CREATING VALUE

2003 ANNUAL REPORT

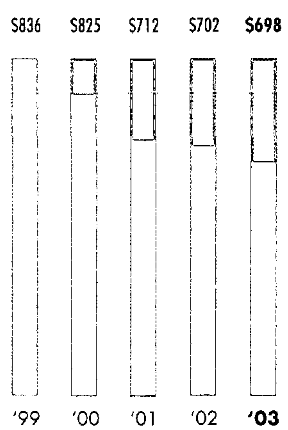
FINANCIAL HIGHLIGHTS

OPERATIONS FOR THE YEAR	**2003**	2002
(000 omitted, except per share amounts and number of employees)		
Net Sales	**$ 697,908**	$ 701,728
Segment Operating Income	**$ 54,713**	$ 51,347
Net (Loss) before Cumulative Effect of Accounting Change	**$ (3,262)**	$ (986)
Net (Loss)	**$ (3,262)**	$ (80,010)
Net (Loss) Per Common Share — Basic and Diluted	**$ (0.20)**	$ (5.04)

AT YEAR-END		
Working Capital	**$ 101,746**	$ 103,101
Total Assets	**$ 530,583**	$ 554,509
Total Debt	**$ 302,014**	$ 341,420
Total Debt, Net of Cash and Investments	**$ 292,446**	$ 323,169
Stockholders' Equity	**$ 54,209**	$ 42,131
Number of Common Shares Outstanding	**16,032**	15,941
Number of Employees	**3,821**	4,287

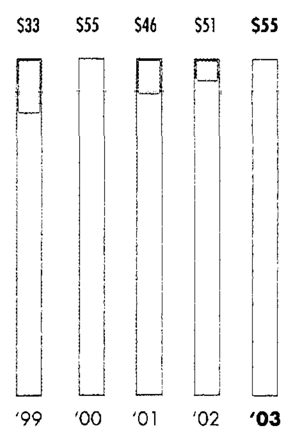
FIVE-YEAR HIGHLIGHTS

(amounts in millions)



NET SALES

NET DEBT



SEGMENT OPERATING INCOME

The outside front and back covers of this annual report are laminated with GBC's patented Lay-Flat® film, which was applied using the GBC 8300 Genesis™ system. Selected for its ability to withstand the potentially severe conditions of mail distribution, a ColorCoil™ spine permanently binds this annual report. GBC Magnapunch™ and CI12™ systems were used to punch and bind this document. If you would like information about any GBC products, please call 1.800.723.4000.

GBC® is a world leader in providing solutions that help people organize, communicate and enhance ideas and printed material at work, school and home. The Company designs, manufactures and sources binding, laminating and visual communication equipment and consumables, and it markets and services these products in over 100 countries under the GBC, Quartet® and Ibico® brand names. The Company is organized into three primary business groups, with each group comprised of similar products and services.

GBC® AT A GLANCE

COMMERCIAL & CONSUMER GROUP

DESCRIPTION

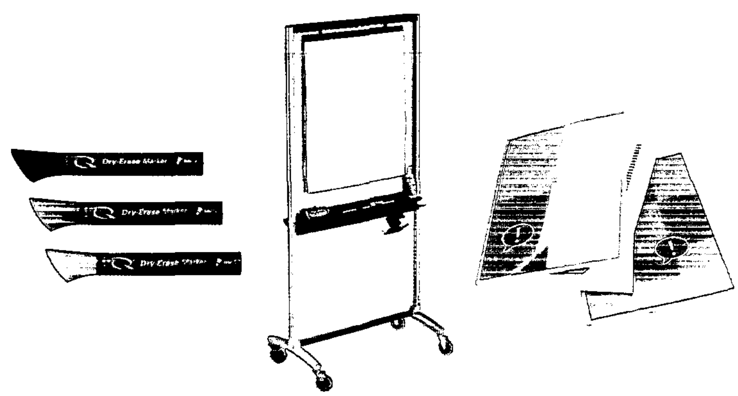
The Commercial & Consumer Group (CCG), headquartered in Skokie, IL, focuses on branding and marketing strategies of "consumer-ready" products that leverage GBC's leadership among customers and consumers of its binding, laminating and visual communication products in the work, school and home environments.

2003 NET SALES

$460 million

KEY PRODUCTS

- Visual communication products, including writing boards, bulletin/planning boards, easels, signs, organizers, markers, etc.
- Desktop binding and punching equipment and related supplies, including custom binders, folders, covers and index tabs
- Desktop laminating equipment and supplies
- Document shredders
- Trimmers
- Maintenance and repair services



GEOGRAPHIC MARKETS

U.S., Canada, Mexico, Latin America, and Asia/Pacific

CUSTOMERS

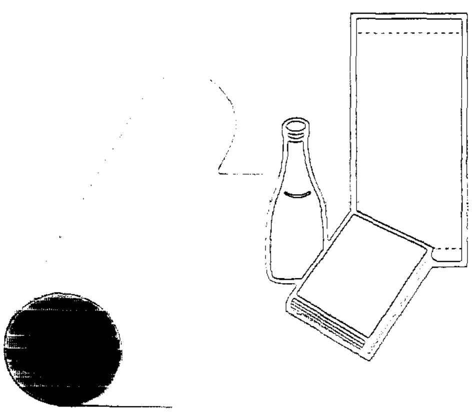
CCG's products are sold through both the (i) indirect channel including office product superstores, contract/commercial stationers, wholesalers, education dealers, mail order companies, mass marketers and other dealers (approximately 69% of sales) and the (ii) direct channel including salespersons, telemarketers and internet portals (approximately 31% of sales). Its end-consumers include the home and office markets, commercial reprographic centers, educational and training markets and government agencies.

INDUSTRIAL & PRINT FINISHING GROUP

The Industrial & Print Finishing Group (IPFG), headquartered in Addison, IL, targets print-for-pay and trade finishing customers who use GBC's professional-grade finishing equipment and supplies to produce sophisticated, professional laminated and/or bound documents and graphics. Industrial or non-graphic uses of laminating films continue to be a growing part of IPFG's business.

$137 million

- Mid-range and commercial high-speed laminators
- Wide-format digital print laminators
- Thermal and pressure-sensitive laminating films
- High-speed punching and binding equipment and supplies
- Maintenance and repair services



Worldwide, primarily North America and Europe. Asia is a rapidly expanding part of IPFG's business.

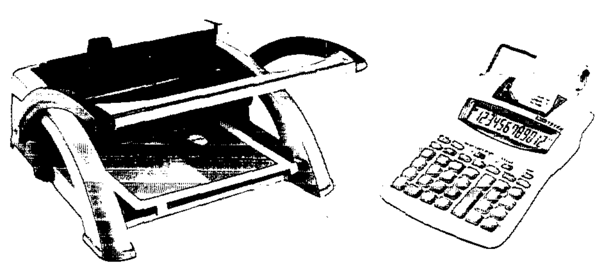
IPFG's products and services are sold through direct salespeople, telemarketers, internet portals and dealers to printers, trade finishers, and industrial (non-graphic) users.

EUROPE GROUP

The Europe Group, headquartered in Hoeilaart, Belgium, distributes many "consumer-ready" binding, laminating and visual communication products to customers in the work, school and home environments. In addition, the Europe Group markets professional-grade finishing equipment and supplies to commercial reprographic centers.

$101 million

- Desktop binding and punching equipment and related supplies
- Desktop laminating equipment and supplies
- Document shredders
- Visual communication products, including writing boards, easels, projector screens, flipcharts, markers, etc.
- Desktop products and accessories, including calculators and trimmers
- Wide-format roll film equipment and supplies
- Professional punch and bind equipment
- Semi-automatic punch solutions
- Maintenance and repair services



Europe, Middle East and Africa

Europe Group products are sold through both the (i) indirect channel including office product superstores, contract/commercial stationers, wholesalers, mail order companies, mass marketers and other dealers (approximately 80% of sales) and the (ii) direct channel including salespersons, telemarketers and technical service, (approximately 20% of sales). Its end-consumers include the home and office markets, commercial reprographic centers, educational and training markets and government agencies.

LETTER TO OUR SHAREHOLDERS

STEADY PERFORMANCE

As we began 2003, we knew the year was going to bear significant challenges given the economic and political environment. Learning from our achievements in 2002, we focused on creating value in those parts of the business under our control. We launched many new products while relentlessly pursuing our Operational Excellence initiatives. The new products have added to our top line and our Operational Excellence initiatives have produced a more efficient company, generating ongoing dividends in terms of additional revenue, cost savings and productivity improvements.

With our history of consistent cash flow generation and the confidence of our financial partners, this past year we successfully refinanced our bank facilities at significantly lower rates. Today our improved capital structure provides increased financial flexibility.

We began to leverage the strengths of our new organizational structure. This simpler, more efficient structure closely connects our customers to GBC employees who are highly focused on specific customer and consumer needs. We pooled resources from similar functional areas including Engineering, Customer Care, Marketing and Sales to maximize productivity. As a result, our talented and dedicated team of employees is more energized, more proactive and more responsive to our customer needs.

To create a platform for future revenue growth, we continued to invest in products and marketing initiatives. GBC enjoys strong name brand recognition and leading market positions in the majority of its product lines. Determined to retain our position as a market leader and leverage our solid manufacturing and sourcing expertise,

"GBC helps me be more organized."

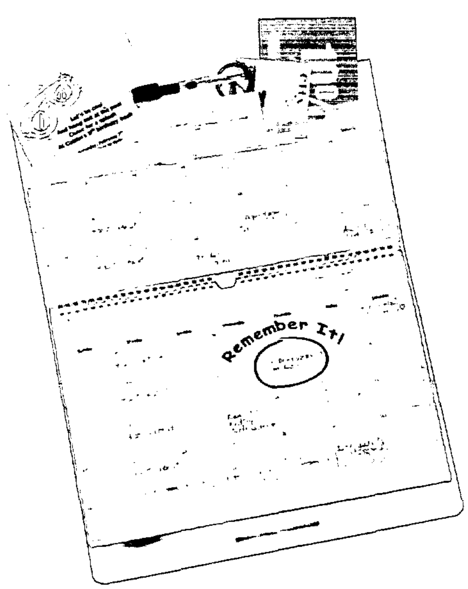
opportunity

In this busy world, it's important to stay organized, and at home, it is Mom's responsibility to keep the family on schedule. She keeps track of everybody's activities and organizes their daily routines: work, school, sports, medical appointments, and social events.

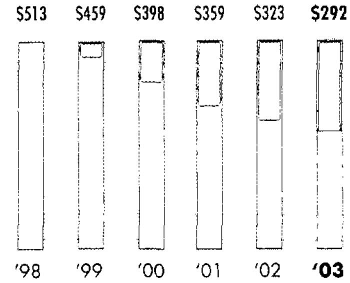
GBC conducted market research in the homes of busy moms and observed that kitchens were the focal point for tracking invitations, parties, appointments, school programs and sporting functions. With no organized system, all this important family information was put together in one basket or holder. Women were seeking an efficient way to file this information, one that would be useful, interactive and fit into "kitchen central."

solution

GBC responded to this need by developing "Scheduling Pro", a 3-in-1 organization solution. A multifunctional tool that hangs on the wall or refrigerator and folds up neatly for portability, Scheduling Pro features a 12-month calendar that displays six weeks at once. Utilizing the dry-erase overlay sheet, busy moms can call attention to important dates right on the calendar. To hold loose notes and coupons, Scheduling Pro features top and bottom storage pockets; three individual sheet protectors hold school schedules and lunch menus. Scheduling Pro offers the versatility for women everywhere to track their family's schedules and activities.



"Over the last five years, we reduced our net debt by 43%, an impressive $221 million."



we increased our emphasis on product innovation. We geographically expanded distribution of our popular products while working to expand our markets. Focus remains on developing solutions for new customer groups, especially in the home, school and industrial applications markets.

These actions not only helped us weather the challenging 2003 environment with steady results, but also created enduring value for GBC shareholders. GBC is well-positioned to capitalize on our streamlined business structure and investments in product innovation as the United States and world economies continue to recover in 2004 and beyond.

NEW OPERATIONAL EXCELLENCE INITIATIVES

Development of key strategic suppliers and the reconfiguration of our manufacturing and distribution resources have helped us achieve significant cost savings. As a result of Operational Excellence initiatives executed throughout the organization, we maintained our margins and reduced our operating costs by $3.8 million in 2003.

Soft markets, capital spending constraints, and inventory reductions by many of our customers adversely affected business in 2003. Additionally, pricing pressure in certain markets intensified from both customers and competitors. Due to these unfavorable market conditions, we did not meet our revenue expectations.

In response, mid-year we announced several initiatives to further reduce expenses and realign a portion of our manufacturing operations for improved profitability and efficiencies. The changes included: a) reorganization of certain support functions within the Company; b) relocation of labor-intensive office products manufacturing operations from our Mississippi facility to our facility in Mexico; and c) outsourcing other manufacturing activities performed at the Mississippi facility. These initiatives generated approximately $2 million of profitability improvement during the year, and should generate more than $10 million on an annualized basis after their expected completion in mid-year 2004. These changes were difficult but necessary to enable GBC to continue to provide the appropriate price/value relationship to our customers in a very competitive marketplace.

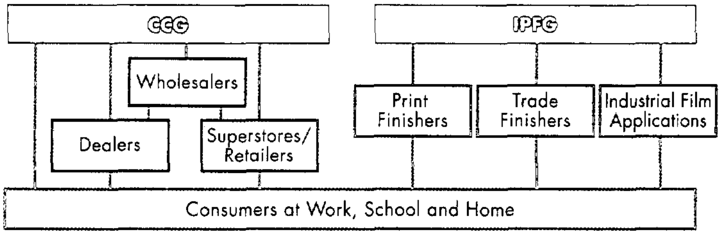
During the year we also made progress towards achieving a faster, more flexible supply chain tuned to meet the needs of our customers and consumers and provide additional advantage over our competitors. With an improved economy, our increased operating leverage resulting from these actions combined with our continued leading market positions should advance GBC's profitability.

STRONGER CAPITAL STRUCTURE

One of GBC's ongoing strengths has been our ability to consistently generate cash flow. We worked very hard again in 2003 and effectively controlled expenses, improved working capital, and managed our capital expenditures to generate $31 million of cash which we used to reduce our debt. Over the last five years, we reduced our net debt by 43%, an impressive $221 million.

The successes we have achieved through our Operational Excellence initiatives over the last two years enhanced our ability to generate cash, which enabled us to refinance our primary credit

GO-TO-MARKET STRATEGY



"The new business structure allowed us to roll out a new "Go-To-Market" strategy, which significantly simplifies our selling approach."

facility. The new facility has an extended maturity date of 2008 and provides for significantly lower rates compared to the previous one. Our improved capital structure increases our financial flexibility and liquidity and should reduce our interest payments by more than $4 million on an annualized basis. Just as important, the refinancing reflects our financial partners' confidence in our operating and financial outlook. Further acknowledging the progress we have made, both major rating agencies upgraded their outlooks for GBC during the year.

LEVERAGING THE ORGANIZATION

In early 2003, we realigned several of our business groups to form the Commercial & Consumer Group ("CCG") and the Industrial & Print Finishing Group ("IPFG"). The new business structure allowed us to roll out a new "Go-To-Market" strategy, which significantly simplifies our selling approach.

CCG sells the full line of GBC products to home, school and corporate consumers both directly through our field sales force, inside account managers and internet portals and indirectly through various office products resellers. IPFG sells equipment and supplies to printers and industrial users of our binding and laminating products worldwide.

These business groups were structured to enhance teamwork and efficiently capitalize on competencies in sales, marketing and engineering. We made significant progress with this initiative, aligning our operations around our customers and end-consumers by targeting our products and services to profitably satisfy their needs.

Specifically, the restructuring of CCG's marketing and sales organizations has provided an integrated effort focused on creating demand for our complete line of products and services. Emphasis has been placed on strategic accounts and larger customers in key vertical markets while the needs of our smaller customers are more efficiently met through Customer Care and GBC's transactional website.

As another example, within IPFG we formed a committed team to concentrate and make more effective use of our research and development talent and resources. This team of design engineers is creating the next generation of products for GBC.

RE-ENERGIZED FOCUS ON NEW PRODUCTS AND MARKETS

As market leaders, we recognize the importance of continually improving our strategic products in order to retain our brand image and market share. We also see opportunities to expand the size of our markets by developing new uses for and finding new users of our products. We have re-energized our focus on creating profitable revenue initiatives by penetrating new markets with innovative products and marketing strategies in each of our business units.

Commercial & Consumer Group

CCG established a strong foundation for growth this year, focusing on organizational alignment while continuing to innovate, connect with consumers and partner with customers to drive profitable growth.

"GBC makes me more profitable."

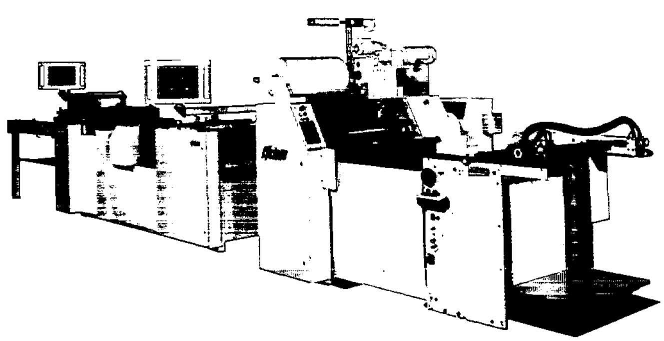
opportunity

The head of a leading Asian company sought new technology to boost productivity of his high-volume operation. He needed to be more competitive and deliver top-notch quality, exceeding the existing high standards of Asia's laminating marketplace.

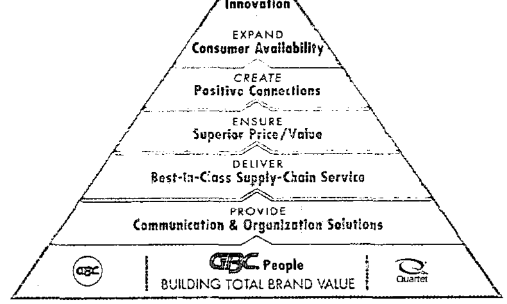
solution

GBC designed and assembled a customized Cyclone, the world's fastest commercial laminator, to meet the customer's needs. The Cyclone utilizes heat-activated (thermal) lamination, a higher-quality and more environmentally friendly process than the solvent-based lamination more commonly used in Asia. The machine was customized to include extra-wide laminating capabilities to accommodate larger Asian sheet sizes. The customer was so impressed with the results that in his keynote address at a major Asian tradeshow, he specifically referenced how GBC's equipment solutions and film made his printed products more competitive and his business more profitable.

He recognizes GBC as a partner in making his business more profitable and now recommends GBC equipment and films to other commercial companies throughout Asia who want improved productivity and world-class quality.



