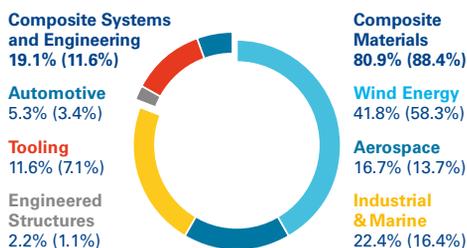


annual
report
2013

Considerable growth in most markets could not offset the painfully lower demand from global wind energy customers – resulting in 19.9% lower sales of CHF 281.1 million for 2013.

Sales by end-market



(Prior-year period)

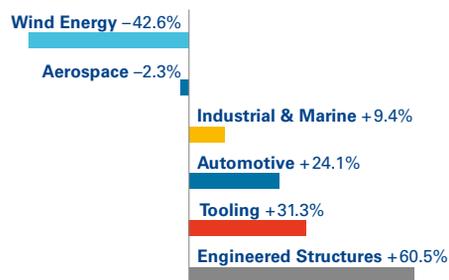
Key figures Consolidated Income Statement 2013 (in CHF million)

Net sales	281.1
Operating profit	6.5
Net profit	0.1

Key figures Consolidated Balance Sheet (in CHF million)

	31.12.2013	31.12.2012
Total assets	222.1	231.6
thereof Current assets	144.7	147.0
Total liabilities	64.8	68.2
thereof Current liabilities	57.1	49.6
Equity	157.3	163.4
Equity ratio	70.8%	70.5%

Sales dynamics 2013 over 2012



Key Figures

Amounts in million CHF	2013	2012	+/- %
Net sales	281.1	351.0	-19.9%
EBITDA	17.8	36.6	-51.4%
EBITDA margin	6.3%	10.4%	-
EBIT	6.5	13.9	-53.3%
EBIT margin	2.3%	4.0%	-
Operating profit	6.5	12.7	-48.9%
Operating profit margin	2.3%	3.6%	-
Profit for the year	0.1	13.7	-99.2%
Return on net assets (RONA)	1.0%	3.6%	-
Net cash flow from operating activities	12.6	48.3	-74.0%
Capital expenditures	6.2	6.0	3.5%
Net cash	6.4	6.0	6.7%
Equity in % of total assets	70.8%	70.5%	-
Number of employees at December 31	2 007	1 733	15.8%
Earnings per bearer share	CHF 0.24	CHF 29.39	-99.2%
Distribution per bearer share (proposed/resolved)	CHF 7.50	CHF 15.00	-50.0%
Market capitalization at December 31	211.1	168.7	25.1%
Operational EBIT			
Operating profit	6.5	12.7	
Less: other operating income	-3.0	-1.6	
Add back: non-recurring expenses	0.4	3.7	
Add back: impairment, net of reversals	1.4	10.7	
Less/add back: inventory impairment (reversals)/charges from restructuring	-0.4	1.4	
= Operational EBIT	4.9	26.9	

The full Annual Report of Gurit is available for download at <http://investors.gurit.com/download-archive.aspx>.
The report has been optimized for easy reading on desktop computers and mobile devices.

Gurit – becoming a Composite Materials and a Composite Solutions and Engineering Group

Dear Shareholders

In 2013, Gurit faced a very difficult year in its global wind energy business. Pressure from the overall low demand was further aggravated by a technology shift and negatively affected Gurit's net sales. In contrast, all non-wind-energy-related businesses have grown – with some even recording significant growth. This shows that we have taken the right strategic decisions. Their positive effects, however, were not yet sufficient to make up for the downturn of the wind energy business. The demand from wind energy customers is expected to recover partially and Gurit should also benefit from its improved market position. We project to grow in all other businesses and forecast overall increasing sales and earnings results for 2014.



Peter Leupp, Chairman of the Board of Directors (left)
Rudolf Hadorn, Chief Executive Officer (right)

Strategy deployment generates future growth

In 2013, Gurit introduced a new organizational structure for the Group to better enable the company to find more and new customers and sales applications, both for its materials business and for its systems and engineering offering. The key objective was to look beyond the traditionally served industries of the Wind Energy, Marine, and Aerospace markets. The determined implementation of our new setup has successfully widened Gurit's focus of addressable markets. It has also provided us with new growth opportunities. In addition, we have identified products and applications which we will develop further.

After one year, we are quite satisfied with the outcome of this strategic move, knowing that such a major change requires longer-term attention and time to fully come to fruition.

Gurit Composite Materials comprises the Group's whole materials business. Its market focus encompasses the traditionally served markets and helps us to identify and address more and new applications. These new sales opportunities will gradually make up for the substantial drop we have experienced in Wind Energy in 2013 and will open up new growth areas. This entity is led by Stefan Gautschi who joined Gurit in 2013.

