

annual
report
2016

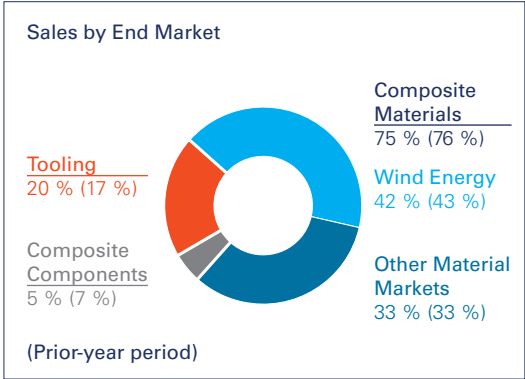
Gurit – Delivering the Future of Composite Solutions

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

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Gurit achieves improved operating profit margin of 10.5 % and stable net sales in 2016, despite a wind energy market decline of 14 % compared to the 2015 record year and lower project realizations in the marine and industrial sectors



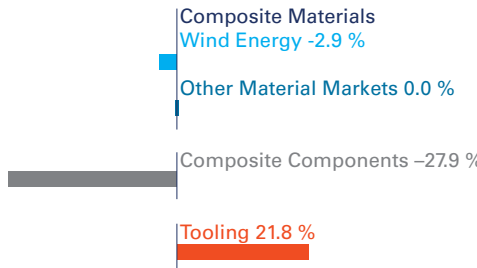
Key Figures Consolidated Income Statement 2016 (in CHF million)

Net sales	352.0
Operating profit	36.8
Net profit	26.0

Key Figures Consolidated Balance Sheet (in CHF million)

	31.12.2016	31.12.2015
Total assets	249.1	251.2
thereof Current assets	166.6	166.5
Total liabilities	58.3	71.8
thereof Current liabilities	54.7	66.5
Equity	190.8	179.5
Equity ratio	76.6 %	71.4 %

Sales Dynamics 2016 over 2015 (at constant rates)



Business and Financial Review

Key Figures

Amounts in million CHF	2016	2015	+/- %
Net sales	352.0	359.4	- 2.1 %
EBITDA	48.6	42.6	14.0 %
EBITDA margin	13.8 %	11.8 %	
EBIT	36.8	33.0	11.5 %
EBIT margin	10.5 %	9.2 %	
Operating profit	36.8	33.0	11.5 %
Operating profit margin	10.5 %	9.2 %	
Profit for the year	26.0	22.6	15.2 %
Return on net assets (RONA)	16.1 %	13.7 %	
Net cash flow from operating activities	37.9	37.2	1.9 %
Capital expenditures	10.5	16.7	- 37.3 %
Net cash	37.2	20.4	82.4 %
Equity in % of total assets	76.6 %	71.4 %	
Number of full-time equivalents at December 31	2 156	2 094	
Average number of full-time equivalents	2 152	2 101	
Earnings per bearer share	CHF 55.64	CHF 48.24	-
Distribution per bearer share (proposed/resolved)	CHF 20.00	CHF 15.00	33.3 %
Market capitalization at December 31	378.6	265.8	42.4 %

Gurit with significantly improved profitability and stable revenues despite a challenging economic environment

Dear Shareholders

Gurit proved its strength in 2016. The Company was able to achieve the best operating profit margin in more than 15 years and successfully managed to generate stable net sales results.

This underscores that the Company's product offering, market presence and regional distribution are much more balanced now – considering the decline of newly installed wind capacity by -14 percent globally, by -24 % in China, and lower project realizations in the marine and industrial sectors.

Against these challenges, Gurit generated currency-adjusted growth of 0.3 % in net sales and significantly improved its profitability. By achieving an operating profit margin of 10.5 % of net sales, Gurit substantiated its profitability target for the second consecutive year.

For 2017, our objectives are to achieve single-digit revenue growth and to continue to score within our mid-term profitability target range of 8-10 % operating profit margin.



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

Strategy Deployment

Proceeding on its mid-term corporate strategy to develop the wind, aero and automotive businesses with priority, Gurit further refined its organizational setup and product offering over the course of 2016. Key projects contributing to an even stronger global footprint included the successful completion of the balsa wood production expansion in Ecuador and China and start of a European production site in Poland for the Tooling business. With regard to the Company's acquisitive growth targets, the acquisition of BASF's PET structural foam business in Italy added a European-based PET production capacity to its global manufacturing network, further improving customer proximity as well as product and production knowledge.

In the Composite Materials Business Unit, constant advancement of the Company's global core materials offering further progressed according to schedule. The setup of Balsa wood sourcing and production in APAC to better serve local demand was successfully completed in 2016 adding to the existing sourcing and production setup in Ecuador. Smaller additions to the established PET and PVC product ranges were conducted and process improvements for Corecell™ production were initiated to support future growth potential. Despite a weaker demand from the wind energy industry in China, good overall utilization of factories was achieved and contributed to a higher profitability level alongside with the ongoing improvement programs. As announced, Gurit launched two new automotive materials to facilitate adoption of advanced composite materials in the automotive industry. In the aerospace business, Gurit successfully renewed supply contracts for aircraft interior materials for Airbus planes. Material qualification with another major aircraft manufacturer though was further delayed and could not be concluded in 2016 as planned. The Company remains confident that it can successfully complete the necessary qualification steps and to seize the promising mid-term revenue potential from this qualification.

In the Composite Components Business Unit, manual car-part production for the super-premium segment at the Composite Components technology center in the UK continued to suffer from the regular contract expirations over the course of 2015. On the other hand, setup of the semiautomatic automotive body panels production in Hungary was completed successfully at the beginning of 2016. Series production of automotive body panels with the Company's proprietary and patented press technology for a major OEM program was successfully started, demonstrating proof of concept for the programs on hand as well as for the manufacturing concept as such. Revival of the overall project pipeline since year-end 2015 also led to another four-year automotive body panel supply contract at a total value of around CHF 15 million to start in June 2018 as announced. In addition, Gurit Composite Components is participating in current tenders to further improve steady capacity utilization of its manufacturing site in Hungary.

In Tooling, the expansion of the production site in Taicang, China was completed at the beginning of the year and a wind blade mould production facility in Poland was opened at the end of 2016 to improve proximity to European customers and enable even faster delivery times. The strategic expansion of offerings to the wind energy market through complementary metal structure products for the transport, turning and lifting of wind turbine blades in 2016 was hampered by the continued extraordinary strong utilization level of the factories for the production of wind turbine blade moulds.

Capital investments in 2016 were lower compared to the large investment program in 2015. Among the major projects were the construction completion of an additional big assembly building composed of three bays on the Company's Tooling premises in Taicang, China to increase capacity. Moreover, Gurit completed the balsa wood capacity expansion project in Ecuador and the setup of balsa wood production in Tianjin, China to better address demand in the Asia-Pacific region.

Research and Development

Gurit serves the market with a wide portfolio of advanced composite materials, select composite components and tooling for wind blade moulds. As a consequence, the Company's R&D efforts are equally targeted at product innovation and process development. Overall, investment in R&D was 4 % higher in 2016 than in the previous year. In 2016, both product improvements and new products were brought to the market. With Smartcure™ and Prime™ 180, two new automotive products were successfully launched in 2016. The global R&D teams also continued to refine product properties and production processes for the Company's synthetic structural core materials (PET, PVC, Corecell™). In the Composite Components business, new materials were tested with the target to further improve cost efficiency for the semiautomatic production of car body panels. R&D efforts in the Tooling business mainly related to even higher wind blade mould surface quality to create even more value for customers worldwide. For 2017, Gurit intends to utilize the product and process knowledge gained from the PET acquisition to further improve its PET product range. Moreover, a clear focus is placed on innovation and quality.

Market Environment and Demand Situation

Following the 2015 record year with wind energy cumulating in a total of 63.6 gigawatts (GW) of newly installed capacity, 2016 was anticipated to become another good year for the global wind energy industry yet on a much lower growth level. In particular China was predicted to see order backlogs and lower installation rates from the record level of 30.5 GW of newly installed capacity in 2015. Looking back, 2016 turned out to become what the Global Wind Energy Council (GWEC) calls a "rollercoaster year" for the global wind energy industry. In total, 54.6 GW of new capacity were installed globally in 2016

according to GWEC. This represents a decrease of 14.2% compared to 2015. In China, newly installed capacity decreased by 23.6% to 23.3 GW in 2016 from 30.5 GW in 2015 according to GWEC.

For Gurit, the decline in newly installed wind power capacity, in particular in China, presented a challenge to the Company's composite materials business. The impact of the adverse order situation could, however, be contained and did not unfold in the full magnitude of the double-digit market contraction. In total, the demand shortfall resulted in a 4.1% decrease (currency-adjusted: -2.9%) in materials sales to the global wind energy industry. Composite materials sales to the wind energy market accounted for 42% of total Group sales in 2016 as compared to 43% in 2015. Less prone to the cyclicity of new installed capacity, Gurit Tooling was able to report yet another record year with a 16.9% increase (currency-adjusted: 21.8%) in net sales as customers continued to pre-invest into longer blades and related wind blade moulds.

In the aerospace business, the continued fleet growth and concomitant increase in aircraft production and deliveries had a positive impact on the Company's demand situation. Furthermore, development of new material for the industry several years ago started to bear fruit resulting in positive double digit growth in 2016 as compared to 2015. Among the accomplishments of the Company in the course of the year was the renewal of another mid-term supply contract for aircraft interior materials with a leading cabin supplier for all Airbus planes. The ongoing material qualification program with another major aircraft manufacturer could not be concluded in 2016 as planned. The Company is continually confident to successfully complete the necessary qualification steps and to seize the promising mid-term revenue potential from this qualification as well as from business with additional mid-size programs and manufacturers.

Demand in the global marine market showed no progress in 2016. In an environment of overall economic uncertainty, a large number of projects in the

European marine leisure segment were not signed and commissioned in 2016. Based on its long-standing heritage and leadership in composite boat building and its strong product offerings, including structural engineering services, Gurit was, however, able to maintain its overall market share in the marine market in 2016. Going forward, the Company will continue to pursue its market penetration strategy in all major regions and boat types to maintain and grow its strong foothold in the global marine industry.

In other industrial markets - including civil construction, lightweight health care components and land transportation - the transformation from traditional materials to advanced composites continued to progress moderately. Gurit was able to win additional smaller projects and achieved further strategic progress in terms of material qualification for dedicated programs. The sales revenue and profit contributions from other industrial markets as in previous years, however, remained on a comparatively low level within total Group sales.

