air4Kids” at the Medica trade fair in Düsseldorf. Designed specifically for babies and children, the products make the necessary use of respiratory aids more tolerable for little patients.

Partner for innovative solutions

In its capacity as an OEM partner, Medisize places its specialist plastics and engineering expertise, together with the necessary clean-room production capacity, at the disposal of well-known manufacturers. One outstanding example of how successful this form of cooperation can be came in 2001 with the development to series production stage of a new, painless and non-invasive method of administering medicaments into the eye.

In a world first, Optis France developed a device called “Eyegate” that uses direct current and iontophoresis to introduce medicaments through the conjunctiva, the mucous membrane covering the eyeball and the inner surface of the eyelid, into the posterior segment of the eye. Now patented, “Eyegate” comprises two components: an applicator, which is placed directly against the conjunctiva and contains the liquid medicament, and a battery-powered microgenerator to release ions.

It is in the industrial production of Eyegate where the engineering and synthetics expertise of Medisize came in. First, new transparent material formulae had to be developed specifically for the customer and, second, the softer material (SEBS) had to be injection-moulded onto the harder material (PS). This actually runs contrary to standard thermoplastics processing methods and places enormous demands on the injection moulding tools.

Further expansion of Dental sector range

In the Dental sector, Gurit has been equally successful with its strategy as a system supplier. The Coltène/Whaledent Group now offers a range of products that cover most of the dental treatment sector. Customers benefit from having the full range of products and services offered by an all-round supplier, who in turn can fully exploit potential synergies in logistics and distribution as well as cross-selling opportunities. Following the integration of

Diatech Dental AG, acquired with effect from January 1, 2002, Coltène/Whaledent extended its product range to include rotating instruments. Negotiations regarding the takeover of the German Roeko Group were finalized at the end of the year under review and this move has undoubtedly strengthened the international positioning of Gurit's dental operations. Roeko, which is domiciled in Langenau, Germany, has branch offices in the US and Hungary and is a well-known manufacturer of consumables for endodontic applications and oral drying materials (cotton wool products). Integration of Roeko into the Coltène/ Whaledent Group has got off to a promising start and there has been consistent use of synergies. This acquisition will help to push up the Division's EBIT margin very quickly.

In fiscal 2001 the Coltène/Whaledent Group posted increased sales and profits yet again. Dental operations were hardly influenced at all by political events and the increasingly recessive sentiment that took hold towards the end of the year. Indeed, sales in the US of all places were one of the main reasons for the Group's success. But positive impulses also came from the introduction of new products and the integration of Diatech Dental AG. Larger market shares in the industrialized nations and sustained positive results in Latin America, the CIS states and eastern Europe offset the effects of rather weak tender business in the Near and Middle East.

Dental Design

At the world's most important dental fair in Cologne, Coltène/Whaledent unveiled two much-regarded innovations in the prosthetic and aesthetic dental care sectors. AFFINIS, a new soft impression material designed for making dental imprints, has material properties geared specifically to moist oral environments and is the perfect problem-solver when it comes to determining the exact position of the teeth.

MIRIS, a composite filling material developed by renowned dentist Dr. Didier Dietschi (University of Geneva), opens up completely new avenues in restorative dental treatment. Dietschi's “natural layering” concept is setting new standards in the reproduction of natural dental matter. Also new systems for provisional crown and bridge treatment as well as stump restoration have also generated positive feedback.

Financial Review

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Divisional results (Continuing activities)

Chemical and Synthetics Technology

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

in CHF 1000

	2001	2000	1999
Net sales	**339 020**	**295 276**	**260 357**
of which Health Care	167 537	152 840	136 326
Industrial Applications	165 829	134 949	118 244
Others/Consolidation	5 654	7 487	5 787
Cost of goods and materials	–124 751	–101 439	–88 833
Personnel expenses	–110 243	–94 051	–87 334
Other operating expenses	–27 638	–23 070	–20 130
Management and sales expenses	–32 387	–27 080	–22 332
Other operating earnings	7 246	6 607	891
Depreciation	–17 703	–13 257	–14 433
Operating profit (EBIT)	**33 544**	**42 986**	**28 186**
of which Health Care	19 292	17 126	10 008
Industrial Applications	13 372	18 943	17 174
Others/Consolidation	880	6 917	1 004
Financial expenses	–11 331	–13 250	–10 152
Financial earnings	15 962	3 447	2 759
Earnings before tax	**38 175**	**33 183**	**20 793**
Earning tax	–6 601	–5 451	–2 361
Group result (incl. third party interests)	**31 574**	**27 732**	**18 432**
Minority interests	–392	–537	–720
Result for fiscal year (excl. third party interests)	**31 182**	**27 195**	**17 712**
Consolidated Cash flow (Divisions result + depreciations)	**49 277**	**40 989**	**32 865**
EOS [Return (EBIT) on Sales]	**9.9%**	**12.5%** (adjusted)	**10.8%**
RONA [Return (EBIT) on Net Assets]	**15.3%**	**n.v.**	**n.v.**
ROE [Return (Profit) on Equity]	**7.6%**	**n.v.**	**n.v.**

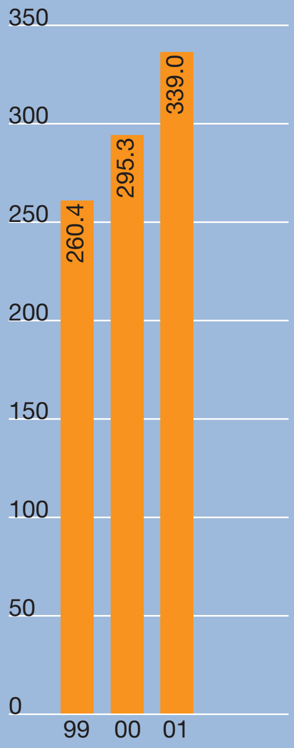
3 Year Comparison (Continuing activities)

Chemical and Synthetics Technology

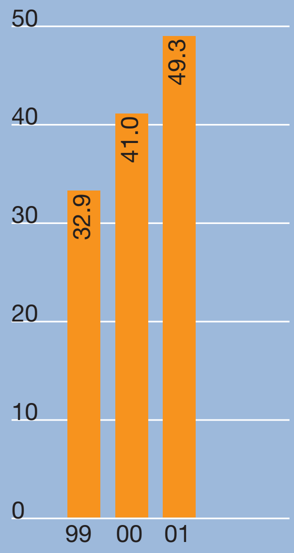
Group Divisions Health Care and Industrial Applications (excl. Gurit-Essex and Heberlein Textiles)
(comparable, ordinary Group result, excl. result from extraordinary factors)

in CHF million

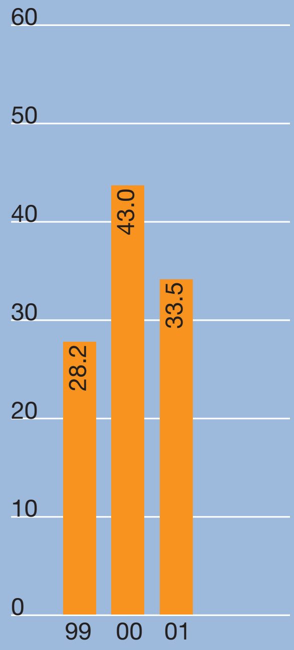
Group net sales



Group cash flow

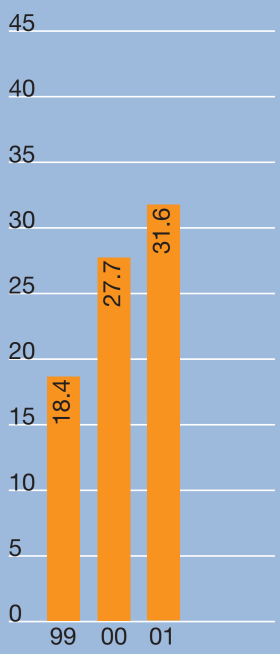


Group EBIT

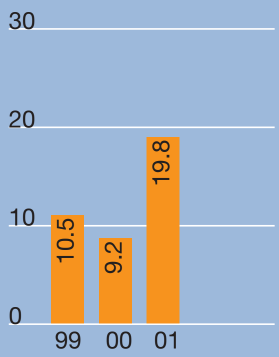


in CHF million

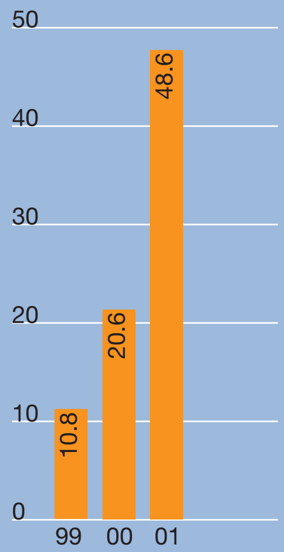
Group result



Investment in fixed assets



Total investments



Note

The figures listed on pages 22 and 23 are comparable with the Group in its present form with the Health Care and Industrial Applications Divisions (i.e. excluding Gurit-Essex until 2000 and excluding Heberlein Textil until 1999).