Gurit Composite Systems and Engineering covers the components and engineering activities of Gurit. This unit is directly run by the CEO. The growth perspectives are positive: with rising demand for wind turbine blade moulds, we have started to market large metal transportation devices for wind turbine blades and tower sections as an additional offering. In the automotive business, the demand for our manually laid-up composite body panels for super-premium cars is steadily increasing. Additionally, a new press technology is now being evaluated in the market and should offer premium car makers a more industrialized process for less complex, higher-volume composite parts series. Gurit's Engi-

neered Structures team is delivering especially growing numbers of composite parts for commuter buses. We want to leverage this "Making big things light" concept with more bus models and additional applications. Finally, our engineers continue to provide world-leading structural design work for a growing range of exciting composite projects.

Positive results overshadowed by weak wind energy market

Despite the positive strategic development, the CHF 281 million of sales generated in 2013 were disappointing and approximately 20% below the previous year's figure. The wind energy business, Gurit's single biggest end market, started to suffer strongly in the last quarter of 2012. It continued to perform at very low levels throughout the first half of 2013 and has only seen a gradual recovery since. A combination of issues caused this disturbing effect: the global wind energy market has generally been soft since the global financial crisis. Secondly, the US demand for carbon fibre prepreps, a key Gurit specialty, was low in the first half of the year due to the market uncertainties after the late renewal of the so-called production tax credits for 2013 in the USA. Thirdly, China witnessed a severe price battle over structural core material due to overcapacities. Last but not least, the shift towards infusion technology accelerated in wind turbine blade making, reducing again the demand for Gurit's glass fibre prepreps in 2013.

The robust growth of Gurit's composite materials sales to marine and industrial clients, the relatively stable materials shipments to the aerospace industry, and even the very strong surge of the Composite Systems and Engineering activities could – given their relative size – not make up for the painful sales drop in wind energy.

Given the lower output of composite materials sold into the wind energy market, fixed costs were insufficiently absorbed. The volatile demand during the year for certain materials also generated some production inefficiencies. In addition, significant price

pressure in the wind energy market and net impairment charges of CHF 1.4 million impacted the operating profit. Yet rigorous cost containment efforts kept the business profitable. Gurit achieved an operating profit of CHF 6.5 million after CHF 12.7 million a year ago. This translates to an operating profit margin of 2.3% after 3.6% in 2012. After tax expenses of CHF 4.7 million (2012: tax income of CHF 2.6 million), Gurit reports a net profit for 2013 of CHF 0.1 million. This equals to earnings of CHF 0.24 per listed bearer share after CHF 29.39 a year ago.

Positive cash flow and strong balance sheet

Gurit generated a positive cash flow from operations of CHF 12.6 million and closed the year with a net cash position of CHF 6.4 million (2012: CHF 6.0 million) and an unchanged, strong equity ratio of 71%. Capital expenditures remained low at CHF 6.2 million (2012: CHF 6.0 million).

Investments in infrastructure

The biggest expenditures related to the expansion of the Automotive factory in the UK. In autumn, Gurit decided to open a new production facility in Székesfehérvár, Hungary. The new factory will start production in spring 2014. It will first provide a competitive presence to build engineered structures and parts. In a later stage, this site will also support Gurit's automotive exterior parts business in addition to the existing production site on the Isle of Wight.

Product and process innovations

2013 also saw several important product and process innovations. Gurit successfully introduced a technology to create thick, low-void laminates – typically required for spars in wind turbine blades. We also launched a newly developed, visual carbon prepreg product family, specifically designed for the automotive market. An additional range of prepreps was created for anti-ballistic applications which are now being evaluated in the market. Significant efforts went into improving the high temperature resilience of our automotive resins. High tempera-

ture tolerance is a prerequisite to produce automotive body panels that can directly be painted in the car manufacturers' high-temperature paint shops. In order to reduce the resin absorption of structural Balsa panels during lamination and to achieve lighter final parts, Gurit has further improved its UVOTECH technology which was launched at the JEC 2013 trade show in Paris a year ago. In Tooling, we developed, tested, and launched a new product family of metal transport and lifting devices for wind turbine blades and tower elements. These systems complement the existing mould business and generate additional turnover with existing customers.

In terms of business process innovations, Gurit introduced a Group-wide customer Relationship Management (CRM) system. This system now supports the regional sales organizations in their wider market focus and helps them serve a growing number of customers.

Gurit Composite Materials suffers in wind energy market but grows in other areas

Gurit Composite Materials achieved full-year 2013 sales of CHF 227.3 million. This is 26.7% below the prior year's figure. The global wind energy market was under severe pressure, with the lowest sales volume recorded in the first quarter of 2013. Although we witnessed a gradual recovery in the order books over the year, sales to wind energy customers remained with CHF 117.4 million 42.6% below the prior year's figure. Sales to the aerospace market developed quite stably (CHF 46.9 million; –2.3%). Deliveries to industrial and marine customers clearly benefitted from Gurit's broader market approach and grew by 9.4% to CHF 62.9 million.