Adoption of lightweight material technologies in the automotive industry continued to show further progress on a moderate scale in 2016. Being one of the Company's strategic growth markets, the Company serves the automotive industry with both advanced composite materials as well as selected finished body panel products. Sales of advanced composite materials to the automotive industry continued to develop positively at low sales levels. Future growth potential was supported by the launch of two new materials: a fast curing epoxy prepreg press moulding system specifically designed to meet the demands of high-quality volume manufacturing needs; and a two-component low pressure RTM system designed to achieve high temperature performance and good surface clarity for structural and aesthetic applications. In the automotive components business, the project and bidding activities which had already started to improve at the end of 2015 further increased over the course of 2016. Another contract win was achieved in 2016 for the Company's semiautomatic car-part production in Hungary for a supply period of four years at a total value of around

CHF 15 million which is to start in June 2018 as announced. Overall, the Group's order situation was stable at year-end 2016.

Key Financial Figures 2016 and Business by Segments

In total, Gurit achieved Group sales of CHF 352 million for the 2016 fiscal year. This represents a decrease of 2.1% in reported Swiss francs (currency-adjusted: increase of 0.3%) over net sales of CHF 359 million for the 2015 fiscal year.

Sales by geographical location of material and part supply showed Europe to be the largest destination for goods delivered. Deliveries to Europe accounted for 38.3% of total Group sales in 2016 (2015: 39.1%); supply to Asia further increased from 34.8% of total Group sales in 2015 to 38.0% in 2016. Goods delivered to the Americas accounted for 17.2% of total Group sales in 2016 (2015: 18.3%); supply to the rest of the world amounted to 6.5% of total Group sales in 2016 (2015: 7.8%). A detailed breakdown can be found in the Notes to the Consolidated Financial Statements of this Annual Report on page 70.

Gurit reports net sales in three segments: 'Composite Materials', 'Composite Components' and 'Tooling'. The Composite Materials segment contributed 75.5% of total Group sales in 2016 (2015: 76.2%); the Composite Components segment accounted for 4.9% of total Group sales in 2016 (2015: 7.3%), and Tooling amounted to 19.6% of total Group sales in 2016 (2015: 16.5%).

Gurit Composite Materials Affected by Lower Wind Capacity Installations

The Composite Materials Segment achieved full-year sales of CHF 265.6 million in 2016. This represents a decrease of 3.0 % (currency-adjusted: -1.6 %) compared to full-year sales of CHF 274.0 million in 2015.

The downturn mainly resulted from the decline in demand from lower installation rates in the wind energy industry in China of 24 percent compared to the 2015 all-time high. Net sales to the wind energy market declined by 4.1 % (currency-adjusted: -2.9 %) to CHF 149.0 million in 2016. Material supply to other material markets slightly declined by 1.6 % in reported Swiss francs (currency-adjusted: 0.0 %), mainly due to lower sales to the marine market which could not be fully offset by the positive double-digit growth in the aerospace business.

**Gurit Composite Components
Still Hampered by Project Expirations**

The Composite Components Segment showed the anticipated drop in sales and declined by 34.3 % (currency-adjusted: -27.9 %) from CHF 26.4 million in 2015 to CHF 17.3 million in 2016. The decrease results from the orderly end of contracts over the course of 2015.

**Gurit Tooling Reports Yet Another
Record Year**

Less prone to the cyclicity of newly installed wind capacity than the composite materials business, the Tooling Segment was able to record another record year in 2016. Net sales amounted to CHF 69.0 million, representing an increase of 16.9 % (currency-adjusted: 21.8 %) from net sales of CHF 59.0 million in 2015.

**Midterm Profitability Target Level
Substantiated**

Despite the challenging market environment and the concomitant lower sales revenues generated in the fiscal year, Gurit was able to increase its operating profit margin by 14 percentage points to 10.5 % of net sales in 2016 (2015: 9.2 % of net sales). This development is mainly attributable to a favorable product mix, the ongoing programs to continuously improve operational excellence as well as a favorable raw material and foreign exchange rate situation. The Group operating profit increased to CHF 36.8 million in 2016. Overall, Gurit was able to deliver on its profitability target and achieved an operating profit margin slightly above its mid-term target range of 8-10 % thus substantiating its profitability level for the second consecutive year.

Gurit reports a net profit of CHF 26.0 million in 2016 (2015: CHF 22.6 million). This equals to earnings per listed bearer share of CHF 55.64 (2015: CHF 48.24).

**Continued Positive Cash Flow and
Strong Balance Sheet**

Gurit generated a positive cash flow from operating activities of CHF 37.9 million and closed the year with a net cash position of CHF 37.2 million (2015: CHF 20.4 million) and an equity ratio of 76.6 % (2015: 71.4 %).

Following the large investment program of 2015, capital expenditures as described above were lower in 2016 and amounted to CHF 10.5 million (2015: CHF 16.7 million).

Risk Management

Risk management forms an integral part of the Group's conduct of business and is therefore an important part of each manager's and employee's daily business responsibility. A formal risk management review and subsequently an update of the risk profiles are done by the Business Units, including the individual sites, and the Executive Committee. The Executive Committee ensures that appropriate measures are taken to mitigate the 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.

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. Further details regarding Gurit's Risk Management is provided in the Group Financial Report in Note 3 (page 67 ff).

**Outlook and Proposed Distribution
to Shareholders**

Our outlook for the Company's development in 2017 remains positive. The global wind energy industry is projected to continue to grow on a steady pace of some 4 to 5 percent from 2017 to 2020. A certain level of shorter-term political uncertainty, however, remains. Equally, we expect that the global marine industry will continue to develop moderately positive and that some of the projects underway might be further postponed. For the aerospace business, we remain confident that we can successfully complete the ongoing material qualification with a leading aircraft manufacturer which could further accelerate the positive growth momentum in the aerospace business and translate to additional sales revenues in the single-digit million range in 2017.

Overall, we currently estimate that the Company will continue to grow on a low single-digit level in 2017. In terms of profitability, we strive to further substantiate our mid-term target of 8 –10% operating profit margin.

The Board of Directors will propose to the Annual General Meeting of Shareholders, scheduled for April 12, 2017, to distribute a total of CHF 9.4 million corresponding to an increased amount of CHF 20.00 per listed bearer share out of the reserves from former capital contributions.

Acknowledging the difficult market environment which we encountered in 2016 and all the hard work and passion that the global teams have shown to deliver on our growth and profitability targets, we would like to express our sincere appreciation and gratitude to all Gurit employees.

We would also like to thank our customers and business partners for the pleasant and close collaboration in 2016 and their trust in and loyalty to Gurit. We look forward to a continued open dialogue and trustful further cooperation in 2017 and far beyond.

Yours sincerely, Gurit Holding AG



Peter Leupp
Chairman of the
Board of Directors



Rudolf Hadorn
Chief Executive
Officer

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 Nick Huber, Chairman of the Nomination and Compensation Committee Urs Kaufmann, Member Peter Pauli, Member
Group Management	Rudolf Hadorn, CEO, General Manager Composite Components (ad interim) Angelo Quabba, CFO Stefan Gautschi, General Manager Gurit Composite Materials Damian Bannister, 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 12, 2017	End of January 2018
Annual General Meeting	Press release on FY 2017 sales
Press release on Q1 sales	
August 18, 2017	March 2018
Half-Year Report 2017	Presentation full-year results 2017
Analyst/Media Conference	Analyst/Media Conference
	Publication of Annual Report
October 27, 2017	April 2018
Press release on Q3 sales	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>

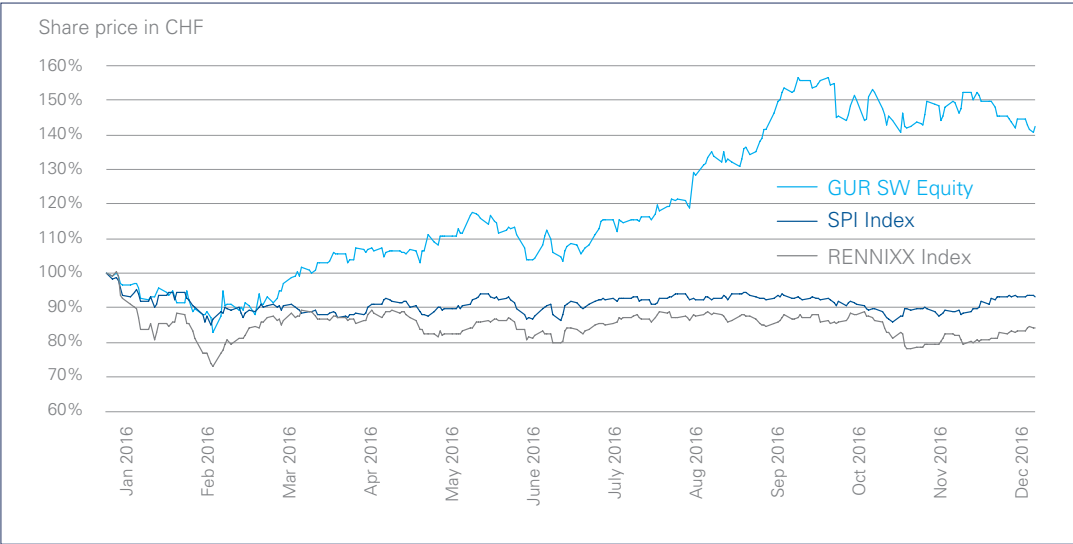
Stock Price Chart

Gurit Share Price Development



Source: Thomson Reuters Datastream

Gurit Bearer Shares and Respective Indices



Source: Thomson Reuters Datastream: Gurit; SPI; Volumes; IWR Internationales Wirtschaftsforum Regenerative Energien: RENNIX