The figures on the following pages show the formal IAS statement: in the previous year they also contain the pro-rata figures for Gurit-Essex (restated on the basis of IAS 31: 50% quota consolidation of the joint ventures). These figures for the previous year cannot be compared with the current ones for 2001.

Group Organization

Gurit Heberlein AG
Dr. Rudolf Wehrli, CEO
Hans Ruedi Hefti
Peter Lieberherr

Group staff/
Legal affairs
Siniša Stamenic

Group Finances/
Group Controlling
Peter Lieberherr

Gurit Health Care Division

Dental Care

Coltène AG
Hans Ruedi Hefti
Switzerland
Germany
Great Britain
France

Diatech AG
Switzerland

Coltène/Whaledent Inc.
Jerry Sullivan
USA

Roeko GmbH & Ko. KG
Hans Ruedi Hefti
Germany

Medical Business

GMB/Medisize BV
Willem van den Bruinhorst
Netherlands

B+P Beatmungs-Produkte GmbH
Rudi Bruning
Germany

Homedica AG
Reto Andreoli
Switzerland

Gurit Industrial Applications Division

Material Systems

IMS-Gruppe (80%)
Martin Lütschg
Switzerland
Austria
Germany
France

Stesalit
Mark Erath
Switzerland

AIK Elitrex
Germany

Gurit-Worbla AG
Ernst Flückiger
Switzerland

Fiber Technology

Heberlein Fasertechnologie AG
Heinz Michel
Switzerland

Enka tecnica GmbH
Kees Reijnen
Germany

Arova Schaffhausen AG
Josef Kessler
Switzerland

(As of March 1, 2002)

Group Companies

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

Company	Activity	Registered capital		Group ownership
Coltène AG, Altstätten CH	Production and sales of dental specialities	CHF	1 600 000	100%
Diatech Dental AG, Heerbrugg CH	Production and sales of dental specialities	CHF	100 000	100%
Coltène/Whaledent Ltd., Burgess Hill UK	Sales of dental specialities	GBP	200 000	100%
Coltène Whaledent Dentalvertriebs GmbH, Konstanz D	Sales of dental specialities	DEM	500 000	100%
Coltène/Whaledent S.à.r.l., St-Ouen F	Sales of dental specialities	FRF	3 300 000	100%
Coltène/Whaledent Inc., Mahwah NJ/USA	Production and sales of dental specialities	USD	5 000 000	100%
Roeko GmbH & Co. KG, Langenau D	Production and sales of dental specialities	DEM	1 600 000	100%
GMB/Medisize BV, Hillegom NL	Production and sales of plastic medical products	NLG	12 500 000	100%
B+P Beatmungs-Produkte GmbH, Neunkirchen-Seelscheid D	Production and sales of plastic medical products	DEM	600 000	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%
Gurit-Worbla AG, Ittigen CH	Production and sales of plastic sheeting, laminates and slabs	CHF	6 500 000	100%
IMS Kunststoff Holding AG, Ittigen CH	Holding company	CHF	4 000 000	80%
IMS Kunststoff AG, Ittigen CH	Production and sales of plastic semi-manufactured products for sports applications	CHF	500 000	100%
IMS Kunststoffgesellschaft mbH, Innsbruck A	Production and sales of plastic semi-manufactured products	ATS	10 000 000	100%
IMS Kunststoff GmbH, Vreden D	Production of sintered ski bases	DEM	2 050 000	100%
IMS France S.A.S., Perrignier F	Production of extruded ski coatings	FRF	2 000 000	100%
Stesalit AG, Zullwil CH	Production and sales of plastic semi-manufactured products	CHF	7 500 000	100%
Heberlein Fiber Technology Inc., Wattwil CH	Production and sales of textile machinery components	CHF	1 000 000	100%
Heberlein Machine Works (India) Pvt. Ltd., Mumbai IND	Sales and servicing of textile machinery components	IRP	1 400 000	51%
Enka tecnica GmbH, Wuppertal D	Production and sales of textile machinery components	DEM	1 000 000	100%
Arova Schaffhausen AG, Schaffhausen CH	Production and sales of yarns and cords, real estate company	CHF	8 000 000	100%
Heberlein & Co. AG, Wattwil CH	Real estate and service company	CHF	1 000 000	100%
Hepatex AG, Wattwil CH	Management Company	CHF	100 000	100%

(As per January 1, 2002)

Accounting Policies

Principles of Consolidation

Introductory remarks
The Gurit-Heberlein Group Financial Statement was prepared in accordance with the International Accounting Standards (IAS) guidelines laid down by the International Accounting Standards Committee.

The Group Financial Statement is based on the accounts of the individual Group subsidiaries that have all been prepared according to the same principles as at December 31.

The Annual Statements were examined by independent auditors in accordance with the guidelines laid down in the International Standard of Auditing (ISA).

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 26 (excl. Roeko GmbH & Co KG, Langenau D). The consolidation base was changed by the sale of Albrow Products Ltd. (former subsidiary of Gurit-Worbla AG) as at December 31, 2001; acquisition of Stesalit AG and Diatech Dental AG effective January 1, 2001.

Consolidation method
Investments in subsidiaries are consolidated in accordance with the purchase price method. Assets and liabilities are revalued following 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.

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.

Foreign currency conversions
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 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.

The most important exchange rates are listed below:

Exchange rates in CHF

	31.12.00	Ø 2000	31.12.99	Ø 1999
1 USD	1.66	1.69	1.63	1.69
1 EUR	1.48	1.51	1.52	1.56
100 DEM	(75.67)	(77.21)	77.95	79.57
100 NLG	(67.16)	(68.52)	69.18	70.62
100 FRF	(22.56)	(23.02)	23.24	23.73

Accounting Policies

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.

Accounts receivable
Accounts receivable in respect of deliveries and services and other accounts receivable are shown at their nominal value minus value adjustments necessary for business purposes.

Inventories
Inventories are valued at average cost price or manufacturing cost, or at 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 5 to 10 years. In individual cases this may be extended to up to 15 years.

Leased assets with a value of over CHF 100 000.– are carried as assets and depreciated along with the other assets. The corresponding lease obligations are entered as liabilities. Lease instalments 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 investments are entered at purchase cost minus adjustments for permanent losses in value. Securities are entered at market value. The effects of changes in value on profits are taken into account.

Intangible assets
The purchase price of holdings in excess of pro-rated shareholders' equity is shown in the accounts as goodwill. This is written off over a period of 20 years at the most in the income statement. Other intangible assets are valued at purchase costs. They are subject to linear depreciation over a maximum period of 5 years.

Financial risk management
Accounts receivable and liabilities in foreign currencies are hedged as a matter of principle. This ensures that the Group actually achieves its calculated revenues and that any currency losses are kept within predefined limits. Derivative financial instruments such as future contracts and currency options are used for this purpose.

Risks arising from interest rate fluctuations are lessened by financing balance sheet items with instruments of a similar type and term.

From a bookkeeping point of view, cash flow hedges follow the rules of hedge accounting, i.e. profits and losses from derivative financial instruments are not shown as affecting the result until such time as the underlying transaction is settled. At the settlement date, the items are entered at current market value, changes in the valuation are shown under equity. Other derivative financial instruments are stated at market value and effects are shown in the income statement.

Provisions
Necessary reserves are created 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.

Pension contributions
Wherever legally required, separate pension funds exist in addition to the state scheme. Contributions are paid by both employer and employee.

The contributions to the plans of the State and the ones of the companies have been recognised in the consolidated income statement according to IAS 19 following the method of defined contribution plans.

The pension liabilities of three foreign companies, based on defined benefit plans, have been recognised according to the recommendation of an independent actuary (the corresponding amounts are low).

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.

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.

Research and development
As a rule, research and development costs are charged to expenses as they occur. Development costs are only capitalized and depreciated over a maximum of 5 years if it can be safely assumed that the project in question will be realized.