The wind-energy-related sales suffered for various reasons. Due to overcapacities, we witnessed a price battle over supplies of structural core materials in China. Our sales in Asia were further curtailed as the so-called infusion technology is ever more widely applied in wind turbine blade manufacturing. Wetting out dry glass reinforcement fibres with

liquid resin in the production moulds, this process does not require any pre-impregnated materials, a key semi-finished product specialty of Gurit. This technology change was even more pronounced in Europe. In the US market, demand for Gurit's carbon fibre prepregs was very weak in the first half of 2013. The uncertainty created by the very late renewal of the so-called production tax credit brought the wind energy market to a complete halt in the last quarter of 2012. As US demand came back again, Gurit benefitted both from rising sales of structural core materials and carbon fibre prepregs. During the year under review, we successfully introduced a new technology and respective product family (Sparpreg plus Airstream) to manufacture thick, low-void laminates, such as the central spars of wind turbine blades. This new offering has seen very favorable market response.

In the global marine and industrial markets, we were again involved in many high profile boat building and structural engineering projects. Our materials sales to marine and industrial customers both grew by solid single digit percentage rates. Over all, Gurit achieved a sales increase of 9.4% to CHF 62.9 million in this market. Apart from materials going into racing yachts, luxury motor boats, commercial and military vessels, we also shipped substantially higher volumes of prepregs for the production of marine spars, especially to Asia-Pacific. A whole new series of visual carbon fibre prepregs, especially developed for the automotive market, has met with great response and is already being employed by first customers. The new dynamics created by the organizational changes and extensive product and sales training sessions for the various regional teams, resulted in a growing stream of sales to the general industrial sector. Gurit has secured important supply contracts for large-scale infrastructure projects such as materials for composite roofs, bridges, and lightweight health care components.

Gurit's sales to the global aerospace market remained quite stable, slightly declining year-over-year by 2.3% to CHF 46.9 million. While certain

customers requested less high volume materials for aircraft interiors, Gurit succeeded in winning new interesting projects with high performance niche products, like prepregs used for the manufacture of air ducts for passenger airplanes and certain new structural applications. These projects also help to establish a stronger presence in the Americas and sharpen Gurit's profile as a manufacturer of highly fire-resistant prepregs with manufacturers of smaller regional planes and also rolling stock in Europe.

Looking at the sales development from a product category perspective, the structural foam business is gaining additional momentum: As Maricell's new exclusive global distributor for PVC materials outside of China, Gurit has again expanded the breadth of its core material offering and is now able to leverage its global sales organization even better. An important backward integration step was achieved in Ecuador: our new factory for glued balsa blocks has successfully come on stream. We are now directly processing about half of the annual capacity of balsa wood sheets.

Gurit Composite Systems and Engineering with significant growth

The sales of Composite Systems and Engineering grew 31.9% to CHF 53.8 million in 2013, representing 19% of Group sales. The tooling business located in Taicang, China, contributed CHF 32.8 million. Mainly serving the global market for wind turbine blade moulds, tooling grew 31.3% year-over-year. As the demand for moulds generally picks up ahead of the overall business cycle, tooling achieved 67% of its sales in the strong second half of 2013. The trend towards longer moulds is ongoing: The majority of tools now measures well over 50 meters. Split mould technology, enhanced mould turning devices, and more powerful heating and cooling systems become necessary as orders for new moulds almost reach up to 90 meters in the years to come. These technical challenges and the fact that regionally diverging business cycles intensify the inherent volatility of the tooling business call for a global approach.

Gurit aims at expanding its significant market share worldwide through a fully integrated manufacturing capability and fast delivery times at competitive prices, both for lower and high-end equipment needs. To expand the business with existing customers, we have developed and launched a range of metal hinges and racks for the safe, long-haul transport of wind turbine blades and tower elements.

Gurit's automotive business is specialized on the manufacture of class A, high-contour manually laid-up carbon composite car body panels for super-premium brands. In 2013, this business grew 24.1% to CHF 15.0 million and is well on track to become a more significant business for Gurit: We added a new customer to our portfolio, doubled the manufacturing capacity with a plant expansion in the UK, hired and trained many new colleagues, and started the production of several new parts during 2013. Gurit made important progress in developing a new material range for parts that can pass through the car makers' in-line paint shops at temperatures of around 200 degrees Celsius. We also made great headway with our automated press mould project. This next-generation production technology is geared for higher-volume, medium-contour, class A surface car body panels. It is now entering industrial trials as an additional new press has arrived in the UK. The interest from existing and potential customers is solid, both for the manually laid-up parts and for components produced with the automated press technology.

