

annual
report
2018

Gurit – Delivering the Future of Composite Solutions

We specialize in advanced composite materials, production tools, kitting and engineering services for our target markets wind energy, aerospace, marine, and industrial. Our materials offering comprises of glass, carbon, and aramid fibre prepreps; structural synthetic core and balsa wood materials; gel coats, adhesives, and resins. Our components business includes large-scale tooling moulds and rapid prototyping. We also provide structural engineering services to marine, civil, and industrial clients to design lightweight structures.

Table of Contents

| | |
|-----|-------------------------------|
| 04 | Key Facts at a Glance |
| 05 | Business and Financial Review |
| 14 | Organization |
| 15 | Investor Relations |
| 18 | Corporate Governance |
| 30 | Compensation Report |
| 44 | Sustainability Report |
| 56 | Financial Report |
| 104 | Gurit Addresses |

In 2018 Gurit generated net sales growth of 18.0% and an operating profit margin of 6.7%. In the Continued Business - without automotive components, which is reclassified as Discontinued Operations - the operating profit margin scored a remarkable and strong 11%.

Gurit Tooling reported another excellent year. Composite Materials as well as Aerospace achieved growth in all segments. Gurit sales into the Wind Energy market were 279.6 million CHF, composed of Composite Material, Tooling and a contribution of 28.9 million CHF (2.5 months) of the newly acquired JSB Group which now forms the Gurit Kitting Business Unit.

Sales by End Market (Prior-year period)

Automotive
(discontinued)
3% (6%)

Engineering
0% (0%)

Aerospace
12% (13%)

Materials (other)
19% (19%)



Wind Energy

66% (62%)

Tooling
28% (26%)

Kitting
7% (0%)

Materials
(Wind)
31% (36%)

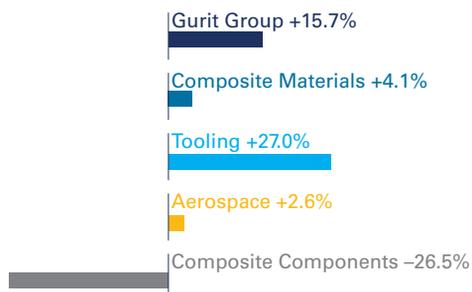
Key Figures Consolidated Income Statement 2018 (in CHF million)

| | |
|------------------|-------|
| Net sales | 425.3 |
| Operating profit | 28.6 |
| Net profit | 19.9 |

Key Figures Consolidated Balance Sheet (in CHF million)

| | 31.12.2018 | 31.12.2017 |
|-----------------------------|--------------|--------------|
| Total assets | 369.7 | 289.9 |
| thereof Current assets | 268.4 | 201.1 |
| Total liabilities | 244.7 | 83.8 |
| thereof Current liabilities | 153.3 | 77.8 |
| Equity | 125.1 | 206.1 |
| Equity ratio | 33.8% | 71.1% |

Sales Dynamics 2018 over 2017 (at constant rates)



Business and Financial Review

Key Figures

| Amounts in CHF million | 2018 | 2017 | +/- % |
|------------------------------------------------------|-----------|-----------|----------|
| Continued operations | | | |
| Net sales | 410.6 | 340.0 | 20.8% |
| EBITDA | 54.5 | 46.4 | 17.5% |
| EBITDA margin | 13.3% | 13.7% | |
| EBIT | 44.4 | 36.9 | 20.2% |
| EBIT margin | 10.8% | 10.9% | |
| Operating profit | 45.4 | 36.9 | 22.9% |
| Operating profit margin | 11.0% | 10.9% | |
| Profit for the year | 36.9 | 25.8 | 43.1% |
| Discontinued operations | | | |
| Net sales | 14.7 | 20.5 | - 28.2% |
| EBITDA | - 10.7 | 0.4 | |
| EBITDA margin | - 72.6% | 1.7% | |
| EBIT | - 16.8 | - 1.0 | |
| EBIT margin | - 113.9% | - 4.7% | |
| Operating loss | - 16.8 | - 1.0 | |
| Operating loss margin | - 113.9% | - 4.7% | |
| Loss for the year | - 17.0 | - 0.9 | |
| Total | | | |
| Net sales | 425.3 | 360.5 | 18.0% |
| EBITDA | 43.8 | 46.8 | - 6.3% |
| EBITDA margin | 10.3% | 13.0% | |
| EBIT | 27.6 | 35.9 | - 23.1% |
| EBIT margin | 6.5% | 10.0% | |
| Operating profit | 28.6 | 35.9 | - 20.4% |
| Operating profit margin | 6.7% | 10.0% | |
| Profit for the year | 19.9 | 24.9 | - 20.1% |
| Return on net assets, including goodwill | 9.4% | 15.0% | |
| Return on net assets, goodwill offset in equity | 11.9% | 17.6% | |
| Net cash flow from operating activities | 19.4 | 30.6 | - 36.7% |
| Capital expenditures | 15.3 | 12.0 | 30.7% |
| Net cash | - 80.0 | 32.7 | - 344.8% |
| Equity in % of total assets | 33.8% | 71.1% | |
| Gross debt/EBITDA ratio | 2.93 | 0.25 | |
| Number of employees at December 31 | 2 860 | 2 198 | 30.1% |
| Average number of full-time equivalents | 2 419 | 2 229 | 8.5% |
| Earnings per bearer share | CHF 42.96 | CHF 53.32 | - |
| Distribution per bearer share (proposed/distributed) | CHF 20.00 | CHF 20.00 | 0.0% |
| Market capitalization at December 31 | 405.8 | 492.8 | - 17.7% |

Gurit Strategic Focus on Wind Energy

Dear Shareholders

In 2018 Gurit has re-adjusted its strategy to have an even stronger focus on the promising global Wind Energy market. With the acquisition of JSB, Gurit has realized a significant step forward in its corporate development. JSB is a global leading core material kitting company. It has been integrated as the new Kitting Business Unit. Including this acquisition, Gurit expects to realize more than 75% of its net sales in 2019 with Wind Energy customers.

Overall, we experienced a fair business environment in 2018. Tooling achieved another record year. In Composite Materials demand for wind core materials continued to be good in North America and solid in other global regions, but still weak in India. A combination of pressure on sales prices and increases in raw material cost challenged Gurit during 2018. Demand in our global Marine and Industry segments was growing. The Aerospace demand in Europe was affected by production difficulties at one major OEM. Fortunately, this was more than offset by sales to other customers, especially in the US. The Composite Components business was hurt by an unexpected demand reduction of over 70% by its biggest volume client.

In total, Gurit generated net sales of CHF 425.3 million, which represent a currency-adjusted growth of 15.7%. The operating profit for the fiscal year 2018 was at 28.6 CHF million which represents a 6.7% margin on net sales. In the Continued Business – without automotive components, which is reclassified as Discontinued Operations – the operating profit margin scored a remarkable and strong 11% of net sales in the calendar year 2018.

In December 2018 Gurit decided to divest the automotive components part of the Composite Components business unit. This decision was taken for several reasons: the growth momentum in the automotive market – in particular automotive light weighting – has not been as dynamic as expected and Gurit has decided to further focus its business portfolio.

Due to severe difficulties and associated operating and impairment losses in the automotive components activity, Gurit had to re-adjust its operating profit guidance for 2018 to a range of 6.5-7.5% on net sales.

Gurit counted 2 860 employees as per 31.12.2018, including the Gurit Kitting staff members joining through the JSB acquisition.

Strategy Deployment of Gurit

Gurit has been one of the major wind turbine blade material suppliers to the global **Wind Energy** industry in the past decades. In response to the painful technology shift away from prepreg over to infusion as a lamination technology to build the blades, Gurit has successfully developed a new product range for the global wind market customers and managed to substitute the once dominant prepreg sales.

Wind has proven to be a globally growing, industrializing and maturing market, much less volatile than in the past. Today, the pressure to diversify into other industrial sectors has significantly decreased. Gurit is represented in all major leading Wind turbine manufacturers with one or several of its product offerings. In the coming three years we expect a growth impulse especially in the US market, in India, in several emerging economies and globally in the offshore market. The wind energy cost improvements needed to achieve cost parity with non-renewable forms of energy will be driven by larger, more efficient wind turbines. Bigger turbines need longer rotor blades manufactured in larger, more automated blade moulds, more complex and precise core kits and a higher volume of core materials. Gurit is well positioned to seize these opportunities, which in combination form the base of Gurit's expected growth in the Wind Energy market in the coming years.

Based on this assessment, Gurit adjusted its strategy in 2018. This strategic shift has been emphasized by the downstream acquisition of JSB Group, which extends Gurit's offering in Wind Energy to kitting. While Wind is a priority, Gurit will continue to focus on the Aerospace, Marine and Industrial segments as attractive and important markets.

The JSB acquisition (Gurit Kitting) will add significant net sales in 2019 and enables Gurit to offer more value to the wind customer base.

In Wind Energy, Gurit now has a leading offering with blade moulds (Gurit Tooling), synthetic (PET, SAN, PVC) and natural (balsa) Core materials (Gurit Composite Materials) and a globally leading core material kitting business (Gurit Kitting). The planned co-location of Kitting and Materials production sites will offer savings in terms of production waste recycling (PET), transportation cost and working capital for Gurit and its wind customers in the coming years. It will also strengthen Gurit's position as a strategic partner for major global wind turbine OEMs.

Following the strategy adjustment towards Wind Energy and to gain more depth and less breadth in its lines of business, Gurit has announced in December 2018 to divest its automotive components activity in 2019. Gurit had expected the growth momentum in the automotive market to be more dynamic and in particular automotive lightweighting to be a bigger growth trend than it shows now. The automotive components business is therefore reported separately under 'Discontinued Operations' as of 2018 until the point of its divestment. Moreover, as a further measure of focusing its business, Gurit will divest its mineral casting operations – which forms part of the Gurit Tooling business unit – equally in 2019.

In recent years Gurit has been successful with a business unit centered form of organization. It provides each business unit with the means to have the needed customer proximity, entrepreneurial drive and sufficient speed to market. Following this organizational principle, the Gurit aerospace business had been detached from Composite Materials and established as an independent **Aerospace Business Unit** as of April 1, 2018. The Management capacities were strengthened with the appointment of Michael Muser as General Manager and Head of Business Unit Aerospace, effective January 1, 2019.

One of the key strategic steps in the **Composite Materials Business Unit** in 2018 was the divestment of the PVC production facility in Qingdao, China in order to focus core material manufacturing for the Asia-Pacific region on PET, SAN and balsa wood at the existing production facility in Tianjin, China. The future material trends in the Wind Energy market suggest that PET and balsa will grow in share, while PVC and SAN will gradually reduce. Over the coming years Gurit will further increase its Indonesian Balsa and global PET production capacity.

The consolidation of prepreg production for the wind, marine and industrial sectors from two not fully utilized into one fully utilized site in Spain was concluded in the second half of 2018. It is expected to facilitate future growth and more cost competitiveness in this product segment.

Constant advancement of the Company's structural core materials product offering reached an important milestone with the launch of Kerdyn™ Green and Balsaflex™ Lite as the future leading wind core materials solution pair in spring 2018. Both products are expected to create strong customer value with their respective technical properties and cost competitiveness. In the Formulated Products business, Ampreg™ 3X series, a new low toxicity epoxy laminating range for the manufacture of large composite structures in the marine, wind and construction industries was successfully launched.

In the **Tooling Business Unit**, the main focus of the first six months of 2018 was on the integration of PH Windsolution's team, technology and manufacturing capabilities into the existing structures in order to further strengthen its overall market position. As part of the integration, the service capabilities in Europe were consolidated at the existing Tooling site in Szczecin (Poland). Gurit Tooling now operates from manufacturing and service facilities in Taicang (China), Montréal (Canada), Szczecin (Poland) and Pune (India). The main wind turbine blade mould manufacturing site in Taicang (China) has been ex-

panded with another even larger factory hall to accommodate production of the world's longest offshore blade moulds. Construction of this bay was started in 2017 and completed in the first half-year 2018.

Overall, **capital expenditures** in 2018 were higher than in the previous year. Major projects included the construction of the production bay at the Company's Tooling premises in China, completion of the industrialization of car part production in Hungary and the set-up of a balsa wood factory in Indonesia.

Research and Development

Gurit serves its customers with a wide portfolio of advanced composite materials, select composite parts, tooling, structural engineering and wind turbine blade core material kits. As a consequence, the Company's R&D efforts are equally targeted at process development and product innovation. Innovative capacity of the Group as a whole was strengthened in 2018 by the enlargement of the Company's technology and innovation management resources. Dr. Emiliano Frulloni joined Gurit as Group CTO on November 1, 2018 and Dr. Damian Bannister previous CTO of Gurit took on the position of Director Innovation Composite Materials.

The global R&D teams continued to refine product properties and production processes for the synthetic structural core material Corecell™. In the Formulated Products business, Ampreg™ 3X series, the new laminating range, has been reformulated to prioritize user health and safety of hand lay-up and vacuum bagging production techniques through the careful selection of chemicals and the development of Light Reflective Technology (LRT) as a risk monitoring feature for the user. Ampreg™ 30 has been recognized with the 2018 Composites UK Innovation in Materials Award.

Product innovation for the aerospace prepreg range is focused on the development of more environmentally friendly base materials and higher performance prepreps for our customers. These development efforts are projected to be ready for market launch in 2019 followed by corresponding customer qualification processes.

Market Environment and Demand Situation

Wind: Newly installed wind energy capacity for the year 2018 is estimated to have grown by 8% versus 2017 to a level of around 52 GW. The 2018 new capacity installation in the Americas is expected to grow by 24% to 12.5 GW, following two years of decline. In EMEA, the 2018 new installations saw a decline of 14% to 15 GW. In APAC the new installations in 2018 are expected to grow by almost 19% to 24 GW in 2018 versus 2017 – mainly driven by China.

The **installation projections for 2019** are expected to grow by 24% to 64 GW. For 2020 a further 8% installation volume growth is currently expected. For 2021 there is uncertainty regarding possible impacts on US demand as a reaction to the discontinuance of the Production Tax Credit (PTC).

Looking out to the **next decade**, the new capacity installation is expected to grow 8.4% year-on-year at Compound Annual Growth Rates (CAGR), as compared to 2017. This is mainly driven by growth in the Middle East and Africa (+24.3% CAGR), Latin America (+11.5% CAGR) and Eastern Europe (+9.8% CAGR) while North America (+5.7%), Western Europe (+5.8%) and especially China (+2.9%) are expected to have a below average growth rate.*

With the trend to bigger turbines, the offshore market segment will represent a much larger share of total demand in the coming ten years. The introduction of wind energy auction systems has created significant price pressure which will make wind energy more competitive. This price pressure will be passed along the supply chain.

Gurit sales into the Wind Energy market in 2018 were 279.6 million CHF:

- Gurit Composite Material Wind Energy net sales increased slightly from 128.2 million CHF in 2017 to 132.2 million CHF in 2018 and thus grew by 3.1%.
- Gurit Tooling net sales increased strongly from CHF 91.8 million in 2017 to CHF 118.5 million, an increase of 29%.
- Gurit Kitting Wind Energy net sales for the period of closing to the year end 2018 accounted to CHF 28.9 million.

Aerospace: Demand in the aerospace business was driven by lower build rates in the European supply chain and the ramp-up of supply to the North American market. Market fundamentals overall remain positive based on a healthy order backlog as well as the continued fleet growth in the commercial aircraft industry which is projected to grow by 4 to 5% annually.

Marine & Industrial: The good demand situation in the global marine industry which commenced in 2017 continued during 2018. Favorable order books, particularly in Europe and North America, resulted in an 11.6% growth in net in 2018 compared to 2017.

In total, the Group's order situation was solid at the year-end 2018 for 2019, especially in Gurit Tooling, Gurit Kitting and for core materials within Gurit Composite Materials.

* Source of all data in this paragraph: Wood Mackenzie Power and Renewables, Global Wind Power Market Outlook Update Q4/2018, published on 4.12.2018

Key Financial Figures 2018 and Business by Segments

In total, Gurit achieved Group sales of CHF 425.3 million for the 2018 fiscal year. This represents an increase of 18% in reported Swiss francs (currency adjusted: +15.7%) over net sales of CHF 360.5 million for the 2017 fiscal year. Group sales for continued operations (Excluding automotive components) accounted for CHF 410.6 million in the fiscal year 2018, a growth of 20.8% over 2017.

Sales by geographic location of material and part supply showed Europe once again as the largest destination for goods delivered, but the sales ratio in APAC has been almost matching Europe in 2018. Deliveries to Europe accounted for 37.6% of total Group sales in 2018 (2017: 40.1%); sales in APAC increased to 36.6% of total Group sales in 2018 from 35.8% in 2017. Goods delivered to the Americas accounted for 19.1% of total Group sales in 2018 (2017:19.3%) while supply to the rest of the world amounted to 6.7% (2017: 4.8%). A detailed breakdown can be found in the Notes to the Consolidated Financial Statements of this Annual Report on page 69.

Gurit now reports net sales in four segments together forming Continued Operations: 'Tooling', 'Kitting', 'Composite Materials' and 'Aerospace', while 'Automotive Components' is accounted for under Discontinued Operations.

Continued Operations

Gurit Tooling

The Gurit Tooling Business reported another excellent year. It took benefit from ongoing mould demand for longer blades to build ever more efficient turbines as well as the win of one more global key customer. This sales momentum was further supported by solid sales in the existing customer base. Net sales increased by 29.1% (currency-adjusted: 27.0%) to CHF 118.5 million in 2018 compared to CHF 91.8 million in 2017.

Gurit Kitting

The new Gurit Kitting business unit (acquired JSB Group) was consolidated as of October 15, 2018 and contributed 28.9 million CHF (2.5 months) to the 2018 Group net sales. This contribution represents the major share of the acquisition effect being part of the Gurit net sales growth reported.

Gurit Composite Materials

The Composite Materials Segment achieved full-year sales of CHF 211.1 million in 2018. This represents an increase of 6.1% (currency-adjusted: 4.1%) compared to full-year sales of CHF 198.9 million in 2017. The increase of 6.1% stems mainly from the growth in the Marine and Industrial business growing by 11.6% driven by good prepreg and core material sales. Wind Energy sales grew by 3.1%.

Gurit Aerospace

Gurit's Aerospace Business reported net sales of 49.9 million CHF, this represents an increase of 5% (currency adjusted 2.6%). Slower build rates of a major European OEM recovered in the second half-year and have been supported by increasing demand from an American OEM.

Discontinued operations

Gurit Automotive (Composite Components)

Gurit's automotive components activity (Composite Components together with Composite Engineering, which is not to be divested) reported net sales of 14.7 million CHF in 2018 compared to net sales of 20.5 million CHF in 2017. This represents a sharp decrease of 28.2% in reported Swiss francs. The abrupt and unexpected decline in demand in Gurit's biggest car part volume program and the slow start-up of several new programs in the second half year of 2018 were the cause for this sales reduction versus 2017. As communicated on December 19, 2018, Gurit has decided to re-structure and divest its automotive business.

Profitability

Gurit reached an Operating Profit of CHF 28.6 million in 2018 with a margin of 6.7% of net sales which compared unfavorably to the 2017 margin of 10%. In the Continued Operations the operating profit reached CHF 45.4 million with an 11% margin to net sales, which is in line with the 10.9% margin achieved in the fiscal year 2017 but higher in absolute terms by CHF 8.5 million.

Gurit incurred significant losses of CHF 16.8 million in its small automotive business due to operating losses, restructuring provisions and impairments in both the UK and Hungary sites as part of the announced restructuring in the UK and the evaluation of the assets held for sale.

The Profit after tax (incl. minorities) of Gurit in the fiscal year 2018 accounted to CHF 19.9 million and 4.7% of net sales. In the fiscal year 2017, Gurit had achieved a higher margin of 6.9% of net sales. This equals to earnings per listed bearer share of CHF 42.96 in 2018 (2017: CHF 53.32).

Cash Flow and Balance Sheet

Gurit generated a positive net cash flow from operating activities of CHF 19.4 million. The net cash flow is markedly lower than in 2017 (CHF 30.6 million) due to the 2018 automotive business losses and the net working capital increases caused by business growth but also significant customer late payments during the month of December 2018.

In order to fund the acquisition of JSB (Gurit Kitting), Gurit had increased borrowings and therefore the net cash position in 2017 of CHF 32.7 million reversed to a net debt position of CHF 80.0 million at year-end 2018. Gurit intends to reduce the net debt during the calendar year 2019. At year-end 2018 the Gross debt to EBITDA ratio stood at 2.93 times, while the Net debt to EBITDA ratio stood at 1.83 times.

The equity ratio was reduced from 71.1% at year-end 2017 to 33.8% at year-end 2018 due to the goodwill out of the Gurit Kitting acquisition being immediately offset against equity after transaction closing. During 2019, Gurit intends to strengthen the equity ratio again.

Capital expenditures as described were slightly higher than in 2017 and amounted to CHF 15.3 million in 2018 (2017: CHF 11.7 million).

Risk Management

Risk management forms an integral part of the Group's conduct of business and is therefore an important element of each manager's and employee's daily business responsibility. A formal risk management review and subsequently an update of the risk profiles are performed semi-annually by the Business Units and the Executive Committee, including assessment of the individual sites. Gurit groups the risks into the following three categories: strategy execution risks, operational risks and financial risks. The different risks are assessed and prioritized according to their financial impact and the likelihood of their occurrence. The Executive Committee ensures that appropriate measures are taken to mitigate risks. The Board of Directors is informed of the Group's risk profile and corresponding mitigating action plans.

Based on its risk assessment, Gurit has identified the following current key fields of risk which are managed according to the outlined risk management process:

The wind energy industry is to a certain degree still influenced by governmental policies, such as the introduction of auction systems, which can affect demand momentum in a given time period. Based on Gurit's global footprint of operations and sales, the Company is able to balance such risks to a certain degree. The long-term trend in the wind energy industry to reduce cost per kWh of produced energy requires steady cost reduction and subsequently creates price pressure in the entire supply chain. Gurit strives to meet this challenge with efficiency improvements, fixed cost leverage through volume growth and product innovation to reach the required product cost reductions.