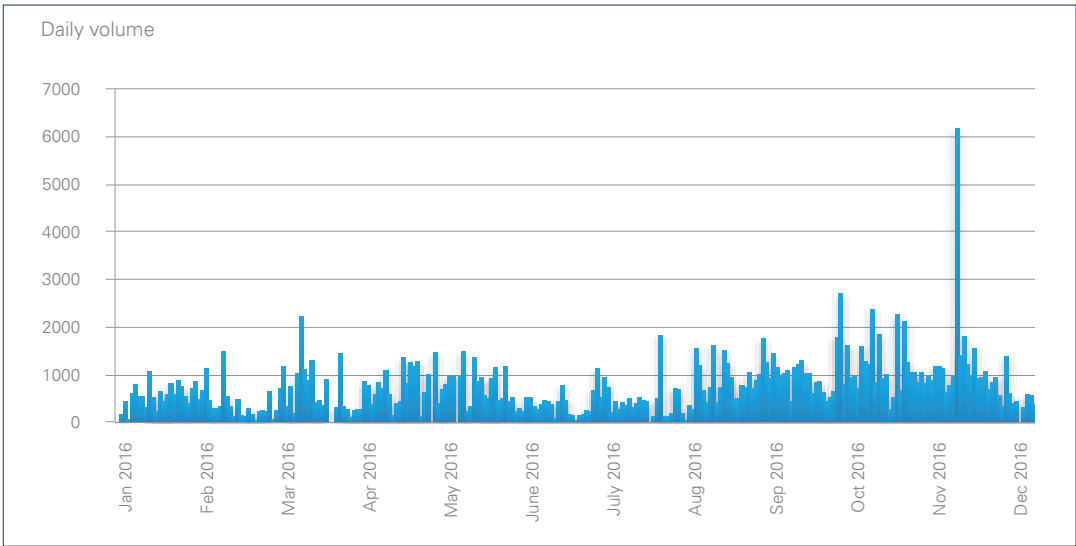
Key Figures per Bearer Share

	2016	2015	2014	2013	2012
Price at year-end	CHF 809.00	CHF 568.00	CHF 384.50	CHF 451.00	CHF 360.50
Highest price	CHF 896.00	CHF 578.00	CHF 550.00	CHF 465.00	CHF 545.00
Date	10.10.2016	23.11.2015	13.01.2014	26.11.2013	23.04.2012
Lowest price	CHF 470.75	CHF 318.00	CHF 380.00	CHF 339.00	CHF 360.00
Date	12.02.2016	19.01.2015	13.10.2014	22.04.2013	21.12.2012
Earnings per share	CHF 55.64	CHF 48.24	CHF 23.74	CHF 0.24	CHF 29.39
Distribution out of reserves from capital contributions	CHF 20.00	CHF 15.00	CHF 8.50	CHF 7.50	CHF 15.00

Taxable Values of Traded Securities

	31.12.2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012
Bearer shares CHF 50.00	CHF 809.00	CHF 568.00	CHF 384.50	CHF 451.00	CHF 360.50

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 2016 fiscal year ending on December 31, 2016. 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 composite components and engineering. An organizational chart depicting the Group organization for the 2016 fiscal year can be found on page 12.

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 809.0 and equally valuating the par-value-adjusted registered shares, the market capitalization on December 31, 2016, amounted to CHF 378.6 million.

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

1.2 Significant Shareholders

On December 31, 2016, the Company knew of the following shareholders holding over 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Bahnhofstrasse 2, 9435 Heerbrugg, holds 220 000 registered shares. This equals 9.4 % of the share capital and 33.33 % of all voting rights in Gurit Holding AG. The shares of Huwa Finanz- und Beteiligungs AG are controlled by Hans Huber, Appenzell.

Martin Bisang, 8700 Küsnacht, has held since a purchase on October 29, 2012, through Whale Holding AG, Baarerstrasse 2, 6300 Zug, with 35 000 bearer shares 5.3 % of the voting rights in Gurit Holding AG.

Robert Heberlein, Tobelmülstrasse 20, 8126 Zümikon, held directly and indirectly via Burix Holding AG, Bleicherweg 58, 8027 Zurich, 4.59 % of the voting rights in Gurit. 2.96 percentage points thereof stem from the ownership of 19 545 registered shares and 1.63 percentage points from 10 765 bearer shares.

Over the course of 2016, the following disclosures related to significant shareholders and their shareholdings were made:

- 2016-03-15: Shareholding of Credit Suisse Funds AG in Gurit shares fell below the 3 % threshold.
- 2016-08-11: Shareholding of J. Safra Sarasin Investmentfonds AG in Gurit shares fell below the 3 % threshold, amounting to 2.59 % of the voting rights.
- 2016-08-30: Shareholding of Credit Suisse Funds AG in Gurit shares exceeded the 3 % threshold amounting to 3.02 % of the voting rights.
- 2016-09-01: Shareholding of Credit Suisse Funds AG in Gurit shares fell below the 3 % threshold.

Updated information on major shareholders is 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 13 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, 2016	December 31, 2015	December 31, 2014
Share capital	23 400	23 400	23 400
Legal reserves			
Reserves from capital contributions	11 196	18 216	22 194
Other legal reserves	4 680	4 680	4 680
Reserves for treasury shares	–	–	50
Retained earnings	127 381	101 257	64 773
Treasury shares	– 88	– 50	–
Total equity	166 569	147 503	115 097

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 and 420 000 bearer shares with a par value of CHF 50.00. 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, 2016, 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:

Gurit 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
Since 2012	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
Vice-Chairman of the Board of Directors, Fibi Bank (Switzerland) Ltd., 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

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
Since 2002	CEO, Huber+Suhner AG, Pfäffikon, Switzerland
Since 2014	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 Holding AG, Heerbrugg, Switzerland
Chairman of the Board of Directors, Schaffner Holding AG, Luterbach, Switzerland (since January 12, 2017)
Member of the Executive Committee SWISSMEM

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 inc. Member of Executive Board, Transelastic AG, Wallbach, Switzerland (Siebling Group)
1995 – 2000	Head of Executive Board, Siebling, Switzerland
2000 – 2002	Head Sales and Marketing, Siebling GmbH, Hannover, Germany
2002 – 2016	CEO, Member and Delegate of the Board of Directors, Meyer Burger Technology AG, Switzerland

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 top governing or administrative body of other listed companies outside the Gurit Group
- additionally a maximum of 20 mandates as member of 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.

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: Nick Huber, Urs Kaufmann,
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: Nick Huber
Members: Stefan Breitenstein, Urs Kaufmann,
Peter Leupp, Peter Pauli

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 2016, the Board of Directors met seven times. All meetings were held in person. Furthermore, the Board of Directors held one extraordinary meeting in 2016 where one member of the Board of Directors was not able to participate. The average meeting duration of these meetings was 4.5 hours.

The Audit and Corporate Governance Committee met three times in person in 2016. The average

meeting duration of the Audit and Corporate Governance Committee meetings was 1.5 hours.

The Nomination and Compensation Committee also met three times in person in 2016. The average meeting duration of the Nomination and Compensation Committee meetings was 1.5 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 of 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. 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, 2016, 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 01.11.2007	CEO, Gurit

Other Important Activities and Vested Interests

Chairman, Trans Data Management (TDM) AG, Berne, 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	CFO, Gurit

Damian Bannister

Chief Technology Officer
Bachelor of Science, PhD
British citizen, 1970



Professional Background (Main Stages)

1996	Joined former SP Systems, Technical Support, UK
2000	Wind Energy Sales Project Engineer, SP Systems, UK
2002	Technical Manager Wind Energy, SP Systems, UK
2004	Development and Processing Manager, SP Systems, UK
2005	Head of Technology, SP Systems, UK
Since 2006	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
Member of the Board of the Swiss Employers' Union (Schweizerischer Arbeitgeberverband)

Hannes Haueis

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

Laurent Michaux, former General Manager Gurit Composite Components, resigned from the Executive Committee in November 2016.

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 Holding 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 28 to 40.

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 Gurit Articles of Association, available on the Gurit website at: <http://www.gurit.com/About/Corporate-Governance>

5.2.3 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 Gurit Articles of Association, available on the Gurit website at: <http://www.gurit.com/About/Corporate-Governance>

6. Shareholder’s 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 Infrastructure and Market Conduct in Securities and Derivation 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 402 732 (2015: CHF 349 614). Additional audit fees charged during the year by other audit firms amounted to CHF 19 475 (2015: CHF 81 002).

8.3 Additional Fees

Fees for additional services supplied by PricewaterhouseCoopers during the year under review amounted to CHF 52 292 (2015: CHF 127 564). In 2016, these fees consist of fees for internal audit support and due diligence services. The additional fees represent 13 % (2015: 36 %) of the auditing fees disclosed under 8.2.

Fees in CHF	2016	2015
PwC Audit fees	402 732	349 614
PwC Tax advisory fees	–	71 416
PwC Other services fees	52 292	56 148
Total	455 024	477 178

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.

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 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 12, 2017
Annual General Meeting
Press release on Q1 sales
August 18, 2017
Half-Year Report 2017
Analyst/Media Conference
October 27, 2017
Press release on Q3 sales
End of January 2018
Press release on FY 2017 sales
March 2018
Presentation full-year results 2017
Analyst/Media Conference
Publication of Annual Report
April 2018
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 on all levels to adopt an entrepreneurial stance; to strive for above-market-average performance, accountability and value creation; and to reward individuals according to 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 requested 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, 2016. 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.

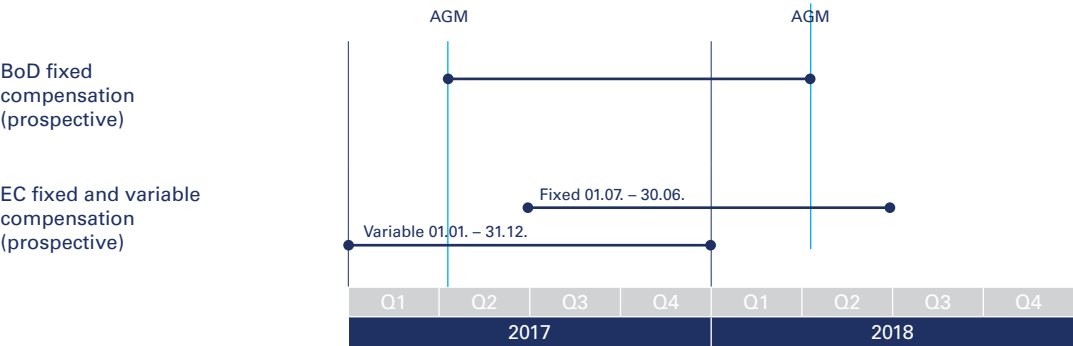
The Nomination and Compensation Committee proposes the fixed compensation (in cash, benefits and shares) for members of the Board of Directors, the CEO and the other members of the Executive Committee to the Board of Directors and the ordinary Annual General Meeting of Shareholders.

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.

Compensation Vote at the AGM



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.

To ensure market competitive compensation, Gurit benchmarks the Board of Directors and the Executive Management compensation with 14 comparable Swiss-based industry companies from the SPI (Swiss Performance Index).