"We are well-positioned to power up for growth by leveraging all the strengths of CCG to deliver GBC's Total Brand Value."



We are well-positioned to power up for growth by leveraging all the strengths of CCG to deliver GBC's Total Brand Value—the sum total of every benefit the GBC Commercial & Consumer Group delivers to consumers and customers. These include providing communication and organization solutions, delivering best-in-class supply chain expertise, ensuring superior price/value, creating positive connections, expanding consumer availability and driving innovation.

CCG continued its expansion of communication and organization solutions with the launch of Quartet markers, positioning the brand as the Total Dry-Erase solutions provider. CCG expanded its cubicle solutions by launching a new category of organization tools designed specifically for that market. With the abundance of office cubicles in the U.S., this represents a significant growth opportunity.

GBC's custom business, long a mainstay of the Company, has a brand new look. GBC Brand Image Solutions™, the newest addition to the GBC brand, is a comprehensive approach to delivering custom presentation solutions to consumers.

Through the Home and School channels, GBC and Quartet products are being introduced to new customers every day. Products sold through mass merchandisers, craft and drug stores and distributed through education dealers have been an increasing source of revenue for GBC.

Our new products continue to answer consumer needs in new and better ways. ZipBind™, our patented easy-editing 19-hole binding spine, gives the ability to edit documents without a machine. Cubicle and office project organization needs are met by Quartet's new visual organizer system. Priority projects remain in view while desks stay clutter free.

Industrial & Print Finishing Group

In IPFG, we remain a leader in each of our business lines. GBC's high-speed thermal films and laminating equipment continue to set the standard for quality and innovation in the commercial print market. In North America, virtually all book printers use GBC thermal films to protect and enhance hardbound and paperback book covers. We seek new opportunities in this marketplace, and have introduced several new products, including the Cyclone®, the world's fastest commercial laminator. Additional opportunities abroad are especially promising. Over 60% of European lamination and 90% of Asian lamination is expected to migrate from wet lamination (an inferior and environmentally unfriendly process) to thermal lamination over the next decade. A similar transition has taken place in the United States over the past decade. In the last two years, IPFG has introduced new, high-speed equipment that will create efficient solutions for any printer converting from wet to thermal lamination.

IPFG produces a number of films for use in industrial, non-graphic, specialized applications. Our laminating film production expertise and our worldwide manufacturing capability position us to expand our business in the industrial market. IPFG is intensifying its focus on the hundreds of industrial uses for films and other coated polymers. Significant research and development resources are being dedicated to expanding our position in this area.

As wide format inkjet printers have revolutionized the expanding digital print finishing, or "print-for-pay" market, GBC's offering of new wide format machines that meet the needs of both sophisticated users and new entrants have made us the obvious choice. Wide format printing has become the fastest growing segment for sign shops, quick printers, copy shops, exhibit houses, and corporate in-plants. As wide format applications multiply, GBC's wide format over-laminates and mounting films have become the standard for professional finishing. IPFG has begun to offer a number of new films, both thermal and pressure sensitive, that dramatically enhance the appearance and durability of wide format prints. Special finishes are expanding the horizons of graphic designers as they continue to identify new uses for wide format printing.

Since its founding in 1947, GBC has been the leader in creating innovative binding solutions. The highly innovative StreamPunch™, launched late in 2003, is the first cost-competitive punching solution for use in line with medium- to high-speed copiers. The StreamPunch is currently available with Ricoh®, Lanier®, Savin®, and Gestetner® copiers, allowing their users to punch any mechanical hole pattern while they print their documents. In addition to greatly simplifying the punching process, we are aggressively developing new equipment that simplifies the insertion of binding elements. In the next two years, GBC will introduce several new systems that will dramatically reduce the time, effort and complexity required to produce a bound document.

Europe Group

In 2003, GBC Europe began an initiative to leverage its excellent relationships with existing trade partners by aggressively marketing an expanded product portfolio beyond traditional lines to include selected visual communication equipment, shredders, paper trimmers and calculators. Introducing the wider breadth of products to its existing customer base has proven to be effective in achieving higher sales and profitability per customer, and GBC sees additional growth opportunities as it continues to follow this model in 2004.

GBC Europe continues to be the best regional source for binding and lamination equipment and supplies. During the year, GBC Europe took initial steps to establish a foothold in the visual communication market, where historically we have not competed. Leveraging the status of Quartet as the world's largest brand with a broad and innovative product range, the group introduced an array of high-potential writing and bulletin boards from the CCG line. GBC Europe supplemented the line with selected new products to fit specific European market needs. The result was a unique marketing proposition that filled a gap in the competitive environment. Based on the successful 2003 results, GBC Europe will launch a full visual communication product line in 2004.

In addition to new product lines, GBC Europe enhanced many of its existing products in 2003 with new styling and features to differentiate them from the competition and create additional value for both trade partners and end-consumers. In 2004, GBC

"GBC helps me communicate better."

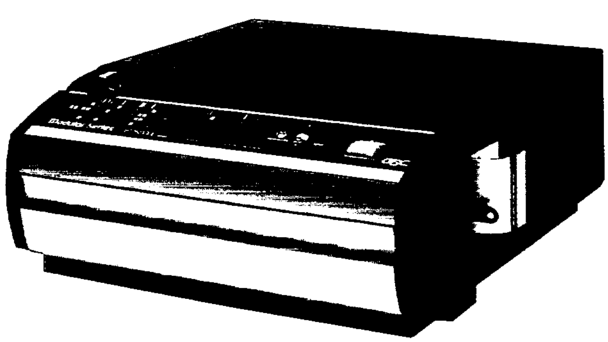
opportunity

A European environmental consulting firm needed a fast, flexible way to bind sales proposals, policy manuals, directories and other documents. Because the firm viewed their outmoded binding equipment as being slow, limited to a single operator, and accommodating only one binding style, they were selective in deciding which documents to bind. The firm sought an easier way to produce updated, professional-looking documents for all of its real estate and government clients.

solution

GBC proposed updated technology to speed up turnaround time, and create better-looking documents. GBC installed and trained staff on the use of a modular punch and electronic binding equipment.

As a result, productivity has shot up. The firm binds many more documents, both for clients and internal use. Two operators can punch and bind separately, speeding up the process. It can be done quietly, in an office area. And, the punch's flexibility accommodates an additional binding style, along with a potential for adding other styles as soon as the customer is ready.



Europe will leverage certain products, such as ZipBind and repositionable pouches that have achieved success elsewhere in the world by launching them into the European market.

GBC Europe is also expanding its customer base to include mass merchandisers. In Europe, this channel is expected to provide growth opportunities for the lamination, visual communication, calculator, shredder and binding product lines. Channel-specific products are directed toward home office, home digital photo print finishing (lamination, trimming, binding) and arts and crafts consumers and are expected to be an increasing source of revenue.

CREATING VALUE

Looking ahead, our primary challenges are to continue to identify and capitalize on the growth opportunities around us and to continue to build a stronger, more profitable company. Our Operational Excellence Program has generated cost savings and productivity increases. We believe that we are well-positioned to leverage these operational efficiencies as our markets improve. We have consistently strengthened our balance sheet over recent years, which has significantly improved our capital structure and reduced our ongoing interest expense.

In addition, the strategic realignment of the Commercial & Consumer and the Industrial & Print Finishing Groups will continue to help us improve our focus and penetration into existing markets. We will continue to support new sales, marketing and product development initiatives, which will provide a solid foundation for revenue growth in the years ahead, particularly in some of our focus areas, such as the home, school and industrial applications markets.

We believe now more than ever that GBC has a great future. Our foundation and capital structure are stronger and more robust, centered on the successes of our ongoing Operational Excellence Program and a simplified and more efficient business structure. We have leading market positions, strong brand names and customer relationships, as well as solid distribution, manufacturing and sourcing expertise.

Most important, we have a great team of talented and dedicated GBC employees around the world. These valuable assets should contribute to growth and greater profitability for GBC and the creation of increasing value for our shareholders, customers, suppliers and employees well into the future.

Dennis J. Martin

Dennis J. Martin
Chairman of the Board, President and Chief Executive Officer

FINANCIAL SUMMARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

GBC is engaged in the design, manufacture and distribution of office equipment, related supplies and laminating equipment and films. In 2003, GBC implemented organizational changes and created two business groups - Commercial and Consumer Group ("CCG") and Industrial and Print Finishing Group ("IPFG"). CCG, created through the combination of the former Document Finishing and Office Products Groups, focuses on marketing strategies for "consumer-ready" products that leverage GBC's leadership among customers of its binding, laminating and information-display products in the work, school and home environments. IPFG, created through the combination of the former Films Group and the Automated Products Division of the Document Finishing Group, targets print-for-pay and other finishing customers who use GBC's professional-grade finishing equipment and supplies as part of their mass production of sophisticated, professional applications.

The groups' revenues are primarily derived from:

COMMERCIAL AND CONSUMER GROUP

Products	Customers/Channels
• Binding, punching and laminating equipment	• Indirect (approximately 69%)
• Binding, punching and laminating supplies	• Direct (approximately 31%)
• Visual communications products	
• Document shredders	
• Custom binders and folders	
• Desktop accessories	
• Related maintenance and repair services	

INDUSTRIAL AND PRINT FINISHING GROUP

Products	Customers/Channels
• Thermal and pressure sensitive-laminating films	• Primarily direct
• Mid-range and commercial high-speed laminators	
• Large-format digital print laminators	

EUROPE GROUP

Products	Customers/Channels
• The Europe Group primarily distributes the Commercial and Consumer Groups' products to customers in Europe.	• Indirect (approximately 80%)

CCG's products are sold through both indirect channels (resellers, including office product superstores, contract/commercial stationers, wholesalers, mail order companies, mass markets and other dealers) and direct channels (salespersons, telemarketers, internet portals, etc.). This group's products and services are sold to customers, which include the home and office markets, commercial reprographic centers, educational and training markets, and governmental agencies throughout North and South America and the Asia/Pacific region. IPFG's products and services are sold worldwide through direct and dealer channels primarily to commercial reprographic centers and commercial printers. The Europe Group distributes many of CCG's products to customers in Europe.

The Company's results are dependent upon sales of CCG and IPFG products, which are susceptible to changes in economic conditions, customer and industry consolidation, reseller business strategy (e.g., private label vs. branded products) and other factors which are difficult to predict. During periods of deteriorating economic conditions, GBC may be increasingly affected by competitive pricing pressures and decreased customer demand. During 2003, sales in GBC's CCG continued to be negatively affected by reduced corporate spending for products that are capital in nature (e.g., visual communication and binding and laminating machines). IPFG experienced pricing pressures for commercial laminating films due to industry overcapacity, along with a continuing trend of contraction in the publishing industry, which reduced demand for these products. While worldwide economic conditions may improve in 2004, GBC believes that factors impacting its business will continue to be challenging. To offset its challenging business environment, the Company has continued to identify and work to achieve cost reductions and operating efficiencies through its Operational Excellence Program and to introduce new products to market.

Fluctuations in foreign currency exchange rates also have a significant impact on GBC's results, as a significant portion of GBC's revenues and operations are located outside the U.S. In 2003, due to the impact of foreign currency translation, the weakened U.S. dollar helped to offset reduced sales for GBC's business groups. This trend may continue in 2004; however, GBC would expect that a strengthening of the U.S. dollar would have an opposite and negative impact on the Company's results.

FINANCIAL RESULTS – 2003 COMPARED TO 2002

Sales

GBC's net sales for the year ended December 31, 2003 decreased 0.5% to $697.9 million compared to $701.7 million in 2002. The Company's net sales were favorably impacted by a weaker U.S. dollar in 2003 compared to 2002. The effect of foreign exchange rates benefited sales by approximately 4.0% in 2003. Net sales by business segment are summarized below (000 omitted):

	YEAR ENDED DECEMBER 31,	
	2003	2002
Commercial and Consumer Group	**$ 460,243**	$ 467,543
Industrial and Print Finishing Group	**137,064**	138,299
Europe Group	**100,601**	95,886
Net Sales	**$ 697,908**	$ 701,728

The Commercial and Consumer Group's sales decreased $7.3 million (or 1.6%) in 2003 when compared to 2002. Lower demand for the Group's visual communication products and binding and laminating machines was partially offset by increased sales of private label three-ring binders and paper shredders. Sales for the Industrial and Print Finishing Group decreased $1.2 million or 0.9%. The impact of favorable exchange rates benefited the Group's sales by approximately 6.0%. A decrease in sales in the U.S. commercial film business, which has been affected by pricing pressures and lower purchasing levels by certain of the Group's customers, was the primary reason for the sales decrease. In addition, the Group's U.S. commercial film business continues to be affected by weak market conditions. Sales in the Europe Group increased by $4.7 million. The impact of foreign exchange benefited sales in the Europe Group by approximately 15.0%. The Group's sales in local currencies declined due to a competitive, currency-related pricing environment, weak economic conditions in certain European markets, and the timing of new product introductions.

Gross Margins, Costs and Expenses

GBC's gross profit margin in 2003 increased by 0.3 points to 39.9% compared to 2002. Gross profit margins in the Commercial and Consumer Group were down due to an unfavorable product mix (higher sales of private label three-ring binders and lower sales of visual communication products and binding and laminating machines) and increased rebate and allowance programs. The Industrial and Print Finishing Group gross profit margins were up slightly due to reduced spending on research and development. The Europe Group's gross profit margin increased significantly due to favorable foreign exchange, increased manufacturing volumes, along with lower product costs due to sourcing initiatives.

Total selling, service and administrative expenses in 2003 decreased $3.8 million compared to 2002, primarily due to lower spending by the Commercial and Consumer Group, coupled with lower corporate expenses. Efficiencies achieved in connection with the creation of the Commercial and Consumer Group resulted in reduced expenditures on certain administrative functions. Additionally, the Group benefited from increased equity earnings from its joint venture in Australia. Corporate expenses were down in 2003 primarily as a result of reduced spending on information systems. These savings were partially offset by the recognition of GBC's share of the operating loss of GMP Co., Ltd. (see the "Restructuring and Other" and "GMP Relationship" sections of this "Management Discussion and Analysis of Financial Condition and Results of Operations" for further discussion regarding GBC's investment in GMP). Selling, service and administrative expenses as a percentage of sales decreased slightly to 31.9% in 2003 from 32.3% in 2002.

Segment Operating Income

Segment operating income for GBC's business groups, which is calculated as net sales less product cost of sales, selling, service and administrative expenses and amortization of other intangibles, is summarized below (000 omitted):

SEGMENT OPERATING INCOME YEAR ENDED DECEMBER 31,	**2003**	2002
Commercial and Consumer Group	**$ 56,573**	$ 58,510
Industrial and Print Finishing Group	**17,204**	18,301
Europe Group	**6,085**	1,359
Unallocated Corporate items	**(25,149)**	(26,823)
Total	**$ 54,713**	$ 51,347

Segment operating income for 2003 increased 6.6% or $3.4 million compared to 2002. Operating income in the Commercial and Consumer Group decreased by $1.9 million, or 3.3%, in 2003 primarily due to the lower level of sales and reduced gross profit margin, which was partially offset by lower expenses. The Industrial and Print Finishing Group's operating income decreased 6.0% or $1.1 million due to the lower sales volume and higher selling, service and administrative expenses. The Europe Group's operating income increased $4.7 million due primarily to improved gross profit margins. Unallocated corporate items decreased $1.7 million primarily due to reduced information systems costs.

Inventory Rationalization

During 2002, GBC recorded inventory charges of approximately $1.0 million primarily related to the Commercial and Consumer Group. This charge relates to GBC's product line rationalization and reflects an adjustment to the realizable value of certain products which the Company decided to discontinue in 2001.

Restructuring and Other

Beginning in 2001, GBC launched its Operational Excellence Program, an on-going effort to improve the Company's financial performance and flexibility. Initiatives undertaken in connection with this program have resulted in restructuring and other expenses in both 2003 and 2002.

Pre-tax restructuring charges in 2003 totaled $11.1 million, related to the following projects: a) relocating the manufacturing of labor intensive visual communication products from the Company's facility in Booneville, Mississippi to Nuevo Laredo, Mexico; b) closing a manufacturing plant in Amelia, Virginia and consolidating production in the Company's plant in Lincolnshire, Illinois; c) company-wide workforce reduction programs; and d) subleasing a manufacturing as part of a previously announced restructuring.

The restructuring charges associated with the 2003 projects consist of the following (in millions):

PROJECT	Severance	Asset Impairments and Other Exit Costs	Lease Costs	Total
Relocating manufacturing from Booneville to Nuevo Laredo	$ 2.6	$ 4.5	–	$ 7.1
Plant closure - Amelia, Virginia	0.2	–	–	0.2
Reduction-in-force programs	2.4	–	–	2.4
Sublease manufacturing facility	–	–	1.4	1.4
	$ 5.2	**$ 4.5**	**$ 1.4**	**$11.1**

The relocation of manufacturing operations from Booneville, Mississippi to Nuevo Laredo, Mexico began in July 2003, and is expected to be completed by the end of the second quarter of 2004. The closing of the Amelia, Virginia plant commenced in the first quarter of 2004 and is expected to be completed by the end of second quarter of 2004. Initiatives related to work force reductions were implemented during the second half of 2003.

During 2002, GBC recorded pre-tax restructuring charges of $8.0 million for expenses related the following projects: a) closing the Company's facility in Buffalo Grove, Illinois and transferring the manufacturing and administrative functions to other GBC locations; b) downsizing a binder manufacturing facility in Amelia, Virginia; c) severance costs associated with the creation of the Commercial Consumer Group; and d) charges related to the reorganization of certain corporate and other support functions.

The restructuring charges associated with the 2002 projects consist of the following (in millions):

PROJECT	Severance	Asset Impairments and Other Exit Costs	Lease Costs	Total
Buffalo Grove facility closure	$ 0.7	$ 1.6	$ 0.8	$ 3.1
Downsizing of Amelia facility	0.8	0.3	–	1.1
Commercial and Consumer Group	1.6	0.2	–	1.8
Reduction in support functions	2.0	–	–	2.0
	$ 5.1	**$ 2.1**	**$ 0.8**	**$ 8.0**

The transition of manufacturing operations from the Buffalo Grove facility was completed in 2002; administrative and support personnel previously located in the Buffalo Grove facility were transferred to other GBC locations by early 2003. Actions associated with the Amelia facility and other reductions in force were completed in 2002.

The Company has an investment in GMP Co., Ltd. of approximately 20%, and accounts for its investment under the equity method of accounting. In the fourth quarter of 2003, GBC recognized its share (approximating $1.2 million) of GMP's fourth quarter 2003 loss. As a result of GMP's poor financial performance and other business factors, GBC evaluated whether its investment in GMP was impaired. The GMP investment was valued based upon the traded value of GMP shares on the KOSDAQ exchange (Korean over-the-counter market) and projections of cash flow, earnings and sales developed by GMP management. Based upon the analysis performed, and GBC's determination that the decline in value of its investment in GMP was other than temporary, an impairment charge of $4.7 million was recognized.