Engineered Structures has clearly expanded its presence in 2013 in several global markets. We were again involved with many performance sailing boat projects and proved the high standard of Gurit's engineering and materials solutions in the world's top sailing events. Engineered Structures also secured demanding projects in the civil structures market – mainly in the Middle East – a series of civil marine and novel general industrial projects. Over the course of the year, the Engineered Structures team hired additional staff and further expanded its skill base, both with internal and external

objectives in mind: an internal goal was to expand the existing engineering expertise in the manufacture of automotive exterior panels to develop a true systems supplier presence. Externally, Gurit's ambition is to advance existing and new product applications and grow its composite parts business. The sales growth of 60.5% to CHF 6.1 million was not least the result of the growing composite parts business for commuter buses. Achieving sizable weight reductions with composite parts for transportation applications and for general industrial components should result in further growth in the years ahead.

Sustainability, occupational health, and safety

Gurit wants to be recognized as the worldwide leading developer and supplier of advanced composite materials, systems and technologies. We strive to achieve this through our dedicated focus on customer needs, a superior level of technology and competence, operations excellence as well as environmental, social, and ethical best practice and conduct. A good example for such efforts is Gurit's initiative to optimize the recycling of process waste in its Chinese tooling and composite materials operations. In the tooling works, we investigated ways to better recycle metal, paint, and lamination waste. Great attention was paid to raise the general awareness for sustainability of our staff with special instructions and intensified levels of monitoring. Another project aimed at maximizing the yield in our balsa wood processing operation. Wanting to make best use of every harvested balsa tree, we investigated ways to gain more finished balsa core material from any given number of trees. After intense studies, we expect to implement important findings now in 2014. Also in our balsa wood operations, we installed a clever system to use dried and compressed saw dust as replacement for firewood to dry the fresh balsa wood.

Occupational health and safety is another priority for Gurit. We are aware that our employees could be affected by certain aggressive chemicals we

deal with, by processing dust, steel welding, and lifting and transporting heavy equipment. As part of our monthly business plan deployment reviews we focus on de-risking our operations with specific trainings, implementing changes to risky areas or redesigning dangerous processes. With such measures we have again reduced the number of accidents and incidents. In 2013, we managed to bring work-related accidents across the whole Group down by 19% and the number of incidents by 7%. Obviously, a zero-accident working environment is our clear goal.

Corporate Governance

Gurit decided to implement the majority of the new legal requirements stipulated by the Swiss Ordinance against Excessive Compensations in listed Stock Corporations (so-called "Minder initiative") already during 2014. We have thus adapted our Articles of Incorporation and internal processes where necessary to propose these changes to the upcoming Annual General Meeting. The chapters on Corporate Governance and the Remuneration Report included in this Annual Report describe the relevant changes and concepts.

Dr Robert Heberlein is not standing for re-election at the upcoming Annual General Meeting after 30 years of Board membership. He has served as former Chairman and member of the Board of Gurit Heberlein AG and now Gurit Holding AG. On February 3, 2014, the Board of Directors nominated Dr. Stefan Breitenstein for election as new member of the Board of Directors.

Outlook and proposed distribution to shareholders

Gurit is prudently optimistic for its wind-energy-related sales. The 2013 renewal of the US production tax credit scheme still applies for many ongoing projects in 2014. We see signs of recovery in the Chinese wind energy market, and we benefit from the expanded offering of structural core materials. The wind-energy-related sales should therefore continue to rebound from the disappointing lows

of 2013. All other Group activities are projected to continue to grow.

Gurit is confident that it will return to growth in 2014 and substantially improve the poor operating profit level of 2013.

The Board of Directors proposes to the Annual General Meeting scheduled for April 10, 2014, to distribute CHF 3.5 million in total or CHF 7.50 per listed bearer share out of the reserves from former capital contributions.

We would like to thank all our customers and business partners for their continued trust and support and our employees for their commitment. Together we can achieve our target of developing both existing and especially the new businesses.

Yours sincerely, Gurit Holding AG



Peter Leupp,
Chairman of the
Board of Directors



Rudolf Hadorn
Chief Executive
Officer

Remuneration Report

This report describes the philosophy, policy, and practices, as well as the governance and architectural framework of the compensation system for all employees and the members of the Board of Directors of Gurit. The report discloses the information regarding variable, performance-based compensation as well as fixed, performance-independent compensation including the equity participation schemes of the members of the Executive Committee and the members of the Board of Directors.

1. Remuneration Philosophy

Gurit's compensation system is designed to align the interests of the Board of Directors, of the Executive Committee, additional key managers, as well as of all other employees across the whole Group with the long-term goals of the Company and the interests of the shareholders. Gurit is a globally active industrial group operating in a competitive marketplace. The compensation system is therefore intended to enhance Gurit's ability to recruit and retain a talented and performing workforce. The system also seeks to motivate Gurit employees on all levels to adopt an entrepreneurial stance, to strive for above-market-average performance, accountability and value creation, and to reward individuals according to predefined targets and objectives.

Gurit maintains a compensation system in accordance with the employment practices relevant in the various countries in which the Company operates. In the context of Gurit's compensation system, the total compensation for an individual employee generally reflects the requested qualifications, the scope and complexity of a person's role, Group-internal as well as -external relativities, national legal requirements and employment conditions in the relevant countries, the overall business performance, as well as the person's individual performance.