Group Financial Statements

Balance sheet

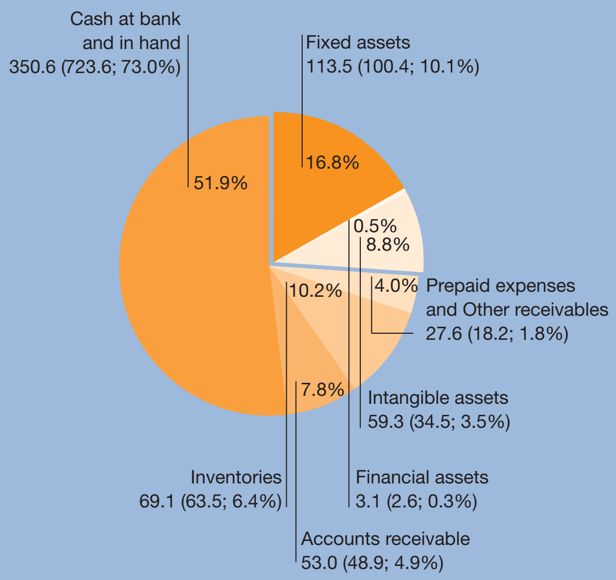
in CHF 1000

Assets	Ref.	31.12.2001	31.12.2000
Cash at bank and in hand	1	**350 555**	723 574
Accounts receivable		**53 024**	48 959
Other receivables and prepaid expenses	2	**20 055**	10 765
Deferred taxes	(12)	**7 529**	7 449
Inventories	3	**69 052**	63 484
Working capital		**500 215**	854 231
Plant and equipment		**38 402**	32 838
Plant under construction		**1 737**	1 151
Real estate		**73 334**	66 403
Fixed assets	4	**113 473**	100 392
Financial assets	5	**3 117**	2 593
Intangible assets	5	**59 278**	34 456
Fixed assets		**175 868**	137 441
Total assets		**676 083**	991 672

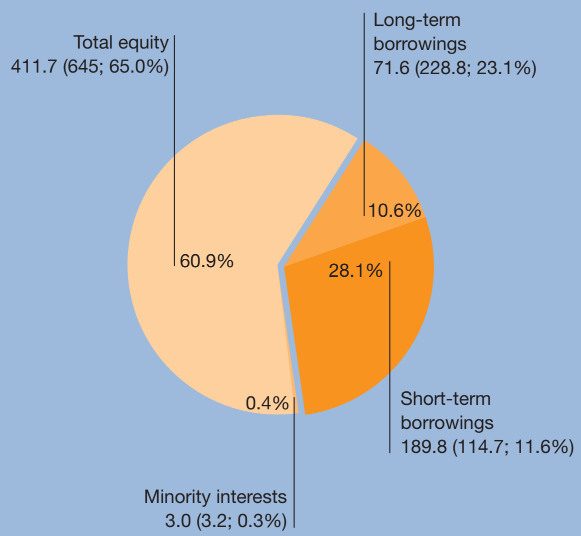
Equity and liability	Ref.	31.12.2001	31.12.2000
Bank loans	6	**32 709**	29 815
Accounts payable to suppliers		**14 964**	12 808
Other accounts payable and prepaid expenses	7	**26 619**	35 462
Reserves	8	**15 488**	36 626
Bond loan 1997–2002	10	**100 000**	–
Short-term borrowings		**189 780**	114 711
Mortgages and loans	9	**36 840**	93 987
Bond loan 1997–2002	10	**–**	100 000
Other accounts payable	11	**2 508**	3 598
Reserves for deferred taxes	12	**27 099**	26 655
Other reserves	13	**5 138**	4 572
Long-term borrowings		**71 585**	228 812
Total borrowings		**261 365**	343 523
Minority interests	14	**3 042**	3 149
Share capital		**43 305**	54 597
Capital reserves (Agio)		**–**	56 213
Revalutation of reserves		**1 878**	2 308
Hedge differencies		**–1 009**	–
Exchange differences		**367 502**	531 882
Total equity (excl. third party interests)	15	**411 676**	645 000
Total equity (incl. third party interests)		**414 718**	648 149
Total liabilities		**676 083**	991 672

Structure of assets and liabilities — in CHF million

Working capital / Fixed assets



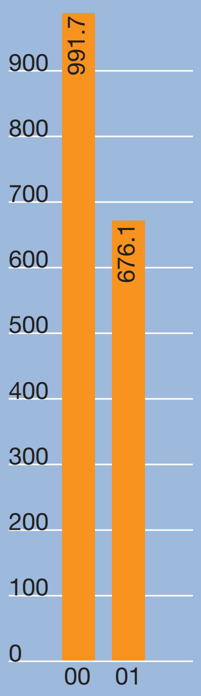
Total equity / Borrowings



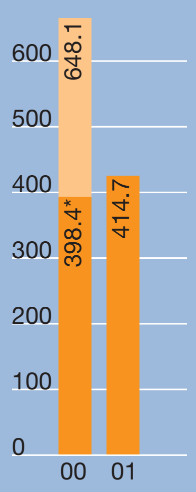
Previous year figures in brackets

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
2001: 61.3%
2000: 65.3%
2000: 53.7% (after capital repayment)

* 2000 after capital repayment

Group Balance Sheet

Notes to balance sheet items

Assets

1 Cash at bank and in hand
Liquid assets consist of cash at bank and in hand. The decrease compared with the previous year is largely due to the 20% capital repayment of CHF 250 million, effective May 18, 2001.

2 Other receivables and prepaid expenses
These items include.

in CHF 1000	2001	2000
Other receivables	15 472	9 914
Prepaid expenses	4 583	851
Total	**20 055**	**10 765**

3 Inventories
Inventories are as follows:

in CHF 1000	2001	2000
Raw materials	23 624	21 881
Marketable goods	5 743	5 087
Finished and semi-finished goods	39 685	36 516
Total	**69 052**	**63 484**

4 Fixed assets
(see also Summary of Assets)

5 Financial and intangible assets
(see also Summary of Assets)

Intangible assets include CHF 57.8 million (previous year CHF 33.1 million) in goodwill purchased along with interests in other companies, which is to be written off over a period of 20 years. The value of other intangible assets totalled CHF 1.5 million (previous year 1.4 CHF million), which does not include substantial research and development costs. Treasury stock are offset against shareholders' equity (see also 15).

Liabilities

6 Bank loans
Short-term bank loans include current account overdrafts and fixed-rate advances at usual market interest rates.

7 Other accounts payable and prepaid expenses
Other accounts payable include CHF 1.0 million (previous year CHF 1.1 million) in short term lease commitments.

8 Reserves
Short-term reserves include the following items:

in CHF 1000	Tax	Guarantees	Other	Tot 2001	Tot 2000
31.12.2000	25 376	697	10 553	**36 626**	11 697
Dissolution	–19 979	–246	–2 381	**–22 606**	0
Appropriation				**0**	36 311
Re-Groupings			580	**580**	**2 625**
Change in the scope of consolidation	888			**888**	**–14007**
31.12.2001	6 285	451	8 752	**15 488**	**36 626**

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 were made mainly for risks regarding real estate in Wattwil.

9 Mortgages and loans
Mortgages amount to CHF 8 (previous year CHF 53 million). The major part of this sum is owed in Switzerland. Long-term loans from bank and others amount to CHF 29 (previous year CHF 41) million. The greater part of this sum relates to loans granted to foreign subsidiaries in local currencies (mainly USD and EUR). The following tables show when payments are due.

as of 31.12.2001 **in CHF 1000**

Maturity	Bank loans	Loans	Mortgages	Total
2003	23 880	0	7 228	31 108
2004	1 580	0	228	1 808
2005	35	2 000	61	2 099
2006	0	0	0	–
beyond	0	1 825	0	1 825
Total	**25 498**	**3 825**	**7 517**	**36 840**
interest rates Ø	5.8%	2.4%	3.6%	

as of 31.12.2000				in CHF 1000
Maturity	Bank loans	Loans	Mortgages	Total
2002	119	0	5 235	5 354
2003	37 799	0	16 235	54 034
2004	1 580	0	236	1 816
2005	38	0	0	38
darüber	0	1 745	31 000	32 745
Total	**39 536**	**1 745**	**52 706**	**93 987**
interest rates Ø	7.6%	0%	4.2%	

10 Bond loans

A 3½% bond worth CHF 100 million, to run from 1997 to 2002 is due as at October 29, 2002 (now included in short-term borrowings).

11 Other obligations

This item includes long-term lease commitments.

12 Reserves

These reserves include the following items:

in CHF 1000	Total 2001	Total 2000
31.12.2000	26 655	23 144
Appropriation	302	22 293
Dissolution	–510	–3 478
Change in scope of consolidation	652	–15 304
31.12.2001	27 099	26 655

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

in CHF 1000	31.12.2000		31.12.1999	
	Deferred tax receivables	Deferred tax payables	Deferred tax receivables	Deferred tax payables
Receivables	586	405	559	377
Inventories	1 502	1 819	1 604	1 479
Fixed assets	4 860	9 643	4 849	7 061
Intangible assets	40	724	50	769
Short-term borrowings	220	100	334	77
Long-term borrowings	902	16 118	936	18 236
Deferred taxes from losses carried forward	24 751		30 541	
Adjustments of deferred losses carried forward	– 23 622		–30 080	
Settlement of deferred debt and receivables	–1 710	–1 710	–1 344	–1 344
Total	**7 529**	**27 099**	**7 449**	**26 655**

13 Other reserves

Other reserves include the following items:

in CHF 1000	Pension plans and other social security payments	Other Reserves	Total 2001	Total 2000
31.12.2000	4 391	181	4 572	**5 261**
Consumption	–43	–25	–68	**–9**
Dissolution	–19	–41	–60	0
Appropriation	444		444	389
Re-Groupings			0	**–2 625**
Change in scope of consolidation		250	250	**1 556**
31.12.2001	4 773	365	5 138	**4 572**

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 process risk and guarantee obligations.