The major acquisition of JSB (Gurit Kitting) positions Gurit very favorably as a strategic supplier in the global Wind Energy market. The business integration of JSB into Gurit is associated with the typical integration risks of losses of business, people and increased coordination and integration cost and efforts. Also there is risk of not capturing the intended synergies in time and amount.

The divestment of the automotive business in 2019 carries the risk of business disruption following the related announcement in form of finding the right buyer in time, maintaining staff motivation during this critical period, maintaining customer confidence and also to realize the sales proceeds in line with expectation and remaining net book values established as at 31.12.2018.

Gurit is also faced with material procurement risks. Price development in general is tied to the oil price for all oil-based raw materials used and the steel price, in particular for the Tooling business. Other material procurement risks relate to the availability of supply and climatic conditions for balsa wood harvest, individual vendor delivery constraints, commodity changes driven by health and safety regulations or changes in governmental regulation in regions or countries. As part of its philosophy as a responsible supplier, Gurit has started to reformulate several of its Formulated products to improve user health and safety through the careful selection of chemicals. Gurit has also introduced the above-mentioned Light Reflective Technology (LRT) as a risk monitoring feature for the user.

Sustainability

As outlined in the Sustainability Report, in terms of Occupational Health & Safety our accident figures have not developed as intended. Gurit has decided to prioritize the improvement of safety in the workplace and we will roll out a Corporate program in 2019.

Outlook and Proposed Distribution to Shareholders

In light of the current market fundamentals, our outlook for the Company's development in 2019 is positive due to the significant Wind Energy demand increase expected. Despite potential short-term effects of the trend towards competitive auction systems, mid- and long-term prospects for the global wind energy industry remain favorable, with projected annual new installation growth of 8.4% over the coming 10 years. For the Aerospace business, we are confident that we can turn the successful material qualification with another major aircraft manufacturer into additional sales revenue in 2019 as well as into a promising growth opportunity for Gurit in the mid-term.

Overall, we currently expect to achieve single-digit organic revenue growth and a significant acquisitive growth impact with an operating profitability in the target operating profit range of 8-10% for the fiscal year 2019.

The Board of Directors will propose to the Annual General Meeting of Shareholders, scheduled for April 9, 2019, to distribute a total of 9.4 million CHF to shareholders – this corresponds to 20.00 CHF per listed bearer share.

We would like to thank all our employees for their excellent performance and strong contribution to the Company's success and strategic development. Furthermore, we are also grateful for the continued customer loyalty and rewarding relationships of mutual respect with our business partners. Last but not least we would like to extend our sincere gratitude towards our shareholders for their ongoing trust and support.

Yours sincerely, Gurit Holding AG



Peter Leupp
Chairman of the
Board of Directors



Rudolf Hadorn
Chief Executive
Officer



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

Organization

Board and Group Management

| | |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors of Gurit Holding AG | Peter Leupp, Chairman of the Board of Directors Stefan Breitenstein, Chairman of the Audit and Corporate Governance Committee Urs Kaufmann, Chairman of the Nomination and Compensation Committee Nick Huber, Member Peter Pauli, Member |
| Group Management | Rudolf Hadorn, CEO, General Manager Aerospace (ad interim) Angelo Quabba, CFO Stefan Gautschi, General Manager Gurit Composite Materials Emiliano Frulloni, Chief Technology Officer Hannes Haueis, Head of Group Human Resources |
| Auditors | PricewaterhouseCoopers AG, Zurich |

Organizational Chart



Investor Relations

Share Capital

The share capital of Gurit Holding AG is divided into:

| | |
|--------------------------------------------------|------------------------|
| 240 000 registered shares at CHF 10.00 par value | Securities no. 185 039 |
| 420 000 bearer shares at CHF 50.00 par value | Securities no. 801 223 |

Par value adjusted to CHF 50.00, this results, purely arithmetically, in a total of 468 000 shares.

Stock Market Trading

The bearer shares are listed on SIX Swiss Exchange. Prices are published in the Swiss daily and financial press as well as in electronic price information systems under the following symbols or numbers:

Bearer share:

| | |
|----------------|--------------|
| Reuters | GUR.S |
| Telekurs | GUR |
| Securities no. | 801 223 |
| ISIN | CH0008012236 |

Important Dates

The most important dates for publications this year and next are shown below:

| | |
|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| April 9, 2019 Annual General Meeting Press release on Q1 sales | End of January 2020 Press release on FY 2019 sales |
| August 16, 2019 Half-Year Report 2019 Analyst/Media Conference | February 2020 Presentation full-year results 2019 Analyst/Media Conference Publication of Annual Report |
| October 15, 2019 Press release on Q3 sales | April 2020 Annual General Meeting |

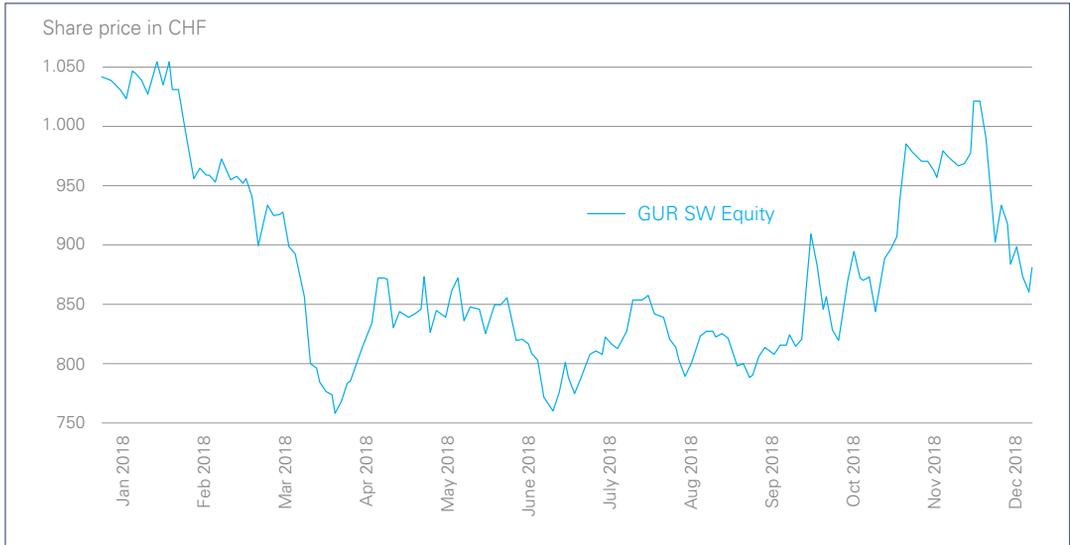
The key dates are continuously updated at <http://www.gurit.com/Investors/Events>

Internet/Email Alerts

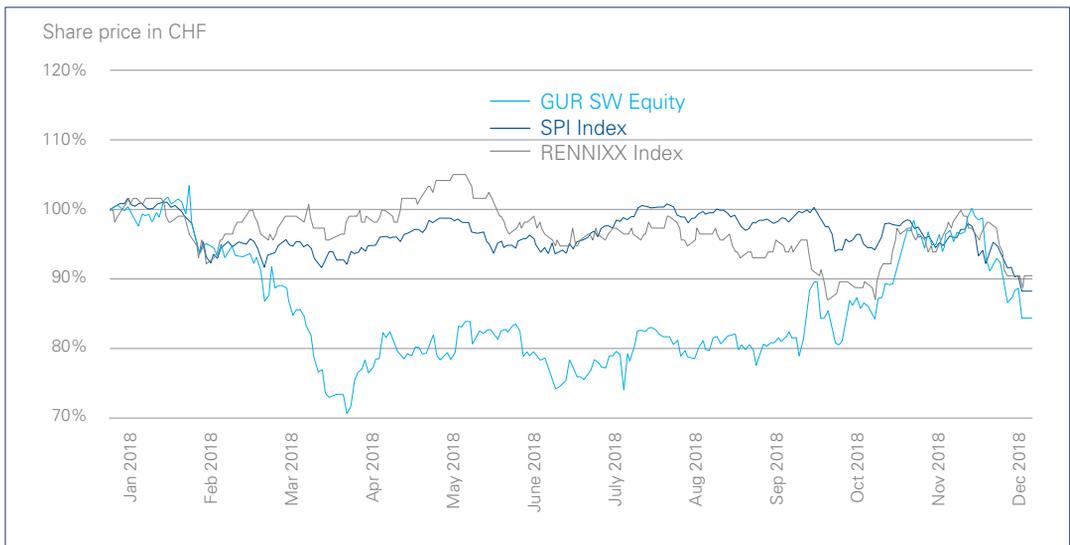
For additional information, please visit the Gurit website at <http://www.gurit.com/Investors>
Sign-up for e-mail alerts on Gurit is available at <http://www.gurit.com/Investors/News-Subscription>

Stock Price Chart

Gurit Share Price Development



Gurit Bearer Shares and Respective Indices



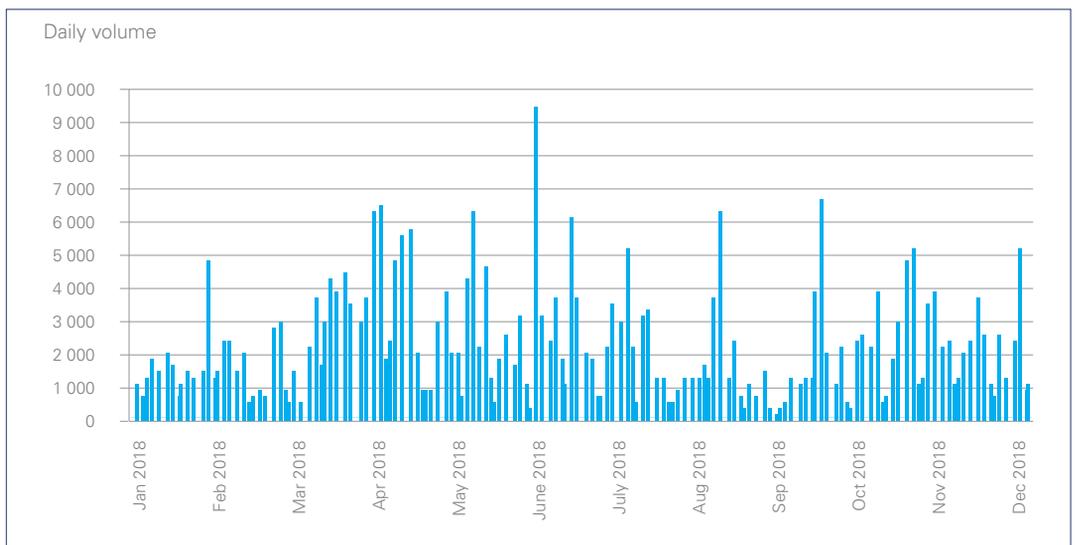
Key Figures per Bearer Share

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------------------------------|--------------|--------------|------------|------------|------------|
| Price at year-end | CHF 867.00 | CHF 1 053.00 | CHF 809.00 | CHF 568.00 | CHF 384.50 |
| Highest price | CHF 1 066.00 | CHF 1 216.00 | CHF 896.00 | CHF 578.00 | CHF 550.00 |
| Date | 26.01.2018 | 20.07.2017 | 10.10.2016 | 23.11.2015 | 13.01.2014 |
| Lowest price | CHF 748.00 | CHF 758.50 | CHF 470.75 | CHF 318.00 | CHF 380.00 |
| Date | 04.04.2018 | 31.01.2017 | 12.02.2016 | 19.01.2015 | 13.10.2014 |
| Earnings per share | CHF 42.96 | CHF 53.32 | CHF 55.64 | CHF 48.24 | CHF 23.74 |
| Distribution out of reserves from capital contributions | – | CHF 3.75 | CHF 20.00 | CHF 15.00 | CHF 8.50 |
| Gross dividend | CHF 20.00 | CHF 16.25 | – | – | – |

Taxable Values of Traded Securities

| | 31.12.2018 | 31.12.2017 | 31.12.2016 | 31.12. 2015 | 31.12. 2014 |
|-------------------------|------------|--------------|------------|-------------|-------------|
| Bearer shares CHF 50.00 | CHF 867.00 | CHF 1 053.00 | CHF 809.00 | CHF 568.00 | CHF 384.50 |

Trading Volumes in Gurit Bearer Shares



Corporate Governance

The following chapter describes the principles of corporate governance applied at the Board and Senior Management level at Gurit in accordance with the “Directive on Information Relating to Corporate Governance” published by SIX Swiss Exchange. Unless otherwise indicated, all information refers to the 2018 fiscal year ending on December 31, 2018. The key principles and rules on Corporate Governance for Gurit are defined in the Articles of Association and the Organizational Regulations; they are based on the recommendations set out in the “Swiss Code of Best Practice for Corporate Governance” published by *economiesuisse*. Significant changes that occurred between year-end and the copy deadline are duly disclosed. Gurit also publishes a Compensation Report, included as a separate chapter in this Annual Report.

1. Group Structure and Shareholders

1.1 Group Structure

1.1.1 Operational Group Structure

The Gurit Group is an international industrial group specializing in the development, production, supply, and marketing of advanced composite materials, as well as tooling, kitting and engineering. An organizational chart depicting the Group organization for the 2018 fiscal year can be found on page 14.

1.1.2 Legal Structure of Subsidiaries

Of all the companies consolidated, Gurit Holding AG (the Gurit Group's holding company) is the only one listed on a stock exchange. Gurit Holding AG is domiciled in Wattwil, Switzerland. Gurit bearer shares (security No. 801223, ISIN CH0008012236, symbol GUR) are listed on SIX Swiss Exchange; the registered shares of Gurit Holding AG are not listed.

Based on the bearer shares' year-end closing price of CHF 867.00 and equally valuating the par-value-adjusted registered shares, the market capitalization on December 31, 2018 amounted to CHF 405.8 million.

1.1.3 Information about the non-listed Gurit group companies can be found in the overview on pages 86-87 of the Financial Report.

1.2 Significant Shareholders

On December 31, 2018, the Company knew of the following shareholders holding more than 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Bahnhofstrasse 2, 9435 Heerbrugg, Switzerland, holds 220 000 registered shares. This equals 33.33% of all voting rights in Gurit Holding AG. The shares of Huwa Finanz- und Beteiligungs AG are held by the families of Ruedi Huber, Balgach/Switzerland, Helene Huber, Heerbrugg/Switzerland, and Nick Huber, Balgach/Switzerland, and are governed by a shareholder agreement. Further details on the dis-

closure of shareholdings are available on the SIX Swiss Exchange website mentioned at the end of this section.

Martin Bisang, 8700 Küsnacht, Switzerland, holds through Whale Holding AG / Whale Ventures AG, Baarerstrasse 2, 6300 Zug, 66 000 bearer shares equalling 10% of all voting rights in Gurit Holding AG.

Robert Heberlein, 8126 Zumikon, Switzerland, holds directly and indirectly via Burix Beteiligungen AG, c/o Fidura Immobilien AG, Gotthardstrasse 20, 6300 Zug, 4.59% of all voting rights in Gurit Holding AG. 2.96 percentage points thereof stem from the ownership of 19 545 registered shares and 1.63 percentage points from 10 765 bearer shares. The previous owner, Burix Holding AG, was merged with Burix Beteiligungen AG in 2018.

Alantra EQMC Asset Management SGIIC SA, Madrid, Spain, holds (including EQMC Europe Development Capital Fund, plc and Mercer QIF Common Contractual Fund) 33.128 bearer shares and 5.02% of voting rights.

Disclosures related to significant shareholders and their shareholdings reported in 2018 as well as updated information on major shareholders are available on the SIX Swiss Exchange website at: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=GURIT>

1.3 Cross-Shareholding

Gurit Holding AG has no cross-shareholding arrangements with other companies.

2. Capital Structure

Information about the capital structure can be found in Gurit Holding AG's Articles of Association, in the Financial Report and the statements on Gurit Holding AG as well as in the Investor Relations section on page 15 of this report. The Articles of Association are available on the Company's website:

<http://www.gurit.com/About/Corporate-Governance>

2.1 Capital

Details on the capital are included in the Notes to Gurit Holding AG's Financial Statements on page 94 f.

2.2 Authorized or Contingent Capital in Particular

Gurit Holding AG has no authorized or contingent capital.

2.3 Changes in Equity of Gurit Holding AG

In the past three years the following changes in equity have occurred.

| In CHF 1000 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
|-------------------------------------|----------------------|----------------------|----------------------|
| Share capital | 23 400 | 23 400 | 23 400 |
| Legal reserves | | | |
| Reserves from capital contributions | 81 | 1 836 | 11 196 |
| Other legal reserves | 4 680 | 4 680 | 4 680 |
| Retained earnings | 115 929 | 127 539 | 127 381 |
| Treasury shares | - 118 | - 110 | - 88 |
| Total equity | 143 972 | 157 345 | 166 569 |

2.4 Shares and Participation Certificates

The Company's share capital consists of 240 000 registered shares with a par value of CHF 10.00 each and 420 000 bearer shares with a par value of CHF 50.00 each. Bearer shares are traded in the domestic segment of the SIX Swiss Exchange (security No. 801223, ISIN CH0008012236, symbol GUR). All shares are fully paid up and entitled to dividends. All registered shares and bearer shares, regardless of their nominal value, are entitled to one vote.

Gurit Holding AG has not issued any participation certificates.

2.5 Profit-Sharing Certificates

Gurit Holding AG has not issued any profit-sharing certificates.

2.6 Limitations on Transferability of Shares and Nominee Registrations

According to paragraph 4 of the Articles of Association, only individuals who are entered in the share register may be recognized as the owners or beneficiaries of non-traded registered shares. Registration of ownership may be refused only in cases where the purchaser does not expressly declare that he or she acquired the registered shares for his or her own account. Bearer shares listed on the stock market are freely transferable. There are no regulations to any other effect regarding nominee registrations. Changes in the statutory regulations restricting the transferability of registered shares require at least two-thirds of the votes represented at the Annual General Meeting and an absolute majority of the nominal value of the shares.

2.7 Convertible Bonds and Options

Gurit Holding AG has no outstanding convertible bonds nor options.

3. Board of Directors

On December 31, 2018, the Board of Directors of Gurit Holding AG consisted of five members.

3.1 and 3.2 Members of the Board of Directors

The personal details together with the other activities and vested interests of individual members of the Board of Directors are listed on the next pages:

Grund Board of Directors

Peter Leupp

Chairman of the Board of Directors
El.-Ing., ETH Zurich
Swiss citizen, 1951
Nonexecutive member



Professional Background (Main Stages)

| | |
|-------------|----------------------------------------------------------------------------------------------|
| 1977 – 1988 | Various functions at BBC (now ABB) in High Voltage Development |
| 1988 – 1989 | CEO, Technochemie AG, Switzerland |
| 1989 – 1999 | Various leading positions at High and Medium Voltage, ABB, Switzerland |
| 1999 – 2000 | Local Head of Power Transmissions and Distribution division at ABB, Switzerland |
| 2001 – 2006 | Country Manager in China; Chairman and President of ABB (China) Ltd |
| 2005 – 2006 | Region Manager North Asia, ABB Ltd, Switzerland |
| 2007 – 2012 | Head Power Systems division, Member of the Group Executive Committee of ABB Ltd, Switzerland |
| 2012 – 2017 | Executive Advisor to the Group Executive Committee of ABB Ltd, Switzerland |

Stefan Breitenstein

Member of the Board of Directors
Attorney at Law, Dr. iur. University Zurich
LL.M. Harvard Law School
Diplôme des Hautes Etudes Européennes,
College of Europe, Bruges
Swiss citizen, 1957
Nonexecutive member



Professional Background (Main Stages)

Since 1994 Partner at Lenz & Staehelin

Other Important Activities and Vested Interests

Vice-Chairman of the Board of Directors, Brink's International Holdings AG, Zug, Switzerland
Member of the Board of Directors, EPIC Swiss AG, Zurich, Switzerland
Member of the Board of Directors, MAN Truck & Bus AG, Otelfingen, Switzerland
Member of the Board of Directors, Kar-Tess Holding, Luxembourg
Member of the Board of Directors, The A.G. Leventis Foundation, Liechtenstein

Nick Huber

Member of the Board of Directors
Businessman
Stanford Executive Program, Stanford University
Swiss citizen, 1964
Nonexecutive member



Professional Background (Main Stages)

| | |
|-------------|-------------------------------------------------------------------------------|
| 1990 – 1995 | Account Manager, IBM (Schweiz) AG, Switzerland |
| 1995 – 2005 | Divisional Head, SFS Unimarket AG, Switzerland |
| 2005 – 2016 | Member of the Executive Management of SFS Services AG, Heerbrugg, Switzerland |

Other Important Activities and Vested Interests

Chairman of the Board of Directors, COLTENE Holding AG, Altstätten, Switzerland
Member of the Board of Directors, Huwa Finanz- und Beteiligungs AG, Heerbrugg, Switzerland
Member of the Board of Directors, SFS Group AG, Heerbrugg, Switzerland

Urs Kaufmann

Member of the Board of Directors
Dipl. Ing. ETH Zurich
Senior Executive Program IMD
Swiss citizen, 1962
Nonexecutive member



Professional Background (Main Stages)

| | |
|-------------|----------------------------------------------------------------------------------------------------------|
| 1987 – 1993 | Production and Sales Manager, Zellweger Uster AG, Uster, Switzerland and USA |
| 1994 – 1997 | Managing Director of Henry Berchtold AG, Zell, Switzerland, (subsidiary of Huber+Suhner AG, Switzerland) |
| 1997 – 2000 | Division Manager and Member of the Executive Management Team, Huber+Suhner AG, Pfäffikon, Switzerland |
| 2001 – 2002 | Member of Group Management, Huber+Suhner AG, Pfäffikon, Switzerland |
| 2002 – 2017 | CEO, Huber+Suhner AG, Pfäffikon, Switzerland |
| 2014 – 2017 | Delegate of the Board, Huber+Suhner AG, Pfäffikon, Switzerland |

Other Important Activities and Vested Interests

Member of the Board of Directors, Müller Martini Holding AG, Hergiswil, Switzerland
Member of the Board of Directors, SFS Group AG, Heerbrugg, Switzerland
Chairman of the Board of Directors, Schaffner Holding AG, Luterbach, Switzerland
Member of the Board of Directors, Vetropack AG, Bülach, Switzerland
Chairman of the Board of Directors, Huber+Suhner AG, Pfäffikon, Switzerland
Member of the Executive Committee SWISSMEM
Member of the Executive Committee, Swiss Employees Association

Peter Pauli

Member of the Board of Directors
 Mechanical Engineer
 Postgraduate Studies in Industrial
 Engineering
 Advanced Management Program INSEAD
 Swiss citizen, 1960
 Nonexecutive member

**Professional Background (Main Stages)**

| | |
|-------------|------------------------------------------------------------------------------------------------------------|
| 1985 – 1995 | Various functions incl. Member of Executive Board, Transelastic AG (Siegling Group), Wallbach, Switzerland |
| 1995 – 2000 | Head of Executive Board, Siegling Group, Wallbach, Switzerland |
| 2000 – 2002 | Head Sales and Marketing, Siegling GmbH, Hannover, Germany |
| 2002 – 2016 | CEO, Member and Delegate of the Board of Directors, Meyer Burger Technology AG, Gwatt Switzerland |
| Since 2017 | CEO/ Owner, Member of the Board of Directors, Epasus AG, Uetendorf, Switzerland |

Other Important Activities and Vested Interests

Member of the Board of Directors, Stosus AG, Steinhausen, Switzerland
 Chairman of the Board of Directors, Reha Technology AG, Olten, Switzerland (and CEO since 08/2018)

3.3 Statutory Number of Permitted Activities

According to paragraph 27 of the Articles of Association, a member of the Board of Directors may hold

- a maximum of five mandates as member of a top governing or administrative body of other listed companies outside the Gurit Group
- additionally a maximum of 20 mandates as member of a top governing or administrative body of non-listed legal entities outside the Gurit Group
- additionally a maximum of five mandates in non-profit associations and foundations as well as pension funds outside the Gurit Group

3.4 Elections and Terms of Office

| Name | Born | Position in BoD | First election to BoD |
|---------------------|------|-----------------|-----------------------|
| Peter Leupp | 1951 | Chairman | 23.04.2010 |
| Stefan Breitenstein | 1957 | Member | 10.04.2014 |
| Nick Huber | 1964 | Member | 15.06.1995 |
| Urs Kaufmann | 1962 | Member | 12.04.2006 |
| Peter Pauli | 1960 | Member | 23.04.2012 |

All members of the Board of Directors and the Chairman of the Board of Directors are elected individually by the Annual General Meeting of Shareholders (AGM) for a term of office of one year (i.e., until the following Annual General Meeting). Members may be re-elected. There is no statutory limit to the maximum period of office for members of the Board of Directors. But the period of office is limited to the AGM following the completion of the age of 72 years.