Gurit is convinced that a well-balanced compensation system including elements of performance-independent compensation as well as some performance-related compensation fosters and supports a sustainable business as well as employee loyalty and entrepreneurship.

2. Remuneration Reporting Standards

Gurit will implement all requirements resulting from the new Ordinance against excessive remuneration in listed common stock companies at its Annual General Meeting of Shareholders on April 10, 2014.

Unless otherwise indicated, all information disclosed in this report refers to the financial year closed on December 31, 2013. This report follows Art. 13 of the Ordinance against excessive remuneration in listed common stock companies and the Swiss Code of Best Practice for Corporate Governance published by Economiesuisse and complies with Chapter 5.1 of the Appendix to SIX Swiss Exchange's Guidelines concerning information on corporate governance and the Swiss Code of Obligations. In addition, the compensation system is coherent with Gurit's Code of Conduct which establishes comprehensive guidance of business principles applicable throughout the Group. The Code of Conduct is available online at <http://www.gurit.com/code-of-conduct.aspx>.

3. Remuneration Governance

3.1 Remuneration Governance for the reporting period 2013

For the year ended December 31, 2013, the responsibilities regarding Gurit's remuneration governance were as follows:

Responsibilities of the Board of Directors

The Board of Directors is ultimately responsible for the Group's compensation system.

The Board of Directors nominated the chairman and the members of the Nomination and Compensation Committee.

Responsibilities of the Nomination and Compensation Committee

The Nomination and Compensation Committee was responsible for the design and maintenance of the compensation system for members of the Board of Directors and for the compensation system and bonus plan for the Executive Committee and all other employees.

The Nomination and Compensation Committee approved the fixed compensation for the members of

the Board of Directors as well as the variable and fixed compensation for the Chief Executive Officer and the members of the Executive Committee, in cash, benefits, and shares.

In addition, it approved the Executive Committee's proposals regarding Group- or Business-Unit-related performance objectives for the Group-wide bonus plan. It also approved the resulting bonus payments based on target achievement ratios calculated by the Chief Financial Officer. This Committee reserved itself the right to amend during the year the Group or Business Unit performance targets and required achievement levels to take major changes in the economic environment into consideration.

Responsibilities of the Chief Executive Officer

The Chief Executive Officer proposed the fixed compensation for members of the Executive Committee which were reviewed and approved by the Nomination and Compensation Committee.

Responsibilities of the Executive Committee

The Business Unit Managers and the CEO approved the objectives of the Performance Incentive

Schemes for production and sales employees and the evaluation of the achievement of these objectives.

The CEO and CFO furthermore proposed the Group or Business Unit performance-related objectives for the Performance Incentive Scheme for other employees to the Nomination and Compensation Committee.

Gurit has not appointed an external consultant to develop its compensation policy or to assess the compensation of the members of the Board of Directors and the Executive Committee.

The remuneration governance for the reporting period 2013 can be summarized as shown in the table at the bottom of this page.

3.2 Intended Remuneration Governance starting from April 11, 2014

To reflect the new legal requirements in Switzerland as set forth in the Ordinance against excessive remuneration in listed common stock companies which entered into force on January 1, 2014, and under the condition that the Annual General Meeting of the Shareholders in Gurit Holding of April 10, 2014, approves the proposed changes to the Arti-

Overview Compensation Governance until December 31, 2013

Recipient	Compensation System design	Approval of bonus plan objectives	Compensation proposal	Approval of compensation proposal
Production employees	NCC	BU Mgr & CEO	Line managers*	Site managers* Line managers superior (plus NCC for shares)*
Sales employees	NCC	BU Mgr & CEO**	Line managers*	Line managers superior (plus NCC for shares)*
Management and other employees	NCC	NCC**	Line managers*	Line managers superior (plus NCC for shares)*
Members of the Executive Committee	NCC	NCC	CEO	NCC
CEO	NCC	NCC	NCC	NCC
BoD members	NCC	n.a.	NCC	NCC

* Within limits of the budget approved by the Executive Committee and the Board of Directors

** Plus line managers for individual bonus targets (see description of Performance Incentive Scheme)

NCC = Nomination and Compensation Committee

cles of Association as published in the invitation to the Annual General Meeting, the intended responsibilities within Gurit's remuneration governance can be described as follows:

Responsibilities of the Annual General Meeting of Shareholders

Starting in 2014, the Annual General Meeting approves all compensation paid to the members of the Board of Directors as a Group prospectively for the period from the date of the ordinary Annual General Meeting until the next ordinary Annual General Meeting.

It furthermore approves the maximum fixed compensation paid to the members of the Executive Committee for the period from July 1 following the date of the ordinary Annual General Meeting to June 30 the year after as well as the maximum variable compensation paid to the same employees for the period from January 1 to December 31 of the year in which the Annual General Meeting takes place.