14 Minority interests

The interests of third parties in capital, reserves and profit amount to CHF 3.0 million (previous year CHF 3.1 million).

15 Equity

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

The share capital shows the capital of Gurit-Heberlein AG; adjusted by treasury stock (see also Statements on Gurit-Heberlein AG).

The outstanding capital is split into 393 480 (previous year 491 850) bearer shares and 240 000 (previous year 300 000) registered shares. The change is the result of the 20% capital repayment of CHF 250 million, effective May 18, 2001.

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.

Group Financial Statement

Group income statement

Income statement (IAS)	Ref.	2001	in CHF 1000 2000*
Net sales	16	**339 020**	492 859
Cost of goods and materials	17	**–124 751**	–201 456
Personnel expenses	18	**–110 243**	–129 525
Other operating expenses	19	**–27 638**	–34 613
Marketing and administrative expenses	19	**–32 387**	–35 329
Other operating revenue	19	**7 246**	8 377
Depreciation	20	**–17 703**	–18 169
Impact of extraordinary factors on the result	21	**–**	480 161
Operating result (EBIT)		**33 544**	562 305
Financial expenses	22	**–11 331**	–14 940
Financial earnings	22	**15 962**	5 707
Profit before tax		**38 175**	553 072
Earnings tax		**–6 601**	–13 731
Tax impact of extraordinary factors		**–**	–42 989
Total income tax	23	**–6 601**	–56 720
Group result (incl. third party interests)	24	**31 574**	496 352
Third party interests		**–392**	–621
Result for fiscal year (excl. third party interests)	25	**31 182**	495 731
Earnings (loss) per share		**CHF 72.01**	CHF 907.99
Diluted earnings (loss) per share		**CHF 71.84**	CHF 906.80

Result from ordinary Group activities	2001	2000
Group cash flow	**49 277**	77 349
Operating profit (EBIT)		82 144
Financial expenses/earnings		–9 233
Earnings tax		–13 731
Group result (incl. third party interests)		59 180
Third party interests		–621
Result for fiscal year (excl. third party interests)		58 559
Earnings per share		CHF 106.11

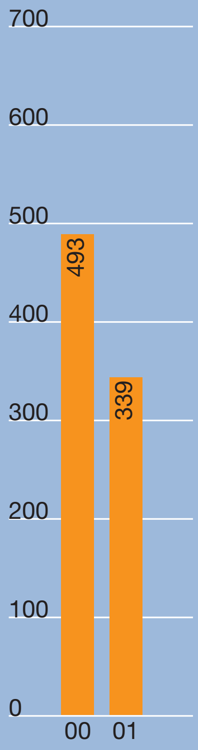
Results from discontinued activities	2000
Sale of Gurit-Essex Group	516 531
Charges Fashion Textiles	–19 105
Valuation of real estate Wattwil	–17 265
Tax effects	–42 989
Total result from discontinued activities	437 172
Total result for fiscal year (excl. third party interests)	495 731

*Restated according IAS 31 (Quota consolidation of Joint Ventures)

Group result and cash flow as percentage of net sales

in CHF million

Net sales

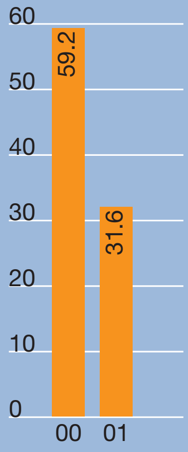


* Restated

Ordinary Group result

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

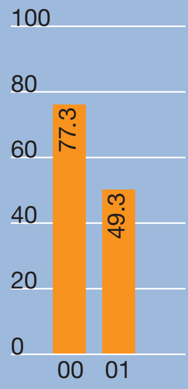
Group result as percentage
2001: 9.3%
2000: 12.0%



Group cash flow

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

Group cash flow
as percentage of net sales
2001: 14.5%
2000: 15.7%

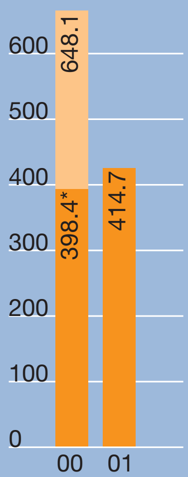


Return on Equity

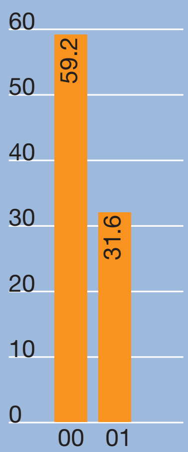
in CHF million

(Values incl. third party interests)

Equity



Ordinary Group result



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

Return on equity
2001: 7.6%
2000: 9.1%

* 2000 after capital repayment

Group Income Statement

Notes to the income statement

16 Net sales
(see also Segment Information on page 42)
Consolidated net sales amount to 339.0 million. On a comparable basis, (CHF 295.3 million in the previous year excl. Gurit-Essex), sales increased by 14.8%. Production in Switzerland accounted for 49% (previous year 48%) of sales, while the remaining 51% (previous year 52%) was covered by foreign production.

17 Cost of goods and materials
This item amounted to 36.8% of net sales (previous year 40.9%). This item also includes changes in the value of goods held in stock.

18 Personnel expenses
The workforce numbers in average 1410 (previous year 1617).
(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 3.7 million (previous year: CHF 3.9 million). This amount is recorded as personnel expenses in the consolidated income statement.

19 Other operating, marketing and administrative expenses
Other operating expenses total to CHF 52.8 (previous year CHF 61.6) million. Operating expenses include repair and maintenance of fixed assets as well as R&D costs. Other operating expenses include losses stemming from the sale of fixed assets amounting to CHF 0.087 million (previous year CHF 0.238 million) and earnings from the sale of fixed assets of CHF 3.765 million (previous year CHF 0.310 million).

20 Depreciation
(see also List of Assets pages 38/39)

in CHF 1000	2001	2000
Depreciation according to income statement	17 703	18 169
Depreciation included in impact of extraordinary factors	0	24 659
Total Depreciation according to list of assets	**17 703**	**42 828**

21 Impact of extraordinary factors (2000)

in CHF 1000	2000
Profit from sale of Gurit-Essex Group (excl. tax effects of 42 989)	516 531
Charges Fashion Textiles *)	–19 105
Valuation real estate Wattwil *)	–17 265
Total	**480 161**

*) As a consequence of the phasing out of the Heberlein Textil AG (leased assets and rental of building).

22 Financial expenses/financial earnings
Financial expenses were CHF 4.6 million net (previous year CHF 9.2 million).

2001

(in CHF million)	Financial expenses	Financial earnings	net
Interest	9.7	15.3	5.6
Exchange rate differences	1.6	0.6	–1.0
Total	**11.3**	**15.9**	**4.6**

2000

(in CHF million)	Financial expenses	Financial earnings	net
Interest	11.0	4.1	–6.9
Exchange rate differences	3.9	1.6	–2.3
Total	**14.9**	**5.7**	**–9.2**

23 Taxes

Tax costs amounted to CHF 6.6 million (previous year CHF 56.7 million).

Tax expenditure

(in CHF million)	**2001**	**2000**
Earnings taxes	6.8	36.6
Deferred taxes	–0.2	20.1

Tax expense can be analyzed as follows:

(in CHF million)	**2001**	**2000**
Group result before income taxes	38.2	553.1
Tax expenses at applicable tax rate of 25% (previous year 27%)	9.5	149.3
Tax expenses at other rates	–0.1	–83.2
Tax savings thanks to losses carried forward	–2.4	–6.8
Loss for the period excl. actual tax savings	0.5	5.8
Effect of not accepted tax positions	0	–5.8
Revaluation of losses carried forward (tax impact Fashion Textiles)	–0.3	0
Settlement of value-adjusted losses carried forward	–0.1	–0.8
Other irrelevant impact	–0.5	–1.8
Actual tax payments	6.6	56.7
Actual tax rate	17.3%	10.3%

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

Losses carried forward and duration

(in CHF million)	**2001**	**2000**
1–3 years	14.3	25.4
4–6 years	55.8	37.9
more	21.0	42.5
Total	**91.1**	**105.8**
Positive tax effect	24.7	30.5
Adjustments	–23.6	–30.1

24 Group result for fiscal year

(incl. third party interest)

The Group result stood at CHF 31.6 million (previous year: CHF 496.4 million incl. extraordinary factors). On a comparable basis (excl. Gurit-Essex) the Group result for the previous year amounts to CHF 27.7 million.