3.5 Internal Organization

3.5.1 Allocation of Tasks Within the Board of Directors

The Board of Directors acts as a joint body. Decisions are taken on the basis of the majority of the votes submitted.

The Chairman of the Board organizes and leads the work of the Board of Directors. In cooperation with the CEO, he makes sure that the other members of the Board receive the necessary information for their decision-making as well as the supervisory functions. He is the formal representative of the Group to the outside world. He may be assisted by one or two additional members defined by the Board.

3.5.2 Membership of the Board's Committees, their Duties and Responsibilities

The Board has formed two permanent committees:

Audit and Corporate Governance Committee

Chairman: Stefan Breitenstein

Members: Peter Leupp, Peter Pauli

The Audit and Corporate Governance Committee consists of nonexecutive members of the Board of Directors. It assists the Board of Directors in its supervisory financial duties and checks the effectiveness, performance, and compensation of the external auditors. The Audit and Corporate Governance Committee also oversees the financial reporting processes within the Group.

The Chairman of the Audit and Corporate Governance Committee furthermore acts as an independent contact for any concerns or advice on the Gurit Code of Conduct.

Nomination and Compensation Committee

Chairman: Urs Kaufmann

Members: Peter Leupp, Nick Huber

The Nomination and Compensation Committee prepares all relevant decisions of the Board of Directors with respect to the compensation of members of the Board of Directors and the Group management and submits the respective proposals and recommendations to the Board of Directors. It defines the guidelines for the selection and election of potential new members of the Board of Directors as well as the function of the Group's CEO. The committee approves appointments to the Group Management made by the CEO; the compensation system for the Group, in particular with respect to employee share option plans and performance-based remuneration plans; and the general principles of the Group's human resource policy.

To consult and execute specific and short-term projects or issues, special ad hoc committees can be nominated.

3.5.3 Working Methods of the Board of Directors and its Committees

The Board of Directors meets annually for at least four ordinary meetings, generally one in each quarter.

In 2018, the Board of Directors met seven times. All meetings were held in person. Apart from one meeting, where one member of the Board of Directors was unable to attend, there was full attendance at all meetings. The average duration of these meetings was 6 hours.

Composition of the committees have not changed in 2018. Only committee members attend the committee meetings rather than the entire Board of Directors.

The Audit and Corporate Governance Committee met three times in person in 2018. The average meeting duration of the Audit and Corporate Governance Committee meetings was 2 hours.

The Nomination and Compensation Committee met two times in person in 2018. The average meeting duration of the Nomination and Compensation Committee meetings was 2 hours.

Meetings are summoned in writing by the Chairman. An invitation, along with a detailed agenda and documentation, is sent to all participants at least five days in advance of the date set for the meeting.

As a rule, the Chief Executive Officer attends meetings of the Board of Directors and the Committees. The Chief Financial Officer attends meetings of the Board of Directors and the Audit and Corporate Governance Committee meetings. In order to ensure that the Board has sufficient information to make decisions, other members of staff or third parties may also be invited to attend.

The Board meets quorum if all members have been duly invited and the majority of its members take part in the decision-making process. Members may participate in deliberations and the passing of resolutions by telephone or other suitable electronic media if all participants are in agreement. The Board's decisions are taken on the basis of the votes submitted. In the event of a tie, the Chairman has the casting vote. Decisions may also be made in writing.

Proposals are sent to all members, and they are regarded as passed if the majority of members agree unconditionally and no member insists on discussion of the issues in question within an agreed period of time.

Members of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of persons close to them.

All proposals and decisions are entered in the minutes to the meeting.

3.6 Definition of Areas of Responsibility

The Board of Directors' main duties are the following:

- To formulate the general Group policy and the industrial concept behind the Group as a whole; to decide on any acquisition, sale, foundation, or liquidation of subsidiaries; and to approve investment decisions exceeding CHF 500 000
- To define the Group's organizational structure and its organizing regulations
- To define the Group's financing strategy; decide on collective means of financing; to determine accounting, financial control and financial planning; and to approve the financial statements
- To appoint and dismiss Group Management and people entrusted with representation functions.

Apart from this, management is generally delegated to the CEO.

3.7 Information and Control Instruments vis-à-vis Executive Committee

As a rule, Group Management updates the Board of Directors and especially the Audit and Corporate Governance Committee on operations and the Group's financial position every month. In addition, the CEO and CFO report back on business and all matters of relevance to the Group at each Board meeting. Risk management forms an integral part of the Group's conduct of business. A formal risk management review and subsequently an update of the risk profiles are performed by the Business Units and the Executive Committee. The Executive Committee ensures that appropriate measures are taken to mitigate risks. The Board of Directors is informed in the Board of Directors' meetings of the Group's risk profile and mitigating action plans. If the Group is exposed to major new risks, the Chief Executive Officer or his deputy will inform the chairman of the Board of Directors immediately after he became aware of the risk. Further detail regarding Gurit's Risk Management is provided in the Group Business and Financial Review on page 12 of this Annual Report.

Every member of the Board of Directors also has the right to ask any member of Group Management for information about matters within his remit, even outside meetings.

The Chairman of the Board of Directors is also informed by the Chief Executive Officer about all business and issues of a fundamental nature or of special importance.

4. Executive Committee

On December 31, 2018, Gurit Holding AG's Group Management consisted of the CEO and the CFO as well as three other members of the Executive Committee. The personal details together with the other activities and vested interests of the individual members of the Executive Committee are listed below:

Gurit Executive Committee

Rudolf Hadorn

Chief Executive Officer
lic. oec. HSG
Swiss citizen, 1963



Professional Background (Main Stages)

1989 – 2000 Management and Executive positions with GM in Europe
2000 – 2002 CEO, Krone GmbH, Berlin, Germany, CFO Krone Group
2002 – 2004 CFO, Ascom Group, Berne, Switzerland
2004 – 2007 CEO, Ascom Group, Berne, Switzerland
Since 1.11.2007 CEO, Gurit

Other Important Activities and Vested Interests

Chairman, Telematix AG, Berne, Switzerland
Chairman, Ticos E&S AG, Feuerthalen, Switzerland

Angelo Quabba

Chief Financial Officer
Degree in Business Administration, Zurich School of Economics and Business Administration
Swiss and Italian citizen, 1965



Professional Background (Main Stages)

1999 – 2007 Chief Financial Officer (Customer Business Centre), Honeywell Analytics AG, Switzerland
2007 – 2014 Chief Financial Officer, SR Technics Group, Switzerland
2014 – 2015 Executive Vice President Finance, Bruker BioSpin, Switzerland
Since 1.6.2015 Chief Financial Officer, Gurit

Emiliano Frulloni

Chief Technology Officer
PhD in Materials Science and Technology, University of Perugia
MBA Manchester Business School
Italian and British citizen, 1974



Professional Background (Main Stages)

2005 Development Engineer, Cytec Engineered Materials
2009 R&D Group Leader, Cytec Engineered Materials
2013 Global R&D Director Composite Product Development, Cytec
2015 Global R&D Director Composite Product Development, Solvay
Since 1.11.2018 Chief Technology Officer, Gurit

Stefan Gautschi

General Manager
Gurit Composite Materials
MBA University of Little Rock at Arkansas
BA Business Administration HWV, Zurich
Swiss citizen, 1968



Professional Background (Main Stages)

1995 – 2000 Functions in Finance and Marketing, Georg Fischer Piping Systems, Schaffhausen, Switzerland
1997 – 1998 CFO/Controller, Georg Fischer Sloane Inc., Little Rock, AR, USA
2001 – 2003 General Manager, Georg Fischer Piping Systems Shanghai Ltd, Shanghai, China
2004 – 2009 CFO/CIO, Georg Fischer Piping Systems, Schaffhausen, Switzerland
2009 – 2011 VP Operations, Georg Fischer Piping Systems, Schaffhausen, Switzerland
2011 – 2012 VP Global Business Unit Utility, Georg Fischer Piping Systems, Schaffhausen, Switzerland
Since 1.2.2013 General Manager Gurit Composite Materials

Other Important Activities and Vested Interests

Member of the Board of Swiss Plastics Association

Hannes Hauéis

Head of Group Human Resources
Degree in Electrical Engineering
Austrian citizen, 1962



Professional Background (Main Stages)

| | |
|-----------------|-----------------------------------------------------------------------------|
| 1997 – 2004 | Head of Global Training & Development, Unaxis AG, Switzerland |
| 2004 – 2009 | VP Human Resources / Corporate People Development, OC Oerlikon, Switzerland |
| 2009 – 2012 | VP Human Resources / Learning & Development, SR Technics AG, Switzerland |
| 2012 – 2014 | VP Human Resources, Kaba Holding AG / Division ADS EMEA / AP, Switzerland |
| Since 1.10.2014 | Head of Group Human Resources, Gurit |

4.3 Statutory Number of Permitted Activities

According to paragraph 27 of the Articles of Association, a member of the Executive Committee may hold

- a maximum of three mandates in listed legal entities outside the Gurit Group
 - and a maximum of 10 mandates in non-listed legal entities outside the Gurit Group
- provided that the timely availability of the respective member permits such mandate and the Board of Directors has granted its prior consent thereto.

4.4 Management Contracts

No agreements pertaining to the provision of managerial services exist between Gurit Holding AG and other companies or natural persons outside the Gurit Group.

5. Compensation, Shareholdings, and Loans

5.1 Content and Method of Determining Compensation and Shareholdings

The information on compensation, shareholdings and loans regarding members of the Board of Directors and Group Management are presented in the Compensation Report as a separate chapter of this Annual Report on pages 30 to 42.

5.2 Statutory Provisions on Compensation, Shareholdings and Loans

The statutory provisions on compensation, shareholding and loans are outlined in the paragraphs 21, 22, 23, 25 and 28 of the Articles of Association, available on the Gurit website at:

<http://www.gurit.com/About/Corporate-Governance>

5.3 Statutory Provisions on Compensation Vote by the General Meeting of Shareholders

The statutory provisions on the vote on pay at the general meeting of shareholders is outlined in paragraph 24 of the Articles of Association, available on the Gurit website at:

<http://www.gurit.com/About/Corporate-Governance>

6. Shareholders' Participation Rights

Details of shareholders' participation rights can be found in the Articles of Association of Gurit Holding AG on the Gurit website at:

<http://www.gurit.com/About/Corporate-Governance>

6.1 Voting Right Restrictions and Representation

The Articles of Association contain no restrictions on voting rights. Every registered or bearer share represented at the General Meeting is entitled to one vote. A shareholder may be represented at the General Meeting only by the independent proxy holder or by another shareholder attending the General Meeting.

6.2 Statutory Quorum

Unless otherwise determined by law or the Articles of Association, a General Meeting convened in accordance with the Articles of Association meets quorum regardless of the number of shareholders attending or the number of votes represented. To be valid, resolutions require an absolute majority of the votes submitted. In the event of a tie, the Chairman, who is always entitled to vote, makes the casting vote.

Important decisions of the General Meeting, as defined in article 704 paragraph 1 of the Swiss Code of Obligations, require at least two-thirds of the votes present and the absolute majority of the shares represented to pass.

6.3 Convocation of the General Meeting

The ordinary General Meeting takes place annually within six months of the end of the Company's fiscal year. Extraordinary General Meetings can be called by decision of the General Meeting, by the Board of Directors, at the request of the auditors or in the case that shareholders representing at least a tenth of the Company capital submit a request in writing, stating their purpose, to the Board of Directors.

The convocation is announced at least 20 days before the date of the meeting in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt). Registered shareholders are also informed in writing.

6.4 Agenda

The Articles of Association contain no regulations relating to agendas that differ from those set forth by the law. Accordingly, shareholders representing shares of a par value of CHF 1 million may request items to be included in the agenda.

6.5 Entries in the Share Register

The names and addresses of owners and beneficiaries of registered shares are entered in the share register. Shareholders and/or beneficiaries of registered shares are entitled to vote if they are already entered in the share register at the time when invitations are sent out to the General Meeting.

7. Changes of Control and Defense Measures

7.1 Public Purchase Offers

The threshold at which a shareholder is obliged to make an offer for all Gurit Holding AG's stock pursuant to the applicable provisions of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA, Art. 135 para.1) has been raised to 49% of the total votes.

7.2 Clauses on Changes of Control

Gurit Holding AG has no agreements containing clauses of this type.

8. Auditors

8.1 Duration of Mandate and Lead Auditor's Term of Office

If its predecessors are included, PricewaterhouseCoopers AG, Zurich, has been Gurit Holding's statutory auditors since 1984 and Group auditors since 1994.

Rotation of the lead auditor is undertaken every seven years and corresponds to the maximum statutory period for rotation. Patrick Balkanyi has been the lead auditor since 2014.

8.2 Auditing Fees

The total sum charged during the year under review by PricewaterhouseCoopers in its capacity as auditor amounted to CHF 552 792 (2017: 369 147). Additional audit fees charged during the year by other audit firms amounted to CHF 41 915 (2017: 41 179).

8.3 Additional Fees

Fees for additional services supplied by PricewaterhouseCoopers during the year under review amounted to zero CHF (2017: CHF 44 029).

8.4 Information Instruments Pertaining to the External Auditors

The supervision and verification of the external audit is exercised by the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee, together with Group Management, evaluates the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Meeting of Shareholders. Rotation of the lead auditor is undertaken every seven years and corresponds to the maximum statutory period for rotation.

The Audit and Corporate Governance Committee approves the audit plans and meets at least once a year with the auditors. The auditors prepare a report for the Audit and Corporate Governance Committee regarding the findings of the audit, the financial statement and the internal control. In collaboration with Group Management, the independence of the auditors is evaluated annually. In particular and for this purpose, the worldwide fees of the audit are presented; discrepancies with the estimated costs are analysed and explained. In the year under review, the auditors participated in all of the three meetings of the Audit and Corporate Governance Committee.

| Fees in CHF | 2018 | 2017 |
|-------------------------|----------------|---------|
| PwC Audit fees | 552 792 | 369 147 |
| PwC Tax advisory fees | – | 5 617 |
| PwC Other services fees | – | 38 412 |
| Total | 552 792 | 413 176 |

9. Information Policy

Gurit Holding AG maintains regular contact with the financial world in general and with important investors. At the same time, it abides by the legally prescribed principle of treating all parties equally as regards communication. Relevant new facts are published openly and are available to all interested parties.

Gurit Holding AG provides its shareholders with information in the form of the Annual Report and a Half-Year Report. These documents are available on the Company website at:

<http://www.gurit.com/Investors/Reports>

Important events are published immediately through press releases and/or letters to shareholders (push). To register for the latest financial information from Gurit Holding AG distributed by email, signup is available at:

<http://www.gurit.com/Investors/News-Subscription>

Shareholders and other interested parties can also obtain information about the Group on the Internet (pull) at

<http://www.gurit.com/Investors/Ad-hoc-Releases>

Important Dates

The most important dates for publications this year and next are shown below:

April 9, 2019

Annual General Meeting
Press release on Q1 sales

August 16, 2019

Half-Year Report 2018
Analyst/Media Conference

October 15, 2019

Press release on Q3 sales

End of January 2020

Press release on FY 2019 sales

February 2020

Presentation full-year results 2019
Analyst/Media Conference
Publication of Annual Report

April 2020

Annual General Meeting

The key dates are continuously updated at

<http://www.gurit.com/Investors/Events>

Contact Address

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Compensation 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 information regarding variable, performance-based compensation as well as fixed, performance-independent compensation, including the share participation schemes of the members of the Executive Committee and the members of the Board of Directors.

1. Compensation Philosophy

Gurit's compensation system is designed to align the interests of the Board of Directors, the Executive Committee, additional key managers and 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 at all levels to adopt an entrepreneurial stance; to strive for above-market-average performance, accountability and value creation; and to reward individuals according to pre-defined 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 required qualifications, the scope and complexity of a person's role, national legal requirements and employment conditions in the relevant countries, the overall business performance, and the person's individual performance.

Gurit is convinced that a well-balanced compensation system, which includes a sound mix of fixed elements as well as performance-related compensation, supports a sustainable business, employee loyalty and entrepreneurship.

2. Compensation Reporting Standards

Unless otherwise indicated, all information disclosed in this report refers to the fiscal year ending on December 31, 2018. This report follows article 13 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies and the Swiss

Code of Best Practice for Corporate Governance published by *economiesuisse*. It also complies with chapter 5 of the Annex to SIX Swiss Exchange's Directive on Information relating to 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.

3. Compensation Governance

Responsibilities of the Annual General Meeting of Shareholders

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 (see graphic "Compensation Vote at the AGM").

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 (NCC)

The Nomination and Compensation Committee is responsible for the design and maintenance of the compensation systems 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 CEO and the other members of the Executive Committee to the Board of Directors and the ordinary Annual General Meeting of Shareholders.

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

The Nomination and Compensation Committee furthermore reviews the Executive Committee's proposals regarding Group- or Business-Unit-related performance objectives for the Group-wide bonus plan. It also reviews the resulting bonus payments within the limits approved by the ordinary Annual General Meeting of Shareholders, based on target achievement ratios calculated by the CFO.

The Committee reserves the right to propose amendments to the Group or Business Unit performance targets and the required achievement levels to take major changes in the economic environment into consideration.

Furthermore, the Articles of Association define the additional responsibilities of the Nomination and Compensation Committee.

Responsibilities of the CEO

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

Responsibilities of the Executive Compensation 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.

Furthermore, the Executive Compensation Committee (ECC = CEO, CFO and Head of Group HR) proposes the Group or Business Unit performance-related objectives for the Performance Incentive Scheme for other employees to the Nomination and Compensation Committee.

Compensation Vote at the AGM



To ensure market competitive compensation, Gurit benchmarks the Board of Directors and the Executive Management compensation with 11 comparable Swiss-based industry companies from the SPI (Swiss Performance Index).

Some of the companies involved are: Ascom Holding AG, Burkhardt Compression Holding AG, Freintool Holding AG, Interroll Holding AG, Belimo Holding AG, Bossard Holding AG, CPH Chemie + Papier Holding AG, Komax Holding AG.

In addition, Gurit collaborates with an international consultancy firm which supports Gurit in benchmarking the compensation system and salary levels in comparison to industry standards relative to the respective countries, regions and skill levels. This collaboration aims to increase transparency, to ensure appropriateness of senior management compensation and to further improve the Company's career development paths.

The compensation governance can be summarized as shown in the table "Overview Compensation Governance".

Overview Compensation Governance

| Recipient | Compensation system design | Bonus plan objectives | Compensation proposal |
|---------------------------------------|----------------------------|----------------------------|----------------------------------|
| Production employees | NCC BoD | Line Mgr BU Mgr and CEO | Line Mgr BU Mgr and CEO |
| Sales employees | NCC BoD | Line Mgr BU Mgr and CEO | Line Mgr BU Mgr ECC |
| Share Plan Participants | NCC BoD | NCC BoD | ECC NCC and BoD AGM for EC |
| Senior Management and other employees | NCC BoD | ECC NCC BoD | Line Mgr BU Mgr ECC |
| Members of the Executive Committee | NCC BoD | CEO NCC BoD | CEO NCC and BoD AGM |
| CEO | NCC BoD | NCC BoD | NCC BoD AGM |
| BoD members | NCC BoD | n.a. | NCC BoD AGM |

Body which recommends

Body which decides (reviews EC relevant governance elements)

Body which approves

NCC = Nomination and Compensation Committee; BoD = Board of Directors; AGM = Annual General Meeting; EC = Executive Committee; ECC = Executive Compensation Committee (CEO, CFO and Group HR); Mgr = Managers

4. Compensation Policy and Key Elements

As a general rule, the total compensation for all Gurit employees consists of a fixed 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 compensation elements at Gurit consist of the following elements:

- Fixed cash compensation (base salary)
- Pension plans and social security according to applicable jurisdiction
- Fringe benefits such as car and parking allowances for certain employees
- A share-based compensation for the members of the Board of Directors. 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 cannot sell the shares. The shares are considered at the value of the date they are granted

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

4.2 Performance-Related Variable Salary Components

The performance-related variable compensation elements of Gurit's compensation system consist of following:

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

| | Board of Directors | Executive Committee | Senior Managers | Other employees | Sales | Production employees |
|------------------------------------------------|----------------------|------------------------------------------|-----------------|-----------------|------------------------------------|------------------------|
| Variable performance related salary components | | Gurit Share Participation Plan (6) | | | | |
| | | Gurit Performance Incentive Scheme (5.3) | | | Gurit Sales Incentive Scheme (5.2) | Shop Floor Bonus (5.1) |
| Fixed salary components | Fixed granted shares | | | | | |
| | Fixed cash | Fixed cash (base salary) | | | | |

5. Cash-Based Performance Incentive Schemes

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

5.1 Performance Incentive Scheme for Production Employees

As defined by the Performance Incentive Scheme for production employees (Shop Floor Bonus), the cash bonus of production staff can range from 0% to 5% of a person’s fixed annual salary at target goal achievement. If the target is outperformed, it can reach a maximum of 8%. The objectives for this bonus are defined at site level by the site management and approved by the respective Business Unit manager and the CEO. The key performance indicators (KPI’s) include objectives for health and safety, quality, productivity and individual attendance. The achievement of these objectives is assessed 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.