Responsibilities of the Board of Directors

The Board of Directors is ultimately responsible for the compensation system and the formulation of the proposals to the Annual General Meeting regarding compensation.

Responsibilities of the Nomination and Compensation Committee

The Nomination and Compensation Committee is responsible for the design and maintenance of the compensation system for members of the Board of Directors, the Executive Committee, and all other Gurit employees.

The Nomination and Compensation Committee proposes the fixed compensation (in cash, benefits, and shares) for members of the Board of Directors, the Chief Executive Officer, and the other members of the Executive Committee to the Board of Directors and the Annual General Meeting of Shareholders. The share-based part of such compensation is

considered in the proposed total fixed compensation at the value of the shares at the date they will be granted, taking into consideration an appropriate reduction for the period during which the granted shares are blocked.

The Nomination and Compensation Committee approves the allocation of shares to Gurit employees under the Share Participation Plan for Management.

The Nomination and Compensation Committee furthermore approves the Executive Committee's proposals regarding Group- or Business-Unit-related performance objectives for the Group-wide bonus plan. It also approves the resulting bonus payments within the limits approved by the Annual General Meeting of Shareholders, based on target achievement ratios calculated by the Chief Financial Officer. The Committee reserves itself the right to amend the Group or Business Unit performance targets and required achievement levels to take major changes in the economic environment into consideration.

The Articles of Association furthermore define additional responsibilities of the Nomination and Compensation Committee.

Responsibilities of the Chief Executive Officer

The Chief Executive Officer proposes the compensation for members of the Executive Committee to the Nomination and Compensation Committee.

Responsibilities of the Executive Committee

The Business Unit managers and the CEO approve the objectives of the Performance Incentive Schemes for production and sales employees and the evaluation of the achievement of these objectives.

The CEO and CFO furthermore propose the Group or Business Unit performance-related objectives for the Performance Incentive Scheme for other employees to the Nomination and Compensation Committee.

The intended Remuneration Governance starting from April 11, 2014, can be summarized as shown in the table at the bottom of this page.

4. Remuneration Policy and Key Elements

As a general rule, the total compensation for all Gurit employees consists of a fixed, performance-independent salary component and a variable, performance-related bonus element. These two elements together form the target market salary for a given position.

4.1 Fixed salary components

The fixed, performance-independent compensation elements of Gurit's Compensation system include:

- Fixed cash compensation (base salary);
- Pension plans and social security according to applicable jurisdiction;
- Certain fringe benefits such as car and parking allowances for certain employees;
- A performance-independent, share-based compensation for the members of the Board of Directors and the Chief Executive Officer. These

shares are subject to a blocking period of three years from the date of the grant during which the members of the Board of Directors and the Chief Executive Officer cannot sell the shares;

- A performance-independent share-based compensation for the members of the Executive Committee (excluding the CEO) and the next level of Management according to the rules of the Share Participation Plan for Management (SPPM).

The fixed cash compensation is reviewed annually, taking into account inflation and the situation on the employment markets in the countries where the respective employees are employed, as well as individual performance and changes in responsibilities.

4.2 Variable, performance-related salary components

The variable, performance-related compensation elements of Gurit's compensation system include:

- Performance-related cash payments as defined by Gurit's Performance Incentive Scheme;
- In exceptional cases: limited individual bonuses for special achievements (not for CEO or members of the Executive Committee).

Overview Compensation Governance as proposed starting with the AGM 2014

Recipient	Compensation System design	Approval of bonus plan objectives	Compensation proposal	Approval of compensation proposal
Production employees	NCC	BU Mgr & CEO	Line managers*	Site managers* Line managers superior (plus NCC for shares)*
Sales employees	NCC	BU Mgr & CEO**	Line managers*	Line managers superior (plus NCC for shares)*
Management and other employees	NCC	NCC**	Line managers*	Line managers superior (plus NCC for shares)*
Members of the Executive Committee	NCC	NCC	CEO	NCC & AGM
CEO	NCC	NCC	NCC	AGM
BoD members	NCC	n.a.	NCC	AGM

* Within limits of the budget approved by the Executive Committee and the Board of Directors

** Plus line managers for individual bonus targets (see description of Performance Incentive Scheme)

NCC = Nomination and Compensation Committee

5. Share-based compensation for selected categories of Management

The Group's Share Participation Plan for Management (SPPM) aims at providing to the Executive Committee and the next level of Management a part of their performance-independent compensation in form of Gurit bearer shares to build their long-term commitment to Gurit and align their interests to the interests of Gurit shareholders. The number of shares granted to the various levels of Management is determined every year by the Nomination and Compensation Committee and not part of the employment contract of the employees. The shares granted under this plan are blocked during a period of three years, during which the employee cannot sell the shares.