25 Result for fiscal year

(excl. third party interest)

The Ordinary Result (excl. third party interests) amounts to CHF 31.2 million (previous year CHF 495.7 million; incl. extraordinary factors). On a comparable basis (excl. Gurit-Essex) the respective previous year's figure is CHF 27.2 million.

Earnings per share (EPS) are CHF 72.01 (previous year CHF 907.99). (Excl. extraordinary factors, the ordinary EPS in the previous year was CHF 106.11.) (See also page 54; Investor relations.)

Summary of assets: Fixed assets

in CHF 1000

	Plant and equipment	Leased plant and equipment	Plant under constr.	Land	Buildings	Leased buildings	Total fixed assets
Gross values							
(*) Value 31.12.1999	208 186	6 007	1 258	27 965	93 080	9 781	346 277
Additions	15 258	44	2 306	203	4 623		22 434
Disposals	–4 967			–85	–420		–5 472
Change in consolid.	–34 774	–27	–177	–3 838	–21 394	–4 748	–64 958
Currency effects	–2 444	–13	–27	–38	–1 548	–306	–4 376
Other	2 442	–204	–2 209				29
Value 31.12.2000	183 701	5 807	1 151	24 207	74 341	4 727	293 934
Additions	13 585	233	1 556	1 579	2 844	2	19 799
Disposals	–54 623			–14	–116		–54 753
Change in consolid.	12 677	260	61	800	7 795		21 593
Currency effects	–1 199			–12	–288	–137	–1 636
Other	3 555	–2 992	–1 031		43		–425
Value 31.12.2001	157 696	3 308	1 737	26 560	84 619	4 592	278 512
Accumulated depreciation							
(*) Value 31.12.1999	152 471	2 421	0	25	32 725	3 479	191 121
Additions	24 472	1 061		3 408	11 220	101	40 262
Disposals	–4 242				–372		–4 614
Change in consolid.	–17 957	–16		–33	–10 642	–2 175	–30 823
Currency effects	–1 563	–6			–747	–117	–2 433
Other	128	–99					29
Value 31.12.2000	153 309	3 361	0	3 400	32 184	1 288	193 542
Additions	10 059	312			2 771	98	13 240
Disposals	–52 921				–6		–52 927
Change in consolid.	9 514	16			2 857		12 387
Currency effects	–869				–116	–39	–1 024
Other	2 813	–2 992					–179
Value 31.12.2001	121 905	697	0	3 400	37 690	1 347	165 039
Net values							
(*) Value 31.12.1999	55 715	3 586	1 258	27 940	60 355	6 302	155 156
Value 31.12.2000	30 392	2 446	1 151	20 807	42 157	3 439	100 392
Value 31.12.2001	35 791	2 611	1 737	23 160	46 929	3 245	113 473

(*) 31.12.1999: Restated according IAS 31 (Quota consolidation of Joint Ventures)

Statements

Summary of assets: Financial and intangible assets

in CHF 1000

	Financial assets			Total		Other
	Holdings	**Securities**	**Extra Group loans**	**financial assets**	**Goodwill**	**intang. assets**
Gross values						
(*) Value 31.12.1999	213	387	2 208	2 808	29 319	4 589
Additions		46	175	221	11 027	103
Disposals			–109	–109		–123
Change in consolid.	–175		–28	–203	–2 634	537
Currency effects	–18	–17	–86	–121	787	–38
Other				0		
Value 31.12.2000	20	416	2 160	2 596	38 499	5 068
Additions		33	189	222	27 665	923
Disposals			–86	–86		–8
Change in consolid.				0		8
Currency effects		–12	–53	–65	480	–53
Other			703	703		425
Value 31.12.2001	20	437	2 913	3 370	66 644	6 363
Accumulated depreciation						
(*) Value 31.12.1999	193	0	2	195	4 135	2 536
Additions			1	1	1 701	864
Disposals				0		–123
Change in consolid.	–175			–175	–476	441
Currency effects	–18			–18	59	–26
Other				0		
Value 31.12.2000	0	0	3	3	5 419	3 692
Additions		50	1	51	3 366	1 046
Disposals				0		–8
Change in consolid.				–368		4
Currency effects		–1		–18	65	–34
Other			200	0		179
Value 31.12.2001	0	49	204	253	8 850	4 879
Net values						
(*) Value 31.12.1999	20	387	2 206	2 613	25 184	2 053
Value 31.12.2000	20	416	2 157	2 593	33 080	1 376
Value 31.12.2001	20	388	2 709	3 117	57 794	1 484

(*) 31.12.1999: Restated according IAS 31 (Quota consolidation of Joint Ventures)

Previous year’s disposal of Gurit-Essex Group (*)

(Discontinuing Operations)

On October 13, 2000, Gurit-Heberlein AG informed about the sale of the Gurit-Essex Group. This sale was effective as at December 31, 2000.

Sales, Earnings and Net Cash Flow for the respective period are stated below
(Restated quota consolidation 50%)

	Gurit-Essex Group 12 months until 31.12.2001 (Restated 50%)
Net sales	197.6
Material, personnel and operating expenses	–153.4
Depreciation	–5.0
EBIT	39.2
Financial expenses	0.6
Earnings taxes	–8.3
Result after tax	**31.5**
Flow of funds from operating activities	39.2
Flow of funds from investment activities	–5.8
Flow of funds from financial activities/currency adjustments	–14.0
Change in cash at bank and in hand	**19.4**
Assets and liabilities are as follows:	
Working capital	148.3
Fixed assets	33.6
Total assets	181.9
Total Borrowings incl. third party interests	–67.7
Total Equity	**114.2**
Sale Price (after cost)	634.8
Exchange rate adjustments	–4.1
Loss from sale (before Taxes)	**516.5**
Sale Price	634.8
Cash at bank and in hand	–58.5
Net flow of funds from sale	**576.3**

(*) Restated according IAS 31 (Quota consolidation of Joint Ventures)

Group Financial Statement

Shareholders' equity and Minority holdings

in CHF 1000

	Shareholders' Equity						
	Share capital	Capital reserves (Agio)	Hedge differences	Exchange rate differences	Revenue reserves	Total Equity	Minority holdings (*)
31.12.1999	54 902	59 724	0	328	45 994	160 948	2 960
Dividend distribution					–9 843	–9 843	–420
Annual result					495 731	495 731	621
Changes in minority holdings							160
Currency effects				1 980		1 980	–172
Change in Treasury stock	–305	–3 511				–3 816	
31.12.2000	54 597	56 213	0	2 308	531 882	645 000	3 149
Capital Repayment	–11 037	–56 213			–182 540	–249 790	
Dividend distribution					–10 443	–10 443	–416
Annual result					31 182	31 182	392
Cash flow hedge influences			–1 009			–1 009	
Currency effects				–430		–430	–83
Change in Treasury stock	–255				–2 579	–2 834	
31.12.2001	43 305	0	–1 009	1 878	367 502	411 676	3 042

(*) Restated according IAS 31 (50% Quota consolidation of Joint Ventures)

Group Financial Statement

Segment Information

Net sales by Group Division (in CHF million)	**2001**		**2000**	
Automotive (Restated 50%)	–		197.6	40.1%
Health Care	167.5	49.4%	152.8	31.0%
Industrial Applications	165.8	48.9%	135.0	27.4%
Other/Consolidation	5.7	1.7%	7.5	1.5%
Total net sales *)	339.0	100%	492.9	100%

*) Inter Company sales are irrelevant

Net sales by markets (in CHF million)	**2001**		**2000**	
Switzerland	37.6	11.1%	33.4	6.8%
EU + EEA	164.9	48.6%	317.7	64.5%
Rest of Europe	9.9	2.9%	14.7	3.0%
USA/Canada	76.9	22.7%	69.2	14.0%
Others	49.7	14.7%	57.9	11.7%
Total net sales	339.0	100%	492.9	100%

EBIT by Group Division from ordinary Group activities (in CHF million)	**2001**		**2000**	
Automotive (Restated 50%)	–		39.2	47.8%
Health Care	19.3	57.6%	17.1	20.8%
Industrial Applications	13.4	40.0%	18.9	23.0%
Other/Consolidation	0.8	2.4%	6.9	8.4%
Total EBIT *)	33.5	100%	82.1	100%

*) Inter-company Division settlements on an “arm’s length” basis.

EBIT by Group Divisions incl. impact of extraordinary factors (in CHF million)	**2000**	
Automotive (Restated 50%)	39.2	7.0%
Health Care	17.1	3.0%
Industrial Applications	18.9	3.4%
Other/Consolidation	487.1	86.6%
Total EBIT *)	562.3	100%

*) Inter-company Division settlements on an “arm’s length” basis.