5.2 Performance Incentive Scheme for Sales Employees

As defined by the Performance Incentive Scheme for sales employees (Sales Incentive Scheme), the cash bonus of sales employees can range up to 50 % of a person’s fixed salary of which three-quarters are linked to the achievement of the sales budget and one-quarter to the achievement of individual 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 and approved by the Business Unit Head.

5.3 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.

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 |
|----------------------------------|-----------------------------|-------------------------------------------------|-------------------------------------------|----------------------------|---------------------|
| CEO | 80% | – | 80% | 20% | 100% |
| Business Unit / Sub-Unit Manager | 50% | 30% | 80% | 20% | 100% |
| CFO & Corporate Functions | 60% | – | 60% | 40% | 100% |
| Business Unit Functions | 30% | 30% | 60% | 40% | 100% |

The total bonus achievable for an employee under this scheme may vary between a maximum of 8 % and a maximum of 100 % of the respective fixed salary, depending on the employee's level of responsibility:

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

5.3.1 Business Unit, Sub-Unit, and Group

General Performance Bonus Component

The Business Unit, Sub-Unit, and Group general performance bonus component is calculated annually considering typically the following three KPI's: 1) Net sales, 2) Operating profit excluding one-off income and expenses, Group and sales bonus expenses and 3) Net working capital per Business Unit/Sub-Unit or Group.

The respective minimum objective levels, target levels and cap levels are proposed by the ECC, reviewed by the Nomination and Compensation Committee and approved by the Board of Directors.

At the end of the fiscal year, the Business Unit, Sub-Unit, and Group general performance bonus achievements are calculated by the CFO and proposed by the Nomination and Compensation Committee for approval to the Board of Directors. Bonus payment starts with the achievement of the minimum objective level, rises linearly to a 66.7 % payout of the maximum bonus at achievement of the target level and then rises again linearly to full maximum payout at achievement of the cap level. During the year under review, the minimum levels were in general between 10% and 24% below the target levels, and the cap levels exceeded the target levels in general by between 10% and 24%. No bonus is paid if the minimum objective level has not been achieved.

5.3.2 Individual Bonus Component

The fulfillment level of the individual and/or factory-related objectives are assessed on an annual basis by the line manager for each person, based on objectives and targets defined in the first quarter of each business year. The individual bonus element represents between 20 % to 40 % of the total maximum bonus as shown in the table "Summary Bonus Components".

Bonuses under the Performance Incentive Scheme might be paid out after publication of the annual results.

5.3.3 Limited Individual Bonus for Special Achievements

In exceptional cases some limited, individual bonuses for special achievements may be granted. Upon proposal by the respective superior, the ECC 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.

6. 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-related compensation in form of Gurit bearer shares to build their long-term commitment to Gurit and to align their interests with the interests of Gurit shareholders. The share-based compensation amount of the various management levels is determined every year by the Nomination and Compensation Committee and approved by the Board of Directors. It does not form part of the employment contract. The shares granted under this plan are blocked for a period of three years, during which the employee cannot sell the shares.

Shares granted under this plan form part of the variable compensation, as the amount of shares granted is subject to the achievement of the following main performance criteria:

- a) Market environment, includes:
 - Market demand development
 - Competitive situation
 - Main cost factor impacts
 - Statutory environment
 - Currency swings
- b) Strategy deployment, includes:
 - Group strategy deployment and achievement
- c) Prospective cash development and financial results relative to competition:
 - Prospective cash development
 - Results in perspective to competition

The level to which these criteria are achieved is assessed early in the year following the year under review by the Nomination and Compensation Committee. Depending on the level of achievement, the number of shares granted varies between 50% and 150% of the target number of shares fixed for each level of management as follows:

Share-based compensation at 100% target achievement:

- CEO: 300 shares
- Executive Committee members: 50 shares
- Managers or senior staff members: between 15 and 50 shares, depending on the management level.

The shares are blocked for a period of three years and are transferred to the share plan participants some 5-10 days after the Annual General Meeting of Shareholders. Therefore, the closing price on the day on which the shares are actually transferred might vary from the closing price on the day (allocation day) on which the total number of shares was determined and allocated by the Nomination and Compensation Committee and approved by the Board of Directors. This might deviate from the maximum amount of share-based compensation if the share price has increased in the period between these dates.

Potential Deviation in Share Closing Prices:



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

7.1 CEO

The fixed compensation for the CEO (base salary) is based on what the Nomination and Compensation Committee assessed and benchmarked as the industry standard for comparable, listed Swiss industrial companies of a similar size in terms of net sales (around CHF 500 million) and complexity, based on the Nomination and Compensation Committee's members' experience as well as on collaboration with an international consultancy company which supports Gurit in benchmark compensation and salary levels (as indicated on page 33).

The CEO benefits from a pension scheme of which half of the premiums are financed by him. The part financed by Gurit is disclosed as part of the other compensation in article 8 of this report.

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

The CEO is entitled to receive shares as part of the Group's Share Participation Plan for Management (SPPM). The amount of shares granted will vary between 150 and 450 shares per annum. The total variable compensation (shares and cash bonus) is capped and must not exceed 100 % of the CEO's total fixed compensation.

7.2 Other Members of the Executive Committee

The fixed compensation for 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; it also reflects 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.

The other members of the Executive Committee are also entitled to shares granted according to the Group's Share Participation Plan for Management (SPPM). The granting of such shares is subject to certain performance criteria as described above under article 6 and is considered part of the variable compensation. The annual amount of shares granted varies between 25 and 75 shares per annum.

The other members of the Executive Committee are furthermore entitled to a performance-related cash compensation based on the Performance Incentive Scheme described above. As such, they are entitled to a performance-related cash bonus of a maximum of 50% of their base salary. 20 % to 40 % of their bonus depend on the achievement of individual targets set by the CEO, reviewed by the Nomination and Compensation Committee and approved by the Board of Directors. The remaining 60 % to 80 % depend on the achievement of the Business Unit and Group bonus components. The total variable compensation for other members of the Executive Committee (shares and cash bonus) must not exceed 100 % of their base salaries.

7.3 Members of the Board of Directors

The fixed compensation for the members of the Board of Directors is based on what has been assessed by the Nomination and Compensation Committee as the industry standard for comparable, listed Swiss industrial companies of a 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.

A performance-based incentive scheme does not exist for the members of the Board of Directors.

8. Management Compensation 2018/2017

The following tables show the compensation for the Board of Directors and the Executive Committee in 2018 and 2017. Fixed other compensation includes pension contributions and social benefits relating to the fixed compensation. Variable compensation contains the accrued variable compensation (including related accrued social benefits), which are paid out in the calendar year following the calendar year under review.

The amount of the share-based compensation for 2018 was calculated based on a share price of CHF 958 per share. This corresponds to the average closing share price of the five days actual stock price trading before the date of the NCC meeting on February 15, 2019. Due to the share price fluctuation, the effective settlement value may be higher or lower on the settlement date in April 2019. In 2017, the share-based compensation was calculated based on a share price of CHF 968, based on the average closing share price of the five days actual stock price trading before the date of the NCC meeting on February 15, 2018.

In 2018, the performance-related compensation for the members of the Executive Committee varied from 0% to 84% (2017: 29% to 91%) of the individual fixed compensation.

The total amount paid to Management (Board of Directors and Executive Committee) in 2018 is broadly in line with the amount paid 2017.

Gurit does not pay any exit bonuses or make any severance payments.

There was no compensation 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 that were not at arm's length.

No loans, securities, advances, or credits were granted to members of the Board of Directors or the Executive Committee (or parties closely linked to them). There are no options issued on Gurit bearer shares on December 31, 2018, in the context of a participation program.

Management Compensation 2018/2017

In CHF 1000

2018

| | Fixed cash compensation | Fixed share-based compensation | Fixed other compensation | Variable cash compensation | Variable share-based compensation | Total compensation |
|------------------------------------------|----------------------------|--------------------------------------|-----------------------------|-------------------------------|-----------------------------------------|-----------------------|
| Board of Directors | | | | | | |
| Peter Leupp (Chairman) | 250 | 48 | – | – | – | 298 |
| Stefan Breitenstein (member) | 80 | 24 | – | – | – | 104 |
| Nick Huber (member) | 80 | 24 | 14 | – | – | 118 |
| Urs Kaufmann (member) | 80 | 24 | 14 | – | – | 118 |
| Peter Pauli (member) | 80 | 24 | – | – | – | 104 |
| Total Board of Directors | 570 | 144 | 28 | – | – | 742 |
| | 77% | 19% | 4% | 0% | 0% | 100% |
| Executive Committee | | | | | | |
| Rudolf Hadorn (CEO) | 630 | – | 141 | 344 | 308 | 1 423 |
| Other members* | 1 249 | – | 257 | 384 | 208 | 2 098 |
| Total Executive Committee | 1 879 | – | 398 | 728 | 516 | 3 521 |
| | 53% | 0% | 11% | 21% | 15% | 100% |
| Total Management compensation | 2 449 | 144 | 426 | 728 | 516 | 4 263 |
| | 58% | 3% | 10% | 17% | 12% | 100% |

* The annual average number of other Executive Committee Members in 2018 is 4.0

In CHF 1000

2017

| | Fixed cash compensation | Fixed share-based compensation | Fixed other compensation | Variable cash compensation | Variable share-based compensation | Total compensation |
|------------------------------------------|----------------------------|--------------------------------------|-----------------------------|-------------------------------|-----------------------------------------|-----------------------|
| Board of Directors | | | | | | |
| Peter Leupp (Chairman) | 250 | 48 | – | – | – | 298 |
| Stefan Breitenstein (member) | 80 | 24 | – | – | – | 104 |
| Nick Huber (member) | 80 | 24 | 14 | – | – | 118 |
| Urs Kaufmann (member) | 80 | 24 | 14 | – | – | 118 |
| Peter Pauli (member) | 80 | 24 | – | – | – | 104 |
| Total Board of Directors | 570 | 144 | 28 | – | – | 742 |
| | 77% | 19% | 4% | 0% | 0% | 100% |
| Executive Committee | | | | | | |
| Rudolf Hadorn (CEO) | 630 | – | 131 | 320 | 373 | 1 454 |
| Other members* | 1 165 | – | 243 | 278 | 252 | 1 938 |
| Total Executive Committee | 1 795 | – | 374 | 598 | 625 | 3 392 |
| | 53% | 0% | 11% | 18% | 18% | 100% |
| Total Management compensation | 2 365 | 144 | 402 | 598 | 625 | 4 134 |
| | 58% | 3% | 10% | 14% | 15% | 100% |

* The annual average number of other Executive Committee Members in 2017 is 4.0

9. Management Compensation Compared to Amounts Approved by the Annual General Meeting

The below table provides a comparison of the actual compensation amounts in the reporting year to the respective amounts approved by the Annual General Meeting.

| | Fixed compensation Board of Directors April 18, 2018 - April 9, 2019 | | Fixed compensation Executive Committee July 1, 2017 - June 30, 2018 | | Variable compensation Executive Committee January 1, 2018 - December 31, 2018 | |
|----------------------------------------------|-------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------|--------------|
| | Approved Maximum | Actual | Approved Maximum | Actual | Approved Maximum | Actual |
| Cash, in CHF 1000 | 570 | 570 | 1 958 | 1 800 | 1 225 | 677 |
| Number of shares | 150 | 150 | – | – | 750 | 500 |
| Shares value at current price in CHF 1000 | 144 | 144 | – | – | 719 | 479 |
| Social security and pension in CHF 1000 | 36 | 28 | 392 | 369 | 149 | 88 |
| Total | 750 | 742 | 2 350 | 2 169 | 2 093 | 1 244 |

Report of the statutory auditor to the General Meeting of Gurit Holding AG Wattwil

We have audited the accompanying remuneration report of Gurit Holding AG for the year ended December 31, 2018 on pages 40 to 41.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Gurit Holding AG for the year ended December 31, 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



A handwritten signature in black ink, appearing to read "P. Balkanyi", is written over a light blue horizontal line.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read "K. Domeisen", is written over a light blue horizontal line.

Kaspar Domeisen

Zurich, February 25, 2019

Sustainability Report

Organizational Profile Gurit Group¹



25
Locations
worldwide

Markets served



 **2 860**
Employees

425.3
million CHF
Net sales

27.6
million CHF

EBIT

19.9
million CHF
Net profit

6.5
percent

EBIT margin

125.1
million CHF
Equity

¹ This page includes information from GRI 102: General Disclosures 2016 (102-1: Name of the organization; 102-2: Activities, brands, products, and services; 102-3: Location of headquarters; 102-4: Location of operations; 102-6: Markets served; 102-7: Scale of the organization); For 102-4: Location of operations, please see also page 86; For 102-5: Ownership and legal form, please see pages 97 and 98; For 102-45: Entities included in the consolidated financial statements, please see pages 62 ff;

1. Introduction²

Gurit is specialised in the development and manufacture of advanced composite materials, production tools and kitting. In addition, Gurit provides composite engineering services that help transform traditional, heavier structures into lightweight, durable structures. The Company's products and solutions are primarily used in the wind energy, aerospace, marine, automotive and land transportation industries thus contributing to the generation of renewable energy as well as to the reduction of fuel consumption and Carbon dioxide emissions, amongst others. As such, sustainability forms an essential part of Gurit's global business activities and sustainable growth strategy.

Gurit has reported on economic, environmental, social and governance-related developments for several years in its annual report. In order to align its disclosures with international reporting standard practice, the Company started using the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines as a framework for the first time in preparation of the 2015 Gurit Annual Report. For the 2018 Gurit Annual Report, the 2016 GRI Standards again served as reference and framework.

Given the size of the organization and the global spread of its business activities, as well as recent acquisitions, Gurit aims to adopt GRI's reporting principles incrementally. This will allow the Company to implement the necessary internal processes and monitoring tools in a meaningful way over time.

1.1 Stakeholder Inclusiveness and Key Topics³

Gurit has assessed the materiality of sustainability issues in light of the 2016 GRI Standards. An internal materiality analysis was conducted in 2017, involving the Company's Executive Committee as well as the Technology, Finance, Human Resources and Marketing departments. Customers, employees and workers, shareholders, suppliers, regional authorities and the public have been defined as main stakeholders who significantly influence or are influenced by the Company's business activities, products and services. Dedicated external stakeholder engagement processes have not been used yet. However, existing stakeholder expectations and interests have been taken into account. In particular, customer interests and expectations gathered through customer surveys, the close and frequent communication of senior management, customer support, technical support and the sales organization with customers and distribution partners have been considered. Furthermore, insights from constant and regular communication with shareholders and the financial community as well as information gained from media monitoring and participation in industry events have been taken into account.

² This page includes information from GRI 101: Foundation 2016

³ This section includes information from GRI 102: General Disclosures 2016 (102-21: Consulting stakeholders on economic, environmental, and social topics; 102-40: List of stakeholder groups; 102-42: Identifying and selecting stakeholders; 102-43: Approach to stakeholder engagement)

The key topics defined by this approach are presented in the table below in relation to their importance for Gurit and its main stakeholders.

Materiality Index⁴:



* Compliance includes GRI 205: Anti-corruption, GRI 206: Anti-competitive behaviour, GRI 307: Environmental compliance, GRI 418: Customer Privacy, GRI 419: Socioeconomic compliance.
 ** Responsible Product Development includes GRI 301: Materials, GRI 417: Marketing & Labelling.
 *** Responsible Employment Practices includes GRI 202: Market presence, GRI 401: Employment, GRI 402: Labour / Management Relations, GRI 404: Training & Education, GRI 405: Diversity & Equal Opportunity, GRI 406: Non-discrimination, GRI 407: Freedom of association and collective bargaining.

1.2 Organizational Profile Gurit Group

For information on the Company’s organizational profile, please see page 44.

1.3 Ethics and Integrity⁵

Gurit pays the highest attention to the strict adherence to business ethics and integrity. The Gurit Code of Conduct is an essential element of the Company’s corporate and business management. As such, the Gurit Board of Directors, Group Management and all employees are expected to strictly adhere to the principles and guidelines outlined in the Code. Full compliance with all pertinent legal and regulatory requirements and standards is also required. Acknowledgement and acceptance of the Code therefore forms part of every staff member’s terms of employment.

4 This section includes information from GRI 101: Foundation 2016 and from GRI 102: General Disclosures 2016 (102-46: Defining report content and topic boundaries; 102-47: List of material topics)
 5 This section includes information from GRI 102: General Disclosures 2016 (102-16: Values, principles, standards, and norms of behaviour; 102-17: Mechanisms for advice and concerns about ethics; 102-26: Role of the highest governance body in setting purpose, values and strategy); GRI 205: Anti-corruption 2016 and GRI 206: Anti-competitive behaviour 2016; and GRI 419: Socioeconomic Compliance 2016

The most current version of the Company's Code of Conduct was resolved by the Board of Directors and the CEO in May 2014. It outlines the Company's principles and guidelines on business ethics and is centred on four key values, the so-called "Gurit Values for Success":

- Customers – our priority
- Renewal through Innovation
- Profit through Empowerment
- Success through People

The Group Executive Committee, the Board of Directors and Gurit employees, in particular new team members, are trained on the Gurit Code of Conduct. The latest version of the Gurit Code of Conduct is available on the Company's intranet in different languages.

For advice on the Code or in case of concerns about or evidence of violations, employees must seek guidance from their direct managers, Group management or the Audit and Corporate Governance Committee of the Gurit Board of Directors. All requests are treated confidentially. Furthermore, the Chairman of the Audit and Corporate Governance Committee can be contacted in full anonymity in order to raise concerns. Overall compliance with the Code is subject to internal audits. Furthermore, the Executive Committee submits an annual report on compliance to the Board of Directors.

No violations with regard to conflicts of interest or non-compliance with any of the standards set forth in the Gurit Code of Conduct were identified or reported in 2018. Equally, no complaints regarding infringements of Human Rights were brought forward in the reporting period. No legal actions were proceeded or pending, and no fines or non-financial penalties related to non-compliance with any anti-corruption, anti-competitive behaviour, anti-trust and monopoly practices were imposed in 2018. However, the company has addressed three potential corruption allegations and one environmental concern regarding allegedly illegal wood chopping. All four allegations have been investigated by internal and partly external resources. All four claims were closed without substances. In the case of allegedly illegal wood chopping in Ecuador Gurit has informed the customers about the allegations without substance and has taken legal action to protect its reputation and brand.

1.4 Governance⁶

For information on the Company's governance structure and practice, please see "Corporate Governance Report" pages 18 to 29.

1.5 Stakeholder Engagement⁷

Gurit fosters a constant and close dialogue with its key stakeholders in order to create added value and maintain long-standing, beneficial partnerships. In addition to individual customer meetings, the Company participates in various annual specialist and industry trade fairs and events globally in order to deepen the relationship with existing and to establish contacts with potential new customers, business partners and suppliers as well as the advanced composites industry as a whole. In terms of employee engagement, Gurit conducts employee surveys at its individual sites in addition

6 This section includes information from GRI 102: General Disclosures 2016 (102-18: Governance structure; 102-19: Delegating authority; 102-22: Composition of the highest governance body and its committees; 102-23: Chair of the highest governance body; 102-24: Nominating and selecting the highest governance body; 102-25: Conflicts of interest; 102-26: Role of the highest governance body in setting purpose, values and strategy)

7 This section includes information from GRI 102: General Disclosures 2016 (102-21: Consulting stakeholders on economic, environmental, and social topics; 102-43: Approach to stakeholder engagement)

to hosting an annual management meeting with the Group's senior managers worldwide at the beginning of each year. As a publicly listed company, Gurit also participates in a range of annual investors' conferences and roadshows in Europe in addition to hosting individual calls and meetings with major shareholders.

1.6 Reporting Practice⁸

Gurit reports on sustainability each year as part of its annual report, the last of which was published in March 2018. The sustainability reporting period covers the current reporting period (fiscal year 2018) as well as the previous reporting period (fiscal year 2017). As outlined above, Gurit has chosen a stepwise approach to sustainability reporting in order to be able to implement the necessary internal processes and monitoring tools in a meaningful way over time. Therefore, the compiled data does not currently cover all relevant Gurit entities worldwide.

Where quantitative data is presented, Gurit has applied the necessary level of thoroughness to ensure accuracy and timeliness. The data presented has not been validated externally. Whether presented quantitatively or qualitatively, the report covers both favorable and unfavorable topics and results in terms of their respective relevance.

2. Customers⁹

Gurit supplies a global customer base from manufacturing and distribution sites in Denmark, Germany, Hungary, Italy, Poland, Spain, Switzerland, the U.K., Turkey, Canada, the U.S.A, Ecuador, New Zealand, India, Indonesia and China. In addition, Gurit maintains partnerships with distribution partners worldwide. Types of customers range from small family enterprises to large multinational corporations.