During 2002, GBC incurred $1.1 million in other expenses primarily related to costs associated with the transition of production from the closed and downsized facilities to other GBC facilities.

Interest Expense

Interest expense decreased by $5.5 million to $34.4 million in 2003 compared to 2002 due to reduced debt levels and lower average interest rates. Included in interest expense in 2003 was $1.1 million related to the loss on the extinguishment of the Company's previous credit facility which was refinanced in June 2003.

Other (Income) Expense

Other expense was approximately $0.2 million in both 2003 and 2002. In 2002, other expense included non-cash losses of $1.1 million on the sale of a previously closed facility in Mexico and $1.1 million on the disposal of GBC's investment in an Indian joint venture. These non-cash losses were offset by net interest income of $0.9 million received in connection with the settlement of a U.S. Federal income tax refund claim, as well as currency gains which primarily related to the translation of liabilities denominated in other than functional currencies.

Income Taxes

Income tax expense was $7.6 million in 2003 on pre-tax income of $4.4 million. Factors that affected income tax expense in 2003 included: a) the non-cash write-off of deferred tax assets as a result of the reorganization of certain international subsidiaries ($4.4 million); and b) the combined effect of the pre-tax impairment charge and GBC's share of the loss incurred in fiscal 2003 by GMP. These items were not tax deductible.

In 2002, income tax expense was approximately $2.0 million on pre-tax income of approximately $1.1 million. During 2002, new U.S. tax legislation enabled GBC to carry back its 2001 domestic tax loss to 1996 and 1997. The carryback generated a $7.5 million tax refund and reduced previously utilized tax credits. The tax credits became deferred tax assets which GBC was not able to use before the expiration of the carryover period. The resulting write-off of these deferred tax assets created additional income tax expense of $1.5 million. Additionally, GBC settled a U.S. Federal income tax contingency resulting in a refund of approximately $0.9 million which is reflected as a reduction to GBC's 2002 income tax provision.

See note 11 to the consolidated financial statements for more information on income taxes.

Cumulative Effect of Accounting Change

Effective January 1, 2002, GBC implemented SFAS No. 142, "Goodwill and Other Intangible Assets." In accordance with SFAS No. 142, the Company tested its goodwill balances to determine whether these assets were impaired. Based upon the testing performed, GBC recorded a non-cash impairment charge of $110 million ($79 million, net of tax), primarily related to the impairment of goodwill in the Commercial and Consumer Group.

Net Loss

GBC realized a net loss of $3.3 million for 2003 compared to a net loss of $80.0 million for 2002. The 2003 net loss was impacted by the previously described restructuring charges of $11.1 million, other expense of $4.7 million, the loss on extinguishment of debt of $1.1 million as well as the $4.4 million write-off of deferred tax assets. In 2002, the net loss was impacted by the cumulative effect of accounting change of $79.0 million, net of taxes, along with $9.1 million in restructuring and other costs.

FINANCIAL RESULTS – 2002 COMPARED TO 2001

Sales

Net sales in 2002 were $701.7 million, a decrease of 1.4% from 2001. The Company's sales were negatively impacted by weak economic conditions in the United States. Net sales by business segment are summarized below (000 omitted):

	YEAR ENDED DECEMBER 31,	
	2002	2001
Commercial and Consumer Group	$ 467,543	$ 465,121
Industrial and Print Finishing Group	138,299	146,258
Europe Group	95,886	100,564
Net Sales	$ 701,728	$ 711,943

The Commercial and Consumer Group's sales increased by $2.4 million or 0.5% in 2002 when compared to 2001. The increase was primarily related to higher sales of certain supply items to retail customers, which was offset by weak equipment sales as a result of lower corporate capital spending, along with lower sales of custom supply products due to reduced corporate spending on meetings, training and presentations. The Industrial and Print Finishing Group's sales decreased by $8.0 million or 5.4% in 2002 when compared to 2001. The sales decline was primarily due to lower sales of commercial laminating and digital print finishing supplies in the U.S. market. Sales of commercial laminating films were negatively impacted by weakness in the book publishing market, while the digital print finishing business has experienced lower corporate spending for advertising, trade shows and media presentations. Net sales in Europe decreased $4.7 million or 4.7% in 2002 when compared to 2001, partially due to planned customer and product rationalization, along with overall economic weakness in Europe.

Gross Margins, Costs and Expenses

The Company's gross profit margin percentage in 2002 was 39.6% compared to 37.6% in 2001. Compared to the prior year, gross profit margin percentages increased in all business groups, except for Industrial and Print Finishing, which was negatively impacted by higher spending on research and development. The improvement in business unit gross profit margin, despite lower manufacturing volumes, was primarily a result of selective price increases and GBC's continuing emphasis on efficiencies and cost reductions through its Operational Excellence Program. Additionally, the Company's overall gross profit margin improved in 2002 due to a significantly lower level of inventory rationalization and write-down charges compared to 2001.

Total selling, service and administrative expenses decreased $5.4 million in 2002 when compared to 2001. As a percentage of sales, selling, service and administrative expenses decreased 0.3 percentage points to 32.3% in 2002 compared to 2001. With the exception of the Commercial and Consumer Group, which experienced a planned increase in spending on new product development and marketing programs, each of GBC's business groups realized lower expenses in 2002 when compared to 2001. The decreases were primarily due to lower variable selling expenses and cost management programs.

Segment Operating Income

Segment operating income for GBC's business groups, which is calculated as net sales less product cost of sales, selling, service and administrative expenses and amortization of other intangibles, is summarized below (000 omitted):

SEGMENT OPERATING INCOME YEAR ENDED DECEMBER 31,	2002	2001
Commercial and Consumer Group	$ 58,510	$ 63,533
Industrial and Print Finishing Group	18,301	18,659
Europe Group	1,359	(675)
Unallocated Corporate items	(26,823)	(35,317)
Total	$ 51,347	$ 46,200

Operating income in the Commercial and Consumer Group decreased $5.0 million due primarily to increased selling, service and administrative expenses. Operating income for the Industrial and Print Finishing Group decreased $0.4 million due to lower levels of sales and lower gross profit margins. The increase of $2.0 million in the Europe Group's operating income during 2002 compared to the operating loss in 2001 was due to higher gross profit percentages and lower selling, service and administrative expenses.

Inventory Rationalization and Write-Down Charges

During 2002, GBC recorded inventory rationalization and write-down charges of $1.0 million. These charges related to product line rationalization and reflect an adjustment to the realizable value of certain products which the Company decided to discontinue in 2001. During 2001, GBC recorded inventory rationalization and write-down charges of $8.8 million. These charges relate to product line rationalization and efforts to reduce the number of SKU's offered. Charges by business group were: Consumer and Commercial Group, $4.9 million; Industrial and Print Finishing Group, $0.1 million; and Europe Group, $3.8 million.

Amortization of Goodwill and Other Intangibles

Effective January 1, 2002, GBC implemented SFAS No. 142, which eliminates the amortization of goodwill and indefinite-lived intangible assets for current and future periods. Prior periods are not restated for this change. As a result, there was no goodwill amortization in 2002, while 2001 included goodwill amortization of approximately $9.7 million.

Restructuring and Other

In 2001, GBC launched its Operational Excellence Program. Activities undertaken in connection with this program resulted in restructuring and other expenses in both 2002 and 2001.

During 2002, GBC recorded pre-tax restructuring charges of $8.0 million for expenses related to the following projects: a) closing the Company's facility in Buffalo Grove, Illinois and transferring the manufacturing and administrative functions to other GBC locations; b) downsizing a binder manufacturing facility in Amelia, Virginia; c) severance costs associated with the creation of the Commercial Consumer Group; and d) charges related to the reorganization of certain corporate and other support functions.

The restructuring charges associated with the 2002 projects consist of the following (in millions):

PROJECT	Severance	Asset Impairments and Other Exit Costs	Lease Costs	Total
Buffalo Grove facility closure	$ 0.7	$ 1.6	$ 0.8	$ 3.1
Downsizing of Amelia facility	0.8	0.3	–	1.1
Commercial and Consumer Group	1.6	0.2	–	1.8
Reduction in support functions	2.0	–	–	2.0
	$ 5.1	$ 2.1	$ 0.8	$ 8.0

The relocation of manufacturing operations from the Buffalo Grove facility was completed in 2002; administrative and support personnel previously located in the Buffalo Grove facility were transferred to other GBC locations by early 2003. Actions associated with the Amelia facility and other reductions-in-force were completed in 2002.

Restructuring activities in 2001 resulted in a $7.3 million pre-tax charge for expenses related to: a) the closing of manufacturing, warehouse and administrative facilities in Ashland, Mississippi, Germany, and Mexico; b) the shutdown of operations in Poland; c) facility reductions in Amelia, Virginia and the United Kingdom; and d) workforce reductions in the Company's Europe, Commercial and Consumer, and Industrial and Print Finishing Groups.

During 2002, GBC incurred $1.1 million in other expenses primarily related to costs associated with the transition of production from the closed and down-sized facilities to other GBC facilities.

During 2001, GBC incurred other charges of $6.2 million primarily related to contractual severance payments and other benefits to be paid to GBC's former CEO ($2.4 million), a signing bonus and other transition expenses for GBC's new Chairman and CEO ($1.6 million), and severance costs to be paid to the Company's former CFO and others ($1.1 million). In addition, GBC recorded a $1.1 million non-cash loss on the sale of the assets of its New Zealand operations.

Interest Expense

Interest expense increased by $2.7 million to $39.9 million in 2002 compared to 2001. The increase in interest expense primarily resulted from higher effective interest rates during 2002 on GBC's Revolving Credit Facility, which were only partially offset by lower average borrowings.

Other (Income) Expense

Other expense was $0.2 million in 2002 compared to income of $1.0 million during 2001. In 2002, GBC recorded non-cash losses of $1.1 million on the sale of a previously closed facility in Mexico, and $1.1 million on the disposal of GBC's investment in an Indian joint venture. The losses were partially offset by net interest income of $0.9 million received in connection with the settlement of a U.S. Federal income tax refund claim, as well as currency gains recognized which primarily related to the translation of liabilities denominated in other than functional currencies. In 2001, other income primarily consisted of interest income.

Cumulative Effect of Accounting Change

Effective January 1, 2002 GBC implemented SFAS No. 142, "Goodwill and Other Intangible Assets." In accordance with SFAS No. 142, the Company tested its goodwill balances to determine whether these assets were impaired. Based upon the testing performed, GBC recorded a non-cash impairment charge of $110 million ($79 million, net of tax), primarily related to the impairment of goodwill in the Commercial and Consumer Group.

Income Taxes

GBC recorded income tax expense of $2.0 million in 2002 on pre-tax income of $1.1 million, compared to a benefit of $4.8 million in 2001. The 2002 tax provision included: a) the write-off of $1.5 million in deferred tax assets in the first quarter of 2002; b) the receipt of a $0.9 million income tax refund in the second quarter of 2002; and c) an increase in 2002 pre-tax earnings over 2001.

In 2002, new U.S. tax legislation enabled GBC to carry back its 2001 domestic tax loss to 1996 and 1997. The carryback generated a $7.5 million tax refund and reduced previously utilized tax credits. The tax credits became deferred tax assets which GBC was not able to use before the expiration of the carryover period. The resulting write-off of these deferred tax assets created additional income tax expense of $1.5 million. Separately, GBC settled a U.S. Federal income tax contingency resulting in a refund of approximately $0.9 million which is reflected as a reduction to GBC's 2002 income tax provision.

See note 11 to the consolidated financial statements for more information on income taxes.

Net Loss

GBC reported a net loss of $80.0 million in 2002, or $(5.04) per basic and diluted share, compared to a net loss of $19.5 million, or $(1.24) per basic and diluted share in 2001. The net loss in 2002 was due primarily to the cumulative effect of accounting change of $79.0 million, net of taxes. The Company also had a higher effective income tax rate in 2002 compared to 2001, along with higher interest expenses. These items were partially offset in 2002 by higher gross profit margins (including inventory rationalization and write-down charges), lower selling, service and administrative expenses, and lower restructuring and other costs compared to 2001. Additionally, due to the implementation of SFAS No. 142, beginning in 2002 goodwill was no longer amortized.

LIQUIDITY AND CAPITAL RESOURCES

Primary Credit Facility

Management assesses the Company's liquidity in terms of its overall debt capacity and ability to generate cash from operations to fund its operating activities, capital needs and debt service requirements. Significant factors affecting liquidity are cash flows generated from operating activities, capital expenditures, interest and debt service requirements, adequate bank lines of credit and financial flexibility to attract long-term capital with satisfactory terms. GBC's primary sources of liquidity and capital resources are internally-generated cash flows, and borrowings under GBC's revolving credit facility.

During 2003, GBC entered into three new financing agreements. On June 26, 2003, the Company completed the refinancing of its primary senior credit facility (the "Primary Facility"). The new $197.5 million Primary Facility includes a $72.5 million multicurrency revolving credit line and a $125 million term loan. The maturity date on the Primary Facility is January 15, 2008, and it provides for significantly lower interest rate spreads than the previous senior credit facility (the "Previous Primary Facility"). In the fourth quarter of 2003, a payment of $2.5 million was made on the term loan, reducing it to $122.5 million. As of December 31, 2003, outstanding borrowings under the Primary Facility included $122.5 million for the term loan, and outstanding letters of credit of $13.8 million which reduce GBC's availability under the revolving credit line. Concurrent with the completion of the Primary Facility, GBC entered into a mortgage financing arrangement under which its real estate holdings in Northbrook and Skokie, Illinois and its real estate and equipment in Addison, Illinois are pledged as collateral ("Mortgage Financing"). The $14.8 million proceeds from the Mortgage Financing were used to repay a portion of the Previous Primary Facility. As of December 31, 2003, the outstanding balance on the Mortgage Financing was $13.8 million. In April 2003, GBC entered into a new multicurrency revolving credit facility in the Netherlands (the "Netherlands Facility"). The maturity date on the Netherlands Facility is April 9, 2008. The majority of $16.8 million that had been borrowed under the Netherlands Facility was used to repay a portion of the Previous Primary Facility. As of December 31, 2003, there were no outstanding borrowings under the Netherlands Facility.

Interest rates on the Primary Facility are variable and are set at LIBOR plus 3.75% for borrowings under the $72.5 million multicurrency revolving credit line, and LIBOR plus 4.50% for the term loan. Borrowings under the Primary Facility are subject to a "pricing grid" which provides for lower interest rates in the event that certain of GBC's financial ratios improve in future periods.

Primary Credit Facility–Financial Covenants

GBC must meet certain restrictive financial covenants as defined under the Primary Facility. The covenants become more restrictive over time and require the Company to maintain certain ratios related to total leverage, senior leverage, fixed charge coverage, as well as a minimum level of consolidated net worth. There are also other covenants, including restrictions on dividend payments, acquisitions, additional indebtedness, and capital expenditures. In addition to the restrictive covenants, multicurrency revolving credit line borrowings are subject to a "borrowing base" which is determined based upon certain formulas tied to GBC's trade receivables and inventory. With the exception of its assets pledged under the Mortgage Financing, substantially all of the assets of General Binding Corporation and its domestic subsidiaries, as well as a portion of equity in certain foreign subsidiaries are pledged as collateral under the Primary Facility.

The most restrictive financial covenants under the Primary Facility require the Company to maintain the following targets and ratios:

Minimum Leverage Ratios:

There are two leverage ratio tests under the Primary Facility. The ratios are computed by dividing the cumulative four quarter trailing EBITDA (as defined under the Primary Facility) into the Company's total debt and its senior debt (total debt less subordinated debt).

The Primary Facility requires that GBC's leverage ratios as of the end of each quarter be no higher than:

	Total Leverage	Senior Leverage
Q-4 2003- Q-3 2004	4.50 to1	2.50 to 1
Q-4 2004- Q-3 2005	4.25 to1	2.25 to 1
Q-4 2005- Q-3 2006	3.75 to1	1.75 to 1
Thereafter	3.50 to1	1.50 to 1

Fixed Charge Coverage Ratio:

The fixed charge coverage ratio is computed based upon consolidated trailing four quarter EBITDA (as defined under the Primary Facility) less consolidated capital expenditures, divided by consolidated fixed charges (as defined under the Primary Facility). As of the end of each quarter through the fourth quarter of 2005, GBC must maintain a ratio in excess of 1.10 to 1 and must maintain a ratio in excess of 1.15 to 1 for each quarter thereafter.

Consolidated Net Worth:

GBC must maintain consolidated net worth (as defined under the Primary Facility) of $37.0 million plus the sum of 50% of consolidated net income of each quarterly period subsequent to June 30, 2003.

Primary Facility–Term Loan Amortization and Maturity

Principal payments on the term loan are due quarterly beginning with the fourth quarter of 2003. The required quarterly payments are as follows:

Q-4 2003 – Q-3 2004	$ 2.5 million
Q-4 2004 – Q-3 2005	3.0 million
Q-4 2005 – Q-3 2007	3.5 million

The remaining balance of the term loan is due on the maturity date of the Primary Facility, January 15, 2008.

Primary Facility–Financial Covenant Compliance

As of and for the period ended December 31, 2003, GBC was in compliance with all covenants under the Primary Facility.

Based upon its current financial forecast, the Company expects to remain in compliance with the covenants under the Primary Facility. The financial forecast assumes that there will be no further significant deterioration of worldwide economic conditions, no significant increases in competitive pressure, and that certain objectives of the Operational Excellence Program will be achieved. If these assumptions are not met or if other unforeseen events occur, it is possible that the Company will fail one or more of its covenants. In that situation, if GBC were unable to obtain an amendment to the Primary Facility or a waiver in the event of a major covenant violation, the Company's liquidity would be severely impacted.

Primary Facility–Borrowing Base Availability

The Primary Facility includes a $72.5 million multicurrency borrowing facility that GBC uses to fund its working capital requirements. The Company's borrowing capacity under the facility is limited by a "borrowing base," which is specifically defined in the facility and is computed as 85% of eligible trade receivables and 50% of eligible inventory. Eligible receivables are generally defined as current domestic and Canadian receivables which are reduced by certain obligations of the Company, and eligible inventory is generally defined as inventory owned by GBC's domestic and Canadian operations. At December 31, 2003, GBC's borrowing base was adequate to support GBC's expected future working capital requirements. If, however, there were to be a significant deterioration in the quality of GBC's eligible receivables or inventory, there can be no assurance that adequate liquidity would be available under the Facility.