Employees by Group Division (Ø)	**2001**		**2000**	
Automotive (Restated 50%)	–		413	25,5%
Health Care	753	53,4%	706	43.7%
Industrial Applications	632	44.8%	473	29.3%
Other/Consolidation	25	1.8%	25	1.5%
Total employees	1410	100%	1617	100%

Assets/Investments in fixed assets by Group Division (in CHF million)	**2001** Assets	Investments	Depreciation	**2000** Assets	Investments	Depreciation
Automotive (Restated 50%)	–	–	–	–	13.2	4.4
Health Care	152.1	13.0	6.3	141.3	2.6	5.8
Industrial Applications	192.4	35.3	10.6	152.2	17.6	6.6
Other/Consolidation	331.6	0.3	0.8	698.2	0.4	25.5
Total assets/investments	676.1	48.6	17.7	991.7	33.8	42.3

Liabilities by Group Division	**2001**	**2000**
Health Care	87.0	98.1
Industrial Applications	113.8	108.1
Other/Consolidation	60.6	137.3
Total liabilities	261.4	343.5

Assets/Investments in fixed Assets by Regions (in CHF million)	**2001** Assets	Investments	**2000** Assets	Investments
Switzerland	522.4	38.4	829.9	9.8
EU + EEA	77.3	8.8	80.0	23.3
Rest of Europe	0	0	0	0
USA/Canada	75.0	1.4	79.9	0.6
Others	1.4	0	1.9	0.1
Total assets/investments	676.1	48.6	991.7	33.8

Group Financial Statement

Consolidated flow of funds

	Ref.	2001	in CHF 1000 2000*
Result for fiscal year (after depreciation)		**33 544**	562 305
Depreciation		**17 703**	18 169
Other non-cash influences		**–3 406**	–
Impact of extraordinary factors (no flow of funds)		**–**	–480 908
Change in accounts receivable		**–1 545**	2 956
Change in inventories		**–1 238**	–1 204
Change in sundry working capital		**–9 097**	3 988
Change in short-term borrowing		**–12 035**	13 187
Change in long-term provisions		**–68**	5 212
Financial expenses		**–9 510**	–10 784
Financial revenue		**15 340**	4 099
Taxes		**–26 862**	–16 276
Flow of funds from operating activities	26	**2 826**	100 744
Investments in fixed assets		**–19 687**	–22 379
Disposal of fixed assets		**5 462**	1 047
Financial investments		**–222**	–221
Disposal of financial investments		**86**	109
Investments in intangible assets		**–923**	–103
Disposal of investments in intangible assets		**–**	–
Acquisition of holdings		**–36 097**	–14 149
Sale of holdings		**–62**	576 377
Treasury stock acquired		**–2 834**	–3 816
Flow of funds of investment activities	27	**–54 277**	536 865
Free Cash flow (before dividend payment)	28	**–51 451**	637 609
Changes in short-term bank loans		**2 894**	–13 012
Changes in long-term bank and other loans		**–60 992**	74
Lease payments		**–1 615**	–2 087
Dividend distributions to Gurit-Heberlein AG shareholders	29	**–10 443**	–9 843
Distributions to minority shareholders	30	**–416**	–420
Capital repayment	30	**–249 790**	–
Flow of funds from financial activities	31	**–320 362**	–25 288
Exchange rate differences		**–1 206**	–2 792
Change in cash at bank and in hand	32	**–373 019**	609 529
Cash at bank and in hand at start of year		**723 574**	114 045
Cash at bank and in hand at end of year	33	**350 555**	723 574

* Restated according IAS 31 (Quota consolidation of Joint Ventures)

Free Cash flow (before dividend payment)	28	**–51 451**
of which extraordinary tax payments and		
transaction costs from previous year		25 306
Acquisitions of holdings		36 097
Free Cash flow from ordinary operations		**9 952**
(before acquisitions)		

Notes Group Financial Statement

Consolidated flow of funds and other notes

Notes to the statement of the flow of funds

26 Flow of funds from operating activities
In 2001 funds generated by operations amounted to CHF 2.8 (previous year CHF 100.7) million. This item contains tax payments and transaction costs stemming from the previous year's sale of Gurit-Essex. Excluding these extraordinary payments, the inflow from ordinary Group activities is CHF 28.1 million.

27 Flow of funds from investment activities
Funds required for investment activities amounted to a total of CHF 54.3 (previous year CHF +536.9) million. This value includes an amount stemming from ordinary Group activities of CHF 18.2 million as well as a cash outflow of CHF 36.1 million for acquisitions. Effective January 1, 2001, 100% of the shares of Stesalit AG, Zullwil, and Diatech Dental AG, Heerbrugg, were acquired. In the previous year, 100% of Enka tecnica GmbH, had been acquired effective October 1, 2000. Details on the acquisition are as follows:

		CHF 1000
CHF 1000	**2001**	**2000**
Liquid assets	4 873	37
Receivables	3 795	4 774
Inventories	4 610	5 697
Fixed assets	9 214	3 413
Short-term payables	–3 351	–7 825
Long-term payables	–4 045	
Reserves	–1 790	–2 937
Real Value (Fair value)	13 306	3 159
Goodwill	27 665	11 027
Paid acquisition price	40 971	14 186
Liquid assets required	–4 874	–37
Cash outflow	36 097	14 149

28 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 51.5 million (previous year CHF +637.9 million). Excluding the impact of acquisitions and sales of holdings, free cash flow stood at CHF 9.9 million for the year 2001.

29/30/31 Dividends and financial activities
The flow of funds from financing activities in 2001 shows the allocation of a dividend of CHF 10.5 (previous year CHF 9.9) million to Gurit-Heberlein shareholders and payments of CHF 0.4 (previous year CHF 0.4) million to partners and minority shareholders.

For the capital repayment liquid assets of CHF 249.8 were used.

In addition, long-term borrowings were reduced by CHF 61.0 million using liquid assets.

32/33 Cash at bank and in hand
Including capital repayment and acquisitions, liquid assets decreased by CHF 373.0 million to a year-end amount of CHF 350.6 million (previous year CHF 723.6 million).

Other notes

Subsequent events
The consolidated financial statements was approved in April 2002 by the Board of Directors.

Gurit-Heberlein AG acquired 100% of the stock of Roeko GmbH & Co. KG, Langenau/Germany, effective January 1, 2002. Roeko generates sales in the dental division of around CHF 25 million. In addition, the Advanced Composites activities of AIK/Elitrex in Kassel/Germany were acquired effective March 1, 2002. AIK/Elitrex generates sales of around CHF 12 million.

Contingent liabilities
Contingent liabilities on bills to the value of CHF 2.2 (previous year CHF 0.4) million exist in connection with business operations.

Notes Group Financial Statement

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

Pledged assets in CHF million	**2000**	**1999**
Book value	63	66
Maximum credit line	74	73
Loans contracted	17	56

Fire insurance values
Fire insurance values of fixed assets stood at CHF 512 (previous year CHF 594 million).

Pension funds
Money owned to pension funds amounts to CHF 0.5 million (previous year CHF 0.7 million).

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

Obligations from investments
At December 31, 2001 there were again no significant obligations from investments in fixed assets.

R&D:
In the year 2001, CHF 10.4 million (previous year 16.4 million, excl. Gurit-Essex: 9.3 million) were spent on development activities.

Financial instruments
The following open derivative financial instruments existed at December 31, 2001: Currency futures with a contract value of CHF 4.4 million (previous year CHF 435.6 million). The market value only differs insignificantly from this amount.

Cash flow hedges
To partially secure transaction risks of future, highly probable cash inflows, cash flow hedges are done. The hedge instrument is stated at market value and changes of valuation are reported under shareholders equity.

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 million	Financial leasing commitments		Operating leasing and long-term commitments	
	2001	2000	2001	2000
2002 (2001)	*952*	*1088*	*2106*	*1669*
2003 (2002)	894	1496	735	1781
2004 (2003)	461	601	23	1067
2005 (2004)	420	418		43
2006 (2005)	379	384		43
beyond	354	699		215
	2508	*3598*	*758*	*3149*
Total	**3460**	**4686**	**2864**	**4818**

Remuneration of the Board of Directors and Group Management
The remuneration of the Board of Directors of Gurit-Heberlein AG (six members) in fiscal 2001 amounted to CHF 324,000.The remuneration of Group Management and extended Group management (eight members) in fiscal 2001 amounted to CHF 2,834,000. Of this total, CHF 2,093,000 were fixed emoluments and CHF 741,000 variable bonus payments. A supplementary pension scheme exists for senior Group management which, together with the state pension scheme and the company's obligatory employees' pension fund, aims to provide a pension of a maximum of 60% of the insured annual salary. The maximum insurable annual salary is fixed at CHF 300,000; at least a third of the premiums are financed by staff.

A participation scheme exists for senior Group management that permits them to purchase Gurit-Heberlein bearer shares. Participants in the scheme are entitled to purchase a maximum of 25 shares per year at a discount of 20% on the price on the day in question together with 50 options on stock at a later date at a premium of 10% on the price on the day in question. The shares are subject to al lock-up agreement of four years. In 2001, a total of 383 shares were purchased and 766 options issued. On December 31, 2001, a total of 1678 options were outstanding. Since existing shares are used for the participation scheme, there is no dilution of stock value at the expense of shareholders.