Bringing best value to customers has been a priority for Gurit since the very beginning. To achieve this target, Gurit supports its global customer base in achieving their performance and cost reduction targets and in deriving many benefits from the transformation of traditional structures into lightweight and durable solutions. On-site technical support as well as product and process training related to the correct and safe handling and use of the Group's products form an essential part of this aim. Distributors are included in these training activities as part of the Group's overall customer health and safety efforts as their knowledge and advice plays an important role in regions where Gurit is not represented by local sales and technical support offices.

Gurit also informs customers regularly about product developments and organizational updates by means of customer newsletters. Management of customer data on an overall level and for distribution of newsletters takes place in compliance with all relevant legal requirements related to data protection and security. Cus-

⁸ This section includes information from GRI 102: General Disclosures 2016 (102-50: Reporting period; 102-51: Date of most recent report; 102-52: Reporting cycle; 102-56: External assurance)

⁹ This section includes information from GRI 416: Customer Health and Safety 2016; GRI 417: Marketing and Labelling 2016 and GRI 418: Customer Privacy 2016

tomers are able to opt out of all push communication activities at all times. No data leaks were identified and no complaints from customers regarding infringements of privacy were received in 2018.

The main focus of the Group internal customer health and safety activities in 2018 again related to the implementation of REACH (Registration, Evaluation and Authorisation of Chemicals). The legislation, which was introduced by the European Union on June 01, 2007 and entered into effect on June 01, 2018 for all producers of chemicals in volumes greater than 1 tonne per year, aims to provide a high level of protection of human health and the environment from the use of chemicals. It also makes manufacturers and importers of chemicals responsible for understanding and managing the risks associated with their use.

As part of the implementation, Gurit assessed and continues to evaluate suppliers to ensure they are legally compliant with REACH. Furthermore, the Group integrated all relevant raw material chemical registration numbers into its product safety datasheets (SDS) and updated its product labels in accordance with the new legal requirements. The regulatory compliance coordinator together with members of the global product development and purchasing teams ensure that all information is collated, recorded and available within the defined period.

In 2018, no concerns or incidents of non-compliance with any health and safety regulations or standards were identified or recorded, with the exception of one pending case in Hungary. Equally, no complaints or violations regarding product marketing and labelling were brought forward in the reporting period. No legal actions were proceeded or pending, and no fines or non-financial penalties relating to non-compliance with any health and safety, product marketing and labelling regulations and standards were imposed in 2018.

Gurit also continued to assess composition of products in view of substances that were reclassified to a higher hazard level under the REACH framework in 2018. As part of the Group's aim of responsible product development, Ampreg™ 3X series, a new low toxicity epoxy laminating range for the manufacture of large composite structures in the marine, wind and construction industries was successfully introduced to the market. The laminating range has been reformulated to prioritize user health and safety of hand lay-up and vacuum bagging production techniques through the careful selection of chemicals. In addition, Ampreg™ 3X series features the new Gurit Light Reflective Technology, an addition to the resin matrix that has been introduced as a risk monitoring feature for the user and allows easy inspection of workwear, equipment and workspace for potential resin contamination by means of standard UV lamps.

Gurit will continue its product assessment activities and initiate product reformulation where appropriate. Furthermore, the Group considers new legislation as an additional inducement for all new product developments to ensure balance of favorable product characteristics on the one hand, and health and safety protection of its customers and business partners on the other hand.

3. Employees

Responsible Employment Practices are of the highest priority for Gurit. Attracting, training and retaining a highly skilled, motivated and performing workforce is key for the Group's current and future success. "Success through People", therefore, forms part of the Gurit Values for Success.

3.1 Employee Ratios¹⁰

Gurit serves markets that have a certain cyclicity, such as the wind energy, tooling and marine segments. As part of its business model and in order to maintain and nurture a strong capability and competency level amongst its global staff, the Group focuses on multi-skilled core production teams. In line with demand, these core teams are supplemented by temporary workers and contractors to cope with peaks. As of December 31, 2018, Gurit employed 2 860 people as compared to 2 198 people in 2017.

Workforce by Employment Contract:

| | 2018 | 2017 |
|-------------------------|--------------|--------------|
| Total Workforce* | 2 860 | 2 198 |
| Permanent* | 2 382 | 2 075 |
| Temporary* | 478 | 123 |
| Apprentices, Interns | 8 | 14 |
| Workers/Contractors | 174 | 68 |
| Full-time* | 2 798 | 2 142 |
| Part-time* | 62 | 56 |

* excluding apprentices, trainees, interns and agency workers/contractors

Employees by Gender*:

| | 2018 | | 2017 | | 2016 | |
|---------------------|-------|--------|-------|--------|-------|--------|
| | Male | Female | Male | Female | Male | Female |
| Board of Directors | 5 | – | 5 | – | 5 | – |
| Executive Committee | 5 | – | 5 | – | 5 | – |
| Senior Management | 25 | 4 | 28 | 5 | 28 | 5 |
| Total Staff | 2 400 | 460 | 1 840 | 358 | 1 872 | 327 |

* excluding apprentices, trainees, interns and agency workers/contractors

Employees by Age Structure*:

| | 2018 | | | 2017 | | | 2016 | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Age under 30 years | Age 30 to 50 years | Age above 50 years | Age under 30 years | Age 30 to 50 years | Age above 50 years | Age under 30 years | Age 30 to 50 years | Age above 50 years |
| Board of Directors | – | – | 5 | – | – | 5 | – | – | 5 |
| Executive Committee | – | 1 | 4 | – | 2 | 3 | – | 2 | 3 |
| Total Staff | 704 | 1 822 | 334 | 433 | 1 432 | 333 | 534 | 1 408 | 257 |

* excluding apprentices, trainees, interns and agency workers/contractors

10 This section includes information from GRI 102: General Disclosures 2016 (102-8: Information on employees and workers); GRI 202: Market Presence 2016 (202-2: Proportion of senior management hired from the local community); GRI 405: Diversity and Equal Opportunity 2016; and GRI 407: Freedom of Association and Collective Bargaining 2016

Gurit is committed to fair and equal employment. The Group employs a workforce that is composed of around 38 different nationalities.

Proportion of senior management hired from the local community

It is a Gurit ambition to staff local sites with local leadership. With three exceptions, all operational sites globally are staffed with senior managers who are citizens of the country in which the production sites are located.

Gurit complies with all relevant local rules and legislations regarding employees' freedom of association and the right to collective negotiation. No complaints, concerns or violations were reported at any of the Group's global sites in 2018. One concern raised by a trade union in Spain has been addressed and Gurit was found in compliance with rules and regulations in place.

3.2 Occupational Health & Safety¹¹

Maintaining a high standard of technical expertise, assuring high-quality production processes and ensuring safety in the workplace are major priorities for Gurit. The Group is aware of the fact that employees could be affected by certain aggressive chemicals the Company deals with, by processing dust, steel welding, as well as lifting and transporting heavy equipment. Gurit, therefore, constantly strives to de-risk its employees and operations through specific training sessions and procedural changes for high-risk areas and processes.

Gurit tracks workplace safety at its global sites according to two categories: Accidents are defined as events that result in injury or ill health involving employee absence. Incidents are defined as events that involve injury but do not result in employee absence.

Number of Work-Related Accidents and Incidents:

| | 2018 | | 2017 | | 2016 | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Accidents | Incidents | Accidents | Incidents | Accidents | Incidents |
| Composite Materials | 18 | 159 | 17 | 144 | 22 | 145 |
| Composite Components | 2 | 8 | – | 5 | 4 | 9 |
| Tooling | 6 | 8 | 6 | 9 | 8 | 14 |
| Aerospace* | 7 | 2 | | | | |
| Total | 33 | 177 | N/A | N/A | N/A | N/A |

The as part of the Gurit Kitting operations acquired JSB Group has not yet been included in the above figures. From October to December 2018 JSB reported 7 accidents and 2 incidents.

* Aerospace Business Unit: since April 2018.

11 This section includes information from GRI 403: Occupational Health and Safety 2016 (403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities)

Some of the accidents and incidents may be explained with the relocation and build-up of certain operations, where new processes had to be established. Gurit has not been satisfied with the observed trends in OH&S performance and has therefore decided to launch a Corporate Program to improve health & safety at all of its sites. This program will be launched in 2019 under the responsibility of the Head of Group Human Resources. Gurit is committed to providing healthy and safe working conditions for its entire global staff.

3.3 Education & Training¹²

Gurit has implemented a learning management software in 2015 to support training and development of its personnel in a flexible and modern format. In 2018, several courses and training programs were conducted for employees by using this platform. Furthermore, the Group launched a sales academy training program in 2016 tailored to the needs of its global sales force. In 2018, additional sales-related functions and new sales colleagues were included in the roll-out of the program. To date, Gurit does not collect data relating to the average hours of training per year per employee.

Complementary to collective training and development programs, Gurit also fosters individual training and development opportunities. Individual development and training needs and targets are discussed as part of the Group's annual performance reviews.

Gurit has also launched a new trainee program as of March 1, 2018. The Gurit Entrepreneurial Trainee Program is targeted at ensuring a continuous inflow of young entrepreneurial technology talents in order to support the Group's target to fill 50 percent of all open positions internally as a long-term vision. Two new colleagues were hired as part of the Gurit Entrepreneurial Trainee Program in 2018.

Benchmarking of salaries and grading, which was started in 2015 together with a renowned external service provider, further progressed over the course of the year with the overall target to create transparency, to benchmark Gurit's compensation practice with industry standards and to further develop internal career development paths.

4. Suppliers and Responsible Procurement¹³

Gurit offers a broad range of advanced composite materials to its strategic target markets. The majority of these products are manufactured from raw chemicals that the Group for the most part purchases directly from leading global suppliers and then further processes into structural foams, resin systems, laminating and infusion systems, gel coats, and adhesives. The Tooling business additionally consumes steel from local suppliers to produce mould frames as well as transportation, turning and lifting devices for wind-blade moulds. Gurit also sources glass, carbon, and aramid fibres from the respective manufacturers for the production of prepregs.

¹² This section includes information from GRI 401: Training and Education 2016

¹³ This section includes information from GRI 102: General Disclosures 2016 (102-9: Supply chain); GRI 204: Procurement Practices 2016 and GRI 301: Materials 2016

The majority of these materials and their constituents are non-renewable materials and are almost completely composed of non-recycled input materials. For some production processes, however, Gurit also uses by-products, such as sawing dust, which are fed back into the production cycle. The amounts of these are not yet tracked in terms of weights or volumes as this would create additional process steps that would slow down production and thus limit the overall gains from this practice.

In terms of improving the ratio of recycled input materials, the acquisition of the PET business in Italy in December 2016 has enabled Gurit to produce structural PET foam from up to 100% recycled, post-consumer input material at the production sites in Italy and China. Gurit also purchases balsa wood (*Ochroma pyramidale*), a natural resource for producing blocks and sheets from virgin balsa wood. The wood is sourced from local farmers and smallholder cooperatives rather than from large monoculture plantations.

Reliable, efficient and responsible procurement is important for Gurit to ensure high delivery capability as well as long-term business success. Raw material shortages could lead to increased materials costs, supply bottlenecks and poor product quality. The Group has therefore established a dual-sourcing approach for the majority of its key raw materials in order to be able to respond adequately to fluctuations in the demand and supply markets. Furthermore, Gurit maintains steady relationships with local suppliers rather than buying in irregular or cyclical patterns. This is particularly important for the relationship the Group maintains with the small local farmers and balsa wood suppliers.

5. Environment¹⁴

Gurit is committed to a production concept that combines economic manufacturing with minimal ecological impact. The Group strives to achieve this goal through a dedicated focus on customer needs; a superior level of technology and competence; operations excellence; and environmental, social, and ethical best practices and conduct. Rigorous compliance with all applicable environmental laws and regulations is an absolute prerequisite for the Group.

As reported earlier, Gurit has started to monitor and report on environmental information collected at the Group's production site in the UK which is focused on the production of prepregs, resin systems, laminating and infusion systems, gel coats, and adhesives. Due to transfer of prepreg production from the UK to Spain which was concluded in autumn 2018 as well as recent acquisitions, the overall significance of the figures presented below is limited. Going forward, the Company will reconsider presentation of environmental information.

14 This section includes information from GRI 302: Energy 2016 (302-1: Energy consumption within the organization; 302-2: Energy consumption outside of the organization); and GRI 306: Effluents and Waste 2016 (306-2: Waste by type and disposal method; 307-1: Non-compliance with environmental laws and regulations)

Gurit UK Environmental Indicators*

| In MWh | 2018 | 2017 | 2016 |
|-----------------------------------------|--------------|-------|-------|
| Electricity** | 4 880 | 5 107 | 5 517 |
| Thereof renewable sources*** | 488 | 477 | 461 |
| Thereof other sources | 4 392 | 4 630 | 5 056 |
| | | | |
| In tonnes | 2018 | 2017 | 2016 |
| Waste**** | 605 | 895 | 986 |
| Non-hazardous waste | | | |
| Residual waste to recycling | 505 | 745 | 812 |
| Residual waste to landfill | 20 | 49 | 53 |
| Hazardous waste to specialist treatment | 80 | 101 | 121 |
| | | | |
| Recycling | | | |
| Pallets | 64 | 104 | 96 |
| Cardboard and plastic | 16 | 26 | 18 |

* Information presented in this table does not include data from production of composite components in building 2 at the UK site.

** Information based on data from energy monitoring system.

*** Gurit UK has installed solar photovoltaic panels on its production buildings in 2013 to reduce the amount of non-renewable energy consumed.

**** Information based on data from waste contractor. A waste recycling program has been in place since 2004.

As part of its environmental considerations, Gurit has also evaluated energy consumption outside of the organization.

Energy consumption outside of the organization mainly relates to the following upstream categories:

- Energy consumed for the production of raw materials (e.g. carbon fibre)
- Transportation of raw materials
- Business travel
- Employee commuting

It also relates to the following downstream categories:

- Transportation and distribution of products (e.g. sea freight container shipments)
- Freezer storage of prepregs by distributors and customers
- Energy used during the curing process of products by customers
- End-of-life treatment of sold products (e.g. disposal of wind-turbine-blades)

Gurit is not in a position to collect data and report on energy consumption outside of the organization at this point in time.

6. Society¹⁵

Gurit strives to add value to the advanced composites industry, its strategic target markets, customers and business partners, employees, investors as well as the regions and local communities in which it operates. The Group makes no political donations and does not support any political party, neither directly nor indirectly. Gurit and part of its subsidiaries participate in local and national organizations and industry associations. The individual involvements, however, do not constitute strategic memberships or imply substantial funding beyond routine membership fees.

Sponsorships

The general motivating force and focus of Gurit's sponsorships are the support of research and development activities in the advanced composites industry, sustainable ventures, industry events within the Group's target markets and student projects. When deciding which projects and activities to support, emphasis is placed on high ethical and moral standards.

7. Contact¹⁶

For any Sustainability Reporting questions, please contact:

Gurit Services AG
Marketing & Corporate Communications
Thurgauerstrasse 54
8050 Zurich, Switzerland

¹⁵ This section includes information from GRI 419: Socioeconomic Compliance 2016

¹⁶ This section includes information from GRI 102: General Disclosures 2016 (102-53: Contact point for questions regarding the report)

Financial Report

Table of Contents

| | |
|-----|--------------------------------------------------------------------------------|
| | Gurit Group |
| 57 | Consolidated Income Statement |
| 58 | Consolidated Balance Sheet |
| 59 | Consolidated Cash Flow Statement |
| 60 | Consolidated Statement of Changes in Equity |
| 62 | Notes to the Consolidated Financial Statements |
| 88 | Report of the Statutory Auditor on the Consolidated Financial Statements |
| | Gurit Holding AG |
| 94 | Income Statement |
| 95 | Balance Sheet |
| 96 | Notes to the Financial Statements |
| 100 | Proposal of the Board of Directors for the Appropriation of Available Earnings |
| 101 | Report of the Statutory Auditor on the Financial Statements |

Consolidated Income Statement

| In CHF 1000 | Note | Year ended December 31, 2018 | | | Year ended December 31, 2017 | | |
|--------------------------------------------------|------|---------------------------------|-----------------------------|---------------|---------------------------------|-----------------------------|-----------|
| | | Continued operations | Discontinued operations* | Total | Continued operations | Discontinued operations* | Total |
| Net sales | 3 | 410 616 | 14 728 | 425 344 | 339 990 | 20 515 | 360 505 |
| Cost of goods sold | | - 319 363 | - 23 634 | - 342 997 | - 252 282 | - 19 334 | - 271 616 |
| Gross profit | | 91 253 | - 8 906 | 82 347 | 87 708 | 1 181 | 88 889 |
| Research and development expense | | - 6 575 | - 212 | - 6 787 | - 6 571 | - 316 | - 6 887 |
| Selling expense | | - 16 367 | - 456 | - 16 823 | - 16 091 | - 547 | - 16 638 |
| Administrative expense | | - 24 804 | - 960 | - 25 764 | - 22 310 | - 1 145 | - 23 455 |
| Other operating income | 26 | 1 644 | - | 1 644 | - | - | - |
| Other operating expense | 5 | 201 | - 6 239 | - 6 038 | - 5 835 | - 136 | - 5 971 |
| Operating profit/(loss) | | 45 352 | - 16 773 | 28 579 | 36 901 | - 963 | 35 938 |
| Finance expense | 6 | - 3 395 | - 392 | - 3 787 | - 3 254 | - 175 | - 3 429 |
| Finance income | 7 | 2 835 | 172 | 3 007 | 1 479 | 259 | 1 738 |
| Ordinary result | | 44 792 | - 16 993 | 27 799 | 35 126 | - 879 | 34 247 |
| Extraordinary expense | 8 | - 980 | - | - 980 | - | - | - |
| Profit/(loss) before tax | | 43 812 | - 16 993 | 26 819 | 35 126 | - 879 | 34 247 |
| Income tax expense | 9 | - 6 920 | - | - 6 920 | - 9 346 | - | - 9 346 |
| Profit/(loss) for the year | | 36 892 | - 16 993 | 19 899 | 25 780 | - 879 | 24 901 |
| Thereof attributable to shareholders of Gurit | | | | 20 089 | | | 24 932 |
| Thereof attributable to minority interests | | | | - 190 | | | - 31 |
| Earnings per share | 10 | | | | | | |
| Basic earnings per bearer share | | | | CHF 42.96 | | | CHF 53.32 |
| Diluted earnings per bearer share | | | | CHF 42.96 | | | CHF 53.32 |
| Basic earnings per registered share | | | | CHF 8.59 | | | CHF 10.66 |
| Diluted earnings per registered share | | | | CHF 8.59 | | | CHF 10.66 |

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

* see note 2.2

Consolidated Balance Sheet

| In CHF 1000 | Note | At December 31, 2018 | At December 31, 2017 |
|-----------------------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | | 48 233 | 44 595 |
| Derivative financial instruments | 12 | 58 | 731 |
| Trade receivables | 13 | 113 198 | 72 892 |
| Other receivables | 14 | 12 240 | 8 274 |
| Prepayments and accrued income | | 21 532 | 13 648 |
| Inventories | 15 | 73 143 | 61 002 |
| Current assets | | 268 404 | 201 142 |
| Other receivables | 14 | 1 419 | 2 151 |
| Deferred income tax assets | 20 | 5 942 | 3 958 |
| Property, plant and equipment | 16 | 88 002 | 76 419 |
| Intangible assets | 17 | 5 977 | 6 252 |
| Non-current assets | | 101 340 | 88 780 |
| Total assets | | 369 744 | 289 922 |
| Liabilities and equity | | | |
| Borrowings | 18 | 46 169 | 11 884 |
| Derivative financial instruments | 12 | 471 | 4 |
| Trade payables | | 51 946 | 31 860 |
| Other payables | | 7 345 | 5 172 |
| Accrued liabilities and deferred income | 19 | 40 834 | 26 588 |
| Provisions | 21 | 6 502 | 2 314 |
| Current liabilities | | 153 267 | 77 822 |
| Borrowings | 18 | 82 103 | – |
| Deferred income tax liabilities | 20 | 4 627 | 4 739 |
| Provisions | 21 | 4 676 | 1 225 |
| Non-current liabilities | | 91 406 | 5 964 |
| Total liabilities | | 244 673 | 83 786 |
| Share capital | | 23 400 | 23 400 |
| Capital reserve | | 56 | 1 797 |
| Treasury shares | | – 118 | – 110 |
| Retained earnings | | 101 621 | 180 748 |
| Equity attributable to shareholders of Gurit | | 124 959 | 205 835 |
| Minority interests | | 112 | 301 |
| Total equity | 22 | 125 071 | 206 136 |
| Total liabilities and equity | | 369 744 | 289 922 |

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

Consolidated Cash Flow Statement

| In CHF 1000 | Note | Year ended December 31, 2018 | Year ended December 31, 2017 |
|----------------------------------------------------------------------|--------|---------------------------------|---------------------------------|
| Profit for the year | | 19 899 | 24 901 |
| Impairment, net of reversals | 16, 17 | 4 657 | 769 |
| Depreciation and amortization | 16, 17 | 11 588 | 10 057 |
| Finance income and expense, net | 6, 7 | 780 | 1 691 |
| Income tax expense | 9 | 6 920 | 9 346 |
| Net losses from disposal of fixed assets | | 144 | 711 |
| (Profit) on disposal of subsidiaries | 26 | - 1 644 | - |
| Other non-cash items | | 917 | 1 321 |
| Changes in | | | |
| Trade receivables | | - 21 567 | - 8 853 |
| Inventories | | - 1 902 | - 10 654 |
| Other receivables and prepayments and accrued income | | - 8 473 | 830 |
| Trade and other payables and accrued liabilities and deferred income | | 17 237 | 8 217 |
| Provisions | | 413 | 1 290 |
| Cash generated from operations | | 28 969 | 39 626 |
| Finance cost, net paid | | - 823 | - 684 |
| Income tax paid | | - 8 781 | - 8 356 |
| Net cash flow from operating activities | | 19 365 | 30 586 |
| Purchase of property, plant and equipment | 16 | - 13 043 | - 10 383 |
| Proceeds from sale of property, plant and equipment | | 141 | 51 |
| Purchase of intangible assets | 17 | - 1 144 | - 1 310 |
| Investments in loans receivable | | - 883 | - 1 638 |
| Proceeds from repayments of loans receivable | | 255 | 193 |
| Business acquisition | 25 | - 78 459 | - 12 624 |
| Proceeds from disposal of subsidiaries | 26 | 615 | - |
| Net cash flow from investing activities | | - 92 518 | - 25 711 |
| Changes in current borrowings, net | | 33 862 | 10 348 |
| Changes in non-current borrowings, net | | 55 709 | - |
| Distribution to shareholders | | - 9 333 | - 9 338 |
| Purchase of treasury shares | 22 | - 1 185 | - 926 |
| Net cash flow from financing activities | | 79 053 | 84 |
| Net change in cash and cash equivalents | | 5 900 | 4 959 |
| Cash and cash equivalents at the beginning of the year | | 44 595 | 38 646 |
| Net change in cash and cash equivalents | | 5 900 | 4 959 |
| Exchange (losses)/gains on cash | | - 2 262 | 990 |
| Cash and cash equivalents at the end of the year | | 48 233 | 44 595 |