Cash Flows

Cash provided by operating activities was $51.6 million for the year ended December 31, 2003, compared to $46.5 million for 2002, an increase of $5.1 million. The increase in cash provided by operating activities in 2003 compared to 2002 is primarily due to a reduction in the use of working capital, lower cash interest payments and increased segment operating income, all of which were partially offset by cash income taxes paid in 2003 compared to refunds in 2002.

Net cash used in investing activities was $10.6 million during 2003, compared to $7.7 million in 2002. In 2003, GBC invested $2.2 million in a joint venture arrangement for the Industrial and Print Finishing Group.

Net cash used in financing activities was $41.4 million during 2003, compared to $78.9 million during 2002. In the latter part of 2001, GBC increased the Company's borrowings under the facility above normal levels. Approximately $52.8 million of the borrowings were repaid in January 2002. Excluding these additional borrowings at December 31, 2001, GBC would have reported a reduction in debt of approximately $25.3 million during 2002.

GBC is restricted under its credit agreements from paying dividends, and therefore no dividends were paid during either 2003 or 2002.

As discussed in note 1 to the consolidated financial statements, GBC is included in the consolidated U.S. Federal Income tax return and certain U.S. State Income tax returns of its majority shareholder, Lane Industries, Inc. The Internal Revenue Service has an open examination of Lane Industries, Inc. and subsidiaries for the years 1999 through 2002. Additionally, there are ongoing audits in the U.S. and several international jurisdictions. In the opinion of management, GBC has made adequate tax provisions for all years subject to examination, and currently has adequate liquidity available to settle any known claims.

As required by SFAS No. 87, "Employers' Accounting for Pensions," if the accumulated benefit obligation ("ABO") relating to a pension plan exceeds the fair value of the plans' assets, the Company's established liability for a plan must be at least equal to the unfunded ABO. In 2002, as a result of unfavorable asset returns and a decline in market interest rates, the Company recorded a reduction of approximately $10.2 million to other comprehensive income ("OCI"), which is a component of stockholders' equity, in order to establish an additional minimum liability for one of its defined benefit pension plans. In 2003, asset returns improved and the Company recorded an offsetting increase to OCI of $1.7 million. Depending on market conditions and interest rate movements in the future, additional increases or decreases to OCI might be required based on valuations performed at future measurement dates. Based on the most recent valuation of the plan, GBC will be required to make additional annual contributions in the amount of approximately $1.3 million to fund the plan shortfall. This additional contribution could increase or decrease in future years based upon market conditions.

GMP RELATIONSHIP

GBC sources many of its laminating machines from GMP Co. Ltd., a company whose manufacturing facility is located in the Republic of Korea. GBC also has an equity ownership interest in GMP of approximately 20%. While GBC has a long-term supply arrangement with GMP, there can be no assurance that GMP will be able to continue to fulfill any or all of its obligations to the Company. GMP's ability to fulfill GBC's requirements for laminating machines could be affected by Korean and other regional and worldwide economic, political and governmental conditions. Additionally, GMP has a highly leveraged capital structure. In order to ensure the continuation of its operations, GMP requires ongoing sources of financing. There can be no assurance that such financing will continue to be available. At times during 2003 and in the first quarter of 2004, the Company accelerated its payment terms to GMP to provide it with liquidity assistance. The amount of any advance payments to GMP outstanding at any one time has not exceeded $1 million, and GMP has complied with all conditions imposed by GBC in connection with the advances. In the event GMP seeks additional financial assistance in the future in the form of advance payments from GBC, the Company will consider such requests taking into consideration then existing market, liquidity and other factors; however, there can be no assurance that the Company would make any such advances, or provide other financial support.

If GMP were unable to supply GBC with laminating machines, there are alternative sources available. However, changing suppliers for the laminating machines manufactured by GMP would require lead times of a duration that could result in a disruption of supply. If GBC's supply chain were disrupted, the Company's results of operations and its financial position would be negatively impacted. It is estimated that during 2004, absent a disruption in supply, GBC will have sales of laminating machines supplied by GMP within the range of $17-20 million.

During 2003, GBC recorded a $1.0 million loss related to its portion of GMP's 2003 operating results, which were negatively impacted by non-recurring, non-cash charges. As a result of GMP's operating loss and other business factors, GBC performed an evaluation and determined its investment in GMP was impaired and recorded a non-cash charge of $4.7 million to reduce the value of its investment. As of December 31, 2003, GBC's remaining investment in GMP is $2.8 million. If the fair value of GBC's investment in GMP were to decline further, and if the decline were determined to be other than temporary, the Company may have to write-off all or part of its remaining investment. While such a write-off would be non-cash in nature, it may negatively impact GBC's computations of certain financial covenants under the Facility.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL FINANCIAL OBLIGATIONS

The Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

The table below sets forth GBC's contractual cash obligations at December 31, 2003 (in millions):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt and capital lease obligations (1)	$ 302.0	$ 20.0	$ 33.9	$ 241.1	$ 7.0
Operating lease obligations	65.1	13.9	21.0	15.2	15.0
Purchase obligations (2)	81.0	81.0	–	–	–
Other long-term liabilities (3)	17.8	2.6	5.3	4.3	5.6
Total	$ 465.9	$ 117.5	$ 60.2	$ 260.6	$ 27.6

(1) Excludes related interest.

(2) GBC's purchase obligations primarily consist of open purchase orders to acquire raw materials used in the manufacture of product or to acquire finished product sourced from third-party vendors. A substantial majority of the Company's open purchase orders are non-binding and can be cancelled with up to 90 days notice. For purposes of this disclosure, an estimate of 90 days of open purchase orders, based upon purchases made in 2003, has been used. Assuming such purchase orders are not cancelled, we believe our purchase obligations for 2004, based on prior years' experience, will be approximately $324 million.

(3) The Company's primary obligations related to other long-term liabilities consist of payments under retirement benefit plans. Future contributions, where not fixed, have been estimated based upon actual 2003 payments.

COMMERCIAL FINANCIAL COMMITMENTS

At December 31, 2003, GBC had commercial financial commitments of approximately $5.0 million consisting of standby letters of credit which primarily support domestic workers compensation claims and a real estate operating lease on one of the Company's facilities.

CREDIT CONCENTRATION

GBC has several customers of the Commercial and Consumer Group which, in the normal course of business, make significant purchases from the Company. Trade receivable balances from these customers have ranged from $5 million - $15 million. As a result, at any point in time, GBC may have a significant concentration of its accounts receivable balance among this customer group. To mitigate the credit risk among this group of customers, management closely monitors trends in the office products market, as well as the financial condition and payment trends of these customers. However, should one or more of those customers fail, such failure could have a material adverse affect on GBC's financial position and results of operations.

NEW ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities." The objective of FIN No. 46 is to improve financial reporting by companies with transactions involving variable interest entities. Prior to FIN No. 46, companies generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. Under FIN No. 46, a variable interest entity would be consolidated by a company if that company is subject to a majority of the risk or loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. In December 2003, the FASB issued a revision to FIN No. 46 ("46R") to clarify certain provisions of FIN No. 46 and to exempt certain entities from its requirements. Special effective dates apply to enterprises that have fully or partially applied FIN No. 46 prior to issuance of 46R. Otherwise, application of 46R or FIN No. 46 is required in financial statements of public entities for periods ending after December 15, 2003. GBC is still assessing the impact, if any, 46R and FIN No. 46 will have on the Company's results or financial position.

In December 2003, the FASB issued a revision to SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." This statement revises certain disclosures about pension plans and other postretirement benefit plans. The additional disclosures required by this statement include: information describing the types of plan assets; investment strategy; measurement date(s); plan obligations; cash flows; and components of net periodic benefit cost to be recognized during interim periods. GBC is required to adopt the new disclosures about foreign plans and estimated future benefit payments in 2004.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit and Disposal Activities." This statement revises the accounting for exit and disposal activities under EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and other Costs to Exit an Activity," by spreading out the reporting of expenses related to restructuring activities. Commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most anticipated costs. Instead, companies will record exit or disposal costs when they are "incurred" and can be measured at fair value, and they will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS No. 146, and liabilities that a company previously recorded under EITF Issue 94-3 are grandfathered. GBC's adoption of SFAS No. 146 in 2003 has not had a material impact on its consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others" (FIN No. 45). The initial recognition and measurement provisions of this interpretation, which require a guarantor to recognize a liability at the inception of a guarantee at fair value, are effective on a prospective basis to guarantees issued or modified after January 1, 2003. GBC's adoption of FIN No. 45 has not had a material impact on GBC's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Compensation – Transition and Disclosure", which amends SFAS No. 123. The new standard provides alternative methods for transition to the fair value-based method of accounting for stock-based employee compensation from the intrinsic method. GBC currently accounts for stock-based employee compensation under the intrinsic method and has not made a determination as to when, or if, the Company would change to the fair value-based method. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The required disclosures have been adopted in the Company's consolidated financial statements.

RELATED PARTY TRANSACTIONS

As discussed in notes 1 and 11 to the consolidated financial statements, GBC and Lane Industries, Inc. (the Company's majority shareholder) have entered into Tax Allocation Agreements, which determine GBC's U.S. Federal and U.S. State income liabilities. Other related party transactions are detailed in GBC's 2003 Proxy Statement. No other related party transactions had a material impact on GBC's financial position, cash flow, or results of operations.

CRITICAL ACCOUNTING POLICIES

The following accounting policies are considered to be critical to the understanding of GBC's financial statements because their application requires significant management judgement. The Company's reported financial results rely upon estimates and assumptions which are uncertain. For all of these policies, management cautions that future events rarely develop exactly as forecast, and even the best estimates may require adjustment.

Allowance for Doubtful Accounts and Sales Returns

The provision for doubtful accounts is established based upon historical losses on trade receivables, the aging of customer account balances, and the creditworthiness of specific customers. Historically, GBC has not realized significant losses on trade receivables. As discussed under

Credit Concentration, certain of GBC's customers routinely carry significant trade receivable balances. Deterioration of the creditworthiness of such customers could have a significant negative impact on the financial results of GBC.

An allowance for potential sales returns is established as revenue is recognized. This allowance is based upon historical trends for specific customer groups. Additionally, the Company monitors the "sell through" information provided by significant resellers of its products. The allowance is adjusted periodically based upon such information. Management believes that the allowance is susceptible to reasonable estimation and adequately provides for future returns; however, market changes and customer strategies could impact this estimate in the future.

Allowance for Slow-moving and Obsolete Inventory

GBC's inventory is valued at manufactured cost or purchase cost. An allowance is established to adjust the cost of inventory to its net realizable value. The allowance is based upon historical and estimated future sales of specific inventory items. Changes in future demand for products or inaccurate estimates of demand for new products could have a significant impact on the Company's allowance. Additionally, a decision by major resellers of GBC's products to no longer carry these products could have a significant impact on the Company's future results.

Deferred Income Tax Valuation Allowance

An allowance for deferred income taxes and net loss carry forwards is established for those items which are expected to expire unused. GBC determines the valuation allowances by considering currently available data, historical and projected taxable earnings and losses by jurisdiction, the Company's current financial condition and other relevant factors. If GBC is unable to generate sufficient future taxable income, or if there is a material change in the time period within which the underlying temporary differences become taxable or deductible, the Company could be required to increase the valuation allowance against all or a significant portion of its remaining net deferred tax assets resulting in an increase in the effective tax rate.

Tax Reserves

In the normal course of business, GBC is regularly audited by U.S. Federal; U.S. State and Foreign tax authorities, and is periodically challenged regarding the amount of taxes due. These challenges include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. Management believes the Company's tax positions comply with applicable tax laws. In evaluating the exposure associated with various tax filing positions, GBC maintains accruals for uncertain tax positions. While the Company believes these reserves are adequate, its effective income tax rate in a given period could be impacted if matters for which accruals have been established are resolved in amounts in excess of or/less than the accruals.

Long-lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment of or Disposal of Long-lived Assets," the Company reviews potential impairment of long-lived assets whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. During 2003, 2002 and 2001, provisions were established for certain assets impacted by restructuring activities. Such provisions were based upon a comparison of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount asset or asset group. If the undiscounted cash flows are less than the carrying amount, an impairment is recognized based upon the fair value of the asset or asset groups.

During 2003, the Company evaluated its investment in GMP for potential impairment. As a result of this review, GBC recorded a non-cash charge of $4.7 million to reduce its investment. See the "GMP Relationship" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion of GBC's relationship with GMP.

In accordance with SFAS No. 142, GBC tests its goodwill balances at least annually to determine whether these assets are impaired. GBC recorded a non-cash impairment charge of $110 million ($79 million after-tax) effective January 1, 2002, as the cumulative effect of adopting this standard.

The Company performs its annual impairment test at January 1 of each fiscal year. In addition, SFAS No. 142 also requires that previously recognized intangible assets, other than goodwill, be reassessed to determine the appropriateness of the estimated useful lives of these assets. Intangible assets determined to have finite lives are amortized over those lives and intangible assets that have indefinite lives are not amortized. As of December 31, 2003, there have been no events or circumstances which would warrant a revision to the remaining useful lives of these assets.

ACQUISITIONS AND OTHER BUSINESS COMBINATIONS

GBC made no acquisitions nor was it involved in any other business combination transactions during the years 2001 through 2003.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GBC is exposed to market risk from changes in foreign currency exchange rates and interest rates which may affect the results of its operations and financial condition. GBC seeks to manage these risks through its regular operating and financing activities, and when deemed appropriate, through the use of derivative financial instruments. GBC does not use any derivative instruments for trading or other speculative purposes and is not a party to any leveraged financial instruments. The methods used by GBC to assess and mitigate the market risks discussed herein should not be considered projections of future events and exposures.

FOREIGN EXCHANGE RISK MANAGEMENT

As a result of GBC's global activities, the Company has assets, liabilities, loans and cash flows denominated in currencies other than the U.S. dollar. From time to time, GBC utilizes a foreign exchange risk management program to manage its foreign exchange exposures to help minimize the adverse impact of currency movements. Certain loans and cash flows in the U.S. and in foreign countries are currently hedged through foreign currency forward contracts.

The majority of GBC's exposures to currency movements are in Europe, the Asia/Pacific region, Canada and Mexico, and the significant hedging transactions related to these areas outstanding as of December 31, 2003 are presented below. All of the outstanding contracts have maturity dates in 2004. Increases and decreases in the fair market values of the forward agreements are completely offset by changes in the values of the net underlying foreign currency transaction exposures. GBC's contracts are primarily for the sale or purchase of foreign currencies in exchange for U.S. dollars. Selected information related to GBC's foreign exchange contracts as of December 31, 2003 is as follows (all items except exchange rates in millions):

FORWARD CONTRACTS AS OF DECEMBER 31, 2003

CURRENCY SOLD (2)	Average Exchange Rate	Notional Amount	Fair Market Value	Gain (Loss) (1)
Sell Euro/Buy USD	0.89	$ 35.2	$ 37.2	$ (2.0)
Sell CAD/Buy USD	1.41	11.9	12.8	(0.9)
Sell GBP/Buy USD	0.63	4.0	4.4	(0.4)
Sell USD/Buy Euro	1.13	6.2	6.8	0.6
Sell USD/Buy MXN	0.09	6.4	6.3	(0.1)
Sell GBP/Buy Euro	0.81	4.0	4.0	0.0
Sell Euro/Buy CAD	0.64	4.8	5.0	(0.2)
Other		7.7	8.0	(0.3)
Total				**$ (3.3)**

(1) As of December 31, 2003, GBC recorded cumulative unrealized losses of approximately $0.9 million in its consolidated statement of income related to hedges of intercompany loans (hedge accounting has not been applied to these transactions). Unrealized losses of approximately $2.4 million related to hedges of intercompany inventory purchases have been recorded in Other Comprehensive Income.

(2) CAD = Canadian Dollars; GBP = Pound Sterling; MXN = Mexican Pesos

INTEREST RATE RISK MANAGEMENT

As a result of GBC's funding program for its global activities, GBC has various debt obligations upon which interest is paid on the basis of fixed and floating rates. GBC utilizes an interest rate management program to reduce its exposures to floating interest rates and achieve a desired risk profile. To accomplish this objective, GBC currently hedges these exposures by using interest rate swap agreements.

The table below provides information about GBC's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents significant principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate swaps, the table presents notional amounts and weighted average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contracts. Weighted average variable rates are based on implied forward rates in the yield curve at the reporting date and the current interest rate spreads under the Company's credit facilities. The information is presented in U.S. dollar equivalents, which is GBC's reporting currency. Significant interest rate sensitive instruments as of December 31, 2003, are presented below (in millions):

DEBT OBLIGATIONS	STATED MATURITY DATE							
	2004	2005	2006	2007	2008	Thereafter	Total	Fair value
Long-term debt:								
Fixed Rate ($US)	$ 3.5	$ 3.1	$ 3.0	$ 3.2	$ 152.0	–	$ 164.8	$ 165.9
Average interest rate	7.3%	6.8%	6.6%	6.6%	9.3%	–	9.1%	
Variable Rate ($US)	$ 10.7	$ 12.6	$ 15.2	$10.7	$ 75.2	$ 7.0	$ 131.4	$ 131.4
Average interest rate (1)	5.6%	5.6%	5.8%	5.6%	5.7%	5.4%	5.4%	
Short-term debt:								
Variable Rate ($US)	$ 5.8	–	–	–	–	–	$ 5.8	$ 5.8
Average interest rate	4.0%	–	–	–	–	–	4.0%	

(1) Rates presented are as of December 31, 2003. Refer to "Liquidity and Capital Resources" for further discussion of the interest rate spreads on GBC's Facility borrowings in 2003.

INTEREST RATE DERIVATIVES	MATURITY DATE							
	2004	2005	2006	2007	2008	Thereafter	Total	Fair value
Interest Rate Swap	$55.0	$ 5.0	–	–	–	–	$ 60.0	$ 0.8
Average pay rate	4.8%	6.1%	–	–	–	–	4.9%	
Average receive rate	1.2%	1.2%	–	–	–	–	1.2%	

Refer to notes 1, 3, 7 and 8 of the consolidated financial statements for additional discussion of GBC's foreign exchange and financial instruments.

REPORTS OF INDEPENDENT ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of General Binding Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and stockholders' equity present fairly, in all material respects, the financial position of General Binding Corporation ("GBC") and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of GBC's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of General Binding Corporation as of, and for the year ended December 31, 2001, (prior to the adjustments discussed in notes 1, 2 and 13), were audited by other independent accountants who have ceased operations. Those accountants expressed an unqualified opinion on those financial statements in their report, dated January 25, 2002 (except with respect to the matters discussed in Note 13 of the 2001 financial statements, as to which the date was March 9, 2002).

As discussed in notes 1 and 2 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142).