This involves the following companies: Ascom, Burkhart Compression, Feintool, Interroll, AFG, Belimo AG, Bossard AG, CPH AG, Hügli AG, Komax Gruppe, Phoenix Mecano AG, Meyer Burger Technology AG, Looser Holding AG and Schweiter Technologies 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 reviews/decides
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, performance-independent salary component and a variable, performance-related bonus element. These two elements together form the target market salary for a given position.

4.1 Fixed Salary Components

The fixed 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 granted shares					
Fixed salary components	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, 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, 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 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.

Each indicator defines 33.3 % of the general performance bonus component. 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 objective levels were in general between 8 % and 19 % below the target levels, and the cap levels exceeded the target levels in general

by between 8 % and 19 %. No bonus is paid if the minimum objective level has not been achieved.

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

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 Select 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 at the end of the year 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, provided shareholder approval was given at the AGM. 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 31).

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 2016/2015

The following tables show the compensation for the Board of Directors and the Executive Committee in 2016 and 2015. 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 fixed share-based compensation for the Board of Directors for 2016 was calculated based on a share price of CHF 848 per share. This corresponds to the average closing share price of the five days actual stock price trading before the date of the NCC / BoD meeting on March 3, 2017. In 2015, the fixed share-based compensation for the Board of Directors was calculated based on a share price of CHF 434 on April 9, 2015, the day of the Annual General Meeting 2015.

The amount of the variable share-based compensation for the Executive Committee was calculated based on a share price of CHF 848 per share. This corresponds to the average closing share price of the five days actual stock price trading before the

date of the NCC / BoD meeting on March 3, 2017. Due to the share price fluctuation, the effective settlement value may be higher or lower on the settlement date on April 17, 2017. In 2015, the amount was calculated based on a share price of CHF 559.

In 2016, the performance-related compensation for the members of the Executive Committee varied from 23 % to 72 % (2015: 40 % to 94 %) of the individual fixed compensation.

The total amount paid to Management (Board of Directors and Executive Committee) in 2016 was overall in line with 2015 as increases of the fixed compensation and share price related increases of the share-based compensation were mostly offset by reductions of the variable cash compensation.

Gurit did not pay any exit compensation to anyone leaving office during the year under review. The former General Manager Composite Components who resigned from the Executive Committee in November 2016, receives his salary until the end of the notice period in May 2017. Apart from this, 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, 2016, in the context of a participation program.

Management Compensation 2016/2015

In CHF 1000	2016					
	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	36	–			286
Stefan Breitenstein (member)	80	18	13			111
Nick Huber (member)	80	18	13			111
Urs Kaufmann (member)	80	18	13			111
Peter Pauli (member)	80	18	13			111
Total Board of Directors	570	108	52	–	–	730
	78 %	15 %	7 %			100 %
Executive Committee						
Rudolf Hadorn (CEO)	630	–	131	317	272	1 350
Other members*	1 434	–	320	375	230	2 359
Total Executive Committee	2 064	–	451	692	502	3 709
	56 %		12 %	19 %	13 %	100 %
Total Management compensation	2 634	108	503	692	502	4 439
	59 %	2 %	11 %	16 %	11 %	100 %

* The annual average number of other Executive Committee Members in 2016 is 5.0

In CHF 1000	2015					
	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	22	–			272
Stefan Breitenstein (member)	80	11	12			103
Nick Huber (member)	80	11	12			103
Urs Kaufmann (member)	80	11	12			103
Peter Pauli (member)	80	11	12			103
Total Board of Directors	570	66	48	–	–	684
	83 %	10 %	7 %			100 %
Executive Committee						
Rudolf Hadorn (CEO)	630	–	118	524	180	1 452
Other members*	1 292	–	253	442	151	2 138
Total Executive Committee	1 922	–	371	966	331	3 590
	54 %		10 %	27 %	9 %	100 %
Total Management compensation	2 492	66	419	966	331	4 274
	58 %	2 %	10 %	23 %	8 %	100 %

* The annual average number of other Executive Committee Members in 2015 is 4.7

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.

In CHF 1000	Period	Approved maximum compensation	Actual compensation
Fixed compensation Board of Directors	April 14, 2016 – April 13, 2017	730	730
Fixed compensation Executive Committee*	July 1, 2015 – June 30, 2016	2 990	2 477
Variable compensation Executive Committee	January 1, 2016 – December 31, 2016	1 900	1 194

* The approved fixed compensation amount for the Executive Committee of CHF 2 300 000 has been adjusted by an increase of CHF 690 000 for a new member of the Executive Committee, who had been appointed after the Annual General Meeting 2015 (in line with article 25 of the Articles of Association of the Company).

Report of the statutory auditor to the General Meeting on the Compensation report 2016

We have audited the Compensation report of Gurit Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange listed Companies contained in the tables on page 38 to 39 of the compensation report.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation 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 Compensation system and defining individual Compensation packages.

Auditor’s responsibility

Our responsibility is to express an opinion on the accompanying Compensation 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 compensation 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 compensation 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 Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of Compensation, as well as assessing the overall presentation of the Compensation 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 Compensation report of Gurit Holding AG for the year ended December 31, 2016 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit expert
Auditor in charge



Cüneyt Budakoglu
Audit expert

Zurich, March 3, 2017

Sustainability Report

Organizational Profile Gurit Group¹



Markets served



2156

Full-Time Equivalents

352.0

million CHF

Net sales

36.8

million CHF

EBIT

26.0

million CHF

Net profit

10,5

percent

EBIT margin

190.8

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 94 and 95; For 102-45: Entities included in the consolidated financial statements, please see pages 60 ff;

1. Introduction²

Gurit is specialised in the development and manufacture of advanced composite materials, production tools and select composite components. In addition, Gurit provides composite engineering services that help transform traditional, heavier structures into lightweight, durable ones. 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, amongst others. As such, sustainability forms an essential part of Gurit's global business activities and sustainable growth strategy.

Gurit has already 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 has 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 2016 Gurit Annual Report, the 2016 GRI Standards served as reference and framework.

Given the size of the organization and the global spread of its business activities, 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

For its 2016 Sustainability Report, Gurit has assessed the materiality of sustainability issues in light of the 2016 GRI Standards. An internal materiality analysis was conducted 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 were not used in the preparation for this reporting cycle. However, existing stakeholder expectations and interests were 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 were 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 was regarded.

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 relative 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 42.

1.3 Ethics and Integrity⁵

Gurit pays highest attention on 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 on or evidence of violations, employees must seek guidance from their immediate 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 fully anonymously 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 concerns or 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 2016. 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 2016.

1.4 Governance⁶

For information on the Company’s governance structure and practice, please see “Corporate Governance Report” pages 16 to 27.

1.5 Stakeholder Engagement⁷

Gurit fosters a constant and close dialogue with its key stakeholders 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 to deepen the relationship with existing customers, business partners and suppliers and to establish relationships 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 to hosting an annual management meeting with the Company’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 the financial community.

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)

1.6 Reporting Practice⁸

Gurit reports on sustainability each year as part of its annual report, the last of which was published in March 2016. The sustainability reporting period covers the current reporting period (fiscal year 2016) as well as the previous reporting period (fiscal year 2015). 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, compiled date currently does not 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 presented data has not been validated externally. Whether presented quantitatively or qualitatively, the report covers both favorable and unfavorable topics and results in their respective relevance.

2. Customers⁹

Gurit supplies a global customer base from manufacturing and distribution sites in Germany, Hungary, Italy, Poland, Spain, Switzerland, the U.K., Canada, the U.S.A, Brazil, Ecuador, Australia, New Zealand, India, 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, the Company supports its global customer base in achieving their performance and cost reduction targets and to derive 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 Company’s products form an essential part of this aim. Distributors are included in these training activities as part of the Company’s overall customer health and safety efforts as their knowledge and advice plays an important role in regions where Gurit is not represented with local sales and technical support offices.

Gurit also informs customers regularly on 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. Customers 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 2016.

The main focus of the Company’s internal customer health and safety activities in 2016 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 which will become effective on June 01, 2018

for all producers of chemicals in volumes greater than 1 tonne per year, aims at providing 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 Company integrated all relevant raw material chemical registration numbers into its product safety datasheets (SDS) and updated its product labels according to the new legal requirements. The regulatory compliance co-ordinator together with members of the global product development and purchasing teams ensure all information is collated, recorded and available. In order to ensure availability of safety datasheets within the defined period, a new process for management of SDS enquiries was implemented.

In 2016, no concerns or incidents of non-compliance with any health and safety regulations or standards were identified or recorded. 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 related to non-compliance with any health and safety, product marketing and labelling regulations and standards were imposed in 2016.

Gurit also assessed composition of products in view of substances that were reclassified to a higher hazard level under the REACH framework in 2016. As part of the Company’s aim of responsible product development, potential changes in product compositions were evaluated that might lead to a reduced amount of hazardous raw material content while preserving conducive product characteristics. The Company will continue its product assessment activities and initiate product reformulation where appropriate.

Furthermore, Gurit considers new legislation as an additional inducement for all new product developments to ensure balance of favourable product characteristics on the one and health and safety protection of its customers and business partners on the other hand.

3. Employees

Responsible Employment Practices are of highest priority for Gurit. Attracting, training and retaining a highly skilled, motivated and performing workforce is key for the Company’s current and future success. Therefore, “Success through People” forms part of the Gurit Values for Success.

3.1 Employee Ratios¹⁰

Gurit serves markets which show 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 Company 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.

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

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

As of December 31, 2016, Gurit employed 2,199 people as compared to 2,094 people in 2015.

Workforce by Employment Contract:

Total Workforce	2 235
Permanent*	2 043
Temporary*	156
Apprentices, Interns	15
Workers/Contractors	21
Full-time*	2 156
Part-time*	43

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

Employees by Gender*:

	2016		2015	
	Male	Female	Male	Female
Board of Directors	5	–	5	–
Executive Committee	5	–	6	–
Senior Management	28	5	29	5
Total Staff	1 872	327	1 775	319

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

Employees by Age Structure*:

	2016			2015		
	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
Executive Committee	–	2	3	–	2	4
Total Staff	534	1 408	257	507	1 364	223

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

Gurit is committed to fair and equal employment. The Company employs a workforce that is composed of around 20 different nationalities.

Proportion of senior management hired from the local community

Except of the newly established Tooling operation in Poland, all operation 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 employee’s freedom of association and the right to collective negotiation. No complaints, concerns or violations were reported at any of the Company’s global sites in 2016.