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

Consolidated Statement of Changes in Equity

| In CHF 1000 | Note | Share capital | Capital reserve | Treasury shares |
|-------------------------------------------------------|--------|---------------|-----------------|-----------------|
| Balance at January 1, 2017 | | 23 400 | 11 196 | - 88 |
| Profit for the year | | - | - | - |
| Changes in hedging reserve | | - | - | - |
| Currency translation adjustments | | - | - | - |
| Total income and expense for the year | | - | - | - |
| Distribution to shareholders | 11 | - | - 9 360 | - |
| Usage of treasury shares for share-based compensation | | - | - 39 | 904 |
| Share-based compensation | | - | - | - |
| Purchase of treasury shares | | - | - | - 926 |
| Total transactions with shareholders | | - | - 9 399 | - 22 |
| Minority capital contribution | | - | - | - |
| Goodwill directly offset with equity | 22, 25 | - | - | - |
| Balance at December 31, 2017 | | 23 400 | 1 797 | - 110 |
| Profit for the year | | - | - | - |
| Changes in hedging reserve | | - | - | - |
| Currency translation adjustments | | - | - | - |
| Total income and expense for the year | | - | - | - |
| Distribution to shareholders | 11 | - | - 1 755 | - |
| Usage of treasury shares for share-based compensation | | - | 14 | 1 177 |
| Share-based compensation | | - | - | - |
| Purchase of treasury shares | | - | - | - 1 185 |
| Total transactions with shareholders | | - | - 1 741 | - 8 |
| Goodwill directly offset with equity | 22, 25 | - | - | - |
| Balance at December 31, 2018 | | 23 400 | 56 | - 118 |

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

| Hedging reserve | Currency translation adjustments | Offset goodwill | Other retained earnings | Total retained earnings | Equity attributable to shareholders of Gurit | Minority interests | Total equity |
|-----------------|----------------------------------|-----------------|-------------------------|-------------------------|----------------------------------------------|--------------------|--------------|
| - 221 | - 40 725 | - 26 690 | 223 931 | 156 295 | 190 803 | - | 190 803 |
| - | - | - | 24 932 | 24 932 | 24 932 | - 31 | 24 901 |
| 444 | - | - | - | 444 | 444 | - | 444 |
| - | 6 295 | - | - | 6 295 | 6 295 | - 3 | 6 292 |
| 444 | 6 295 | - | 24 932 | 31 671 | 31 671 | - 34 | 31 637 |
| - | - | - | 22 | 22 | - 9 338 | - | - 9 338 |
| - | - | - | - | - | 865 | - | 865 |
| - | - | - | 1 321 | 1 321 | 1 321 | - | 1 321 |
| - | - | - | - | - | - 926 | - | - 926 |
| - | - | - | 1 343 | 1 343 | - 8 078 | - | - 8 078 |
| - | - | - | - | - | - | 335 | 335 |
| - | - | - 8 561 | - | - 8 561 | - 8 561 | - | - 8 561 |
| 223 | - 34 430 | - 35 251 | 250 206 | 180 748 | 205 835 | 301 | 206 136 |
| - | - | - | 20 089 | 20 089 | 20 089 | - 190 | 19 899 |
| - 457 | - | - | - | - 457 | - 457 | - | - 457 |
| - | - 9 939 | - | - | - 9 939 | - 9 939 | 1 | - 9 938 |
| - 457 | - 9 939 | - | 20 089 | 9 693 | 9 693 | - 189 | 9 504 |
| - | - | - | - 7 578 | - 7 578 | - 9 333 | - | - 9 333 |
| - | - | - | - 1 315 | - 1 315 | - 124 | - | - 124 |
| - | - | - | 1 047 | 1 047 | 1 047 | - | 1 047 |
| - | - | - | - | - | - 1 185 | - | - 1 185 |
| - | - | - | - 7 846 | - 7 846 | - 9 595 | - | - 9 595 |
| - | - | - 80 974 | - | - 80 974 | - 80 974 | - | - 80 974 |
| - 234 | - 44 369 | - 116 225 | 262 449 | 101 621 | 124 959 | 112 | 125 071 |

Notes to the Consolidated Financial Statements

1. General information

Gurit Holding AG, incorporated in Wattwil, Switzerland (“the Company”), and its subsidiaries (together “the Group”) are specialized in the development and manufacture of advanced composite materials, related technologies, and selected finished parts and components. The comprehensive product range comprises fiber-reinforced prepregs, structural core products (man-made materials and balsa wood), gel coats, adhesives, resins, and consumables.

The bearer shares of Gurit Holding AG are listed on SIX Swiss Exchange; the registered shares are mostly in firm hands and are not listed.

These consolidated financial statements were signed off by the Board of Directors on February 25, 2019, for publication. The Annual General Meeting of Shareholders, scheduled for April 9, 2019, will vote on these consolidated financial statements.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Gurit Holding AG have been prepared in accordance with the complete set of Swiss GAAP FER. They comply with the complementary recommendation for listed companies (Swiss GAAP FER 31) and are in conformity with the Swiss law and the requirements of the SIX Swiss Exchange. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of securities (including derivative financial instruments) at fair value through profit or loss. All financial information included in the consolidated financial statements and notes to the consolidated financial statements are presented in Swiss francs and rounded to the nearest thousand, unless otherwise stated.

2.1.1 Gross Profit

Gross profit represents net sales less cost of goods sold and is used internally as a key performance indicator for the Group.

2.2 Discontinued Operations: Automotive components business

At December 19, 2018, Gurit announced its decision to restructure the Composite Components business, by transferring the production of automotive body panel parts (components) from the UK (Isle of White) to Gurit Hungary and the subsequent closure of the UK based production. Furthermore a sales process has been initiated with the aim to divest the automotive business. In 2018, discontinued operations generated net sales of CHF 14 728 000 (2017: CHF 20 515 000) and an operating loss of CHF 16 773 000 (2017: CHF 963 000). The operating loss in 2018 includes restructuring and impairment charges of CHF 1 683 000 and CHF 4 613 000, respectively (see note 5).

The Composite Engineering business, which currently forms part of the Composite Components business unit, will however remain with the Gurit Group. Discontinued operations, as separately disclosed in the consolidated income statement, encompasses the automotive components business of Gurit, with its two sites in UK and Hungary.

2.3 Consolidation

2.3.1 Changes in the scope of consolidation

As at October 15, 2018 Gurit Holding AG acquired all shares in JSB Holding ApS in Denmark (later renamed to Gurit Kitting Holding ApS).

As at September 1, 2017, the newly founded and fully owned subsidiary Gurit Tooling (Americas) Inc. in Canada acquired the business of PH Windsolutions Inc. and Gurit Holding AG acquired all the shares in PH Windsolutions BV in the Netherlands. The latter was renamed Gurit Tooling (Netherlands) BV. In addition, with effect from October 13, 2017, the Group founded the new subsidiary PT. Gurit Parta Balsa in Indonesia together with a domestic partner. The Group holds an ownership interest of 55% in this new subsidiary. Further details on the business acquisitions and the subsidiaries of the Group are disclosed in notes 25 and 28. As at December 21, 2018 Gurit Holding divested all shares in Gurit (Qingdao) Composite Material, China. Further details on the business divestment is disclosed in note 26.

2.3.2 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the business acquisitions by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Intangible assets are only recognized if they were already recognized in the balance sheet of the acquired business at the acquisition date. The net assets taken over in an acquisition are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the newly valued net assets taken over is designated as goodwill.

At the date of the acquisition, the acquired goodwill is offset with equity. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is also offset in equity. Subsequent adjustments to any contingent purchase consideration are recorded as an adjustment to the acquisition's cost and to goodwill. Adjustments to the fair values of the acquired net assets are recorded in the income statement in subsequent periods. Intercompany transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the Company's functional and the Group's presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

2.4.3 Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate on the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Fair value adjustments arising out of the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. For the purposes of disclosure of the effects of a theoretical capitalization, goodwill is treated as an asset of Gurit Holding AG and is carried in the Company's functional currency.

The principal exchange rates versus the Swiss franc were as follows:

| | December 31, 2018 | ø 2018 | December 31, 2017 | ø 2017 |
|-------------------------|-------------------|---------------|-------------------|--------|
| 1 US dollar | 0.9840 | 0.9785 | 0.9762 | 0.9845 |
| 1 Euro | 1.1263 | 1.1549 | 1.1695 | 1.1118 |
| 1 British Pound | 1.2533 | 1.3055 | 1.3172 | 1.2683 |
| 1 Canadian dollar | 0.7219 | 0.7550 | 0.7777 | 0.7590 |
| 1 Chinese yuan renminbi | 0.1431 | 0.1480 | 0.1500 | 0.1457 |

2.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of composite materials, composite automotive parts, wind energy core material kits, wind turbine blade mould sets as well as engineering services. Revenue is shown net of value-added tax, returns, rebates, and discounts and after eliminating sales within the Group.

Revenue from the sale of composite materials, composite automotive parts and wind energy core material kits is recognized when the goods have been delivered to the agreed place and when significant risks and rewards of ownership have transferred to the customer in accordance with the agreed Incoterms (International Commercial Terms). The related invoices are usually payable within 60 days on average. Revenue recognition from the sale of the wind-turbine tooling project business is contract-dependent and typically recognized after the customer has inspected the goods at our premises, the so called Factory Acceptance test ("FAT") and upon receipt of such signed FAT acceptance document. Gurit thus applies the

completed contract method of revenue recognition in the tooling business. Payment terms vary by customer and typically consist of several progress payments during the project duration with the majority of payments being received after successful completion of the FAT and the residual payments received after successful passing of the customer Site Acceptance Test ("SAT").

Revenue from engineering services is recognized when the service is completed. The related invoices are usually payable within 60 days at the end of the month.

2.6 Employee benefits

2.6.1 Pension obligations

The obligations of all Group companies in respect of retirement, death, and disability are based on local rules and regulations in the respective countries. With the exception of the Ecuadorian Group companies, the obligation in respect of the pension plans of all Group companies is with a third party pension institution and not with the Group companies.

The two Ecuadorian Group companies are required by law to grant certain retirement benefits. The obligation is exclusively patronal and is provisioned by the Ecuadorian companies without making contributions to any fund. The liability recognized in the balance sheet in respect of these obligations is the fair value of the obligation at the end of the reporting period and is calculated annually by independent actuaries using the projected unit credit method, in line with local law. Changes in the liabilities are recognized as "personnel expense".

2.6.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal termination date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value. Provisions for termination benefits are recorded in the consolidated balance sheet within "provisions".

2.6.3 Share-based compensation

The Group operates different equity-settled share-based compensation schemes, under which the entity receives services from directors and from employees for equity instruments of the Company. The fair value of the services received in exchange for the granting of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

2.7 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets relating to temporary differences and to tax losses are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.8 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either: hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of variability in cash flow for a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 12. Movements on the “hedging reserve” in shareholders’ equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

All of the Group’s derivative financial instruments relate to foreign exchange instruments.

2.8.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

2.8.2 Derivatives accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less.

2.10 Trade receivables

Trade receivables are valued at par value less impairment, if any. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due, according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Furthermore, the Group records a general provision on long overdue, not insured or otherwise secured receivables, that are not covered by specific provisions, as follows: 30% on all balances overdue more than 90 days, 60% on all balances overdue more than 180 days, 80% on all balances overdue more than 270 days and 100% on all balances overdue more than 360 days. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within “other operating expenses”. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “other operating expenses” in the income statement.

2.11 Loans and other receivables

Loans and other receivables are valued at par value less impairment, if any.

2.12 Inventories

Inventories are stated at the lower of average cost price or manufacturing cost and net realizable value. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs, and related production overheads (based on normal operating capacity). Early payment discounts are treated as a deduction of the purchase price. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Plant and equipment: 4 –15 years
- Buildings: 40 – 50 years
- Other tangible assets: 4 –10 years

Any property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.14 Intangible assets

Intangible assets contain patents, land use rights, software, and other intangible assets. They are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives, which for patents, software, and other intangible assets normally do not exceed five years, but can extend to twelve years in exceptional

cases. Land use rights are amortized over 50 years, which represents the period of the use rights. Internally generated intangible assets are not recognized as assets.

2.15 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment, where the Group substantially has all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.17 Payables and Borrowings

Payables and Borrowings are recognized at par value, net of transaction cost incurred.

2.18 Provisions

Provisions for warranties, restructuring costs, legal cases, business acquisition-related earn-outs and others are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Equity

2.19.1 Treasury shares

Where any Group company purchases the Company's equity share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

2.19.2 Goodwill offset in equity

Goodwill represents the excess of the cost of an acquisition over the Group's share of the newly valued net assets taken over. At the date of the acquisition, the acquired goodwill is offset with equity.

For purposes of the disclosure of the effects of a theoretical capitalization, acquired goodwill is amortized over five years and carried at cost less accumulated amortization and impairment losses. Impairment losses on goodwill are not reversed.

In case of a disposal, acquired goodwill offset with equity at an earlier date is considered at original cost to determine the profit or loss recognized in the income statement.

3. Segment information

| In CHF 1000 | 2018 | 2017 |
|------------------------------|----------------|----------------|
| Net sales by segments | | |
| Composite Materials* | 211 124 | 198 932 |
| Kitting | 28 914 | – |
| Tooling | 118 531 | 91 829 |
| Aerospace* | 49 864 | 47 480 |
| Composite Components | 16 911 | 22 264 |
| Total net sales | 425 344 | 360 505 |
| thereof | | |
| Continued operations | 410 616 | 339 990 |
| Discontinued operations | 14 728 | 20 515 |

* Aerospace has been detached from the Business Unit Composite Materials and established as an independent Business Unit in 2018. Prior year net sales figures have been restated accordingly in order to reflect the new structure.

Gurit disclaims the disclosure of segment financial operating results as such disclosure would bear the risk of significant competitive disadvantages. The target markets in which most Business Units operate, are relatively confined market niches and the product offering of these units is relatively homogeneous. Most of the main direct competitors in the markets in which those segments operate are either not stock exchange-listed or do not disclose the relevant comparable segment information. As a result, disclosure of the performance of these segments would lead to significant competitive disadvantages.

| In CHF 1000 | 2018 | 2017 |
|--------------------------------------------|----------------|----------------|
| Net sales by regions of destination | | |
| Europe | 160 071 | 144 678 |
| Asia | 155 574 | 129 113 |
| Americas | 81 005 | 69 416 |
| Rest of the world | 28 694 | 17 298 |
| Total net sales | 425 344 | 360 505 |

4. Personnel expense

| In CHF 1000 | 2018 | 2017 |
|--------------------------------|---------------|---------------|
| Salaries and wages | 78 037 | 66 765 |
| Pension expense | 2 064 | 1 265 |
| Social security expense | 12 061 | 10 633 |
| Other personnel expenses | 7 456 | 5 962 |
| Total personnel expense | 99 618 | 84 625 |

Salaries and wages include share-based compensation in the aggregate amount of CHF 1 047 000 (2017: CHF 1 321 000). The members of the Board of Directors receive a fixed number of bearer shares of the Company as part of their total annual compensation. In accordance with the Group's Share Participation Plan for Management, members of the Executive Committee and the next level of management receive a part of their performance-related compensation in form of Gurit bearer shares. All these shares are subject to a lock-up period of three years. For 2018, the members of the Board of Directors and the Executive Committee and other employees will receive, in aggregate, 1 093 bearer shares (2017: 1 365 bearer shares).

The amount of the share-based compensation was calculated based on a share price of CHF 958 (2017: share price of CHF 968). This corresponds to the average closing share price of the five days actual stock price trading before the date of the nomination and compensation committee meeting on February 15, 2019.

The pension expense is summarized as follows:

Economical benefit / obligation and pension expenses

| In CHF 1000 | Surplus/ (deficit) | Economical share of the Group | | Change to prior year | Contributions accrued | Pension benefit expenses within personnel expense | |
|----------------------------------------------|-----------------------|-------------------------------|---------------|-------------------------|--------------------------|------------------------------------------------------|--------------|
| | Dec. 31, 2018 | Dec. 31, 2018 | Dec. 31, 2017 | | | 2018 | 2017 |
| Patronage pension unfunded | - 450 | - 450 | - 338 | - 112 | 112 | 112 | - 148 |
| Pension institutions without surplus/deficit | - | - | - | - | - | 1 952 | 1 413 |
| Pension institutions with surplus | - | - | - | - | - | - | - |
| Pension institutions with deficit | - | - | - | - | - | - | - |
| Pension institutions without own assets | - | - | - | - | - | - | - |
| Total | - 450 | - 450 | - 338 | - 112 | 112 | 2 064 | 1 265 |

During 2018 and 2017, the Group did not have any employer contribution reserves.

5. Other operating expense

| In CHF 1000 | Note | 2018 | 2017 |
|---------------------------------------------------------|--------|--------------|-------|
| Change in provision for impairment of trade receivables | 13 | - 1 316 | 3 077 |
| Restructuring expenses | 21 | 2 439 | 1 702 |
| Impairment charges/reversals, net | 16, 17 | 4 657 | 769 |
| Other operating expenses | | 258 | 423 |
| Total other operating expense | | 6 038 | 5 971 |

In connection with the Automotive components business restructuring and divestment (see note 2.2), the Group recorded restructuring expenses of CHF 1 683 000 and impairment charges of CHF 4 613 000.

6. Finance expense

| In CHF 1000 | 2018 | 2017 |
|------------------------------|--------------|-------|
| Interest expense | 728 | 532 |
| Exchange rate losses | 2 560 | 2 531 |
| Other finance expenses | 499 | 366 |
| Total finance expense | 3 787 | 3 429 |

7. Finance income

| In CHF 1000 | 2018 | 2017 |
|-----------------------------|--------------|-------|
| Interest income | 402 | 209 |
| Exchange rate gains | 2 605 | 1 529 |
| Total finance income | 3 007 | 1 738 |

8. Extraordinary expense

A Swiss real estate property formerly owned and operated by Gurit is subject to environmental investigation by the authorities. The remediation of the identified contamination is expected to require a substantial amount of economic resources. As at the date of Gurit's financial statements 2017, the range of the financial impact could not be assessed, the interim results of the investigations were inconsistent and Gurit Management was of the opinion that the environmental contamination had not been caused by Gurit. Accordingly, Gurit had not recorded any provision but had disclosed this matter as a contingent liability in its financial statements 2017. The range of the full financial impact of the remediation can still not be assessed. However, based on the current status of negotiation with the respective authorities, Gurit believes that an amount of CHF 980 000 will be required for Gurit to settle its liability. Therefore, a provision in this amount has been recognized in 2018. This claim dates back to a contamination, which had occurred more than 40 years ago, nearby a property, which had been sold by Gurit more than forty years ago. Management regards this as a very rare case of an environmental claim. Accordingly, the provision expense has been classified as an extraordinary item in the consolidated income statement.

9. Income tax expense

| In CHF 1000 | Note | 2018 | 2017 |
|--------------------------------------|------|--------------|--------------|
| Deferred income tax (credit)/expense | 20 | - 2 177 | 2 256 |
| Current income tax expense | | 9 097 | 7 090 |
| Total income tax expense | | 6 920 | 9 346 |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities, as follows:

| In CHF 1000 | 2018 | 2017 |
|---------------------------------------------------------------------|--------------|--------------|
| Profit before tax | 26 819 | 34 247 |
| Tax expense at the weighted average tax rate of 20.0% (2017: 19.5%) | 5 364 | 6 686 |
| Utilization of previously unrecognized tax losses | - 383 | - 163 |
| Tax losses for which no deferred income tax asset was recognized | 2 367 | 1 134 |
| Not recoverable withholding taxes | - 478 | 2 088 |
| Recognition of previously unrecognized deferred tax assets | - 1 534 | - 789 |
| Expenses not deductible for tax purposes | 1 969 | 672 |
| Adjustment in respect of prior years | 11 | - 185 |
| Effect of tax concessions | - 340 | - 372 |
| Others | - 56 | 275 |
| Income tax expense recognized in profit or loss | 6 920 | 9 346 |

10. Earnings per share

Basic and diluted earnings per share are calculated on the basis of the profit for the year attributable to shareholders of Gurit and the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares. The calculation takes into account the different par values of the bearer and registered shares. The Company does not have any categories of potentially dilutive ordinary shares.

| | 2018 | 2017 |
|--------------------------------------------------------------------------------|---------------|---------------|
| Profit for the year attributable to shareholders of Gurit (in CHF 1000) | 20 089 | 24 932 |
| Weighted average number of shares in issue during the year | | |
| Bearer shares | 419 710 | 419 626 |
| Registered shares | 239 795 | 239 795 |
| Basic and also diluted earnings per share (in CHF) | | |
| Bearer shares (par value of CHF 50) | 42.96 | 53.32 |
| Registered shares (par value of CHF 10) | 8.59 | 10.66 |

11. Distribution to shareholders

In accordance with the resolution of the Annual General Meeting of Shareholders held on April 17, 2018, an amount of CHF 9 360 000 has been distributed to the shareholders on April 24, 2018. The details of the distributed amount are presented in the table below.

| In CHF | per registered share | per bearer share | Total |
|---------------------------------------------------------|----------------------|------------------|------------------|
| Distribution out of reserves from capital contributions | 0.75 | 3.75 | 1 755 000 |
| Dividend distribution | 3.25 | 16.25 | 7 605 000 |
| Total Distribution | 4.00 | 20.00 | 9 360 000 |

In 2017, a distribution out of reserves from capital contributions in the amount of CHF 9 360 000 (CHF 4.00 per registered share and CHF 20.00 per bearer share) was paid to the shareholders.