As discussed above, the financial statements of General Binding Corporation as of, and for the year ended December 31, 2001, were audited by other independent accountants who have ceased operations. As described in note 2, these financial statements have been revised to include the transitional disclosures required by SFAS No. 142, which was adopted by the Company as of January 1, 2002. Further, as described in note 13, the Company revised the reporting of segment information. We audited such disclosures and revisions in segment information as described in notes 2 and 13. In our opinion, such transitional disclosures and revisions in segment information for 2001 in notes 2 and 13 are appropriate and have been properly applied. Also as described in notes 1 and 13, these financial statements have been revised to reflect the adoption of EITF 01-09, as of January 1, 2002. We audited the revisions to the 2001 statements described in notes 1 and 13 as a result of the adoption of EITF 01-09. In our opinion, such revisions for 2001 in notes 1 and 13 are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Company other than with respect to such disclosures and revisions and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chicago, Illinois
February 25, 2004

Predecessor Auditor (Arthur Andersen LLP) Opinion

The following report is a copy of a report previously issued by Arthur Andersen LLP and has not been reissued by Arthur Andersen LLP. As discussed in notes (1), (2) and (13) to the consolidated financial statements, the Company adopted the provisions of Emerging Issues Task Force Issue No. 01-09, "Accounting for Consideration Given by a Vendor to a Customer" (Issue 01-09), and Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets"(SFAS No. 142). As discussed in notes (1), (2), and (13) the Company has reflected the impact of adopting Issue 01-09 in the 2001 consolidated financial statements, the transitional disclosures for 2001 as required by SFAS No. 142 in the notes to the consolidated financial statements and revisions to the reporting of segment information. The Arthur Andersen LLP report does not extend to these changes to the 2001 consolidated financial statements and notes thereto. The adjustments to the 2001 consolidated financial statements and notes thereto were reported on by PricewaterhouseCoopers LLP as stated in their report appearing herein. Also, the Arthur Andersen LLP report is dual dated with a reference to note 13 of the consolidated financial statements. The reference to note 13 of the consolidated financial statements is no longer applicable as such information from prior years has been incorporated into other notes of the consolidated financial statements.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of General Binding Corporation:

We have audited the accompanying consolidated balance sheets of General Binding Corporation ("GBC," a Delaware corporation) and Subsidiaries as of December 31, 2001* and 2000*, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001*. These consolidated financial statements are the responsibility of GBC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of General Binding Corporation and Subsidiaries as of December 31, 2001* and 2000*, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001*, in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II** is the responsibility of GBC's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule** has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Arthur Andersen LLP
Chicago, Illinois
January 25, 2002

(Except with respect to the matters discussed in Note 13, as to which the date is March 9, 2002)

* The balance sheets as of December 31, 2001 and 2000 and the statements of income and cash flow for the years ended December 31, 2000 and 1999 are not presented in this Annual Report on Form 10-K.

**This report on Schedule II applies for the years ending December 31, 2001, 2000 and 1999. Schedule II for the years ended December 31, 2000 and 1999 are not presented in this Annual Report on Form 10-K.

CONSOLIDATED STATEMENTS OF INCOME

(000 omitted, except per share data)

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Sales:			
Domestic sales	**$ 434,266**	$ 452,103	$ 456,947
International sales	**263,642**	249,625	254,996
Net sales	**697,908**	701,728	711,943
Costs and expenses:			
Cost of sales:			
Product cost of sales, including development and engineering	**419,703**	422,952	435,126
Inventory rationalization and write-down charges	**–**	1,049	8,843
Selling, service and administrative	**222,738**	226,576	231,959
Amortization of goodwill	**–**	–	9,711
Amortization of other intangibles	**754**	853	1,054
Interest expense	**34,408**	39,898	37,153
Restructuring and other:			
Restructuring	**11,102**	8,013	7,269
Other	**4,679**	1,081	6,153
Other expense (income), net	**156**	247	(1,005)
Income (loss) before taxes and cumulative effect of accounting change	**4,368**	1,059	(24,320)
Income tax expense (benefit)	**7,630**	2,045	(4,849)
Net (loss) before cumulative effect of accounting change	**(3,262)**	(986)	(19,471)
Cumulative effect of accounting change, net of taxes	**–**	79,024	–
Net (loss)	**$ (3,262)**	$ (80,010)	$ (19,471)
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	**8,695**	5,791	(2,738)
Minimum pension liabilities	**1,749**	(10,205)	–
Income (loss) on derivative financial instruments	**686**	(873)	(1,799)
Comprehensive income (loss)	**$ 7,868**	$ (85,297)	$ (24,008)
Net (loss) per common share: (1)			
Basic and Diluted	**$ (0.20)**	$ (5.04)	$ (1.24)
Weighted average number of common shares outstanding (2)			
Basic and Diluted	**15,978**	15,883	15,761

(1) Amounts represent per share amounts for both Common Stock and Class B Common Stock.

(2) Weighted average shares includes both Common Stock and Class B Common Stock.

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

CONSOLIDATED BALANCE SHEETS

(000 omitted, except per share data)

	AS OF DECEMBER 31,	
	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 9,568**	$ 18,251
Receivables, less allowances for doubtful accounts and sales returns: 2003 – $16,614 and 2002 – $18,568	**128,391**	121,709
Inventories, net	**86,240**	91,920
Deferred tax assets	**22,002**	20,804
Prepaid expenses	**6,915**	6.908
Other	**4,997**	7,201
Total current assets	**258,113**	266,793
Capital assets at cost:		
Land and land improvements	**6,136**	5,976
Buildings and leasehold improvements	**51,634**	48,451
Machinery and equipment	**150,587**	143,355
Computer hardware and software	**67,503**	64,205
Total capital assets at cost	**275,860**	261,987
Less - accumulated depreciation	**(180,874)**	(155,110)
Net capital assets	**94,986**	106,877
Goodwill and other intangible assets, net of accumulated amortization	**152,008**	156,156
Long-term deferred tax assets	**–**	802
Other	**25,476**	23,881
Total Assets	**$ 530,583**	$ 554,509
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 51,253**	$ 50,459
Accrued liabilities:		
Salaries, wages and retirement plan contributions	**13,273**	14,814
Deferred income on service maintenance agreements	**10,512**	10,565
Accrued customer allowances	**19,747**	17,587
Restructuring reserve	**6,327**	5,536
Other	**35,260**	38,077
Notes payable	**5,819**	10,806
Current maturities of long-term debt	**14,176**	15,848
Total current liabilities	**156,367**	163,692
Long-term debt, less current maturities	**282,019**	314,766
Other long-term liabilities	**34,580**	33,920
Long-term deferred tax liabilities	**3,408**	–
Contingencies	**–**	–
Stockholders' equity:		
Common stock, $.125 par value; 40,000,000 shares authorized; 15,696,620 shares issued and outstanding at December 31, 2003 and 2002	**1,962**	1,962
Class B common stock, $.125 par value; 4,796,550 shares authorized; 2,398,275 shares issued and outstanding at December 31, 2003 and 2002	**300**	300
Additional paid-in capital	**26,727**	23,561
Treasury stock - 2,062,641 and 2,154,028 shares at December 31, 2003 and 2002	**(23,588)**	(24,632)
Retained earnings	**63,409**	66,671
Accumulated other comprehensive income	**(14,601)**	(25,731)
Total stockholders' equity	**54,209**	42,131
Total Liabilities and Stockholders' Equity	**$ 530,583**	$ 554,509

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(000 omitted)

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)	**$ (3,262)**	$ (80,010)	$ (19,471)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax	**–**	79,024	–
Depreciation	**20,141**	22,836	22,782
Amortization	**5,021**	5,576	16,484
Restructuring and other	**11,102**	9,094	13,422
Provision for doubtful accounts and sales returns	**3,090**	4,095	6,359
Provision for inventory reserves	**5,524**	4,561	4,639
Inventory rationalization and write-down charges	**–**	1,049	8,843
Non-cash sale of subsidiary	**–**	1,150	–
Non-cash loss on disposal or impairment of investment	**4,679**	1,137	–
Decrease (increase) in non-current deferred taxes	**5,719**	7,549	(11,924)
Decrease (increase) in other long-term assets	**4,739**	1,897	(1,437)
Other	**501**	128	(9)
Changes in current assets and liabilities:			
(Increase) decrease in receivables	**(1,404)**	(6,135)	25,976
Decrease in inventories	**5,400**	3,973	9,575
Decrease in other current assets	**3,526**	1,132	688
Decrease (increase) in deferred tax assets	**(150)**	(3,604)	6,091
Decrease in accounts payable and accrued liabilities	**(11,194)**	(9,227)	(27,635)
(Decrease) increase in accrued income taxes	**(1,808)**	2,241	(3,178)
Net cash provided by operating activities	**51,624**	46,466	51,205
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(8,468)**	(9,010)	(14,897)
Payments for acquisitions and investments	**(2,162)**	(416)	(110)
Proceeds from sale of subsidiary	**–**	470	–
Proceeds from sale of plant and equipment	**102**	1,286	538
Net cash used in investing activities	**(10,528)**	(7,670)	(14,469)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term borrowings-maturities greater than 90 days	**182,640**	344,610	1,223
Repayments of long-term debt-maturities greater than 90 days	**(122,586)**	(270,827)	(2,183)
Net change in borrowings-maturities of 90 days or less	**(91,179)**	(151,684)	12,857
(Decrease) increase in current portion of long-term debt	**(9,418)**	(186)	67
Payments of debt issuance costs	**(4,154)**	(3,438)	–
Contribution (distribution) related to tax allocation agreement	**2,537**	1,490	(439)
Purchase of treasury stock	**–**	–	(17)
Proceeds from the exercise of stock options	**737**	1,164	526
Net cash (used in) provided by financing activities	**(41,423)**	(78,871)	12,034
Effect of exchange rates on cash	**(8,356)**	(1,610)	2,029
Net (decrease) increase in cash and cash equivalents	**(8,683)**	(41,685)	50,799
Cash and cash equivalents at the beginning of the year	**18,251**	59,936	9,137
Cash and cash equivalents at the end of the period	**$ 9,568**	$ 18,251	$ 59,936
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest paid	**$ 30,814**	$ 34,263	$ 35,018
Income taxes paid (recovered), net	**4,006**	(6,708)	1,389

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(000 omitted, except share data)

	Common Stock	Class B Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (2)	Total
Balance at December 31, 2000	$ 1,962	$ 300	$ 22,268	$ 166,152	$ (27,096)	$ (15,907)	$ 147,679
Net (loss)	–	–	–	(19,471)	–	–	(19,471)
Capital distribution (1)	–	–	(439)	–	–	–	(439)
Exercise of stock options	–	–	(303)	–	829	–	526
Purchase of treasury stock at cost	–	–	–	–	(17)	–	(17)
Tax benefit of options exercised	–	–	70	–	–	–	70
Value of vested stock options	–	–	44	–	–	–	44
Losses on derivative financial instruments	–	–	–	–	–	(1,799)	(1,799)
Translation adjustment	–	–	–	–	–	(2,738)	(2,738)
Balance at December 31, 2001	1,962	300	21,640	146,681	(26,284)	(20,444)	123,855
Net (loss)	–	–	–	(80,010)	–	–	(80,010)
Capital contribution (1)	–	–	1,490	–	–	–	1,490
Exercise of stock options	–	–	(488)	–	1,652	–	1,164
Compensation for restricted stock units	–	–	389	–	–	–	389
Tax benefit of options exercised	–	–	530	–	–	–	530
Losses on derivative financial instruments	–	–	–	–	–	(873)	(873)
Minimum pension liabilities	–	–	–	–	–	(10,205)	(10,205)
Translation adjustment	–	–	–	–	–	5,791	5,791
Balance at December 31, 2002	1,962	300	23,561	66,671	(24,632)	(25,731)	42,131
Net (loss)	–	–	–	(3,262)	–	–	(3,262)
Capital contribution (1)	–	–	2,537	–	–	–	2,537
Exercise of stock options	–	–	(307)	–	1,044	–	737
Compensation for restricted stock units	–	–	727	–	–	–	727
Tax benefit of options exercised	–	–	209	–	–	–	209
Gains on derivative financial instruments	–	–	–	–	–	686	686
Minimum pension liabilities	–	–	–	–	–	1,749	1,749
Translation adjustment	–	–	–	–	–	8,695	8,695
Balance at December 31, 2003	**$ 1,962**	**$ 300**	**$ 26,727**	**$ 63,409**	**$(23,588)**	**$ (14,601)**	**$ 54,209**

(1) Amount represents a capital contribution from (distribution to) GBC's majority shareholder (Lane Industries, Inc) under Tax Allocation Agreements. See notes 1 and 11 to the consolidated financial statements for additional information.

(2) The net–of–tax components of Other Comprehensive Income at December 31 were: a) 2003 – currency translation ($4,159), hedging activities ($1,986), minimum pension liabilities ($8,456); b) 2002 – currency translation ($12,854), hedging activities ($2,672), minimum pension liabilities ($10,205); and c) 2001 – currency translation ($18,645), hedging activities ($1,799).

SHARES OF CAPITAL STOCK	Common Stock	Class B Common Stock	Treasury Stock (3)	Net Shares
Shares at December 31, 2000	15,696,620	2,398,275	(2,369,696)	15,725,199
Exercise of stock options	–	–	72,550	72,550
Purchase of treasury stock	–	–	(1,892)	(1,892)
Shares at December 31, 2001	15,696,620	2,398,275	(2,299,038)	15,795,857
Exercise of stock options	–		145,010	145,010
Shares at December 31, 2002	15,696,620	2,398,275	(2,154,028)	15,940,867
Exercise of stock options	–	–	91,387	91,387
Shares at December 31, 2003	**15,696,620**	**2,398,275**	**(2,062,641)**	**16,032,254**

(3) Shares held in treasury are shares of Common Stock

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of General Binding Corporation ("GBC") and its domestic and international subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Investments in companies which are 20% to 50% owned are treated as equity investments, and GBC's share of earnings is included in income. Investments in companies where GBC owns in excess of 50% have been consolidated.

Certain amounts for prior years have been reclassified to conform to the 2003 presentation.

(b) Cash and Cash Equivalents

Temporary cash investments with original maturities of three months or less are classified as cash equivalents.

(c) Inventory Valuation

Inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventory costs include labor, material and overhead. Inventory balances are net of valuation allowances.

(d) Depreciation of Capital Assets

Depreciation of capital assets for financial reporting is computed principally using the straight-line method over the following estimated lives:

Buildings	8-50 years
Machinery and equipment	3-20 years
Computer hardware and software	2-10 years
Leasehold improvements	Lesser of lease term or useful life

Routine repair and maintenance costs are expensed as incurred. Significant repair or maintenance costs incurred which extend the useful lives of assets are capitalized.

(e) Goodwill and Other Intangible Assets

In 2001, for financial reporting purposes, goodwill and other intangible assets were amortized using the straight-line method over their estimated useful lives, generally 10 to 40 years.

Effective January 1, 2002, GBC adopted SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its useful life. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test. GBC performs its annual impairment test during the first quarter of each year, commencing with the first quarter of 2002. Also, under the new rules, an acquired intangible asset (other than goodwill) would be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so.

(f) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax benefits, such as net operating loss carry forwards, are recognized to the extent that realization of such benefits is more likely than not.

GBC's policy is to record U.S. income taxes on the earnings of its international subsidiaries that are expected to be distributed to GBC. As of December 31, 2003, the cumulative amount of undistributed earnings of international subsidiaries upon which U.S. income taxes have not been recorded was approximately $45.1 million. In the opinion of management, this amount remains permanently invested in the international subsidiaries.

GBC is included in the consolidated U.S. Federal Income tax return and certain U.S. State Income tax returns of its majority shareholder, Lane Industries, Inc. The amount of income tax liability for which GBC will be responsible is determined by Tax Allocation Agreements between the Company and Lane Industries. Differences between GBC's liability on a "separate return" basis and that computed under the Tax Allocation Agreements are reflected in GBC's financial statements as either a capital contribution or distribution.

(g) Revenue Recognition

GBC recognizes revenues from product sales and services when earned, as defined by GAAP, and in accordance with

SEC Staff Accounting Bulletin No. 101 (SAB No. 101). Specifically, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. For product sales, revenue is not recognized until title and risk of loss have transferred to the customer, generally upon shipment. The Company also derives income from service maintenance agreements. Income from such agreements is deferred and recognized over the term of the agreement (generally one to three years), primarily on a straight-line basis. GBC provides for its estimate of doubtful accounts, sales returns, and sales incentives at the time of revenue recognition.

(h) Sales Incentives

GBC offers a variety of sales incentives to resellers and consumers of its products. The incentives primarily consist of rebates, volume and growth incentives, marketing development funds, catalog allowances and cooperative advertising. The cost of these incentives is estimated based upon the terms of the customer agreements, along with historical and projected customer purchase volumes, and is recorded as a reduction in revenue.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain estimates by management in determining the entity's assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

(j) Financial Instruments

Many of GBC's financial instruments (including cash and cash equivalents, accounts receivable, notes payable, and other accrued liabilities) carry short-term maturities; as a result, their fair values approximate carrying values. As of December 31, 2003, approximately 43% of GBC's long-term debt obligations, including current maturities of long-term debt obligations, had floating interest rates, and the remaining debt obligations had a fixed interest rate. With the exception of the senior subordinated notes (see note 7), the fair value of these instruments approximates the carrying value.

Amounts currently due to or due from interest rate swap counterparties are recorded in interest expense in the period in which they accrue. Gains and losses on hedging firm foreign currency commitments are deferred and included as a component of the related transaction which is being hedged.

(k) Related Parties

GBC has relationships with several related parties. Lane Industries, Inc. is GBC's majority shareholder, and controls a majority of the voting shares of GBC. Transactions between GBC and Lane Industries, which primarily relate to shared administrative services, are immaterial. However, as described in note 1(f), GBC and Lane Industries have entered into "Tax Allocation Agreements," which may significantly impact the amount of U.S. taxes received or paid by GBC in any year.

GBC also has relationships with certain unconsolidated joint ventures. As part of the on-going relationships with these entities, GBC both buys and sells products from/to these entities. Transactions, with respect to sales and credit terms, are conducted at "arms-length" terms.

(l) New Accounting Standards

In January 2003, the FASB issued Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities." The objective of FIN No. 46 is to improve financial reporting by companies with transactions involving variable interest entities. Prior to FIN No. 46, companies generally included another entity in its consolidated financial statements only if it controlled the entity through voting interests. Under FIN No. 46, a variable interest entity would be consolidated by a company if that company is subject to a majority of the risk or loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both.

In December 2003, the FASB issued a revision to FIN No. 46 ("46R") to clarify certain provisions of FIN No. 46 and to exempt certain entities from its requirements. Special effective dates apply to enterprises that have fully or partially applied FIN No. 46 prior to issuance of 46R. Otherwise, application of 46R or FIN No. 46 is required in financial statements of public entities for periods ending after December 15, 2003. GBC is still assessing the impact, if any, 46R and FIN No. 46 will have on the Company's results or financial position.