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 Company 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 transportation of heavy equipment. Therefore, Gurit 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:

	2016		2015	
	Accidents	Incidents	Accidents	Incidents
Composite Materials	22	145	18	203
Composite Components	4	9	11	14
Tooling	8	14	9	17
Total	34	168	38	234

The higher number of accidents in the Composite Materials business mainly results from the Company’s balsa wood operations and were related to the high utilization level of the production site in Ecuador which was additionally stretched by the capacity expansion which was conducted over the course of 2016. In the Composite Components business, completion of the setup of the semi-automated production of car body panels at the Company’s site in Hungary and the concomitant staff training contributed to the significant reduction of work-related accidents and incidents in 2016.

Overall, Gurit strives to further reduce the number of accidents and incidents at its global production sites and 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 2016, several courses and training programs were conducted for employees with an administrative role, such as a mandatory learning module on insider trading. Also, regular product and technical training was held over the course of the year. Furthermore, the Company launched a sales academy training program in 2016 tailored to the needs of its global sales force. The program was well received by the sales teams and roll-out of the program to further sales-related positions is

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)

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

planned for 2017 and beyond. To date, Gurit does not collect data related 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 Company's annual performance reviews.

Benchmarking of salaries and grading, which was started in 2015 together with a renowned external service provider, further progressed over the course of 2016 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 which the Company 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.

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 which 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 provided the Company with process knowledge and capabilities to manufacture PET structural foam from a mixture of virgin and recycled input materials. Furthermore, Gurit is conducting research and development work on the production of carbon fibre products from recycled carbon fibre for select applications.

Gurit also purchases balsa wood (*Ochroma pyramidale*), a natural resource to produce blocks and sheets from virgin balsa wood. The wood is sourced from local farmers and smallholder cooperatives rather than from large monoculture plantations which negatively impact biodiversity and conditions of the local communities.

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

In 2016, Gurit established sourcing of balsa wood in Asia-Pacific in addition to the existing supply chain in Ecuador. The main rationale for this step was to gain greater proximity to customers in the region and risk reduction from the El Nino climate cycle in South America. Along with the site enlargements and improvements at the site in Ecuador, sourcing of balsa wood in Asia-Pacific enlarged Gurit's overall balsa wood production capacity by approximately 30 percent. Sourcing in Asia-Pacific for customers in the region also reduces the amount of goods shipped across continents and related fuel consumption.

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. Therefore, the Company has 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 Company maintains with the small local farmers and balsa wood suppliers.

5. Environment¹⁴

Gurit is committed to a production concept combining economic manufacturing with minimal ecological impact. The Company strives to achieve this aim 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 precondition for the Company.

As reported earlier, Gurit has started to monitor and report on environmental information collected at the Company's production site in the UK which is focused on the production of prepregs, resin systems, laminating and infusion systems, gel coats, and adhesives. In 2016, the energy monitoring system was brought into full operation. The metering software collects data from over 40 electricity distribution points on site and allows for in-depth analysis of energy usage.

Further efforts were taken in 2016 to reduce overall energy consumption on site. Following the successful replacement of photocopiers and printers with more energy-efficient machines in 2015, focus in 2016 was on the installation of more energy efficient LED lighting throughout the site. Furthermore, "water miser" devices were installed to reduce the amount of water used in the toilets.

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	2016	2015
Electricity**	5.517	6.414
Thereof renewable sources***	0.461	0.520
Thereof other sources	5.056	5.894
In tonnes	2016	2015
Waste****	986	1 158
Non-hazardous waste		
Residual waste to recycling	812	974
Residual waste to landfill	53	80
Hazardous waste to specialist treatment	121	104
Recycling		
Pallets	96	91
Cardboard and plastic	18	28
* 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 Company 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 Company’s target markets and students projects. When deciding which projects and activities to support, emphasis is placed on high ethical and moral standards. Total financial and in-kind sponsorships amounted to around CHF 35,000 in 2016. Gurit reports regularly on its sponsorship activities on the Company’s facebook page as well as in Shape – The Gurit Magazine.

7. Contact¹⁶

For any Sustainability Reporting questions, please contact:

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8050 Zurich, Switzerland
eMail: tanja.moehler@gurit.com

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

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Consolidated Income Statement

In CHF 1000	Note	Year ended December 31, 2016	Year ended December 31, 2015
Net sales	4	351 983	359 411
Other operating income	5	534	146
Change in inventories of finished and unfinished goods		– 3 315	2 754
Material expense		– 167 787	– 176 115
Personnel expense	6	– 80 505	– 83 783
Other operating expenses	7	– 52 359	– 59 854
Impairment charges	18, 19	– 2 201	– 581
Impairment reversals	18	32	–
Depreciation	18	– 8 819	– 8 280
Amortization	19	– 760	– 719
Operating profit		36 803	32 979
Finance expense	8	– 2 820	– 3 188
Finance income	9	2 029	1 885
Ordinary result		36 012	31 676
Non-operating and extraordinary result		–	–
Profit before tax		36 012	31 676
Income tax expense	10	– 9 982	– 9 102
Profit for the year		26 030	22 574
Earnings per share	11		
Basic earnings per bearer share		CHF 55.64	CHF 48.24
Diluted earnings per bearer share		CHF 55.64	CHF 48.24
Basic earnings per registered share		CHF 11.13	CHF 9.65
Diluted earnings per registered share		CHF 11.13	CHF 9.65

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

Consolidated Balance Sheet

In CHF 1000	Note	At December 31, 2016	At December 31, 2015
Assets			
Cash and cash equivalents		38 646	29 831
Derivative financial instruments	13	112	198
Trade receivables	14	61 329	65 186
Other receivables	15	7 237	10 133
Prepayments and accrued income	16	13 134	9 899
Inventories	17	46 190	51 214
Current assets		166 648	166 461
Other receivables	15	822	317
Deferred income tax assets	22	2 911	3 110
Property, plant and equipment	18	72 980	75 401
Intangible assets	19	5 756	5 937
Non-current assets		82 469	84 765
Total assets		249 117	251 226
Liabilities and equity			
Borrowings	20	1 446	9 459
Derivative financial instruments	13	597	1 770
Trade payables		22 742	24 954
Other payables		4 313	4 702
Accrued liabilities and deferred income	21	24 429	23 981
Provisions	23	1 169	1 606
Current liabilities		54 696	66 472
Derivative financial instruments	13	103	–
Deferred income tax liabilities	22	2 553	3 454
Provisions	23	962	1 825
Non-current liabilities		3 618	5 279
Total liabilities		58 314	71 751
Share capital		23 400	23 400
Capital reserve		11 196	18 216
Treasury shares		– 88	– 49
Hedging reserve		– 221	– 1 317
Currency translation adjustments		– 40 725	– 32 453
Offset goodwill		– 26 690	– 26 690
Retained earnings		223 931	198 368
Total equity	24	190 803	179 475
Total liabilities and equity		249 117	251 226

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

Consolidated Cash Flow Statement

In CHF 1000	Note	Year ended December 31, 2016	Year ended December 31, 2015
Profit for the year		26 030	22 574
Adjustments for:			
Impairment, net of reversals	18, 19	2 169	581
Depreciation and amortization	18, 19	9 579	8 999
Finance income and expense, net	8, 9	791	1 303
Income tax expense	10	9 982	9 102
Net (gains)/losses from disposal of fixed assets	5, 7	– 14	240
Losses from disposal of intangible assets	7	–	68
Other non-cash items		35	365
Working capital changes (excluding the effects of acquisitions and disposals of subsidiaries):			
Change in trade receivables		3 486	– 1 140
Change in inventories		4 074	288
Change in other receivables and prepayments and accrued income		– 1 298	– 2 786
Change in trade and other payables and accrued liabilities and deferred income		– 4 274	3 395
Change in provisions		– 1 196	666
Cash generated from operations		49 364	43 655
Finance cost, net paid		– 782	– 651
Income tax paid		– 10 661	– 5 797
Net cash flow from operating activities		37 921	37 207
Purchase of property, plant and equipment	18	– 9 297	– 15 355
Proceeds from sale of property, plant and equipment		81	37
Purchase of intangible assets	19	– 1 168	– 1 341
(Investments in)/Repayments of loans receivable		– 429	232
Business Acquisition	27	– 1 773	–
Net cash flow from investing activities		– 12 586	– 16 427
Repayments of current borrowings		– 7 889	– 14 415
Distribution to shareholders	12	– 7 006	– 3 977
Purchase of treasury shares		– 611	– 191
Net cash flow from financing activities		– 15 506	– 18 583
Net change in cash and cash equivalents		9 829	2 197
Cash and cash equivalents at the beginning of the year		29 831	29 011
Net change in cash and cash equivalents		9 829	2 197
Exchange losses on cash		– 1 014	– 1 377
Cash and cash equivalents at the end of the year		38 646	29 831

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
Balance at January 1, 2015		23 400	22 194
Profit for the year		-	-
Changes in hedging reserve		-	-
Currency translation adjustments		-	-
Total income and expense for the year		-	-
Distribution to shareholders	12	-	- 3 978
Usage of treasury shares for share-based compensation		-	-
Share-based compensation		-	-
Purchase of treasury shares		-	-
Total transactions with shareholders		-	- 3 978
Balance at December 31, 2015		23 400	18 216
Profit for the year		-	-
Changes in hedging reserve		-	-
Currency translation adjustments		-	-
Total income and expense for the year		-	-
Distribution to shareholders	12	-	- 7 020
Usage of treasury shares for share-based compensation		-	-
Share-based compensation		-	-
Purchase of treasury shares		-	-
Total transactions with shareholders		-	- 7 020
Balance at December 31, 2016		23 400	11 196

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

Treasury shares	Hedging reserve	Currency translation adjustments	Offset goodwill	Retained earnings	Total equity
- 50	- 513	- 20 366	- 26 690	175 384	173 359
-	-	-	-	22 574	22 574
-	- 804	-	-	-	- 804
-	-	- 12 087	-	-	- 12 087
-	- 804	- 12 087	-	22 574	9 683
-	-	-	-	1	- 3 977
192	-	-	-	- 192	-
-	-	-	-	601	601
- 191	-	-	-	-	- 191
1	-	-	-	410	- 3 567
- 49	- 1 317	- 32 453	- 26 690	198 368	179 475
-	-	-	-	26 030	26 030
-	1 096	-	-	-	1 096
-	-	- 8 272	-	-	- 8 272
-	1 096	- 8 272	-	26 030	18 854
-	-	-	-	14	- 7 006
572	-	-	-	- 572	-
-	-	-	-	91	91
- 611	-	-	-	-	- 611
- 39	-	-	-	- 467	- 7 526
- 88	- 221	- 40 725	- 26 690	223 931	190 803

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 March 3, 2017, for publication. The Annual General Meeting of Shareholders, scheduled for April 12, 2017, 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. With effect of January 1st, 2016, the Group has adopted the changes in Swiss GAAP FER Framework, FER 3 and FER 6 in regards to revenue recognition, revenue measurement and disclosure. The amendments had no impact on the Group's consolidated financial statements in respect to revenue recognition and revenue measurement. 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.