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 22 to 46) of Gurit-Heberlein AG for the year ended December 31, 2001.

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 issued by the International Federation of Accountants (IFAC), 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 International Accounting Standards (IAS) 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, 2002

Financial Statement

Balance sheet as at 31.12.2001

		in CHF
Assets	**31.12.2001**	**31.12.2000**
Cash at bank and in hand	**319 876 417**	689 071 609
Sundry receivables from extra-Group sources	**4 947 007**	6 048 726
Sundry receivables from intra-Group sources	**4 274 821**	2 518 595
Prepaid expenses	**2 896 946**	0
Working capital	**331 995 191**	697 638 930
Financial expenses	**162 000**	356 000
Loans to third parties	**121 882**	121 882
Loans to Group companies	**86 428 088**	44 529 004
Holdings	**87 094 874**	64 867 770
Fixes assets	**173 806 844**	109 874 656
Total assets	**505 802 035**	807 513 586

Equity and liabilities	**31.12.2001**	**31.12.2000**
Bank debts	**0**	887 209
Sundry liabilities to extra-Group entities	**406 013**	1 022 007
Sundry liabilities to intra-Group entities	**493 304**	4 801 498
Loan from Group companies	**24 534 645**	23 997 992
Bond loan 1997–2002 (due on 29.10.2002)	**100 000 000**	–
Prepaid liabilities and reserves	**6 365 685**	31 328 855
Short-term borrowings	**131 799 647**	62 037 561
Re-procuring reserves	**200 000 000**	227 519 599
Bond loan 1997–2002	**–**	100 000 000
Long-term borrowings	**200 000 000**	327 519 599
Total borrowings	**331 799 647**	389 557 160
Share capital	**44 148 000**	55 185 000
Statutory reserves	**22 074 000**	27 592 500
Reserves for treasury stock	**8 852 332**	6 018 429
Free reserves	**16 646 074**	19 479 977
Net income	**82 281 982**	309 680 520
Total equity	**174 002 388**	417 956 426
Total liabilities	**505 802 035**	807 513 586

Gurit-Heberlein AG

Income statement

	2001	in CHF 2000
Earnings from holdings	**6 293 120**	16 230 090
Other earnings	**0**	7 182 314
Financial earnings	**16 841 323**	3 172 724
Book profit from sale of holdings	**–**	629 407 186
Total Earnings	**23 134 443**	655 992 314
Financial costs	**5 802 864**	4 174 502
Administrative costs	**747 607**	333 389
Taxes	**1 415 989**	20 714 921
Depreciation	**194 001**	194 000
Extraordinary expenses	**0**	325 583 355
Total Expenses	**8 160 461**	351 000 167
Profit for fiscal year	**14 973 982**	304 992 147

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	67 308 000
Result 2001	14 973 982
Available net income	82 281 982
Distribution of dividend of 24 percent	–10 595 520
To be carried forward	**71 686 462**

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. 20

Notes to the Statements on

Explanatory comments to the balance sheet and income statement

Prefatory remarks

After the unusual events of the two preceding years (the Heberlein Textil split-off in 1999 and the sale of Gurit-Essex in 2000), there were no extraordinary circumstances to influence the financial statements of the Group's parent company, Gurit-Heberlein AG, in 2001. The repercussions of the sale of Gurit-Essex can still be seen in the balance sheet under the items Cash at bank and in hand and Reprocuring reserves.

Cash at bank and in hand was reduced by CHF 369 million, mainly as a result of a 20% capital reduction or, to be more precise, a capital repurchase dated May 18, 2001, through put options worth CHF 248.3 million. The Group repurchased 20% of its share capital, prorated at 110 370 shares worth CHF 2250.– each. The capital was reduced by the value of the repurchased shares and the shares in question destroyed.

Other funds were used for acquisitions or (using loans obtained through subsidiaries) to repay bank loans.

The Group will pay an unchanged dividend of 24% from the profit for 2001. This will account for a total of CHF 10.6 million (based on share capital after the 20% reduction), which represents a good third of the Group's consolidated result.

As of December 31, 2001, the share capital of Gurit-Heberlein AG stood at CHF 44 148 000. This is now divided into 240 000 (previous year 300 000) registered shares at CHF 20 par value and 393 480 (previous year 491 850) bearer shares at CHF 100.– par value.

Balance sheet

As in previous years, the largest item in the balance sheet is Cash at bank and in hand, which stands at CHF 319.9 million. As far as possible, these funds are invested short-term and in Swiss francs on the money market.

Sundry receivables from outside the Group consist mainly of withholding tax reclaims on investments. Most of the funds shown under Prepaid expenses were used as advance payments for acquisitions.

Financial expenses include costs incurred as a result of the 1997–2002 bond; these will be amortized parallel to the interest paid out over the term of the loan.

Loans to Group companies rose to CHF 86.4 million. These new loans were used primarily to reduce bank loans with a view to improving liquidity control and optimizing interest.

Interests in affiliates stood at CHF 87.1 million (previous year CHF 64.9 million). The increase was due to the acquisition of new subsidiaries and the recapitalization of existing ones.

Prepaid liabilities and reserves were drastically reduced following the payment of taxes and transaction costs from the previous year.

The CHF 100 million bond loan now appears under Short-term borrowings because the loan is due for repayment on October 29, 2002.

The Reprocuring reserves, amounting to CHF 200 million, can be viewed as Equity. The reduction compared with the previous year was due to the recorded write-down of goodwill payments to new acquisitions.

Total reported equity amounts to CHF 174 million (previous year CHF 418 million). This change can be explained as follows:

	in CHF Mio.
Equity at 31.12.2000	418.0
– 20% capital reduction	–248.4
– previous year's dividend	–10.6
+ Result for 2001	15.0
Equity at 31.12.2001	174.0

Income statement

Earnings from affiliates amounted to CHF 6.3 million (previous year CHF 16.2 million). The other earnings of CHF 7.2 million shown in last year's statement included compensatory payments in connection with the sale of affiliates.

In view of the exceptionally high liquidity level, Financial earnings stood at CHF 16.8 million and were considerably higher than in the previous year (CHF 3.2 million). Under Financial costs, the main item was expenses incurred as a result of the bond loan. There was little change in the remaining items on the expense side.

The previous year, one-time earnings and expenses figured in the statement with pre-tax net sums of CHF 303 million and CHF 283 million, respectively.

The reported profit for the year amounts to CHF 15 million and cannot be compared with the previous year's result because of the extraordinary circumstances prevailing during the latter.

Notes on Gurit Heberlein AG

Annex to financial statement

	31.12.2001	31.12.2000
		in CHF
1. Contingent liabilities		
Warranty liabilities	**62 428 311**	67 045 973
Group Credits (General contracts)	**44 760 000**	79 760 000
2. Debenture obligations		
3 1/2% Bond loan 1997–2002 (due on 29.10.2002)	**100 000 000**	100 000 000
3. Significant holdings		
see list on page 26		
4. Treasury stock		
Total at 31.12.:		
25 (25) registered shares at CHF 20.–	**1 657**	2 472
8425 (5878) bearer shares at CHF 100.–	**8 850 675**	6 015 957
Purchase: 4708 (4513) shares at an average price of	**1 310**	1 149
Sales: 2181 (1455) shares at an average price of	**1 081**	941
5. 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**	275 000
6. Share capital		
The nominal capital at 31.12. consisted of:		
240 000 (300 000) registered shares at CHF 20.–	**4 800 000**	6 000 000
393 480 (491 850) bearer shares at CHF 100.–	**39 348 000**	49 185 000
	44 148 000	55 185 000
(On 18.5.2001, 20% of the stock was repurchased and the capital was accordingly reduced.)		
7. Statutory reserves carried forward		
Statutory reserves at 1.1.	**27 592 500**	27 592 500
Capital reduction	**–5 518 500**	–
Statutory reserves at 31.12.	**22 074 000**	27 592 500
8. Free reserves carried forward		
Free reserves at 1.1.	**19 479 977**	78 297 008
Dissolution/allocation to treasury stock reserves	**–2 833 903**	–3 817 031
Allocation from statutory reserves (acc. decision of AGM)	**–**	–55 000 000
Free reserves at 31.12.	**16 646 074**	19 479 977
9. Net income brought forward		
Net income at 1.1.	**309 680 520**	–40 378 327
Dissolution of free reserves (according to AGM decision)		**55 000 000**
Capital reduction	**–231 777 000**	–
Dividend distribution	**–10 595 520**	–9 933 300
Profit/loss for fiscal year	**14 973 982**	304 992 147
Net income at 31.12.	**82 281 982**	309 680 520

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 48 to 51) of Gurit-Heberlein AG for the year ended December 31, 2001.