The distribution to be proposed at the Annual General Meeting on April 9, 2019 is presented in the table below. These financial statements do not reflect this distribution payable.

| In CHF | per registered share | per bearer share | Total |
|---------------------------|----------------------|------------------|------------------|
| Dividend distribution | 4.00 | 20.00 | 9 360 000 |
| Total Distribution | 4.00 | 20.00 | 9 360 000 |

12. Derivative financial instruments

| In CHF 1000 | 2018 | | 2017 | |
|------------------------------------------------------------------------------------|-----------|--------------|------------|-------------|
| | Assets | Liabilities | Assets | Liabilities |
| Cash flow hedges, categorized as derivatives used for hedging | – | – 133 | 373 | – |
| Cash flow hedges, categorized as derivatives at fair value through profit and loss | 58 | – 338 | 358 | – 4 |
| Total derivative financial instruments | 58 | – 471 | 731 | – 4 |
| Whereof | | | | |
| Current portion | 58 | – 471 | 731 | – 4 |
| Non-current portion | – | – | – | – |

13. Trade receivables

| In CHF 1000 | 2018 | 2017 |
|--------------------------------|----------------|---------------|
| Trade receivables | 116 934 | 78 218 |
| Less: provision for impairment | – 3 736 | – 5 326 |
| Trade receivables, net | 113 198 | 72 892 |

| In CHF 1000 | 2018 | 2017 |
|-------------------------------------|----------------|---------------|
| Aging of trade receivables | | |
| Not due | 96 536 | 60 598 |
| Overdue 1-15 days | 7 762 | 4 990 |
| Overdue 16-30 days | 3 659 | 1 615 |
| Overdue more than 30 days | 8 977 | 11 015 |
| Total trade receivables | 116 934 | 78 218 |
| Less: provision for impairment | – 3 736 | – 5 326 |
| Total trade receivables, net | 113 198 | 72 892 |

| In CHF 1000 | 2018 | 2017 |
|--------------------------------------------------|--------------|--------------|
| Movements on the provision for impairment | | |
| Balance at January 1 | 5 326 | 2 118 |
| Provision for receivables impairment | 324 | 3 260 |
| Receivables written off as uncollectible | – 74 | – 75 |
| Unused amounts reversed | – 1 640 | – 183 |
| Exchange differences | – 200 | 206 |
| Balance at December 31 | 3 736 | 5 326 |

| In CHF 1000 | 2018 | 2017 |
|--------------------------------------|----------------|---------------|
| Trade receivables by currency | | |
| US dollar | 30 327 | 25 135 |
| British pound | 2 219 | 1 377 |
| Euro | 40 221 | 21 069 |
| Chinese yuan renminbi | 39 890 | 24 712 |
| Others | 541 | 599 |
| Total trade receivables, net | 113 198 | 72 892 |

14. Other receivables

| In CHF 1000 | 2018 | 2017 |
|--------------------------------|---------------|---------------|
| Other receivables | 10 624 | 7 999 |
| Loans | 3 035 | 2 426 |
| Total other receivables | 13 659 | 10 425 |
| Whereof | | |
| Current portion | 12 240 | 8 274 |
| Non-current portion | 1 419 | 2 151 |

15. Inventories

| In CHF 1000 | 2018 | 2017 |
|-------------------------------|---------------|---------------|
| Raw materials | 36 411 | 28 227 |
| Work in progress | 12 893 | 7 568 |
| Semi-finished goods | 8 002 | 7 778 |
| Finished goods | 20 291 | 20 730 |
| Total inventories | 77 597 | 64 303 |
| Less: inventory provision | - 4 454 | - 3 301 |
| Total inventories, net | 73 143 | 61 002 |

16. Property, plant and equipment

| In CHF 1000 | Note | Plant and equipment | Real estate | Equipment under construction | Other tangible assets | Total property, plant and equipment |
|-------------------------------------|------|---------------------|---------------|------------------------------|-----------------------|-------------------------------------|
| Cost | | | | | | |
| Balance at January 1, 2017 | | 125 428 | 48 998 | 1 163 | 2 288 | 177 877 |
| Additions | | 2 777 | 666 | 6 954 | 321 | 10 718 |
| Business acquisition | 25 | 571 | – | – | 182 | 753 |
| Disposals | | – 6 226 | – | – 165 | – 51 | – 6 442 |
| Reclassifications | | 1 361 | – | – 1 361 | – | – |
| Exchange differences | | 4 891 | 1 007 | 243 | 73 | 6 214 |
| Balance at December 31, 2017 | | 128 802 | 50 671 | 6 834 | 2 813 | 189 120 |
| Additions | | 7 322 | 3 148 | 3 422 | 256 | 14 148 |
| Business acquisition | 25 | 14 018 | 2 298 | 1 541 | 265 | 18 122 |
| Business divestment | 26 | – 7 700 | – 1 743 | – 111 | – | – 9 554 |
| Disposals | | – 3 679 | – 59 | – 61 | – 115 | – 3 914 |
| Reclassifications | | 3 923 | 2 736 | – 6 695 | 36 | – |
| Exchange differences | | – 5 501 | – 1 818 | – 174 | – 138 | – 7 631 |
| Balance at December 31, 2018 | | 137 185 | 55 233 | 4 756 | 3 117 | 200 291 |
| Accumulated depreciation | | | | | | |
| Balance at January 1, 2017 | | 85 256 | 17 899 | – | 1 742 | 104 897 |
| Depreciation charges | | 7 496 | 1 248 | – | 223 | 8 967 |
| Impairment charges | | 769 | – | – | – | 769 |
| Disposals | | – 5 633 | – | – | – 47 | – 5 680 |
| Exchange differences | | 3 312 | 387 | – | 49 | 3 748 |
| Balance at December 31, 2017 | | 91 200 | 19 534 | – | 1 967 | 112 701 |
| Depreciation charges | | 8 529 | 1 376 | – | 383 | 10 288 |
| Impairment charges | | 3 908 | 434 | – | – | 4 342 |
| Impairment reversals | | – 14 | – | – | – | – 14 |
| Business divestment | 26 | – 5 973 | – 876 | – | – | – 6 849 |
| Disposals | | – 3 465 | – 59 | – | – 105 | – 3 629 |
| Reclassifications | | 19 | – 33 | – | 14 | – |
| Exchange differences | | – 3 833 | – 640 | – | – 77 | – 4 550 |
| Balance at December 31, 2018 | | 90 371 | 19 736 | – | 2 182 | 112 289 |
| Net book values | | | | | | |
| Balance at January 1, 2017 | | 40 172 | 31 099 | 1 163 | 546 | 72 980 |
| Balance at December 31, 2017 | | 37 602 | 31 137 | 6 834 | 846 | 76 419 |
| Balance at December 31, 2018 | | 46 814 | 35 497 | 4 756 | 935 | 88 002 |

Additions in 2017 include in-kind contributions of CHF 335 000 by minority shareholders into the newly founded Indonesian subsidiary.

Impairment 2018

In connection with the restructuring and divestment of the Automotive components business (see note 2.2), the Group recorded impairment charges of CHF 4 613 000. Other minor impairment charges of CHF 44 000 relate to other business units.

Impairment 2017

Due to the continued decline of the wind energy prepreg market and the overall demand for marine, industrial and automotive prepreg the Group had decided in October 2017 to transfer its UK prepreg business to its Spanish prepreg production facility by summer 2018. Certain equipment had been transferred to Spain but certain assets in UK were no longer in use. Accordingly, the Group had recorded a respective impairment charge of CHF 769 000. In connection with this transfer, the Group had also recorded a restructuring charge in the amount of CHF 1 702 000, relating to the reduction in staff in UK.

Furthermore, during 2017, one of the Group's subsidiary within the Business Unit Composite Materials had experienced a sudden and significant sales decline as a consequence of the new rules in governmental wind power tendering in India. Management had therefore performed an impairment test on the carrying value of the fixed assets of this subsidiary, amounting to CHF 3 500 000 and had concluded that no impairment charge was required as the estimated recoverable amount exceeded the carrying value.

Non-cash transaction

Additions in property, plant and equipment include a purchase in the amount of CHF 1 105 000, which was financed with a non-current loan.

Assets under Finance Lease

Property, plant and equipment include assets under finance lease of CHF 1 206 000 (2017: CHF 0).

17. Intangible assets

| In CHF 1000 | Note | Patents and trademarks | Land use rights | Software and other intangibles | Total intangible assets |
|-------------------------------------|------|---------------------------|--------------------|--------------------------------------|-------------------------------|
| Cost | | | | | |
| Balance at January 1, 2017 | | 3 784 | 3 109 | 6 846 | 13 739 |
| Additions | | 269 | – | 1 041 | 1 310 |
| Business acquisition | 25 | – | – | 70 | 70 |
| Disposals | | – | – | – 147 | – 147 |
| Exchange differences | | 170 | 70 | 320 | 560 |
| Balance at December 31, 2017 | | 4 223 | 3 179 | 8 130 | 15 532 |
| Additions | | 367 | – | 777 | 1 144 |
| Business acquisition | 25 | – | – | 662 | 662 |
| Business divestment | 26 | – | – 231 | – 28 | – 259 |
| Disposals | | – | – | – 145 | – 145 |
| Exchange differences | | – 242 | – 145 | – 356 | – 743 |
| Balance at December 31, 2018 | | 4 348 | 2 803 | 9 040 | 16 191 |
| Accumulated amortization | | | | | |
| Balance at January 1, 2017 | | 2 535 | 448 | 5 000 | 7 983 |
| Amortization charge | | 238 | 63 | 789 | 1 090 |
| Disposals | | – | – | – 147 | – 147 |
| Exchange differences | | 109 | 12 | 233 | 354 |
| Balance at December 31, 2017 | | 2 882 | 523 | 5 875 | 9 280 |
| Amortization charges | | 263 | 63 | 974 | 1 300 |
| Impairment charges | | – | – | 329 | 329 |
| Business divestment | 26 | – | – 50 | – 23 | – 73 |
| Disposals | | – | – | – 145 | – 145 |
| Exchange differences | | – 174 | – 24 | – 279 | – 477 |
| Balance at December 31, 2018 | | 2 971 | 512 | 6 731 | 10 214 |
| Net book values | | | | | |
| Balance at January 1, 2017 | | 1 249 | 2 661 | 1 846 | 5 756 |
| Balance at December 31, 2017 | | 1 341 | 2 656 | 2 255 | 6 252 |
| Balance at December 31, 2018 | | 1 377 | 2 291 | 2 309 | 5 977 |

18. Borrowings

| In CHF 1000 | up to 1 year | 1 to 5 years | Total | annual average interest rates in % |
|-------------------------|---------------|---------------|----------------|------------------------------------|
| 2018 | | | | |
| Bank overdrafts | 5 204 | – | 5 204 | 1.1 |
| Bank loans | 40 643 | 80 063 | 120 706 | 0.8 |
| Other loans | – | 1 112 | 1 112 | 3.3 |
| Finance lease | 322 | 928 | 1 250 | 2.1 |
| Total borrowings | 46 169 | 82 103 | 128 272 | |
| 2017 | | | | |
| Bank overdrafts | 984 | – | 984 | 2.3 |
| Bank loans | 10 900 | – | 10 900 | 0.6 |
| Total borrowings | 11 884 | – | 11 884 | |

In 2018, there were no secured bank borrowings except for finance lease.

In 2017, there were no secured bank borrowings included in total borrowings.

Committed credit facilities

As at December 31, 2018, Gurit Holding AG has unsecured committed credit facilities in place in the total amount of CHF 156 126 000. Thereof CHF 117 305 000 was drawn as of 31 December 2018. These credit facilities expire on December 31, 2023 and contractually agreed amortization starts in June 30, 2020, with a total amount of CHF 10 000 000 per semester. As Gurit plans to early repay CHF 37 million of the outstanding balance in 2019, such amount has been classified as current borrowings. However, Gurit has no legal obligation to actually adhere to these planned early repayments. These credit facilities are subject to compliance with agreed covenants regarding a minimum equity ratio and a maximum gross debt to EBITDA ratio. In the current year, Gurit complied with all financial covenants.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| In CHF 1000 | 2018 | 2017 |
|-------------------------|----------------|---------------|
| Currency | | |
| Swiss franc | 69 100 | 10 900 |
| Euro | 55 537 | – |
| US dollar | 2 569 | – |
| British pound | – | 984 |
| Danish krone | 1 066 | – |
| Total borrowings | 128 272 | 11 884 |

19. Accrued liabilities and deferred income

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------------------|---------------|---------------|
| Current income tax liabilities | 3 449 | 1 411 |
| Advance payments from customers | 16 226 | 5 324 |
| Accruals | 21 159 | 19 853 |
| Total accrued liabilities and deferred income | 40 834 | 26 588 |

Accruals include accrued sales rebates, accrued bonus, other payroll related costs and others.

20. Deferred income tax

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------------------|--------------|--------------|
| Deferred income tax assets | 5 942 | 3 958 |
| Deferred income tax (liabilities) | - 4 627 | - 4 739 |
| Deferred income tax assets/(liabilities), net | 1 315 | - 781 |

The movement on the deferred income tax account is as follows:

| In CHF 1000 | Note | 2018 | 2017 |
|-----------------------------------------------|------|--------------|--------------|
| Balance at January 1 | | - 781 | 358 |
| Deferred income tax credit/(expense) | 9 | 2 177 | - 2 256 |
| Tax effect recorded in equity | | 30 | - 95 |
| Deferred tax assets from business acquisition | 25 | 150 | 1 017 |
| Exchange differences | | - 261 | 195 |
| Balance at December 31 | | 1 315 | - 781 |

Tax claims from tax losses carried forward are analysed as follows:

| In CHF 1000 | 2018 | 2017 |
|---------------------------------------------------------|--------------|--------------|
| Recognized tax claims from tax losses carried forward | 1 799 | 1 034 |
| Unrecognized tax claims from tax losses carried forward | 7 667 | 6 996 |
| Total tax claims from tax losses carried forward | 9 466 | 8 030 |

The unrecognized tax losses expire as shown in the table below:

| In CHF 1000 | 2018 | 2017 |
|--------------------------------------|---------------|---------------|
| 0 - 3 years | 3 335 | 4 136 |
| 4 - 6 years | 14 544 | 3 566 |
| Over 6 years | 12 220 | 11 537 |
| No expiry | 12 150 | 13 365 |
| Total unrecognized tax losses | 42 249 | 32 604 |

21. Provisions

| In CHF 1000 | Note | Warranty | Restructuring | Earn-Out Provisions | Other | Total provisions |
|-------------------------------------|------|--------------|---------------|---------------------|--------------|------------------|
| Balance at January 1, 2017 | | 1 370 | – | – | 761 | 2 131 |
| Utilized during the year | | – 170 | – 293 | – | – 683 | – 1 146 |
| Additions | | 1 306 | 1 702 | – | 148 | 3 156 |
| Unused amounts reversed | | – 720 | – | – | – | – 720 |
| Exchange differences | | 45 | 54 | – | 19 | 118 |
| Balance at December 31, 2017 | | 1 831 | 1 463 | – | 245 | 3 539 |
| Utilized during the year | | – 823 | – 2 206 | – | – 903 | – 3 932 |
| Additions | | 982 | 2 831 | – | 1 250 | 5 063 |
| Business acquisition | 25 | – | – | 6 521 | 1 001 | 7 522 |
| Unused amounts reversed | | – 374 | – 392 | – | – 9 | – 775 |
| Unwinding of discount | | – | – | 57 | – | 57 |
| Exchange differences | | – 78 | – 80 | – 139 | 1 | – 296 |
| Balance at December 31, 2018 | | 1 538 | 1 616 | 6 439 | 1 585 | 11 178 |
| Whereof at December 31, 2017 | | | | | | |
| Current portion | | 606 | 1 463 | – | 245 | 2 314 |
| Non-current portion | | 1 225 | – | – | – | 1 225 |
| Whereof at December 31, 2018 | | | | | | |
| Current portion | | 589 | 1 616 | 3 692 | 605 | 6 502 |
| Non-current portion | | 949 | – | 2 747 | 980 | 4 676 |

22. Equity

The issued share capital of the Company consists of 420 000 bearer shares (2017: 420 000 shares) with a par value of CHF 50.00 each and 240 000 registered shares (2017: 240 000 shares) with a par value of CHF 10.00 each. All issued shares are fully paid. The Company has no authorized or conditional capital. The entitlement to dividend payments is based on the par value of the shares, while the voting power is defined by the number of shares.

The Company's statutory or legal reserves that may not be distributed amounted to CHF 4 798 000 at December 31, 2018 (2017: CHF 4 790 000).

Treasury shares:

| In number of shares | 2018 | 2017 |
|-----------------------------------------------|------------|---------|
| Registered shares | | |
| Balance at January 1 | 205 | 205 |
| Balance at December 31 | 205 | 205 |
| Bearer shares | | |
| Balance at January 1 | 93 | 86 |
| Additions at CHF 871 each (2017: CHF 805) | 1 360 | 1 150 |
| Disposals (used for share-based compensation) | - 1 359 | - 1 123 |
| Other disposals | - | - 20 |
| Balance at December 31 | 94 | 93 |

Goodwill from acquisitions

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalization and amortization of goodwill is disclosed below:

| In CHF 1000 | Note | Cost | Accumulated amortization | Theoretical net book value |
|-------------------------------------|------|----------------|--------------------------|----------------------------|
| Balance at January 1, 2017 | | 26 690 | - 26 690 | - |
| Additions | 25 | 8 561 | - | 8 561 |
| Amortization charge | | - | - 561 | - 561 |
| Balance at December 31, 2017 | | 35 251 | - 27 251 | 8 000 |
| Additions | 25 | 80 974 | - | 80 974 |
| Amortization charge | | - | - 5 014 | - 5 014 |
| Balance at December 31, 2018 | | 116 225 | - 32 265 | 83 960 |

Impact on income statement:

| In CHF 1000 | 2018 | 2017 |
|--------------------------------------------------------------------|---------------|--------|
| Profit for the year according to the consolidated income statement | 19 899 | 24 901 |
| Amortization of goodwill | - 5 014 | - 561 |
| Theoretical profit for the year including amortization | 14 885 | 24 340 |

Impact on balance sheet:

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------------------------------------------|----------------|---------|
| Equity according to the balance sheet | 125 071 | 206 136 |
| Theoretical capitalization of goodwill (net book value) | 83 960 | 8 000 |
| Theoretical equity including net book value of goodwill | 209 031 | 214 136 |
| Equity according to balance sheet | 125 071 | 206 136 |
| Equity as % of total assets | 33.8% | 71.1% |
| Theoretical equity including net book value of goodwill | 209 031 | 214 136 |
| Theoretical equity including net book value of goodwill as % of total assets | 46.1% | 71.9% |

23. Contingent liabilities

In connection with the acquisition of PH Windsolutions Inc.'s business on September 1, 2017, a maximum contingent purchase consideration of CAD 6 000 000 (CHF 4 331 000) has been agreed. Thereof a provision of CAD 3 000 000 plus social security has been recognized as at 31 December 2018. As the achievement of the underlying conditions of the remaining amount CAD 3 000 000 (CHF 2 166 000) appears unlikely as of the date of this report, no provision has been recognized.

24. Commitments

Capital expenditures for the purchase of property, plant and equipment contracted for at the balance sheet date but not yet incurred amount to CHF 4 017 000 (2017: CHF 4 645 000).

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------|---------------|--------|
| No later than 1 year | 4 208 | 3 412 |
| Later than 1 year, no later than 5 years | 9 444 | 9 058 |
| Later than 5 years | 3 644 | 5 117 |
| Total commitments | 17 296 | 17 587 |

25. Business acquisition

In 2018, the Group acquired the JSB Group headquartered in Denmark. In addition, an earn-out provision of CHF 2 355 000 has been recognized in connection with the prior year acquisition of PH Windsolutions (see also note 23).

In 2017, the Group acquired the businesses of PH Windsolutions in Canada and in the Netherlands. In addition, the Group founded a new subsidiary in Indonesia together with a partner. See also note 2.3.1. The transactions are summarized as follows:

| In CHF 1000 | Note | 2018 | | 2017 | |
|-----------------------------------------------------|------|---------------|---------------------|---------------|---------|
| | | JSB | PH Windsolutions | Total | Total |
| Cash paid | | 80 011 | – | 80 011 | 12 349 |
| Direct costs related to the acquisitions | | 1 341 | – | 1 341 | 364 |
| Total purchase consideration | | 81 352 | – | 81 352 | 12 713 |
| less: Fair value of net assets acquired | | – 2 102 | 1 724 | – 378 | – 4 152 |
| Goodwill | 22 | 79 250 | 1 724 | 80 974 | 8 561 |
| Cash and cash equivalents | | 2 893 | – | 2 893 | 89 |
| Trade receivables | | 21 719 | – | 21 719 | 1 568 |
| Other receivables | | 2 769 | – | 2 769 | 105 |
| Inventories | | 13 150 | – | 13 150 | 2 592 |
| Deferred income tax assets | 20 | 282 | 631 | 913 | 1 017 |
| Property, plant and equipment | 16 | 18 122 | – | 18 122 | 753 |
| Intangible assets | 17 | 662 | – | 662 | 70 |
| Borrowings | | – 30 835 | – | – 30 835 | – |
| Trade payables | | – 15 484 | – | – 15 484 | – 1 935 |
| Other payables | | – 5 246 | – | – 5 246 | – 107 |
| Deferred income tax liabilities | 20 | – 763 | – | – 763 | – |
| Provisions | 21 | – 5 167 | – 2 355 | – 7 522 | – |
| Total fair value of net assets acquired | | 2 102 | – 1 724 | 378 | 4 152 |
| Purchase consideration settled in cash | | 81 352 | – | 81 352 | 12 713 |
| Less: cash and cash equivalents acquired | | – 2 893 | – | – 2 893 | – 89 |
| Cash outflow on acquisitions during the year | | 78 459 | – | 78 459 | 12 624 |

26. Business divestment

In 2018, the Group divested all shares in its PVC production facility Gurit (Qingdao) Composite Material, China. Gurit decided to discontinue the production of PVC but will continue trading PVC material. See also note 2.3.1. The transaction is summarized as follows:

| In CHF 1000 | Note | 2018 |
|------------------------------------------------|------|--------------|
| Cash and cash equivalents | | 636 |
| Trade receivables | | 214 |
| Other receivables | | 28 |
| Inventories | | 500 |
| Property, plant and equipment | 16 | 2 705 |
| Intangible assets | 17 | 186 |
| Trade payables | | - 133 |
| Other payables | | - 235 |
| Borrowings | | - 4 436 |
| Net liabilities disposed | | - 535 |
| Cash received | | 1 717 |
| Less: Direct costs related to disposal | | - 466 |
| Less: net liabilities disposed | | 535 |
| CTA recycling | | - 142 |
| Gain on sale of net assets | | 1 644 |
| Cash received | | 1 717 |
| Less: Direct costs related to disposal | | - 466 |
| Less: cash and cash equivalents disposed | | - 636 |
| Cash inflow on disposal during the year | | 615 |

27. Subsequent events

No significant events occurred between the balance sheet date and February 25, 2019, the date on which these consolidated financial statements were signed off by the Board of Directors for publication.