2.2 Consolidation

2.2.1 Changes in the scope of consolidation

As per December 1st, 2016, the Group acquired a composite materials production business in Italy in an asset deal through Gurit's existing subsidiary in Italy (see note 27). No changes in scope of consolidation occurred in 2016 and in 2015.

2.2.2 Subsidiaries

Subsidiaries are all entities (including special-purpose 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. 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 subsidiary acquired, 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

2.3.1 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.

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at 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.

2.3.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) 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 purposes of the 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, 2016	ø 2016	December 31, 2015	ø 2015
1 USD	1.0190	0.9852	0.9927	0.9624
1 EUR	1.0720	1.0900	1.0826	1.0681
1 GBP	1.2577	1.3349	1.4694	1.4708
1 CAD	0.7581	0.7438	0.7157	0.7535
1 CNY	0.1467	0.1483	0.1530	0.1545

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of composite materials, composite automotive parts, 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 and composite automotive parts 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 in average within 60 days.

Revenue recognition from the sale of the wind turbine tooling project business is contract dependent and typically recognized after the customer 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.

2.5 Employee benefits

2.5.1 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 the 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 in the income statement under "personnel expense"

2.5.2 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 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"

2.5.3 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 grant 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.

2.6 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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.

2.7 Distributions to shareholders

Distributions to the Company's shareholders are recognized as a liability in the Group's financial statements in the period in which the distributions are approved by the Company's shareholders.

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 13. 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.

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 (for example, when the forecast sale that is hedged takes place).

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. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to 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 and 60% on all balances overdue more than 180 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 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). It excludes borrowing costs. 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.

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. 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.

The assets’ useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 2.14). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “other operating income” or within “other operating expenses” in the income statement.

2.13 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.

2.14 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 suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Borrowings

Borrowings are recognized initially normally at par value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet 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 has substantially 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 Trade payables and other payables

Trade payables and other payables are recognized at par value.

2.18 Provisions

Provisions for warranties, restructuring costs, legal cases, 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 Ordinary shares

Ordinary registered and bearer shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19.2 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.

2.19.3 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. Risk management

Risk management forms an integral part of the Group's conduct of business and is therefore an important part of each manager's and employee's daily business responsibility. Risk management is carried out by the Executive Committee (EC) and the Business Units' management, under the supervision of the Board of Directors.

A formal risk management review and subsequently an update of the risk profiles are done by the Business Units and the EC. The EC ensures that appropriate measures are taken to mitigate the risks. The Board of Directors is informed in the Board of Directors' meetings of the Group's risk profile and the 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 in line with the delegation of authority and the standing orders of the Board of Directors with the Chief Executive Officer.

3.1 Risk assessment

Risks are categorized and prioritized by the Business Units' management and the EC. The risks are categorized into the following three categories:

- Strategy execution risks: risks which endanger the going concern of the Company and / or the implementation of the Group's strategy
- Operational risks: risks related to inadequate business processes, human resources, and systems. Such risks are normally of a short- and medium-term nature.
- Financial risks: although all risks can ultimately be reduced to a financial impact, this category includes short- or long-term financial risks, which are not or only in a limited way linked to operational processes or the strategy implementation.

The different risks are assessed and prioritized according to their financial impact and their likelihood.

3.2 Strategy execution and operational risks

Strategy execution risks are captured and assessed annually during the strategy workshops. Operational risks are closely linked to the manufacturing and procurement processes. They are reviewed and assessed as part of the operational reviews of the Business Units as well as by the EC reviews.

3.3 Financial risk management

Due to the global activities of Gurit, the Group is exposed to certain financial risks such as currency risks, interest rate risks, credit risks as well as liquidity risks. The EC defines the principles for the financial risk management. Rules exist for the management of liquid and financial assets. The respective legal entities manage their financial risks according to the defined risk policies with the aim of minimizing the abovementioned risks. If appropriate, derivative financial instruments are used to hedge certain risk positions.

3.3.1 Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the euro, the GB pound, the Canadian dollar, and the Chinese yuan (Renminbi). Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge significant foreign exchange risk exposures in accordance with this policy. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use natural hedges (e.g., purchasing raw materials in the currency, in which the related sales are invoiced, and the utilization of loans and deposits denominated in the foreign currency of future commercial transactions and recognized assets and liabilities) and forward contracts, transacted in cooperation with Group Treasury.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the translation of the net assets of the Group's foreign operations is not hedged.

3.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings issued at variable interest rates. The potential effect on the Group's profit arising from this risk is assessed to be not significant.

3.3.3 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set by Management based on internal or external ratings. The utilization of credit limits is regularly monitored.

3.3.4 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed and uncommitted credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under commit-

ted credit lines. The Group monitors its risk to a shortage of funds by reviewing short-term cash forecasts on a monthly basis and performs annual cash forecasts once a year.

At the reporting date, the Group analyzed liquidity as follows:

In CHF 1000	2016	2015
Cash and cash equivalents	38 646	29 831
Undrawn available committed credit lines	37 456	26 412
Total liquidity reserves and available credit lines	76 102	56 243

3.3.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distribution payments to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using the ratios and calculations as shown below:

In CHF 1000	2016	2015
Debt	1 446	9 459
EBITDA	48 551	42 559
Debt / EBITDA ratio	0.03	0.2
Assets	249 117	251 226
Equity	190 803	179 475
Equity ratio	76.6 %	71.4 %

4. Segment information

In CHF 1000	2016	2015
Net sales by segments		
Composite Materials	265 636	273 979
Composite Components	17 347	26 398
Tooling	69 000	59 034
Total net sales	351 983	359 411

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, especially Tooling and Composite Components, operate are relatively confined market niches and the product offering of these two 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	2016	2015
Net sales by regions of destination		
Europe	134 901	140 518
Asia	133 744	125 053
Americas	60 389	65 673
Rest of the world	22 949	28 167
Total net sales	351 983	359 411

5. Other operating income

In CHF 1000	2016	2015
Gains from disposals of fixed assets	79	7
Other income	455	139
Total other operating income	534	146

6. Personnel expense

In CHF 1000	2016	2015
Salaries and wages	64 371	68 397
Pension expense	3 561	3 313
Social security expense	8 542	8 907
Other personnel expenses	4 031	3 166
Total personnel expense	80 505	83 783

Salaries and wages include share-based compensation in the aggregate amount of CHF 912 000 (2015: CHF 518 000). 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 2016, the members of the Board of Directors and the Executive Committee and other employees will receive, in aggregate, 1126 bearer shares (2015: 960 bearer shares).

The amount of the share-based compensation was calculated based on a share price of CHF 810, the rounded closing rate on February 1, 2017.

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, 2016	Dec. 31, 2016	Dec. 31, 2015			2016	2015
Patronage pension unfunded	– 486	– 486	– 213	– 273	273	273	147*
Pension institutions without surplus/deficit	–	–	–	–	–	3 288	3 166*
Pension institutions with surplus	–	–	–	–	–	–	–
Pension institutions with deficit	–	–	–	–	–	–	–
Pension institutions without own assets	–	–	–	–	–	–	–
Total	– 486	– 486	– 213	– 273	273	3 561	3 313

* break-down 2015 restated compared to the 2015 Financial report

During 2016 and 2015, the Group did not have any employer contribution reserves.

7. Other operating expenses

In CHF 1000	Note	2016	2015
Utilities, maintenance, and rent expense		16 919	18 470
Losses from disposals of fixed assets		65	247
Losses from disposals of intangibles		–	68
Change in provision for impairment of trade receivables	14	1 468	– 1 325
Other operating expenses		33 907	42 394
Total other operating expenses		52 359	59 854

8. Finance expense

In CHF 1000	2016	2015
Interest expense	282	568
Exchange rate losses	1 907	2 276
Other finance expenses	631	344
Total finance expense	2 820	3 188

In CHF 1000	Note	2016				
Exchange rate gains and losses per currency		EUR	CHF	USD	Other	Total
Net gains per currency	9	57	44	856	951	1 908
Net losses per currency		– 570	– 109	– 1 054	– 174	– 1 907
Total		– 513	– 65	– 198	777	1
Whereof						
Gains per currency and balance sheet position		1 401	52	3 513	1 524	6 490
Losses per currency and balance sheet position		– 1 914	– 117	– 3 711	– 747	– 6 489

In CHF 1000	Note					2015
Exchange rate gains and losses per currency		EUR	CHF	USD	Other	Total
Net gains per currency	9	458	38	669	463	1 628
Net losses per currency		– 611	– 429	– 914	– 322	– 2 276
Total		– 153	– 391	– 245	141	– 648
Whereof						
Gains per currency and balance sheet position		1 434	180	4 972	921	7 507
Losses per currency and balance sheet position		– 1 587	– 571	– 5 217	– 780	– 8 155

9. Finance income

In CHF 1000	Note	2016	2015
Interest income		121	257
Exchange rate gains	8	1 908	1 628
Total finance income		2 029	1 885

10. Income tax expense

In CHF 1000	Note	2016	2015
Deferred income tax (credit) / expense	22	– 1 095	2 439
Current income tax expense		11 077	6 663
Total income tax expense		9 982	9 102

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	Note	2016	2015
Profit before tax		36 012	31 676
Tax expense at the weighted average tax rate of 20.1 % (2015: 22.9 %) applicable to profits of the consolidated entities		7 249	7 251
Utilization of previously unrecognized tax losses		– 589	– 2 710
Tax losses for which no deferred income tax asset was recognized		1 794	1 973
Not recoverable withholding taxes on Group-internal dividends		1 701	2 572
Recognition of previously unrecognized tax assets from temporary differences		–	– 1 040
Recognition of previously unrecognized tax assets from tax losses		– 510	–
Derecognition of previously recognized tax assets		–	952
Expenses not deductible for tax purposes		428	–
Adjustment in respect of prior years		94	311
Effect of tax concessions		– 436	– 284
Others		251	77
Income tax expense recognized in profit or loss		9 982	9 102

11. Earnings per share

Basic and diluted earnings per share are calculated on the basis of the profit for the year 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.