6. Performance Incentive Schemes

Gurit's Performance Incentive Scheme defines performance related payments and covers all Gurit employees. It is essentially made up of the following three distinct elements:

6.1 Performance Incentive Scheme for Production Employees

As defined by the Performance Incentive Scheme for Production Employees, the cash bonus of production staff can range from 5% of person's fixed salary, at target goal achievement, up to 8%, at maximum. The objectives for this bonus are defined at site level by the site management and approved by the Executive Committee. The targets include objectives for health and safety, quality, productivity, and attendance. The achievement of these objectives is discussed with all operations employees four times per year, or in certain cases monthly, and the bonus is generally paid on a quarterly basis, reflecting the need for operational flexibility. The bonus payments are calculated by the local site management and approved by the respective Business Unit Manager and the CEO.

6.2 Performance Incentive Scheme for Sales Employees

As defined by the Performance Incentive Scheme for Sales Employees, the cash bonus of sales employees can range up to 20% of a person's fixed salary of which three quarters are linked to the achievement or over-achievement of the sales budget and one quarter to the achievement of individual, more qualitative objectives. The sales targets are defined in the context of the Group's budgeting process and are approved in their entirety as part of the Group's budget by the Executive Committee and the Board of Directors. The individual targets are set and evaluated by the line manager of the respective sales employee. No bonus is paid if the sales targets or the individual targets are not achieved.

6.3 Performance Incentive Scheme for other employees

As defined by the Performance Incentive Scheme for other employees, the cash bonus for all other employees consists of a general performance element related to the relevant Business Unit, Sub-Unit or the total Group, plus an individual performance element.

The total bonus per employee benefitting from this scheme may vary between maximum 8% and maximum 100% of the fixed salary, depending on the hierarchical level:

- Chief Executive Officer: up to 100% of the base salary;
- Executive Committee members: up to 50% of the base salary;
- Managers or senior staff members: up to 15% or 30% of the base salary, depending on the management level;
- Other employees: Up to 8% of base salary.

6.3.1 Business Unit, Sub-Unit, and Group General Performance Bonus Component

The Business Unit, Sub-Unit, and Group general performance bonus component is annually calculated considering the following three key performance indicators: 1) Net Sales, 2) Operating Profit

excluding one-off income and expenses, and 3) Net Working Capital per Business Unit/Sub-Unit or Group.

Each indicator defines 33.3% of the general performance bonus component. For some Sub-Units, Contribution Margin or Order Intake might be applied instead. The respective minimum objective levels, target levels and cap levels are proposed by the CEO and CFO and approved by the Nomination and Compensation Committee.

At the end of the financial year, the Business Unit, Sub-Unit, and Group general performance bonus achievements are calculated by the CFO and approved by the Nomination and Compensation Committee. Bonus payment starts at the achievement of the minimum objective level, rises linearly to 66.7% pay-out of the maximum bonus at achievement of the target level, and then rises again linearly to full maximum pay -out at achievement of the cap level. During the year under review, the minimum objective levels were in general between 10% and 30% below the target levels and the cap levels exceeded the target levels in general between 10% and 30%. No bonus is paid if the minimum objective level has not been achieved.

The general performance bonus component based on Business Unit, Sub-Unit, and Group performance may vary from 60% to 80% of the total maximum bonus (CEO) as summarized in the table at the bottom of this page.

The level of the Business Unit, Sub-Unit, or Group bonus element has no impact on the level of achievement of the individual bonus.

6.3.2 Individual Bonus Component

The fulfilment levels of the individual and/or factory related objectives and targets are assessed on a yearly basis by the line manager of each person, based on objectives and targets defined in the first quarter of each business year. The individual bonus element represents 20% to 40% of the total maximum bonus as shown in the table on the bottom of this page.

Bonuses under the Performance Incentive Scheme for other employees are paid out after publication of the annual results.

6.3.3 Limited individual bonus for special achievements

In exceptional cases some limited, individual bonuses for special achievements may be granted. Upon proposal by the respective line manager, the Chief Executive Officer together with the Chief Financial Officer may approve the granting of such special bonuses. Such limited, individual bonuses may not be granted to the CEO and the other members of the Executive Committee.

Summary bonus components

Recipient	Group performance component	Business Unit or Sub-Unit performance component	Total general performance Bonus component	Individual Bonus component	Total Maximum Bonus
Chief Executive Officer	80%	–	80%	20%	100%
Business Unit/Sub-Unit Manager	50%	30%	80%	20%	100%
Corporate Functions	60%	–	60%	40%	100%
Business Unit Functions	30%	30%	60%	40%	100%

7. Compensation for Members of the Executive Committee and the Board of Directors

7.1 Chief Executive Officer

The fixed, performance-independent compensation of the Chief Executive Officer (base salary) is based on what has been assessed by the Nomination and Compensation Committee as industry standard for comparable listed Swiss industrial companies of similar size in terms of net sales (around CHF 500 million) and complexity, based on the Nomination and Compensation Committee's members experience. It includes an element of fixed cash compensation and an element of fixed share-based compensation.