28. Subsidiaries

| Company | Activity |
|--------------------------------------------------------|------------------------------------------------------------------------|
| Canada | |
| Gurit Americas Inc., Magog | Production and sales of composite materials |
| Gurit Tooling (Americas) Inc., Montreal | Production and sales of composite process equipment |
| China | |
| JSB Wind Energy (YDF) Co, Ltd, Dafeng | Production and sales of wind energy core material kits |
| JSB Composite (Zhuozhou) Co, Ltd, Zhuozhou | Production and sales of wind energy core material kits |
| Gurit Tooling (Hong Kong) Ltd., Hong Kong | Sales of composite process equipment |
| Gurit (Qingdao) Composite Material Co., Ltd., Qingdao* | Production and sales of composite materials |
| Gurit (Tianjin) Composite Material Co., Ltd., Tianjin | Production and sales of composite materials |
| Gurit Tooling (Taicang) Co., Ltd., Taicang | Production and sales of composite process equipment |
| Denmark | |
| Gurit Kitting Holding ApS, Ringkoebing | Holding company |
| JSB Group A/S, Ringkoebing | Production and sales of wind energy core material kits |
| Ecuador | |
| Balsablock Cia. Ltda., Quevedo | Production of balsa wood core products |
| Gurit Balsaflex, Cia. Ltda., Quevedo | Production of balsa wood core products |
| Germany | |
| Gurit (Kassel) GmbH, Kassel | Production and sales of composite materials |
| Hungary | |
| Gurit (Hungary) Kft, Székesfehérvár | Production of automotive body panels |
| India | |
| Gurit (India) Pvt. Ltd., Pune | Sales of composite materials |
| Indonesia | |
| PT. Gurit Parta Balsa, Probolinggo Java | Production of balsa wood core products |
| Italy | |
| Gurit Italy S.R.L., Volpiano | Production and sales of composite materials |
| Netherlands | |
| Gurit Tooling (Netherlands) BV, Oldenzaal | In liquidation |
| New Zealand | |
| Gurit (Asia Pacific) Ltd., Auckland | Structural engineering, production, and sales of composite materials |
| Poland | |
| Gurit (Poland) Sp.z.o.o., Szczecin | After sales service of composite process equipment |
| JSB Composite (Polska) Sp. Z.o.o., Trzeszczyn | Dormant company |
| Spain | |
| Gurit Balsa, S.L., Girona | Sales of balsa wood core products |
| Gurit Spain S.A., Albacete | Production and sales of composite materials |
| Mecanización de Estructuras Poliméricas S.L.U., Falces | Production and sales of wind energy core material kits |
| Switzerland | |
| Gurit Composite Materials AG, Zurich | Trading of composite materials |
| Gurit Services AG, Zurich | Providing management services |
| Gurit (Zullwil) AG, Zullwil | Production and sales of composite materials |
| Turkey | |
| JSB Izmir Rüzgar Kompozit Limited Sirketi, Izmir | Production and sales of wind energy core material kits |
| United Kingdom | |
| Gurit Composite Components Ltd., Newport | Structural engineering, production and sales of automotive body panels |
| Gurit Material Systems (UK) Ltd., Newport | Holding company |
| Gurit (UK) Ltd., Newport | Production and sales of composite materials |
| USA | |
| Gurit (USA) Inc., Bristol | Sales of composite materials |
| Windkits LLC, Allentown | Production and sales of wind energy core material kits |
| JSB Composite Inc., Allentown | Dormant company |

| Registered capital | Group ownership and voting rights | |
|--------------------|-----------------------------------|--------|
| | 2018 | 2017 |
| CAD 38 626 898 | 100% | 100% |
| CAD 10 000 000 | 100% | 100% |
| CNY 15 772 120 | 100% | 0% |
| CNY 11 947 925 | 100% | 0% |
| HKD 3 000 000 | 100% | 100% |
| – | 0% | 100% |
| CNY 128 856 923 | 100% | 100% |
| CNY 68 559 206 | 100% | 100% |
| DKK 103 258 | 100% | 0% |
| DKK 10 000 000 | 100% | 0% |
| USD 1 000 000 | 99% ** | 99% ** |
| USD 1 500 000 | 99% ** | 99% ** |
| EUR 100 000 | 100% | 100% |
| EUR 12 775 | 100% | 100% |
| INR 3 269 080 | 100% | 100% |
| USD 755 148 | 55% | 55% |
| EUR 10 000 | 100% | 100% |
| EUR 1 | 100% | 100% |
| NZD 6 830 085 | 100% | 100% |
| PLN 2 120 000 | 100% | 100% |
| – | 100% | 0% |
| EUR 1 000 000 | 100% | 100% |
| EUR 1 552 744 | 100% | 100% |
| EUR 682 000 | 100% | 0% |
| CHF 500 000 | 100% | 100% |
| CHF 500 000 | 100% | 100% |
| CHF 500 000 | 100% | 100% |
| TRY 2 000 000 | 100% | 0% |
| GBP 500 000 | 100% | 100% |
| GBP 34 305 957 | 100% | 100% |
| GBP 142 571 | 100% | 100% |
| USD 3 000 | 100% | 100% |
| – | 100% | 0% |
| – | 100% | 0% |

Report of the Statutory Auditor to the General Meeting on the Consolidated Financial Statements 2018

Opinion

We have audited the consolidated financial statements of Gurit Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement for the year ended December 31, 2018, the consolidated balance sheet as at December 31, 2018, the consolidated cash flow statement and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overall Group materiality: CHF 1 700 000

- We concluded full scope audit work at 11 reporting units in 8 countries. Our audit scope addressed over 63% of the Group's revenue and 62% of the Group's assets.
- In addition, specified procedures were performed on a further 4 reporting units in 3 countries representing a further 17% of the Group's revenue and 7% of the Group's assets.

As key audit matter the following area of focus have been identified:

- Impairment assessment of property, plant and equipment
- Business combination

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

| | |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall Group materiality | CHF 1 700 000 |
| How we determined it | 5% of profit before tax excluding the one-off Impairment charges and restructuring expenses regarding the discontinued operations and the non-operating and extraordinary result. |
| Rationale for the materiality benchmark applied | We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark. |

We agreed with the Audit Committee that we would report to them misstatements above CHF 170 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 34 reporting units. We identified 11 reporting units that, in our view, required a full scope audit due to their size or risk characteristics. Specified procedures were also carried out at a further 4 reporting entities to give appropriate coverage of material balances. In order to exercise appropriate direction and supervision of the work of the reporting units' auditors, the Group engagement team conducted a series of conference calls with each of the auditors performing full scope audits. These calls consisted of a detailed planning meeting, an interim meeting and a clearance meeting.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment

Key audit matter

We focused on this area due to the size of property, plant and equipment recognised in the balance sheet (CHF 88.002 million as at 31 December 2018) and because the directors' assessment of the future recoverability of these assets involves judgement regarding the future results of the business.

In particular, we focused our audit work on the valuation of the fixed assets of two legal entities in the Automotive business. After heavy losses in 2018, Gurit Group management decided first to restructure and then to sell the business in 2019. Therefore, the business is disclosed as discontinued operations in the consolidated financial statements (see Note 2.2).

Gurit Group management performed an impairment test on the equity value of the impacted business. Based on Gurit Group management's impairment test, the equity value exceeds the recoverable amount of this business. Accordingly, an impairment charge of CHF 4.6m was recorded. The recoverable amount for the impairment test was determined based on a fair value less costs of disposal calculation.

Significant assumptions were required to determine the fair value less costs of disposal. The value was determined using a projected EBITDA amount after restructuring the business multiplied by an EBITDA multiple. While these assumptions represent Group management's current judgement on future developments and the future selling price, they are subject to risks and uncertainties that could lead actual results to differ materially.

How our audit addressed the key audit matter

We obtained from Gurit Group management the EBITDA projection and explanations as to why they believe the performance of this business will develop in a specific way after the restructuring. We also conducted interviews with Gurit Group management to corroborate these explanations and to obtain an understanding of the specific business and the planned restructuring measures. The procedures allowed us to assess independently whether the EBITDA projection is appropriate. Additionally, the following procedures were performed:

- We used valuation specialists to assess the appropriateness of the EBITDA multiple used for the entity in the Automotive business by comparing it with observable input data such as benchmarks of other similar past transactions.
- Further, we tested the mathematical accuracy and the correctness of the equity value used for the calculation.
- To determine the reliability of management's assumptions, we challenged management's estimates in the budgets by comparing the latest actual results to the budgets and by testing the budgets underlying information, such as improvement initiatives or employee headcount data. Based on these audit procedures, we assessed that Gurit Group management's estimates are generally reasonable and balanced.

On the basis of the procedures performed and the evidence provided, we identified no significant issues with respect to management's impairment calculation of property, plant and equipment.

Business combination

| Key audit matter | How our audit addressed the key audit matter |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As of October 15, 2018, Gurit Group acquired JSB Group for a purchase price of CHF 81.352m. JSB Group, headquartered in Ringkøbing, Denmark, consisting of six operating entities, one holding entity and two dormant entities located in six different countries around the world. The acquired Group has been set up as a new Gurit business unit for kitting solutions.</p> | <p>We focused in our testing of the business combination on the completeness and existence of the opening balance sheet positions and the valuation thereof. Therefore we have assessed management's identification and valuation of the acquired assets and liabilities by performing the following testing procedures:</p> |
| <p>The purchase price allocation related to this acquisition led to goodwill of CHF 79.25m being recognised and, hence, to a total fair value of net assets acquired of CHF 2.1m. At the date of acquisition, the goodwill was fully offset against equity.</p> | <ul style="list-style-type: none"> - To assess the completeness and the existence of the opening balance sheet positions, we performed testing procedures on selected entities of the group. PwC audit teams in China, Spain and Denmark performed these procedures. They included inquiries, tests of details and substantive analytics on assets and liabilities. |
| <p>The identification and the valuation of the acquired assets and liabilities can include judgement and requires estimates by the management.</p> | <ul style="list-style-type: none"> - In addition to the procedures mentioned above, the Group audit team tested further opening balance sheet positions centrally. With our testing procedures, we attained a coverage of more than 80% of the assets and 90% of the liabilities acquired. |
| <p>Due to the materiality of the acquisition and the estimates included in the valuation of the net assets acquired, the business combination is a key audit matter of the 2018 audit.</p> | <ul style="list-style-type: none"> - We performed a thorough inspection of all due-diligence reports of the acquisition to identify existing risks and liabilities that might require a recognition in the opening balance sheet. This allowed us to assess the completeness of the liabilities recorded compared with the expectations based on the review of the reports and inquiries of local management. - We critically assessed the valuation adjustments to the acquired assets and liabilities by comparing the assumptions with business benchmarks or with past performance records of JSB Group. - We verified the technical and mathematical correctness of the calculations made. - We verified the appropriateness of the accounting treatment, to fully offset the goodwill at the date of acquisition against equity, and the disclosure of the business combination in accordance with the requirements of Swiss GAAP FER. |
| | <p>Based on the procedures performed and the evidence provided, we identified no significant issues regarding the completeness, existence and valuation of the acquired assets and liabilities as of 15th October 2018. We have recalculated the resulting goodwill of the acquisition of the JSB Group without differences.</p> |

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



A handwritten signature in black ink, appearing to read 'P. Balkanyi', written in a cursive style.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'K. Domeisen', written in a cursive style.

Kaspar Domeisen

Zurich, February 25, 2019

Income Statement

| In CHF 1000 | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---------------------------------------------------|---------------------------------|---------------------------------|
| Income from investments | 10 667 | 8 513 |
| Finance income | 4 905 | 4 811 |
| Other income | 1 011 | 944 |
| Income from sale of investments | 995 | – |
| Total income | 17 578 | 14 268 |
| Finance expense | – 4 309 | – 2 804 |
| Change in provision for impairment of investments | – | – 3 215 |
| Change in provision on loans to Group companies | – 12 227 | – |
| Stewardship expense | – 2 830 | – 6 975 |
| Administration expense | – 1 232 | – 1 111 |
| Total expenses | – 20 598 | – 14 105 |
| Ordinary result | – 3 020 | 163 |
| Non-recurring expenses | – 980 | – |
| (Loss)/profit before tax | – 4 000 | 163 |
| Tax expense | – 5 | – 5 |
| (Loss)/profit for the year | – 4 005 | 158 |

Balance Sheet

| In CHF 1000 | Note | At December 31, 2018 | At December 31, 2017 |
|----------------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | | 1 373 | 1 843 |
| Other receivables from third parties | | 41 | 223 |
| Other receivables from Group companies | | 1 230 | 747 |
| Loans to Group companies | | 14 305 | 15 009 |
| Current assets | | 16 949 | 17 822 |
| Loans to Group companies | | 79 596 | 58 369 |
| Investments | 2 | 197 026 | 113 963 |
| Non-current assets | | 276 622 | 172 332 |
| Total assets | | 293 571 | 190 154 |
| Liabilities and equity | | | |
| Interest-bearing liabilities third parties | | 37 243 | 10 900 |
| Interest-bearing liabilities Group companies | | 8 793 | 8 915 |
| Other payables due to third parties | | 835 | 76 |
| Other payables due to Group companies | | 1 012 | – |
| Accrued expenses | | 963 | 919 |
| Current liabilities | | 48 846 | 20 810 |
| Interest-bearing liabilities third parties | | 80 585 | – |
| Interest-bearing liabilities Group companies | | 19 188 | 11 999 |
| Provisions | | 980 | – |
| Non-current liabilities | | 100 753 | 11 999 |
| Total liabilities | | 149 599 | 32 809 |
| Share capital | 3 | 23 400 | 23 400 |
| Legal reserves: | | | |
| Reserves from capital contributions | | 81 | 1 836 |
| Other legal reserves | | 4 680 | 4 680 |
| Treasury shares | 4 | – 118 | – 110 |
| Retained earnings | | 115 929 | 127 539 |
| Total equity | | 143 972 | 157 345 |
| Total liabilities and equity | | 293 571 | 190 154 |

Notes to the Financial Statements

1. Accounting Policies

1.1 Basis of preparation

The financial statements of Gurit Holding AG, Wattwil (the 'Company'), have been prepared in accordance with the provisions of Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

The annual average number of full-time equivalents for 2018 and 2017 did not exceed fifty people. The Company has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER). In accordance with the Swiss Code of Obligations the Company decided to forgo presenting additional disclosures as well as a cash flow statement and management report.

1.2 Valuation methods and translation of foreign currencies

All financial assets, including investments, are reported at cost less appropriate write-downs. Treasury shares are recognized at cost and deducted from equity at the time of purchase. If the treasury shares are sold, the gain or loss is recognized through the income statement.

Assets and liabilities denominated in foreign currencies are translated into Swiss francs using year-end rates of exchange, except investments, that are translated at historical rates. Transactions during the year which are denominated in foreign currencies are translated at the exchange rates effective at the relevant transaction dates. Resulting exchange gains and losses are recognized in the income statement with the exception of unrealized gains, which are deferred.

2. Investments

All direct and indirect investments of the Company are listed in note 28 to the Gurit Group's consolidated financial statements.

3. Share capital

The share capital at December 31 consisted of:

| | Number of shares | in % of total | Par value in CHF | Share capital in CHF 1000 | in % of total |
|-------------------|------------------|---------------|------------------|---------------------------|---------------|
| Registered shares | 240 000 | 36 | 10 | 2 400 | 10 |
| Bearer shares | 420 000 | 64 | 50 | 21 000 | 90 |
| Total | 660 000 | 100 | | 23 400 | 100 |

| | Number of shares | in % of total | Par value in CHF | Share capital in CHF 1000 | in % of total |
|-------------------|------------------|---------------|------------------|---------------------------|---------------|
| Registered shares | 240 000 | 36 | 10 | 2 400 | 10 |
| Bearer shares | 420 000 | 64 | 50 | 21 000 | 90 |
| Total | 660 000 | 100 | | 23 400 | 100 |

Regardless of the nominal value, each share is entitled to one vote.
Distributions to shareholders are made in relation to the share capital.

4. Treasury shares

| In number of shares | 2018 | 2017 |
|-----------------------------------------------|------------|---------|
| Registered shares | | |
| Balance at January 1 | 205 | 205 |
| Balance at December 31 | 205 | 205 |
| Bearer shares | | |
| Balance at January 1 | 93 | 86 |
| Additions at CHF 871 each (2017: CHF 805) | 1 360 | 1 150 |
| Disposals (used for share-based compensation) | - 1 359 | - 1 123 |
| Other disposals | - | - 20 |
| Balance at December 31 | 94 | 93 |

5. Contingent liabilities

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------------------------------------------------------------|---------------|--------|
| Guarantees in favor of banks of subsidiaries, as security for bank loans of these subsidiaries | 2 253 | 2 334 |
| Guarantees in favor of customers of subsidiaries, as warranty security | 7 572 | 1 546 |
| Guarantees in favor of banks of the Group, in respect to credit frame agreements of the Group | 34 586 | 38 228 |

Furthermore, the Company has a contingent liability in connection with a business acquisition. This matter is further explained in note 23 to the Gurit Group's consolidated financial statements.

6. Silent reserves

| In CHF 1000 | 2018 | 2017 |
|----------------------------|----------|-------|
| Release of silent reserves | – | 9 683 |

7. Significant shareholders

| In percentage of all voting rights (all above 3%) | 2018 | 2017 |
|-----------------------------------------------------------------|--------|--------|
| Huwa Finanz- und Beteiligungs AG, Heerbrugg (registered shares) | 33.33% | 33.33% |
| Martin Bisang, Küssnacht | 10.00% | 5.30% |
| Alantra EQMC Asset Management SGIIC SA, Madrid, Spain | 5.02% | – |
| Robert Heberlein, Zumikon | 4.59% | 4.59% |

8. Board and Executive shareholdings

| In number of shares | 2018 | |
|---------------------------------------------------|--------------------------------|-----------------------------------------|
| | Bearer shares held at year-end | Bearer shares allocated during the year |
| Board of Directors | | |
| Peter Leupp (Chairman) | 516 | 50 |
| Stefan Breitenstein (member) | 166 | 25 |
| Nick Huber (member) | 426 | 25 |
| Urs Kaufmann (member) | 381 | 25 |
| Peter Pauli (member) | 396 | 25 |
| Total Board of Directors | 1 885 | 150 |
| Executive Committee | | |
| Rudolf Hadorn (CEO) | 1 730 | 360 |
| Damian Bannister (member until October 31, 2018) | 185 | 60 |
| Emiliano Frulloni (member since November 1, 2018) | – | – |
| Stefan Gautschi (member) | 155 | 60 |
| Hannes Haueis (member) | 155 | 60 |
| Angelo Quabba (member) | 155 | 60 |
| Total Executive Committee | 2 380 | 600 |
| Total Management participation | 4 265 | 750 |
| | | |
| In number of shares | 2017 | |
| | Bearer shares held at year-end | Bearer shares allocated during the year |
| Board of Directors | | |
| Peter Leupp (Chairman) | 466 | 42 |
| Stefan Breitenstein (member) | 141 | 21 |
| Nick Huber (member) | 401 | 21 |
| Urs Kaufmann (member) | 356 | 21 |
| Peter Pauli (member) | 371 | 21 |
| Total Board of Directors | 1 735 | 126 |
| Executive Committee | | |
| Rudolf Hadorn (CEO) | 2 070 | 300 |
| Damian Bannister (member until October 31, 2018) | 168 | 50 |
| Stefan Gautschi (member) | 95 | 50 |
| Hannes Haueis (member) | 95 | 50 |
| Angelo Quabba (member) | 95 | 50 |
| Total Executive Committee | 2 523 | 500 |
| Total Management participation | 4 258 | 626 |

Proposal of the Board of Directors for the Appropriation of Available Earnings

Appropriation of available earnings as proposed by the Board of Directors

| In CHF 1000 | 2018 | 2017 |
|------------------------------------------------------------------|----------------|---------|
| Retained earnings carried forward from previous year | 119 934 | 127 381 |
| Net profit for the year | – 4 005 | 158 |
| Retained earnings available to the Annual General Meeting | 115 929 | 127 539 |
| Dividend distribution | – 9 360 | – 7 605 |
| To be carried forward | 106 569 | 119 934 |

If this proposal is approved by the Annual General Meeting on April 9, 2019, the distributions will be made as follows:

CHF 4.00 in total per registered share
 CHF 20.00 in total per bearer share

The dividend distribution is payable on submission of voucher number 39.

Report of the Statutory Auditor to the General Meeting on the Financial Statements

Opinion

We have audited the financial statements of Gurit Holding AG, which comprise the balance sheet as at December 31, 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at December 31, 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

| | |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall materiality | CHF 1 450 000 |
| How we determined it | 0.5% of total assets |
| Rationale for the materiality benchmark applied | We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Holding Company is most commonly measured, and is a generally accepted benchmark for Holding Companies. |

We agreed with the Audit Committee that we would report to them misstatements above CHF 145 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



A handwritten signature in black ink, appearing to read 'P. Balkanyi', written in a cursive style.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'K. Domeisen', written in a cursive style.

Kaspar Domeisen

Zurich, February 25, 2019

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Thomas Nauer, Group Communications / Investor Relations

This Annual Report contains forward-looking statements that include risks and uncertainties regarding the future global developments that cannot be influenced by the Company.

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