	2016	2015
Profit for the year (in CHF 1000)	26 030	22 574
Weighted average number of shares in issue during the year		
Bearer shares	419 832	419 954
Registered shares	239 795	239 795
Basic and also diluted earnings per share (in CHF)		
Bearer shares (par value of CHF 50)	55.64	48.24
Registered shares (par value of CHF 10)	11.13	9.65

12. Distribution to shareholders

The distribution to shareholders in 2016 out of reserves from capital contributions amounted to CHF 7 020 000 (CHF 3.00 per registered share and CHF 15.00 per bearer share). In 2015, a distribution out of reserves from capital contributions in the amount of CHF 3 978 000 (CHF 1.70 per registered share and CHF 8.50 per bearer share) was paid to the shareholders. A distribution out of reserves from capital contributions of CHF 4.00 per registered share and CHF 20.00 per bearer share, amounting to a total distribution of CHF 9 360 000, is to be proposed at the Annual General Meeting on April 12, 2017. These financial statements do not reflect this distribution payable.

13. Derivative financial instruments

In CHF 1000	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges, categorized as derivatives used for hedging	–	– 364	–	– 1 653
Cash flow hedges, categorized as derivatives at fair value through profit and loss	112	– 336	198	– 117
Total derivative financial instruments	112	– 700	198	– 1 770
Whereof				
Current portion	112	– 597	198	– 1 770
Non-current portion	–	– 103	–	–

All of the Group's cash flow hedges relate to foreign exchange instruments. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates until 2018.

14. Trade receivables

In CHF 1000	2016	2015
Trade receivables	63 447	66 076
Less: provision for impairment	– 2 118	– 890
Trade receivables – net	61 329	65 186

In CHF 1000	2016	2015
Aging of trade receivables		
Not due	45 432	54 281
Overdue 1-15 days	6 073	7 169
Overdue 16-30 days	1 824	1 355
Overdue more than 30 days	10 118	3 271
Total trade receivables	63 447	66 076
Less: provision for impairment	– 2 118	– 890
Total trade receivables – net	61 329	65 186

In CHF 1000	2016	2015
Movements on the provision for impairment		
Balance at January 1	890	2 512
Provision for receivables impairment	1 650	192
Receivables written off as uncollectible	– 61	– 209
Unused amounts reversed	– 182	– 1 517
Exchange differences	– 179	– 88
Balance at December 31	2 118	890

In CHF 1000	2016	2015
Trade receivables by currency		
US dollar	24 119	21 390
GB pound	2 869	5 602
Euro	16 306	15 908
Chinese yuan (Renminbi)	17 432	21 447
Others	603	839
Total trade receivables – net	61 329	65 186

15. Other receivables

In CHF 1000	2016	2015
Other receivables	7 071	9 922
Loans	988	528
Total other receivables	8 059	10 450
Whereof		
Current portion	7 237	10 133
Non-current portion	822	317

16. Prepayments and accrued income

In CHF 1000	2016	2015
Current income tax assets	673	923
Prepaid expenses	4 616	4 520
Accrued income	7 845	4 456
Total prepayments and accrued income	13 134	9 899

17. Inventories

In CHF 1000	2016	2015
Raw materials	21 422	22 839
Work in progress	4 992	6 090
Semi-finished goods	6 338	6 872
Finished goods	16 713	19 137
Total inventories	49 465	54 938
Less: inventory provision	- 3 275	- 3 724
Total inventories – net	46 190	51 214

18. 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, 2015		135 649	49 255	3 330	2 037	190 271
Additions		6 562	175	8 430	188	15 355
Disposals		- 11 451	- 62	- 19	- 45	- 11 577
Reclassifications		6 769	287	- 7 135	79	-
Exchange differences		- 9 884	- 2 668	- 286	- 112	- 12 950
Balance at December 31, 2015		127 645	46 987	4 320	2 147	181 099
Additions		5 748	142	3 158	249	9 297
Business Acquisition	27	1 393	-	-	-	1 393
Disposals		- 7 807	- 8	- 38	- 84	- 7 937
Reclassifications		3 321	2 841	- 6 162	-	-
Exchange differences		- 4 872	- 964	- 115	- 24	- 5 975
Balance at December 31, 2016		125 428	48 998	1 163	2 288	177 877
Accumulated depreciation						
Balance at January 1, 2015		98 188	16 757	-	1 558	116 503
Depreciation charges		6 911	1 155	-	214	8 280
Impairment charges		581	-	-	-	581
Disposals		- 11 223	- 32	-	- 45	- 11 300
Reclassifications		39	-	-	- 39	-
Exchange differences		- 7 341	- 920	-	- 105	- 8 366
Balance at December 31, 2015		87 155	16 960	-	1 583	105 698
Depreciation charges		7 335	1 247	-	237	8 819
Impairment charges		2 085	-	-	17	2 102
Impairment reversals		- 32	-	-	-	- 32
Disposals		- 7 786	- 2	-	- 82	- 7 870
Exchange differences		- 3 501	- 306	-	- 13	- 3 820
Balance at December 31, 2016		85 256	17 899	-	1 742	104 897
Net book values						
Balance at January 1, 2015		37 461	32 498	3 330	479	73 768
Balance at December 31, 2015		40 490	30 027	4 320	564	75 401
Balance at December 31, 2016		40 172	31 099	1 163	546	72 980

Impairment in Composite Components

Following the strategic shift within Business Unit Composite Components of volume manufacturing from the UK to the Hungarian facility, certain equipment and installations in the UK are no longer in use. As a consequence, a respective impairment charge of CHF 1 935 000 has been recorded in 2016.

The Composite Components facility in the UK and in Hungary together form a cash generating unit. Due to the revenue decline in this business unit, Management performed an impairment test on the carrying value of this cash generating unit after recording the above-mentioned impairment charge and concluded that no further impairment charge was required. The recoverable amount in the impairment test was determined based on value-in-use calculations. These calculations use cash flow projections based on financial

estimates covering a five-year period. Cash flows beyond the five-year period are extrapolated on the basis of the last year covered by projections. Significant assumptions were required in respect to the future development of the demand of the market and the Business Unit's customers, the Business Unit's share in this demand, the future operating profit margin and the discount rate.

In 2016, other fixed assets impairment charges in the total of CHF 167 000 were recorded in various sites for assets no longer in use (2015: CHF 581 000).

19. Intangible assets

In CHF 1000	Note	Patents and trademarks	Land use rights	Software and other intangibles	Total intangible assets
Cost					
Balance at January 1, 2015		4 002	3 413	5 924	13 339
Additions		326	–	1 015	1 341
Disposals		– 63	–	– 226	– 289
Exchange differences		– 300	– 170	– 372	– 842
Balance at December 31, 2015		3 965	3 243	6 341	13 549
Additions		200	–	968	1 168
Business Acquisition	27	22	–	–	22
Disposals		–	–	– 11	– 11
Exchange differences		– 403	– 134	– 452	– 989
Balance at December 31, 2016		3 784	3 109	6 846	13 739
Accumulated amortization					
Balance at January 1, 2015		2 508	352	4 813	7 673
Amortization charge		244	67	408	719
Disposals		– 28	–	– 193	– 221
Exchange differences		– 234	– 18	– 307	– 559
Balance at December 31, 2015		2 490	401	4 721	7 612
Amortization charge		234	64	462	760
Impairment charge		–	–	99	99
Disposals		–	–	– 11	– 11
Exchange differences		– 189	– 17	– 271	– 477
Balance at December 31, 2016		2 535	448	5 000	7 983
Net book values					
Balance at January 1, 2015		1 494	3 061	1 111	5 666
Balance at December 31, 2015		1 475	2 842	1 620	5 937
Balance at December 31, 2016		1 249	2 661	1 846	5 756

20. Borrowings

In CHF 1000	2016	2015
Current		
Bank overdrafts	1 020	2
Bank loans	426	9 457
Total current borrowings	1 446	9 459
Total borrowings	1 446	9 459

Bank loans bear average interest rates of 2.3 % annually (2015: 1.2 %). Bank overdrafts bear average interest rates of 2.3 % annually (2015: 2.3 %).

In 2015 and 2016, there were no secured bank borrowings included in total borrowings.

Borrowings become due as follows:

In CHF 1000	2016	2015
3 months or less	1 446	4 498
4 - 12 months	–	4 961
Total borrowings	1 446	9 459

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

In CHF 1000	2016	2015
Currency		
Swiss franc	–	3 500
Euro	426	551
US dollar	–	5 408
British pound sterling	1 020	–
Total borrowings	1 446	9 459

21. Accrued liabilities and deferred income

In CHF 1000	2016	2015
Current income tax liabilities	1 770	1 586
Advance payments from customers	2 868	4 970
Accruals	19 791	17 425
Total accrued liabilities and deferred income	24 429	23 981

22. Deferred income tax

In CHF 1000	2016	2015
Deferred income tax assets	2 911	3 110
Deferred income tax (liabilities)	– 2 553	– 3 454
Deferred income tax assets/(liabilities), net	358	– 344

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

In CHF 1000	Note	2016	2015
Balance at January 1		– 344	2 123
Deferred income tax credit/(expense)	10	1 095	– 2 439
Tax effect recorded in equity		– 308	218
Exchange differences		– 85	– 246
Balance at December 31		358	– 344

Deferred income tax assets and liabilities arise from temporary differences between the tax bases and their carrying amounts in the Group's financial statements in the following balance sheet items:

In CHF 1000	2016		2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	8	31	8	44
Other receivables	–	580	–	647
Inventories	676	109	398	114
Property, plant and equipment	515	130	1 495	43
Intangible assets	221	–	280	–
Accrual for withholding tax on foreseen intra-Group dividend	–	1 761	–	2 555
Provisions	356	62	293	57
Other liabilities	417	157	682	40
Deferred income taxes from losses carried forward	995	–	–	–
Offset of deferred income tax assets and liabilities	– 277	– 277	– 46	–46
Total	2 911	2 553	3 110	3 454

The Group did not recognize deferred income tax assets of CHF 8 056 000 (2015: CHF 7 936 000) in respect of unused tax losses amounting to CHF 34 190 000 (2015: CHF 33 909 000). These tax losses expire as shown in the table below:

In CHF 1000	2016	2015
0 - 3 years	3 195	3 521
4 - 6 years	6 111	6 015
Over 6 years	10 620	10 162
No expiry	14 264	14 211
Total unrecognized tax losses	34 190	33 909

23. Provisions

In CHF 1000	Warranty	Other	Total provisions
Balance at January 1, 2015	2 279	607	2 886
Utilized during the year	– 1 121	– 17	– 1 138
Additions	891	1 075	1 966
Unused amounts reversed	–	– 180	– 180
Exchange differences	– 97	– 6	– 103
Balance at December 31, 2015	1 952	1 479	3 431
Utilized during the year	– 377	– 881	– 1 258
Additions	626	816	1 442
Unused amounts reversed	– 756	– 625	– 1 381
Exchange differences	– 75	– 28	– 103
Balance at December 31, 2016	1 370	761	2 131
Whereof at December 31, 2015			
Current portion	867	739	1 606
Non-current portion	1 085	740	1 825
Whereof at December 31, 2016			
Current portion	408	761	1 169
Non-current portion	962	–	962

24. Equity

The issued share capital of the Company consists of 420 000 bearer shares (2015: 420 000 shares) with a par value of CHF 50.00 each and 240 000 registered shares (2015: 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.