In December 2003, the FASB issued a revision to SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." This statement revises certain disclosures about pension plans and other postretirement benefit plans. The additional disclosures required by this statement include: information describing the types of plan assets; investment strategy; measurement date(s); plan obligations; cash flows; and components of net periodic benefit cost to be recognized during interim periods. GBC is required to adopt the new disclosures about foreign plans and estimated future benefit payments in 2004.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit and Disposal Activities." This statement revises the accounting for exit and disposal activities under EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," by spreading out the reporting of expenses related to restructuring activities. Commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most anticipated costs. Instead, companies will record exit or disposal costs when they are "incurred" and can be measured at fair value, and they will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS No. 146, and liabilities that a company previously recorded under EITF Issue 94-3 are grandfathered. GBC's adoption of SFAS No. 146 in 2003, did not have a material impact on its consolidated financial statements.

On January 1, 2001, GBC adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities." These statements establish accounting and reporting standards for certain derivative financial instruments and hedging activities (including certain derivative instruments embedded in other contracts) and require GBC to recognize all derivatives as either assets or liabilities on the balance sheet and measure them at fair market value. The adjustments to GBC's financial statements as a result of adopting these standards were not significant.

Effective January 1, 2002, GBC implemented EITF Issue No. 01-09 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." This pronouncement specifies when companies are required to record the cost of certain sales incentives and how the costs are to be classified in the income statement. GBC previously recorded the costs of such sales incentives as selling expenses in its income statement; these costs are now recorded as a reduction in sales. The prior years' results have been restated for this change. The impact on the prior years' results was to reduce both net sales and selling, service and administrative expenses by $72.3 million in 2001. There has been no change to operating income as a result of the implementation of this standard; however, operating income margins have increased.

Effective January 1, 2002, GBC implemented SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." With the adoption of SFAS No. 142, goodwill is no longer subject to amortization over its useful life. Rather, goodwill is subject to at least an annual assessment for impairment by applying a fair-value-based test. Under the new rules, an acquired intangible asset would be separately recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others" (FIN No. 45). The initial recognition and measurement provisions of this interpretation, which require a guarantor to recognize a liability at the inception of a guarantee at fair value, are effective on a prospective basis to guarantees issued or modified after January 1, 2003. The adoption of FIN No. 45 has not had a material impact on GBC's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Compensation – Transition and

Disclosure", which amends SFAS No. 123. The new standard provides alternative methods for transition to the fair value-based method of accounting for stock-based employee compensation from the intrinsic method. GBC currently accounts for stock-based employee compensation under the intrinsic method and has not made a determination as to when, or if, the Company would change to the fair value-based method. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The required disclosures have been adopted by the Company.

(m) Stock Compensation Plan

GBC has a stock-based employee compensation plan that provides for stock options and restricted stock units. The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for these plans. In accordance with the intrinsic value method, no compensation expense is recognized for the Company's fixed stock option plans. The following table illustrates the effect on net income and earnings per share (EPS) if the company had applied the fair value provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to all stock-based employee compensation (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Net (loss), as reported	**$ (3,262)**	$ (80,010)	$ (19,471)
Add: Stock-based employee compensation expense included in reported net income, net of tax	–	–	–
Deduct: Total stock-based employee compensation expense determined under the fair value method, net of tax	**$ (2,071)**	$ (2,752)	$ (2,860)
Pro forma net (loss)	**$ (5,333)**	$ (82,762)	$ (22,331)
Earnings per basic and diluted common share			
As reported	**$ (0.20)**	$ (5.04)	$ (1.24)
Pro forma	**$ (0.33)**	$ (5.21)	$ (1.42)

Pro forma compensation expense for stock options was calculated using the Black-Scholes model, with the following weighted-average assumptions for grants in 2003, 2002, and 2001 respectively: expected life of ten years for 2003 and 2002, and eight years for 2001; expected volatility of 56%, 50% and 55%; and risk-free interest rates of 3.75%, 4.87%, and 5.29%. The weighted-average fair values of stock options granted were $6.07, $8.89 and $5.31 in 2003, 2002 and 2001, respectively.

(2) GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, GBC tests its goodwill balances to determine whether these assets are impaired. The annual impairment test is performed as of January 1. After performing the impairment test in 2002, GBC recorded a non-cash charge of $110 million ($79 million after-tax), primarily related to the impairment of goodwill in the office products business of the Commercial and Consumers Group.

SFAS No. 142 also requires that previously recognized intangible assets, other than goodwill, be reassessed to determine the appropriateness of the estimated useful lives of these assets. Intangible assets determined to have finite lives are amortized over those lives, and intangible assets that have indefinite lives are not amortized. As of December 31, 2003, there have been no events or circumstances which would warrant a revision to the remaining useful lives of these assets.

GBC's carrying values for goodwill by business segment as of December 31, 2003 and 2002 are summarized below (000 omitted). The change in the carrying amount for goodwill between December 31, 2002 and December 31, 2003 is related to the impairment charge of GBC's investment in GMP Co. Ltd. ("GMP") and changes in foreign currency exchange rates (000 omitted).

	CARRYING AMOUNT AT DECEMBER 31,	
	2003	2002
Commercial and Consumer Group	**$ 143,843**	$ 140,749
Industrial and Print Finishing Group	**4,440**	5,924
Other	**292**	5,004
Total	**$ 148,575**	$ 151,677

In 2003, GBC recorded a $4.7 million non-cash charge to reflect the impairment of GBC's investment in GMP. The Company has an ownership interest in GMP of approximately 20%, and accounts for its investment under the equity method of accounting. In the fourth quarter of 2003, GBC recognized its share (approximating $1.2 million) of GMP's fourth quarter 2003 loss. As a result of GMP's poor financial performance and other business factors, GBC determined that its investment in GMP was impaired.

GBC's other intangible assets as of December 31, 2003 and 2002 are summarized below (000 omitted):

	Gross Carrying Amount at December 31,		Accumulated Amortization at December 31,	
	2003	2002	**2003**	2002
Customer agreements and relationships	**$7,000**	$ 7,000	**$ (3,860)**	$ (3,107)
Patents	**1,464**	1,464	**(1,171)**	(878)
Total	**$8,464**	$ 8,464	**$ (5,031)**	$ (3,985)

Amortization expense related to GBC's other intangible assets is summarized below (000 omitted):

FISCAL YEAR ENDED DECEMBER 31,

	Amortization Expense
2004	$ 1,047
2005	754
2006	754
2007	754
2008	124

(3) FOREIGN CURRENCY EXCHANGE AND TRANSLATION

The assets and liabilities of GBC's subsidiaries outside the U.S. are translated from their local currencies at year end rates of exchange, and income and cash flow statements are translated at weighted-average rates of exchange. Foreign currency translation adjustments are included in other comprehensive income in the consolidated statements of income and as a separate component of stockholders' equity.

The accompanying consolidated statements of income include net gains and losses on foreign currency transactions. Such amounts are reported as other income (expense) and are summarized as follows (000 omitted):

YEAR ENDED DECEMBER 31,

	Foreign Currency Transaction Gain/(Loss) (1)
2003	**$(899)**
2002	718
2001	(322)

(1) Foreign currency transaction gains/losses are subject to income taxes at the respective country's effective tax rate.

(4) INVENTORIES

Inventories are summarized as follows (000 omitted):

	DECEMBER 31,	
	2003	2002
Raw material	**$ 19,239**	$ 21,362
Work in progress	**6,445**	7,380
Finished goods	**74,532**	75,344
Gross inventory	**100,216**	104,086
Less reserves	**(13,976)**	(12,166)
Net Inventory	**$ 86,240**	$ 91,920

(5) RESTRUCTURING AND OTHER

Pre-tax restructuring charges in 2003 totaled $11.1 million, related to the following projects: a) relocating the manufacturing of labor intensive visual communication products from the Company's facility in Booneville, Mississippi to Nuevo Laredo, Mexico; b) closing a binder manufacturing plant in Amelia, Virginia and consolidating production in the Company's plant in Lincolnshire, Illinois; c) company-wide workforce reduction programs; and d) subleasing a manufacturing facility as part of a previously announced restructuring. Approximately 420 employees will be affected as a result of these actions.

The restructuring charges associated with the 2003 projects consist of the following (in millions):

PROJECT	Severance	Asset Impairments and Other Exit Costs	Lease Cancellation Costs	Total
Relocating manufacturing from Booneville to Nuevo Laredo	$ 2.6	$ 4.5	–	$ 7.1
Plant closure - Amelia, Virginia	0.2	–	–	0.2
Reduction-in-force programs	2.4	–	–	2.4
Sublease manufacturing facility	–	–	1.4	1.4
	$ 5.2	**$ 4.5**	**$ 1.4**	**$11.1**

The transition of manufacturing operations from Booneville, Mississippi to Nuevo Laredo, Mexico began in July 2003, and is expected to be completed by the end of the second quarter of 2004. The closing of the Amelia, Virginia plant commenced in the first quarter of 2004 and is expected to be completed by the end of second quarter of 2004. Initiatives related to work force reductions were implemented during the second half of 2003.

During 2002, GBC recorded pre-tax restructuring charges of $8.0 million for expenses related the following projects: a) closing the Company's facility in Buffalo Grove, Illinois and transferring the manufacturing and administrative functions to other GBC locations; b) downsizing a binder manufacturing facility in Amelia, Virginia; c) severance costs associated with the creation of the Commercial Consumer Group; and d) charges related to the reorganization of certain corporate and other support functions.

The restructuring charges associated with the 2002 projects consist of the following (in millions):

PROJECT	Severance	Asset Impairments and Other Exit Costs	Lease Cancellation Costs	Total
Buffalo Grove facility closure	$ 0.7	$ 1.6	$ 0.8	$ 3.1
Downsizing of Amelia facility	0.8	0.3	–	1.1
Commercial and Consumer Group	1.6	0.2	–	1.8
Reduction in support functions	2.0	–	–	2.0
	$ 5.1	**$ 2.1**	**$ 0.8**	**$ 8.0**

The transition of manufacturing operations from the Buffalo Grove facility was completed in 2002; administrative and support personnel previously located in the Buffalo Grove facility were transferred to other GBC locations by early 2003. Actions associated with the Amelia facility and other reductions in force were completed in 2002.

During 2001, GBC recorded pre-tax restructuring charges of $7.3 million, which consisted of: a) $2.7 million related to the shutdown of GBC's Ashland, Mississippi operations; b) $2.0 million related to closure of GBC's distribution and administrative facility in Germany; c) $0.5 million related to facility reductions in the United Kingdom; d) $0.4 million related to the shutdown of operations in Poland; and e) $1.7 million for work force reductions in the Company's, Europe, Commercial and Consumer, and Industrial and Print Finishing Groups.

The components of the restructuring expenses are as follows (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Severance and early retirement benefits	**$ 5,240**	$ 5,092	$ 3,916
Assets write-offs and write-downs	**4,457**	1,846	1,912
Lease cancellation expenses	**1,405**	845	612
All other restructuring expenses	–	230	829
Total Restructuring Expenses	**$ 11,102**	$ 8,013	$ 7,269

Management believes that the restructuring provisions recorded will be adequate to cover estimated restructuring costs related to these activities that will be paid in future periods. The balance in the restructuring reserve at December 31, 2003 is primarily related to severance, asset write-downs, lease expenses, early retirement and other benefit expenses to be paid in the future periods.

Changes in the restructuring reserve for the years ended December 31, 2003 and 2002 were as follows (000 omitted):

	Severance	Asset Impairments and Other Exit Costs	Lease Cancellation Costs	Total
Balance at December 31, 2001	$ 3,223	$ 1,983	$ –	$ 5,206
Activities during the year:				
Provision	5,092	2,076	845	8,013
Cash charges	(4,289)	(675)	(145)	(5,109)
Non-cash charges	–	(2,574)	–	(2,574)
Balance at December 31, 2002	4,026	810	700	5,536
Activities during the year:				
Provision	5,240	4,457	1,405	11,102
Cash charges	(3,850)	(210)	(676)	(4,736)
Non-cash charges	–	(4,497)	839	(3,658)
Balance at December 31, 2003 (1)	**$ 5,416**	**$ 560**	**$ 2,268**	**$ 8,244**

(1) The restructuring reserve at December 31, 2003 consisted of $6.3 million related to current items reported in the balance sheet as a separate item and $1.9 million related to long term lease cancellation costs reported in the balance sheet as a component of other long-term liabilities.

During 2003, 2002 and 2001, GBC incurred other charges of $4.7 million, $1.1 million and $6.2 million, respectively. The components of these charges are as follows (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Contractual severance payments to former CEO	$ –	$ –	$ 2,361
Signing bonus and transition expenses for new Chairman and CEO	–	–	1,640
Severance payments for others, including former CFO	–	456	1,063
Loss on sale of assets of New Zealand operations	–	–	1,089
Production transition costs of closed/down-sized facilities	–	625	–
Impairment of investment in GMP	**4,679**	–	–
	$ 4,679	$ 1,081	$ 6,153

(6) RETIREMENT PLANS AND POST-RETIREMENT BENEFITS
GBC sponsors a 401(k) plan for its full-time domestic employees. The participants of the 401(k) plan may contribute from 1% to 25% of their eligible compensation on a pretax basis. GBC makes annual contributions that match 100% of pretax contributions up to 4.5% of eligible compensation. Substantially all eligible full-time domestic employees can participate in the 401(k) plan. GBC's contributions to the plan were $3,003,000 in 2003, $3,319,000 in 2002 and $3,871,000 in 2001.

GBC's international subsidiaries sponsor a variety of defined benefit and defined contribution plans. These plans provide benefits that are generally based upon the employee's years of credited service. The benefits payable under these plans, for the most part, are provided by the establishment of trust funds or the purchase of insurance annuity contracts. At December 31, 2003, the accumulated benefit obligation (ABO) is in excess of the plan assets for certain of these plans. The projected benefit obligation, ABO, and fair value of plan assets at December 31, 2003 for these plans were $26.8 million, $25.8 million and $15.9 million, respectively, and $23.6 million, $22.7 million and $12.5 million at December 31, 2002, respectively.

In 2001, GBC established a defined benefit Supplemental Employee Retirement Plan ("SERP") for the Company's current Chairman, President and CEO. Benefits under the SERP vest over nine years. At age 62 and, assuming full vesting, the SERP would pay an annual pension benefit of $450,000. This plan is not currently funded.

GBC currently provides certain health care benefits for eligible domestic retired employees. Employees may become eligible for those benefits if they have fulfilled specific age and service requirements. GBC monitors the cost of the plan, and has, from time to time, changed the benefits provided under this plan. GBC does not pre-fund its obligations and reserves the right to make additional changes or terminate these benefits in the future. Any changes in the plan or revisions of the assumptions affecting expected future benefits may have a significant effect on the amount of the obligation and annual expense.

The following tables provide a reconciliation of the changes in GBC's benefit plan obligations and the fair value of assets (000 omitted):

	PENSION BENEFITS				OTHER BENEFITS	
	2003		2002		**2003**	2002
	Domestic	**International**	Domestic	International	**Domestic**	Domestic
Reconciliation of benefit obligation:						
Benefit obligation at beginning of year	**$ 431**	**$ 26,418**	$ 144	$ 21,305	**$ 8,470**	$ 8,653
Interest cost	**28**	**1,388**	10	1,206	**531**	601
Service cost	**275**	**615**	230	668	**719**	708
Contributions	**-**	**245**	–	206	–	–
Actuarial loss (gain)	**57**	**(382)**	47	2,530	**1,574**	(1,339)
Plan amendment	**-**	**-**	–	(1,049)	**(385)**	214
Benefit payments	**-**	**(1,219)**	–	(1,146)	**(577)**	(367)
Exchange rate fluctuations	**-**	**3,259**	–	1,649	–	–
Benefit obligation at end of year	**$ 791**	**$ 30,324**	$ 431	$ 25,369	**$ 10,332**	$ 8,470
Reconciliation of fair value of plan assets:						
Fair value of plan assets at beginning of year	**$ -**	**$ 16,828**	$ –	$ 16,806	$ –	$ –
Actual return on plan asset	**-**	**2,245**	–	(1,873)	–	–
Contributions	**-**	**1,517**	–	1,175	**577**	367
Benefit payments	**-**	**(1,219)**	–	(1,146)	**(577)**	(367)
Exchange rate fluctuations	**-**	**2,431**	–	1,866	–	–
Fair value of plan assets at end of year	**$ -**	**$ 21,802**	$ –	$ 16,828	$ –	$ –
Reconciliation of funded status:						
Funded status at end of year	**$ (791)**	**$ (8,522)**	$ (431)	$ (9,590)	**$ (10,332)**	$ (8,470)
Unrecognized transition (asset) obligation	**-**	**-**	–	(108)	**373**	629
Unrecognized prior service costs	**-**	**(773)**	–	(749)	**-**	214
Unrecognized loss	**109**	**10,240**	53	11,162	**3,663**	2,202
Net amount recognized	**$ (682)**	**$ 945**	$ (378)	$ 715	**$ (6,296)**	$ (5,425)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2003 and 2002 (000 omitted):

	PENSION BENEFITS				OTHER BENEFITS	
	2003		2002		**2003**	2002
	Domestic	**International**	Domestic	International	**Domestic**	Domestic
Prepaid benefit cost	**$ -**	**$ 1,490**	$ –	$ 875	**$ -**	$ –
Accrued benefit liability	**(791)**	**(10,104)**	(378)	(10,365)	**(6,296)**	(5,425)
Accumulated other						
Comprehensive income	**109**	**9,559**	–	10,205	–	–
Net amount recognized	**$ (682)**	**$ 945**	$ (378)	$ 715	**$(6,296)**	$ (5,425)

The following table provides the components of net periodic pension cost for the plans for 2003, 2002, and 2001 (000 omitted):

	2003		2002		2001	
	Domestic	**International**	Domestic	International	Domestic	International
Service cost	**$ 275**	**$ 615**	$ 230	$ 668	$ 138	$ 760
Interest cost	**28**	**1,388**	10	1,206	–	1,202
Expected return on plan assets	**–**	**(1,182)**	–	(1,278)	–	(1,511)
Amortization of unrecognized:						
Net transition asset	**–**	**(108)**	–	(101)	–	(97)
Prior–service cost	**–**	**(52)**	–	(48)	–	29
Net loss	**1**	**570**	–	273	–	60
Net periodic pension cost	**$ 304**	**$ 1,231**	$ 240	$ 720	$ 138	$ 443

SFAS No. 87, "Employers' Accounting for Pensions," requires that a minimum liability be established when a pension plan's accumulated benefit obligation ("ABO") exceeds its net assets. The minimum pension liability must be at least equal to the unfunded ABO. As a result of unfavorable asset returns and a decline in interest rates during 2002, GBC recognized a minimum pension liability of $10.2 million. In 2003, this liability was reduced by $1.7 million (to $8.5 million), primarily due to improved asset returns. The minimum pension liability is reflected as a reduction to "other comprehensive income," which is a component of stockholder's equity.