The Chief Executive Officer benefits from a supplementary pension scheme of which half of the premiums are financed by himself. The part financed by Gurit is disclosed as part of the other compensation in article 8 of this report.

The Chief Executive Officer is entitled to performance-related compensation according to the Performance Incentive Scheme described above. He is entitled to a performance-related bonus payment of maximum 100% of his base salary. 20% of performance-related bonus depends on the achievement of individual targets set by the Nomination and Compensation Committee. The remaining 80% depends on the achievement of the general Group bonus component.

7.2 Other Members of the Executive Committee

The fixed, performance-independent compensation of the other members of the Executive Committee (base salary) is based on the market and employment conditions in the relevant country as gathered from various sources as well as reflecting the individual qualifications and requirements needed for the specific position.

A supplementary pension scheme exists for certain members of the Executive Committee according to the practices of the countries in which the person is employed. Half of the premiums are financed by the members themselves. The part financed by Gurit is disclosed as part of the other compensation in article 8 of this report.

As part of their fixed, performance-independent compensation the other members of the Executive Committee are also subject to shares granted according to the share-based compensation for selected categories of management. Such grant is decided annually by the Nomination and Compensation Committee.

The other members of the Executive Committee are furthermore entitled to a performance-related compensation based on the Performance Incentive Scheme described above. As such, they are entitled to a performance-related contribution of maximum 50% of their base salary. 20% to 40% of their bonus depends on the achievement of individual targets set by the CEO and approved by the Nomination and Compensation Committee. The remaining 60% to 80% depend on the achievement of the Business Unit and Group bonus components.

7.3 Members of the Board of Directors

The fixed, performance-independent compensation of the members of the Board of Directors is based on what has been assessed by the Nomination and Compensation Committee as industry standard for comparable listed Swiss industrial companies of similar size in terms of net sales and complexity based on the Nomination and Compensation Committee's members experience. It includes an element of fixed cash compensation and an element of fixed share-based compensation.

The members of the Board of Directors are not subject to any performance-based incentive scheme.

8. Management compensation

The following table shows the compensation of Key Management personnel in line with §663b^{bis} and §663c of the Swiss Code of Obligations. Other fixed compensation includes pension contributions and social benefits relating to the fixed cash and share-based compensation. Variable compensation contains the accrued cash bonuses and related accrued social benefits for the year 2013, which will be paid out in 2014.

During the year under review, the performance-related compensation paid to the members of the Executive Committee varied from 13% to 20% (2012: 10%–33%) of the individual fixed compensation.

The total amount paid to Management (Board of Directors and Executive Committee) decreased in 2013 compared with 2012 mainly due to a decrease of the number of members of the Executive Committee. The total compensation paid to Executive Committee members who were already part of this Committee in prior year was overall reduced by 2%.

Gurit did not pay any exit remuneration to anyone leaving office during the year under review. There was no remuneration paid to former members of governing bodies during the year under review. There were no transactions with current or former members of the Board of Directors or the Executive Committee (or parties closely linked to them) at conditions which are not at arm's length. No loans, securities, advances, or credits were granted to members of the Board of Directors or the members of the Executive Committee (or parties closely linked to them). There are no options issued on Gurit bearer shares on December 31, 2013, in the context of a participation program.

In connection with the new Ordinance against excessive remuneration in listed common stock companies, effective since January 1, 2014, the total amount of share-based compensation granted under the Group's Share Participation Plan for Man-

agement is now considered as a fixed compensation, whereas it had previously been considered as a variable compensation. The Other Executive Committee members' compensation under this plan in 2012 of CHF 145 000 has been reclassified accordingly.

In CHF 1000

2013

	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
Board of Directors					
Peter Leupp (Chairman)	250	24	–	–	274
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	80	12	14	–	106
Total Board of Directors	570	72	51	–	693
Executive Committee					
Rudolf Hadorn (CEO)	630	120	138	176	1 064
Other members	857	61	177	137	1 232
Total Executive Committee	1 487	181	315	313	2 296
Total Management compensation	2 057	253	366	313	2 989

In CHF 1000

2012

	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
Board of Directors					
Peter Leupp (member, Chairman since April 23, 2012)	193	26	1	–	220
Dr Paul Hälgi (Chairman until April 23, 2012)	84	–	13	–	97
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	53	12	14	–	79
Total Board of Directors	570	74	65	–	709
Executive Committee					
Rudolf Hadorn (CEO)	521	120	114	250	1 005
Other members	1 617	145	276	308	2 346
Total Executive Committee	2 138	265	390	558	3 351
Total Management compensation	2 708	339	455	558	4 060

Gurit Holding AG
Ebnater Strasse 79
9630 Wattwil
Switzerland
www.gurit.com

Gurit Services AG
Schaffhauserstrasse 339
8050 Zurich
Switzerland
www.gurit.com