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, 2002

Investor Relations

Company capital:	After the 20% capital repurchase of May 18, 2001, he company capital consists of: 240 000 registered shares at par CHF 20.– security number 185 039 393 480 bearer shares at par CHF 100.– security number 801 223 [adjusted to par value of CHF 100, the number of outstanding shares is 441 480]
Bond loan:	3 1/2% loan 1997–2002 at CHF 100 million security number 720 058 split in bonds of CHF 5000.–, issue date October 29, 1997 maturity October 29, 2002
Stock exchange:	Bearer shares are listed on the Swiss stock exchange: Price information can be found in the Swiss national and financial press. The following ticker symbols indicate how respective data on Gurit-Heberlein bearer shares can be obtained on electronic financial information systems:

Bearer Share:	Reuters	GURZ
	Telekurs	GUR
	Security number	801223
Bond:	Security number	720058

Financial calendar:	General Meeting of the Shareholders May 23, 2002

Specifications below relate to listed bearer shares

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

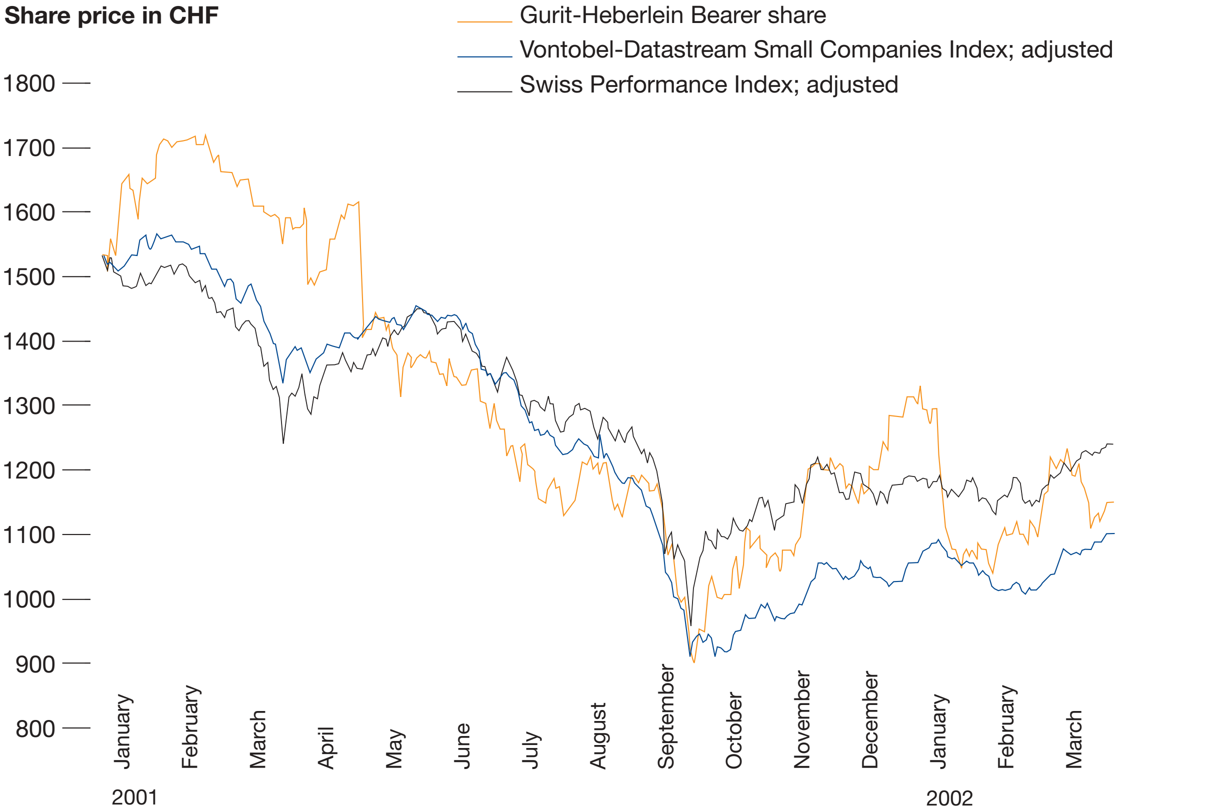
	2001	2000	1999	1998	1997
Price at year end	CHF 1 310.–	CHF 1 525.–	CHF 950.–	CHF 680.–	CHF 868.–
Highest price for year	CHF 1 728.–	CHF 1 700.–	CHF 950.–	CHF 1 160.–	CHF 1070.–
Date	1.2.2001	30.11.2000	30.12.1999	15.5.1998	21.8.1997
Lowest price for year	CHF 890.–	CHF 835.–	CHF 600.–	CHF 515.–	CHF 536.–
Date	24.9.2001	10.3.2000	27.1.1999	2.10.1998	3.1.1997
Group result per share (result of ordinary Group activities)	CHF 72.–	CHF 106.–	CHF 83.–	CHF 65.–	CHF 54.–
Equity per share * after 20% capital repayment of 18.5.2001)	CHF 932.–*	CHF 1 169.–	CHF 292.–	CHF 328.–	CHF 370.–
Gross dividend	CHF 24.–	CHF 24.–	CHF 18.–	CHF 18.–	CHF 16.–

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

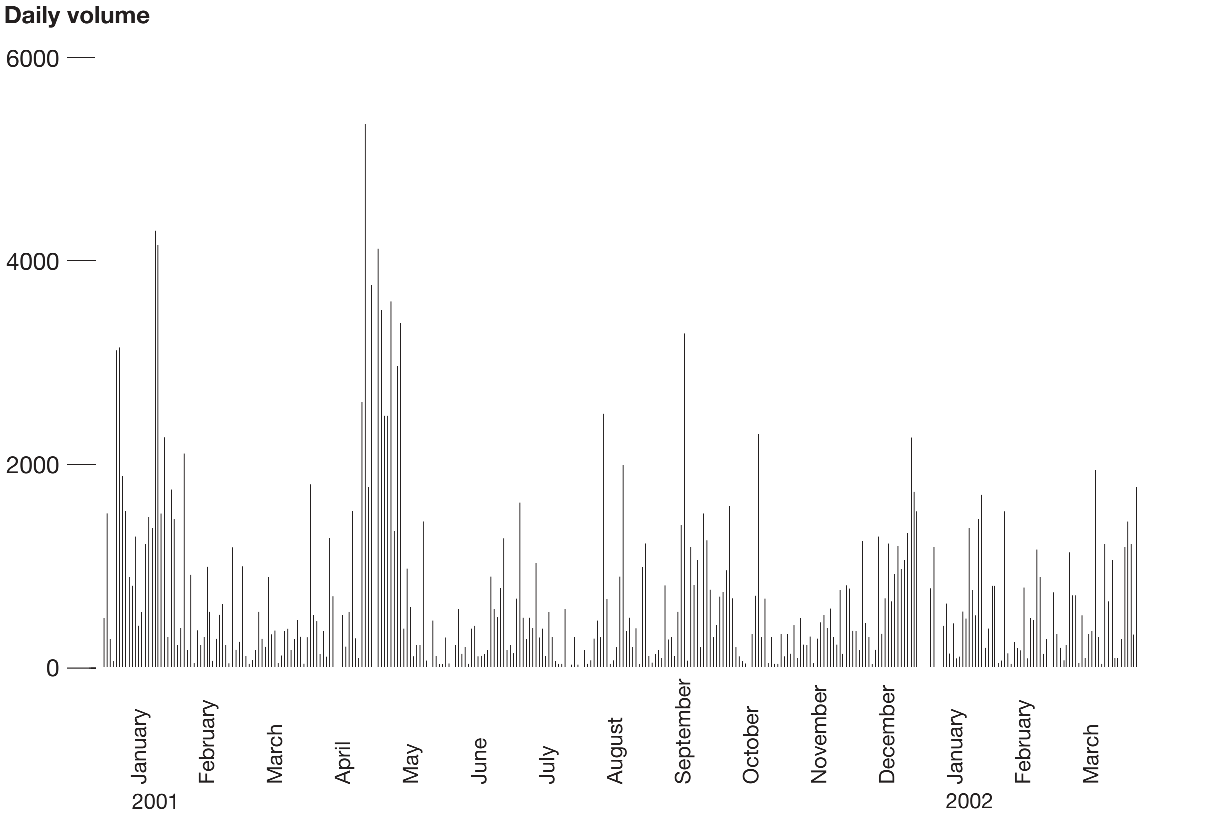
Taxable values of the traded securities

	1.1.2002	1.1.2001	1.1.2000	1.1.1999	1.1.1998
Bearer shares at CHF 100 (500) par	CHF 1 199.–	CHF 1 581.–	CHF 832.–	(CHF 3 350.–)	(CHF 4 350.–)
3 1/2% bond 1997–2002	99.95%	99.25%	99.10%	102%	99%

Bearer shares and respective indices



Gurit-Heberlein Bearer shares daily volumes



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