The following table provides the components of net periodic post–retirement benefit cost for the plans for 2003, 2002, and 2001 (000 omitted):

OTHER BENEFITS

	2003	2002	2001
Service cost	**$ 719**	$ 708	$ 582
Interest cost	**531**	601	605
Amortization of unrecognized:			
Net transition obligation	**85**	63	62
Net loss	**113**	231	288
Total recognized post-retirement benefit cost	**$ 1,448**	$ 1,603	$ 1,537

The assumptions used in the measurement of the Company's benefit obligations are shown in the following table:

	PENSION BENEFITS				OTHER BENEFITS	
WEIGHTED-AVERAGE ASSUMPTIONS	**2003**		2002		**2003**	2002
AS OF DECEMBER 31,	**Domestic**	**International**	Domestic	International	**Domestic**	Domestic
Discount rate	**6.5%**	**1.5–6.5%**	6.5%	1.5–6.5 %	**6.0%**	6.5%
Expected return on plan assets	**N/A**	**2.0–8.5%**	N/A	2.0–9.0 %	**N/A**	N/A
Rate of compensation increase	**N/A**	**1.5–4.5%**	N/A	1.5–4.5 %	**N/A**	N/A

For measurement purposes, a 6.0 % annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to be 6.0% during 2004 and remains at this level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1.0% change in assumed health care cost trend rates would have the following effects (000 omitted):

	1.0% Increase	1.0% Decrease
Effect on total of service and interest cost components of Net periodic post retirement health care benefit costs	$ 125	$ (111)
Effect on the health care component of the accumulated Post retirement benefit obligation	$ 712	$ (643)

(7) DEBT AND CREDIT ARRANGEMENTS

During 2003, GBC entered into three new financing agreements. On June 26, 2003, the Company completed the refinancing of its primary senior credit facility (the "Primary Facility"). The new $197.5 million Primary Facility includes a $72.5 million multicurrency revolving credit line and a $125 million term loan. The maturity date on the Primary Facility is January 15, 2008, and it provides for significantly lower interest rate spreads than the previous senior credit facility (the "Previous Primary Facility"). In the fourth quarter of 2003, a payment of $2.5 million was made on the term loan. Outstanding borrowings under the Primary Facility totaled $122.5 million at December 31, 2003. Concurrent with the completion of the Primary Facility, GBC entered into a mortgage financing arrangement under which its real estate holdings in Northbrook and Skokie, Illinois and its real estate and equipment in Addison, Illinois are pledged as collateral (the "Mortgage Financing"). The $14.8 million in proceeds from the Mortgage Financing was used to repay a portion of the Previous Primary Facility. In April 2003, GBC entered into a new multicurrency revolving credit facility in the Netherlands (the "Netherlands Facility"). The maturity date on the Netherlands Facility is April 9, 2008. The majority of the $16.8 million in proceeds from the Netherlands Facility was also used to repay a portion of the Previous Primary Facility. The Netherlands Facility had no outstanding borrowings as of December 31, 2003.

Interest rates on the Primary Facility are variable and are set at LIBOR plus 3.75% for borrowings under the $72.5 million multicurrency revolving credit line, and LIBOR plus 4.50% for the term loan. Borrowings under the Primary Facility are subject to a "pricing grid" which provides for lower interest rates in the event that certain of GBC's financial ratios improve in future periods.

GBC must meet certain restrictive financial covenants as defined under the Primary Facility. The covenants become more restrictive over time and require the Company to maintain certain ratios related to total leverage, senior leverage, fixed charge coverage, as well as a minimum level of consolidated net worth. There are also other covenants, including restrictions on dividend payments, acquisitions, additional indebtedness, and capital expenditures. In addition to the restrictive covenants, multicurrency revolving credit line borrowings are subject to a "borrowing base" which is determined based upon certain formulas tied to GBC's trade receivables and inventory. With the exception of its assets pledged under the Mortgage Financing, substantially all of the assets of General Binding Corporation and its domestic subsidiaries, as well as a portion of equity in certain foreign subsidiaries are pledged as collateral under the Primary Facility.

As of and for the year ended December 31, 2003, the Company was in compliance with all debt covenants.

The book value of GBC's variable rate debt approximated the fair market value as of December 31, 2003 and 2002. The market value of the Senior Subordinated Notes was approximately 101% of book value as of December 31, 2003.

Long–term debt consists of the following at December 31, 2003 and 2002 (000 omitted):

	DECEMBER 31,	
	2003	2002
REVOLVING CREDIT FACILITY		
U.S. Dollar borrowings – Term loan – (weighted average floating interest rate of 5.66% at December 31, 2003)	**$ 122,500**	$ –
U.S. Dollar borrowings – Term A Notes – (weighted average floating interest rate of 8.41% at December 31, 2002)	–	130,390
U.S. Dollar borrowings – Term B Notes – (weighted average floating interest rate of 9.80% at December 31, 2002)	–	39,610
INDUSTRIAL REVENUE/DEVELOPMENT BONDS ("IRB" OR "IDB")		
IDB, due March 2026 – (floating interest rate of 1.25% at December 31, 2003 and 1.65% at December 31, 2002)	**6,840**	6,855
IRB, due July 2008 – (floating interest rate of 1.86% at December 31, 2002)	–	1,150
NOTES PAYABLE		
Senior Subordinated Notes, U.S. Dollar borrowing, due 2008 – (fixed interest rate of 9.375%)	**150,000**	150,000
Notes Payable, U.S. Dollar borrowing, due monthly August 2003 to July 2008 – (fixed interest rate of 6.62%)	**13,798**	–
Other Borrowings	**8,876**	13,415
Total debt	**302,014**	341,420
Less–current maturities	**(19,995)**	(26,654)
Total Long–Term Debt	**$ 282,019**	$ 314,766

The scheduled maturities of debt for each of the five years subsequent to December 31, 2003, are as follows (000 omitted):

YEAR ENDING DECEMBER 31,

	Amount
2004	$ 19,995
2005	15,716
2006	18,195
2007	13,907
2008	227,154
Thereafter	7,047
Total	$ 302,014

Currently, GBC has various short–term, variable–rate credit arrangements with borrowing capacity of $13.3 million. Outstanding borrowings under these arrangements totaled $5.8 million at December 31, 2003. Interest rates on these arrangements are primarily based on the lenders' costs of funds plus applicable margins. None of the lenders under these credit arrangements are committed to continue to extend credit after the maturities of outstanding borrowings or to extend the maturities of any borrowings.

Information regarding short-term debt, variable-rate credit arrangements for the three years ended December 31, 2003, 2002 and 2001 is as follows (000 omitted):

	Notes Payable To Banks Balance At End Of Year (1)	Weighted Average Interest Rate At End Of Year (2)	Maximum Month-end Balance Outstanding During The Year (3)	Average Amount Outstanding During The Year (4)	Weighted Average Interest Rate During The Year (5)
2003	**$ 5,819**	**4.0%**	**$ 10,085**	**$ 7,919**	**5.9%**
2002	10,806	5.3	10,806	8,111	6.6
2001	7,202	5.2	9,309	8,334	8.8

(1) Notes payable by GBC's foreign subsidiaries were $5,819 at December 31, 2003, $10,806 at December 31, 2002, and $7,202 at December 31, 2001.

(2) The weighted average interest rate is computed by dividing the annualized interest expense for the short-term debt outstanding by the short-term debt outstanding at December 31.

(3) The composition of GBC's short-term debt will vary by category at any point in time during the year.

(4) Average amount outstanding during the year is computed by dividing the total daily outstanding principal balances by 365 days.

(5) The weighted average interest rate during the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

(8) DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

From time to time, GBC has entered into interest rate swap agreements to hedge its floating interest rate exposures. Under interest rate swap agreements, GBC agrees with other parties to exchange, at specified intervals, the differences between fixed-rate and floating-rate interest amounts calculated by reference to an agreed-upon notional amount. The swap agreements have various maturity dates through February 2005. GBC has applied hedge accounting for these instruments, and the fair values of the interest rate swap agreements are estimated using the net present value of the anticipated future cash flows. To the extent the hedges are effective, unrealized gains and losses are recorded in other comprehensive income; unrealized gains and losses on ineffective hedges are recognized in the income statement. Selected information related to GBC's interest rate swap agreements is as follows (in millions):

	DECEMBER 31,	
	2003	2002
Notional Amount	**$ 60.0**	$ 80.0
Fair value-net unrecognized (loss) gain	**(0.8)**	(2.9)

GBC is exposed to potential losses in the event of nonperformance by the counterparties to the interest rate swap, although the Company attempts to mitigate this risk by diversifying its counterparties.

Foreign Exchange Contracts

GBC enters into foreign exchange contracts to hedge foreign currency risks. These contracts hedge firmly committed transactions such as inventory purchases, royalties, management fees, and intercompany loans. Gains and losses on foreign exchange contracts are recorded in a comparable manner to the underlying transaction being hedged (e.g., costs related to inventory purchases are recorded to inventory and recognized in cost of sales). Obligations under foreign exchange contracts are valued at either the spot rate or an appropriate forward rate at the respective balance sheet date. Selected information related to GBC's foreign exchange contracts is as follows (in millions):

	DECEMBER 31,	
	2003	2002
Notional Amount	**$ 80.3**	$ 97.9
Fair value-net unrealized (loss) gain (1)	**(3.3)**	(1.4)

(1) As of December 31, 2003, GBC recorded cumulative unrealized losses of approximately $0.9 million in its consolidated statement of income related to hedges of intercompany loans (hedge accounting has not been applied to these transactions). Unrealized losses of approximately $2.4 million related to hedges of intercompany inventory purchases have been recorded in other comprehensive income.

Foreign exchange contracts as of December 31, 2003 had various maturities through December 2004. The unrealized gains and losses are substantially offset by changes in the valuation of the underlying items being hedged.

(9) RENTS AND LEASES

GBC has entered into numerous operating leases, primarily for manufacturing and office facilities. Future minimum rental payments required for all non–cancelable lease terms in excess of one year as of December 31, 2003 are as follows (000 omitted):

YEAR ENDING DECEMBER 31,

	Operating Lease Payments
2004	$ 13,845
2005	11,514
2006	9,492
2007	8,098
2008	7,097
After 2008	15,024
Total Minimum Lease Payments	$ 65,070

Total rental expense for the years ended December 31, 2003, 2002 and 2001 was $15.4 million, $16.3 million and $16.9 million, respectively.

(10) COMMON STOCK AND STOCK OPTIONS

GBC's Certificate of Incorporation provides for 40,000,000 authorized shares of Common Stock, $0.125 par value per share, and 4,796,550 shares of Class B Common Stock, $0.125 par value per share. Each Class B share is entitled to 15 votes and is to be automatically converted into one share of common stock upon transfer thereof. All of the Class B shares are owned by Lane Industries, Inc., GBC's majority stockholder.

The following table illustrates the computation of basic and diluted earnings per share (000 omitted except per share data):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Numerator:			
Net (loss) available to common shareholders	**$ (3,262)**	$ (80,010)	$ (19,471)
Denominator:			
Denominator for basic earnings per share–weighted average number of common shares outstanding (1)	**15,978**	15,883	15,761
Effect of dilutive securities:			
Employee stock options (3)	–	–	–
Denominator for diluted earnings per share–adjusted weighted–average shares (1) and assumed conversions	**15,978**	15,883	15,761
Earnings per share–basic and diluted (2)	**$ (0.20)**	$ (5.04)	$ (1.24)

(1) Weighted average shares includes both Common Stock and Class B Common Stock.

(2) Amounts represent per share amounts for both Common Stock and Class B Common Stock.

(3) GBC had 457,255, 479,648 and 328,191 dilutive shares outstanding as of December 31, 2003, 2002 and 2001 respectively. These options were not included in the calculation of earnings per share as they would have been anti–dilutive.

GBC has a non–qualified stock incentive plan for employees (the "Employee Plan") and non–employee directors (the "Director Plan"). Options may be granted under both plans at a price not less than the fair market value of the stock on the date of the grant. Options granted under the Employee Plan generally vest at a rate of 25% per year and can begin to be exercised one year after the grant date. Options granted under the Director Plan are generally exercisable six months or one year after the grant. In the event of a change in control of the Company, all options granted become 100% vested and are immediately exercisable.

A summary of the stock option activity is as follows (000 omitted from option share amounts):

	YEAR ENDED DECEMBER 31,					
	2003		2002		2001	
	Shares	**Wtd. Avg. Exercise Price**	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price
Shares under option at beginning of year	**2,056**	**$ 12**	1,831	$ 11	1,062	$ 15
Options granted	**502**	**9**	681	13	1,092	8
Options exercised	**(92)**	**8**	(149)	8	(69)	7
Options expired/canceled	**(247)**	**21**	(307)	14	(254)	14
Shares under option at end of year	**2,219**	**10**	2,056	12	1,831	11
Options exercisable	**974**	**10**	743	11	577	12
Weighted average fair value of options granted		**$ 6.07**		$ 8.89		$ 5.31

The 2,219,000 options outstanding at December 31, 2003 have exercise prices between $7.00 and $30.50 per share, with a weighted average exercise price of $10.37 per share and a weighted average remaining contractual life of 7.50 years.

The following is a summary of stock options outstanding at December 31, 2003 (000 omitted from option share amounts):

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of exercise prices	Outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price	Excercisable	Weighted-average exercise price
$ 7-11	1,532	7.5	8.16	754	7.82
$ 12-25	617	8.0	13.61	187	14.56
$ 26-30	70	1.4	29.86	33	29.83
$ 7-30	2,219	7.5	10.37	974	9.86

As of December 31, 2002 and 2001, there were 743,349 and 576,923 options exercisable, respectively, at weighted–average exercise prices of $11.12 and $12.07, respectively.

GBC's stock option plan also provides for the grant of restricted stock units ("RSUs"). In 2003 and 2002, GBC awarded 203,302 and 102,000 RSUs respectively. The RSUs awarded in 2003 vest 33 1/3% in each of the three years subsequent, and are further subject to the achievement of certain business performance criteria. Based upon the level of achieved performance, the number of RSUs actually awarded can vary from 0% to 150% of the original grant. The RSUs awarded in 2002 vest 100% in 2005. Upon vesting, the RSUs will be converted into common stock of the Company unless the RSU award recipient elects to defer receipt of the shares. Compensation expense is recognized over the vesting period for the value of the RSUs based upon the value of GBC common stock. For 2003 and 2002, compensation expense of $727,000 and $389,000 respectively was recognized.

(11) INCOME TAXES

Income (loss) before taxes is as follows (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
United States	**$(15,405)**	$ (12,637)	$ (22,085)
Foreign	**19,773**	13,696	(2,235)
Total Income (loss) Before Taxes	**$ 4,368**	$ 1,059	$ (24,320)

The provision for income taxes is as follows (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Current expense (benefit):			
Federal	**$ 22**	$ 664	$ 13
State	**(52)**	80	36
Foreign	**4,760**	4,664	3,626
Total current	**4,730**	5,408	3,675
Deferred (benefit) expense:			
Federal	**2,857**	(2,286)	(7,693)
State	**(195)**	(554)	(1,322)
Foreign	**238**	(523)	491
Total deferred	**2,900**	(3,363)	(8,524)
Total Provision (benefit)	**$ 7,630**	$ 2,045	$ (4,849)

GBC's income tax expense (benefit) varies from the statutory Federal income tax expense (benefit) as a result of the following factors (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Income tax expense (benefit) at U.S. statutory tax rate	**$ 1,529**	$ 371	$ (8,512)
State income taxes, net of federal income tax benefit	**(62)**	(308)	(835)
Net effect of international subsidiaries' foreign tax rates	**(1,923)**	(653)	4,899
Net effect of foreign branches and remission of earnings (4)	**1,470**	575	(1,817)
Impairment of investment in GMP – not tax deductible	**1,637**	–	–
Foreign entity reorganization (3)	**4,492**	–	–
Other non –tax deductible items	**592**	1,449	1,101
Tax settlement (1)	**(99)**	(902)	–
Tax credits displaced by net operating loss carrybacks (2)	–	1,513	–
Other, net	**(6)**	–	315
Total Provision (Benefit)	**$ 7,630**	$2,045	$ (4,849)

(1) GBC received state income tax refunds in 2003 and a U.S. Federal income tax refund in 2002, related to the settlement of an issue arising from one of its domestic subsidiaries.

(2) In 2002, new U.S. tax legislation enabled GBC to carry back its 2001 domestic tax loss to 1996 and 1997, generating a $7.5 million tax refund. The carryback also displaced previously utilized tax credits, which were written–off because GBC was not able to utilize them before the expiration of the carryover period.

(3) Represents a non–cash write–off of deferred tax assets as a result of a reorganization of certain international subsidiaries.

(4) In 2003, certain international tax audits were closed. As a result, GBC reversed previously accrued taxes, which reduced the income tax provision by approximately $1.3 million.

Significant components of GBC's deferred tax assets and liabilities are as follows (000 omitted):

	DECEMBER 31,	
	2003	2002
Items creating net current deferred tax assets (liabilities):		
FAS No.133 mark–to–market	**$ 1,048**	$ –
Net operating loss carryovers	**3,438**	2,267
Inventory valuation	**3,325**	2,855
Foreign deferred tax assets	**1,823**	1,461
Employee benefits	**2,938**	3,184
Restructuring reserves	**2,631**	3,208
Bad debt and sales return allowance	**3,623**	3,847
Other	**3,176**	3,982
Total current deferred tax assets	**22,002**	20,804
Items creating net long–term deferred tax assets (liabilities):		
Depreciation	**(8,048)**	(9,573)
Amortization of intangible assets	**(1,454)**	7,618
Foreign deferred tax liabilities	**(2,961)**	(2,362)
Foreign tax credits	**3,641**	3,917
Withholding taxes	**(833)**	(833)
FAS No. 106 post retirement benefits	**2,204**	1,913
Net operating loss carryovers	**22,029**	19,647
Other	**1,914**	489
Gross long–term deferred tax assets	**16,492**	20,816
Valuation allowance	**(19,900)**	(20,014)
Total long–term deferred (liabilities) assets	**(3,408)**	802
Net Deferred Tax Asset	**$ 18,594**	$ 21,606

At December 31, 2003, the Company has $76.4 million of net operating loss carry forwards available to reduce future taxable income of domestic and international companies. These loss carry forwards expire in the years 2004 through 2024 or have an unlimited carryover period. A valuation allowance has been provided for a portion of the net operating loss carry forwards and other deferred tax assets that are more likely than not expected to expire before the Company can use such benefits.

(12) CONTINGENCIES

GBC is currently involved in matters of litigation arising from the normal course of business. None of the litigation matters either individually or in the aggregate is material to the Company. Additionally, GBC has ongoing tax audits in the U.S. and various international jurisdictions. Accruals have been provided related to such litigation and tax matters based upon management's current estimate of the most likely outcomes. Based upon consultation with legal counsel and tax experts, GBC believes that if any additional liabilities were to arise from these matters that they would not have a material effect on the Company's financial position, results of operations or cash flows.

(13) BUSINESS SEGMENTS AND FOREIGN OPERATIONS

In 2003, GBC modified its segment reporting to reflect the Company's organizational changes. The changes primarily consisted of combining three of GBC's four business units into the following two new groups:

Commercial and Consumer Group (CCG) – combination of the Document Finishing Group, Office Products Group, the Education division of the Films Group and the Asia/Pacific region which was previously reported under "Other." CCG focuses on marketing strategies for "consumer–ready" products that leverage GBC's leadership among customers of its binding, laminating and information–display products in the work, school and home environments.

Industrial and Print Finishing Group (IPFG) – combination of the Films Group and the Automated Finishing Division of the Document Finishing Group. IPFG targets print–for–pay and other finishing customers who use GBC's professional –grade finishing equipment and supplies as a part of their mass production of sophisticated, professional applications.

The Commercial and Consumer Group's revenues are primarily derived from the sale of binding, punching and laminating equipment and related supplies, visual communications products (writing boards, bulletin boards, easels, etc.), document shredders, custom binders and folders, and desktop accessories, as well as maintenance and repair services through both indirect channels (resellers, including office product superstores, contract/commercial stationers, wholesalers, mail order companies, mass marketers and other dealers) and direct channels (salespersons, telemarketers, internet portals, etc.). The Commercial and Consumer Group's products and services are sold to customers which include the home markets and office markets, commercial reprographic centers, educational and training markets, and government agencies throughout North and South America and the Asia/Pacific region. The Europe Group distributes many of the Commercial and Consumer Group's products to customers in Europe.

The Industrial and Print Finishing Group's revenues are primarily derived through sales of thermal and pressure sensitive films, mid–range and commercial high–speed laminators and large–format digital print laminators. The Industrial and Print Finishing Group's products and services are sold worldwide through direct and dealer channels to commercial reprographic centers, and commercial printers.

Expenses incurred by the three reportable segments described above relate to costs incurred to manufacture or purchase products, as well as selling, general and administrative costs. For internal management purposes and the presentation below, operating income is calculated as net sales less (i) product cost of sales, (ii) selling, service and administrative expenses and (iii) amortization of other intangibles.

GBC does not separately identify interest expense or income taxes for its operating segments. Additionally, certain expenses of a corporate nature and certain shared service expenses are not allocated to the business groups. Sales between business groups are recorded at cost for domestic business units, and cost plus a normal profit margin for sales between domestic and international business units. GBC's business groups record expenses for certain services provided and expense allocations; however, the charges and allocations between business groups are not significant.

Certain segment information for the years ended December 31, 2002 and 2001 has been reclassified to conform to the current year presentation, including corporate costs which were formerly included in "all other" have now been reflected in "unallocated corporate items."

Segment data is provided below for the three years ended December 31, 2003, 2002 and 2001 (000 omitted).

	UNAFFILIATED CUSTOMER SALES Year ended December 31,			AFFILIATED CUSTOMER SALES Year ended December 31,		
	2003	2002	2001	**2003**	2002	2001
Commercial and Consumer Group	**$ 460,243**	$ 467,543	$ 465,121	**$ 2,488**	$ 3,171	$ 8,150
Industrial and Print Finishing Group	**137,064**	138,299	146,258	**26,426**	27,192	29,148
Europe	**100,601**	95,886	100,564	**11,069**	13,543	14,820
Eliminations	**–**	–	–	**(39,983)**	(43,906)	(52,118)
Total	**$ 697,908**	$ 701,728	$ 711,943	**$ –**	$ –	$ –

	SEGMENT OPERATING INCOME Year ended December 31,			TOTAL SEGMENT ASSETS December 31,		
	2003	2002	2001	**2003**	2002	2001
Commercial and Consumer Group	**$ 56,573**	$ 58,510	$ 63,533	**$ 341,367**	$ 345,129	$ 448,969
Industrial and Print Finishing Group	**17,204**	18,301	18,659	**70,499**	71,829	73,733
Europe	**6,085**	1,359	(675)	**56,498**	56,036	66,686
Unallocated corporate items	**(25,149)**	(26,823)	(35,317)	**62,219**	81,515	129,782
Total	**$ 54,713**	$ 51,347	$ 46,200	**$ 530,583**	$ 554,509	$ 719,170

The following is a reconciliation of segment operating income to income before taxes and cumulative effect of accounting change (000 omitted):

	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Total segment operating income	**$ 54,713**	$ 51,347	$ 46,200
Interest expense	**(34,408)**	(39,898)	(37,153)
Restructuring and other expenses (1)	**(15,781)**	(10,143)	(34,372)
Other (expense) income	**(156)**	(247)	1,005
Income (loss) before taxes and cumulative effect of accounting change	**$ 4,368**	$ 1,059	$ (24,320)

(1) In 2001, $2,396 of charges primarily related to product inventory rationalization were included in sales and cost of sales but not allocated to operating groups in GBC's internal management reporting.

No single customer accounts for more than 10% of GBC's net sales. GBC does however, have certain major customers.

GBC's products are sold primarily in North America, Latin America, Europe, Japan and Australia to office products resellers and directly to end–users in the business, education, commercial/professional and government markets. GBC has a large base of customers; however, the loss of, or major reduction in business or failure to collect receivables from one or more of GBC's major customers could have a material adverse effect on GBC's financial position or results of operations.

Financial information for the three years ended December 31, 2003, 2002 and 2001, by geographical area is summarized below. Export sales to foreign customers ($6.1 million in 2003, $7.7 million in 2002, and $8.6 million in 2001) have been classified in the following tables as part of the United States sales (000 omitted):

	UNAFFILIATED CUSTOMER SALES Year ended December 31,			LONG-LIVED ASSETS December 31,		
	2003	2002	2001	**2003**	2002	2001
US	**$ 440,337**	$ 459,836	$ 465,562	**$ 274,897**	$ 352,677	$ 472,391
Europe	**142,975**	132,418	135,365	**53,291**	17,932	22,933
Other International	**114,596**	109,474	111,016	**25,623**	21,215	20,182
Eliminations	–	–	–	**(81,342)**	(104,108)	(101,388)
Total	**$ 697,908**	$ 701,728	$ 711,943	**$ 272,469**	$ 287,716	$ 414,118

(14) QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 2003 and 2002 was as follows (000 omitted except per share data):

	THREE MONTHS ENDED			
2003	March 31	June 30	September 30	December 31
Sales	$ 169,435	$ 171,150	$ 175,092	$ 182,231
Gross profit (1)	67,470	68,192	69,949	72,594
(Loss) income before taxes	(645)	(7,181)	7,481	4,713
Net income (loss)	83	(5,124)	4,886	(3,107)
Net income (loss) per common share:				
Basic	$ 0.01	$ (0.32)	$ 0.31	$ (0.19)
Diluted	0.01	(0.32)	0.30	(0.19)

	THREE MONTHS ENDED			
2002	March 31	June 30	September 30	December 31
Sales	$172,262	$ 174,336	$ 175,911	$ 179,219
Gross profit (1)	65,940	69,746	69,321	72,720
(Loss) income before taxes	(5,652)	1,730	356	4,625
Net (loss) income	(84,893)	2,097	(421)	3,207
Net (loss) income per common share:				
Basic	$ (5.37)	$ 0.13	$ (0.03)	$ 0.20
Diluted	(5.37)	0.13	(0.03)	0.20

(1) Gross profit is computed as sales less cost of sales.

SUPPLEMENTAL INFORMATION - SELECTED FINANCIAL DATA

(000 omitted, except per share and ratio data)

	2003	2002	2001	2000	1999
Net sales	**$ 697,908**	$ 701,728	$ 711,943	$ 824,581	$ 835,550
Net income (loss) before cumulative effect of accounting change (1)	**(3,262)**	(986)	(19,471)	2,433	(56,676)
Net (loss) income (1)	**(3,262)**	(80,010)	(19,471)	2,433	(56,676)
Net (loss) income per common share basic and diluted (2)	**$ (0.20)**	$ (5.04)	$ (1.24)	$ 0.15	$ (3.60)
Cash dividends declared per common share (2)	**–**	–	–	–	0.30
Capital expenditures	**8,468**	9,010	14,897	19,609	22,823
Current assets	**258,113**	266,793	305,052	320,625	359,033
Current liabilities	**156,367**	163,692	139,729	161,300	168,727
Working capital	**101,746**	103,101	165,323	159,325	190,306
Current ratio	**1.7**	1.6	2.2	2.0	2.1
Total assets	**$ 530,583**	$ 554,509	$ 719,170	$ 761,308	$ 822,492
Long–term debt	**282,019**	314,766	410,668	397,005	454,459
Stockholders' equity	**54,209**	42,131	123,855	147,679	149,611

(1) In 2002, GBC adopted SFAS No.142, "Goodwill and Other Intangible Assets" (SFAS No.142). The cumulative effect of accounting change related to the adoption of SFAS No.142 was $79.0 million, net of taxes.

(2) Amounts represent per share amounts for both Common Stock and Class B Common Stock.

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRINCIPAL MARKET AND PRICE RANGE

The Company's Common Stock, $0.125 par value share, trades on the Nasdaq National Market under the symbol "GBND." The following table shows high, low and closing prices for GBC's Common Stock, $0.125 par value, as quoted on the Nasdaq National Market for the calendar quarters indicated below:

	SHARE PRICES					
	2003			2002		
	High	**Low**	**Close**	High	Low	Close
First quarter	**$ 12.83**	**$ 7.90**	**$ 7.90**	$ 14.66	$ 11.86	$ 14.66
Second quarter	**12.50**	**7.60**	**11.95**	20.00	14.85	16.73
Third quarter	**14.83**	**9.25**	**10.40**	19.65	14.50	15.85
Fourth quarter	**18.68**	**11.24**	**18.00**	15.40	8.48	8.48

Approximate Number of Equity Security Holders:

TITLE OF CLASS	Number of Shareholders of Record as of February 27, 2004
Common Stock, $0.125 par value	624
Class B Common Stock, $0.125 par value	1

* Per the latest report from the Transfer Agent. Each security dealer holding shares in a street name for one or more individuals is counted as only one shareholder of record.

DIVIDENDS

As discussed in note 7 to the consolidated financial statements, GBC is restricted from paying dividends through the maturity date of the Primary Facility in 2008.

ELEVEN-YEAR SUMMARY — FINANCIAL HIGHLIGHTS

(000 omitted, except per share and ratio data)

FOR THE YEAR	**2003**	2002	2001	2000
Domestic sales (1)	**$ 434,266**	$ 452,103	$ 456,947	$ 557,738
International sales (1)	**263,642**	249,625	254,996	266,843
Net sales (1)	**697,908**	701,728	711,943	824,581
Net (loss) income	**(3,262)**	(80,010)	(19,471)	2,433
DATA PER COMMON SHARE				
Net (loss) income per common share (2)				
Basic	**$ (0.20)**	$ (5.04)	$ (1.24)	$ 0.15
Diluted	**(0.20)**	(5.04)	(1.24)	0.15
Cash dividends per share of Common Stock	**–**	–	–	–
Shareholders' equity per share of Common Stock	**3.39**	2.65	7.84	9.39
AT YEAR END				
Current assets	**$ 258,113**	$ 266,793	$ 305,052	$ 320,625
Current liabilities	**156,367**	163,692	139,729	161,300
Working capital	**101,746**	103,101	165,323	159,325
Total assets	**530,583**	554,509	719,170	761,308
Total debt (3)	**302,014**	341,420	418,468	407,303
Stockholders' equity	**54,209**	42,131	123,855	147,679
OTHER STATISTICS				
Capital expenditures	**$ 8,468**	$ 9,010	$ 14,897	$ 19,609
Depreciation and amortization (4)	**$ 25,162**	$ 28,412	$ 39,266	$ 38,693
Current ratio	**1.7**	1.6	2.2	2.0

(1) GBC adopted EITF 01-09 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of a Vendor's Products)," in 2002 by restating financial statements beginning in 1998. Financial statements prior to 1998 were not restated as information was not available to perform such restatements.

(2) Amounts represent per share amounts for both Common Stock and Class B Common Stock based on the average shares outstanding for the year.

(3) Total debt includes notes payable, current maturities of long-term debt, long-term debt, and capital lease obligations.

(4) GBC adopted SFAS No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002. Under SFAS No. 142 goodwill is no longer amortized. In 2001, goodwill amortization was $9,711.

1999	1998	1997	1996	1995	1994	1993
$ 536,554	$ 576,346	$ 543,361	$ 349,809	$ 293,188	$ 274,319	$ 246,790
298,996	300,475	226,640	187,027	165,203	146,130	129,348
835,550	876,821	770,001	536,836	458,391	420,449	376,138
(56,676)	23,792	28,667	25,213	21,500	15,703	14,994
$ (3.60)	$ 1.51	$ 1.82	$ 1.60	$ 1.37	$ 1.00	$ 0.95
(3.60)	1.50	1.80	1.59	1.36	0.99	0.95
.30	.45	.44	.43	.42	.41	.40
9.51	12.93	12.12	10.93	9.80	8.96	8.47
$ 359,033	$ 398,643	$ 327,745	$ 237,214	$ 180,648	$ 171,154	$ 145,351
168,727	157,218	152,102	112,129	83,828	84,604	64,760
190,306	241,425	175,643	125,085	96,820	86,550	80,591
822,492	885,838	692,914	393,706	298,872	284,278	251,109
469,997	519,025	365,039	119,212	61,823	66,508	48,622
149,611	203,187	191,043	172,132	154,141	141,089	133,531
$ 22,893	$ 29,926	$ 29,619	$ 27,778	$ 15,046	$ 12,788	$ 10,595
$ 40,284	$ 33,913	$ 27,208	$ 15,018	$ 12,814	$ 12,081	$ 10,747
2.1	2.5	2.2	2.1	2.2	2.0	2.2

SHAREHOLDER INFORMATION

TRANSFER AGENT AND REGISTRAR

GBC's Transfer agent can help with a variety of shareholder-related services, including:

- Change of address
- Lost stock certificates
- Transfer of stock to another person
- Additional administrative services

PLEASE CONTACT:

Computershare Investor Services
2 North LaSalle Street
Chicago, Illinois 60602
Phone: 312.360.5256
Fax: 312.601.4332
Email: www.web.queries@computershare.com
Website: www-us.computershare.com

INVESTOR RELATIONS

Investors can obtain additional financial information, including notices of upcoming releases of financial information and conference calls, by accessing the Investor Relations section of GBC's website at www.gbc.com or by contacting:

GBC Investor Relations
c/o Tony Giuliano
One GBC Plaza
Northbrook, IL 60062
Phone: 847.291.5451
Fax: 847.291.6371
Email: inv-rel@gbc.com

ANNUAL REPORT AND FORM 10-K

Copies of the Company's Annual Report and the Company's S.E.C. Form 10-K are available without charge by accessing GBC's website at www.gbc.com or by writing to:

GBC Investor Relations
One GBC Plaza
Northbrook, IL 60062-4195

STOCK TRADING

GBC stock is listed on the Nasdaq National Market® under the symbol GBND.

CORPORATE HEADQUARTERS

One GBC Plaza
Northbrook, Illinois
60062-4195 USA

Phone: 847.272.3700
Fax: 847.272.1389

Find GBC on the web at www.gbc.com.

ANNUAL MEETING

Annual Meeting of Shareholders
Thursday, May 13, 2004, 3:30 pm
Chicago Botanic Gardens

Auditorium
1000 Lake Cook Road
Glencoe, Illinois 60022-0400

Phone: 847.835.5440
www.chicago-botanic.org

Parking is complimentary.

CORPORATE INFORMATION

DENNIS J. MARTIN
GBC Chairman,
President and Chief Executive Officer

GEORGE BAYLY
Private Investor

G. THOMAS HARGROVE
Private Investor

JEFFREY P. LANE
Director, Lane Industries, Inc.

NELSON P. LANE
Director, Lane Industries, Inc.

ARTHUR C. NIELSEN
Chairman Emeritus
ACNielsen Company

FORREST M. SCHNEIDER
President and Chief Executive Officer,
Lane Industries, Inc.

ROBERT J. STUCKER
Attorney and Partner, Vedder, Price,
Kaufman and Kammholz

DENNIS J. MARTIN
Chairman, President and
Chief Executive Officer

DAVID HEWITT
President,
Commercial &
Consumer Group

THOMAS STENEBRING
President, Europe Group

JOHN E. TURNER
President, Industrial
& Print Finishing Group

GOVIND K. ARORA
Sr. Vice President
Worldwide Manufacturing

DON CIVGIN
Sr. Vice President and
Chief Financial Officer

TONY GIULIANO
Treasurer and Director,
Investor Relations

JEFFREY F. HAYDEN
Vice President and Controller

MICHAEL KSIAZEK
Vice President,
Worldwide Manufacturing
and Strategic Sourcing

STEVEN RUBIN
Vice President, Secretary
and General Counsel

CHIP SMITH
Vice President, Audit Services

JOHN VITT
Vice President,
Logistics and Distribution

PAUL ZARAZINSKI
Vice President and
Chief Information Officer

PERRY ZUKOWSKI
Vice President, Human Resources

COMMERCIAL & CONSUMER GROUP

JESUS BENITEZ
Vice President and General
Manager, GBC Mexicana

HENRY EPSTEIN
Vice President and General
Manager, Canada

LOU GIZZARELLI
Vice President and General Manager
Canada – Direct

JAMES MANWARING
Vice President, Sales – Commercial

ROBERT MORRIS
Vice President and General
Manager, Education Products Group

KENNETH PETRIE
Vice President, Field Sales

GREGORY PIERCE
Vice President, Sales – Mass

DAVID SCOTT
Vice President, Marketing and
Product Technology & Development

INDUSTRIAL & PRINT FINISHING GROUP

KEITH BORCZ
Vice President, U.S. Sales

ROB HARINGS
Vice President,
European Operations

THOMAS LEE
Vice President and General
Manager, Asian Operations

RICHARD MCCALLION
Vice President, Marketing
and Product Development

GIDEON SCHLESSINGER
Vice President, Marketing/Product
Technology and Development

EUROPE GROUP

MICHEL VAN BEEK
Sales Director, Europe

MICHEL BEERKENS
Controller, Europe

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