At December 31, 2016, “treasury shares” consisted of 86 bearer shares (2015: 31 shares) and 205 registered shares (2015: 205 shares).

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 4 768 000 at December 31, 2016 (2015: CHF 4 730 000).

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	Cost	Accumulated amortization	Theoretical net book value
Balance at January 1, 2015	26 690	– 24 919	1 771
Amortization charge	–	– 1 417	– 1 417
Balance at December 31, 2015	26 690	– 26 336	354
Amortization charge	–	– 354	– 354
Balance at December 31, 2016	26 690	– 26 690	–

Impact on income statement:

In CHF 1000	2016	2015
Profit for the year according to the consolidated income statement	26 030	22 574
Amortization of goodwill	– 354	– 1 417
Theoretical profit for the year including amortization	25 676	21 157

Impact on balance sheet:

In CHF 1000	2016	2015
Equity according to the balance sheet	190 803	179 475
Theoretical capitalization of goodwill (net book value)	–	354
Theoretical equity including net book value of goodwill	190 803	179 829
Equity according to balance sheet	190 803	179 475
Equity as % of total assets	76.6 %	71.4 %
Theoretical equity including net book value of goodwill	190 803	179 829
Theoretical equity including net book value of goodwill as % of total assets	76.6 %	71.5 %

25. Contingent liabilities

A Swiss real estate property formerly owned and operated by Gurit is currently subject to an environmental investigation by the authorities. The remediation of the identified contamination is expected to require a substantial amount of economic resources but the range of the financial impact cannot be assessed as of the date of this report. The ongoing investigations, which are at an early stage, shall identify, amongst others, the cause of the contamination. Based on the information available today and Gurit's internal analysis involving external expert advice, Management is of the opinion that the environmental contamination had not been caused by Gurit.

26. 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 488 000 (2015: CHF 4 249 000).

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

In CHF 1000	2016	2015
No later than 1 year	2 377	2 495
Later than 1 year, no later than 5 years	5 539	5 231
Later than 5 years	5 837	3 864
Total commitments	13 753	11 590

27. Business acquisition

At December 1st 2016, Gurit acquired a PET operation in Italy, including its staff, operating assets and product intellectual property in the form of an asset deal. The purchase price of CHF 1 773 000 was paid in cash and was allocated to property, plant and equipment (CHF 1 393 000), intangibles (CHF 22 000), inventories (CHF 555 000) and to accrued liabilities (– CHF 197 000). The fair value of the total net assets acquired equalled the total purchase price and hence no goodwill resulted from this transaction.

28. Related party transactions

In CHF 1000	2016	2015
Salaries and other short-term employee benefits	3 241	3 366
Post-employment benefits (including employer's social charges)	588	511
Share-based compensation	610	397
Total Key Management compensation	4 439	4 274

Key Management includes members of the Board of Directors and members of the Executive Committee.

29. Subsequent events

No significant events occurred between the balance sheet date and March 3, 2017, the date on which these consolidated financial statements were signed off by the Board of Directors for publication.

30. Subsidiaries

Company	Activity
Brazil	
Gurit do Brasil Representações Ltda., Sorocaba	Dormant company
Canada	
Gurit Americas Inc., Magog	Production and sales of composite materials
China	
Cheer Tech Investment, Hong Kong	Holding company
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
Ecuador	
Balsablock Cia. Ltda., Quevedo	Production of balsa wood core panels
Gurit Balsaflex, Cia. Ltda., Quevedo	Production of balsa wood core panels
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
Italy	
Gurit (Italy) S.R.L., Volpiano	Production and sales of composite materials
New Zealand	
Gurit (Asia Pacific) Ltd., Auckland	Structural engineering, production, and sales of composite materials
Poland	
Gurit (Poland) Sp.z.o.o., Szczecin	Production and sales of composite process equipment
Spain	
Gurit Balsa, S.L., Girona	Sales of balsa wood core panels
Gurit (Spain) S.A., Albacete	Production and sales of composite materials
Switzerland	
Gurit Composite Materials AG, Zurich	Trading company for composite materials
Gurit Services AG, Zurich	Management service company
Gurit (Zullwil) AG, Zullwil	Production and sales of composite materials
United Kingdom	
Gurit Composite Components Ltd., Newport	Production and sales of automotive body panels and structural engineering
Gurit Material Systems Ltd., Newport	Holding company
Gurit (UK) Ltd., Newport	Production and sales of composite materials
SP Group Ltd., Newport	Company in liquidation
SP Holdings, Newport	Company in liquidation
USA	
Gurit (USA) Inc., Bristol	Sales of composite materials

* Minority interests are ignored due to immateriality.

Registered capital	Group ownership and voting rights	
	2016	2015
BRL 100 000	100 %	100 %
CAD 38 626 898	100 %	100 %
HKD 1	100 %	100 %
CNY 62 090 245	100 %	100 %
CNY 128 856 923	100 %	100 %
CNY 68 559 206	100 %	100 %
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 %
EUR 10 000	100 %	100 %
NZD 6 830 085	100 %	100 %
PLN 2 120 000	100 %	0 %
EUR 1 000 000	100 %	100 %
EUR 1 552 744	100 %	100 %
CHF 500 000	100 %	100 %
CHF 500 000	100 %	100 %
CHF 500 000	100 %	100 %
GBP 500 000	100 %	100 %
GBP 34 305 957	100 %	100 %
GBP 142 571	100 %	100 %
GBP 3 333 324	100 %	100 %
GBP 1 394 554	100 %	100 %
USD 3 000	100 %	100 %

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

Opinion

We have audited the consolidated financial statements of Gurit Holding AG and its subsidiaries (the Group), which comprise the consolidated income statement as at December 31, 2016 and the consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, including a summary of significant accounting policies (pages 55 to 87). In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated income statement of the Group as at December 31, 2016, and its consolidated balance sheet 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 1 800 000
- We concluded full scope audit work at 10 reporting units in 6 countries. Our audit scope addressed over 74% of the Group’s revenue and 73 % of the Group’s assets.
- In addition, specified procedures were performed on a further 3 reporting units in 3 countries representing a further 9 % of the Group’s revenue and 7 % of the Group’s assets.

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 26 reporting entities. We identified 9 reporting entities that, in our view, required a full scope audit due to their size or risk characteristics. Specific procedures were also carried out at a further 3 reporting entities to give appropriate coverage of material balances. In order to exercise the appropriate direction and supervision over the work of the reporting entity 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. Furthermore, the Group engagement team attended selected local audit clearance meetings.

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. Mis-statements 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 1 800 000
How we determined it	5 % of profit before tax
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 is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 180 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

Property, plant and equipment impairment assessment

Key audit matter	How our audit addressed the key audit matter
<p>We focused on this area due to the size of the property, plant and equipment balance (CHF 72.980 million as at 31 December 2016) and because the directors' assessment of the future recoverability of the assets involves judgement regarding the future results of the business.</p> <p>In particular we focused our audit effort on the fixed assets valuation in the Composite Components business unit, which represents a cash generating unit. Following the strategic shift within Business Unit Composite Components of volume manufacturing from the UK to the Hungarian facility, certain equipment and installations in the UK are no longer in use. As a consequence, a respective impairment charge of CHF 1 935 000 has been recorded in 2016. Refer to note 18 to the consolidated financial statements.</p> <p>Due to the revenue decrease in the Composite Components business, group management performed an impairment test on the remaining carrying value after considering the above mentioned impairment charge. Based on group management's impairment test, the recoverable amount exceeds the carrying value of this cash generating unit's assets. Accordingly, no further impairment charge was recorded. The recoverable amount in the impairment test was determined based on value-in-use calculations, which use discounted cash flow projections.</p> <p>Significant assumptions were required to establish these cash flow projections. While these assumptions represent group management's current judgement on future developments, they are subject to risks and uncertainties that could cause actual results to differ materially.</p>	<p>We obtained from group management the discounted cash flow projections of the Composite Components business unit and explanations as to why they believe in a positive future development for the performance of the Composite Components segment. We also conducted interviews with local management to corroborate these explanations and to obtain an understanding of the specific business and future projects to be able to independently assess whether there are any impairment indicators or not. We considered that there are several projects ongoing involving renowned manufacturers within the automotive industry. We found the explanations obtained from the group and local management to be consistent with our understanding of developments in the business. This evidence supported group management's assessment that the fixed assets in the Composite Components segment are still recoverable under group management's current discounted cash flow projections.</p> <ul style="list-style-type: none">– We used valuations specialists to assess the discount rate for the Gurit Composite Components cash-generating unit by comparison to third party information and we further tested the mathematical accuracy and the consistency and integrity of the model and data used for the discounted cash flow calculation.– To determine the reliability of management's assumptions, we challenged management's estimates in this area by comparing past income statement budgets with the actual year results. Based on these audit procedures, we assessed that group management's estimates are generally reasonable and balanced. <p>Our procedures performed and the evidence provided identified no significant issues with respect to management's assessment.</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



Patrick Balkanyi
Audit expert
Auditor in charge



Cüneyt Budakoglu
Audit expert

Zurich, March 3, 2017

Income Statement

In CHF 1000	Year ended December 31, 2016	Year ended December 31, 2015
Income from investments	34 234	13 089
Finance income	5 106	6 440
Other income	1 270	934
Release of provision on loans to Group companies	1 903	30 234
Total income	42 513	50 697
Finance expense	– 8 509	– 6 845
Stewardship expense	– 6 247	– 6 164
Administration expense	– 1 628	– 1 249
Total expenses	– 16 384	– 14 258
Ordinary result	26 129	36 439
Tax expense	– 5	– 5
Profit for the year	26 124	36 434

Balance Sheet

In CHF 1000	Note	At December 31, 2016	At December 31, 2015
Assets			
Cash and cash equivalents		1 494	1 474
Other receivables from third parties		243	176
Other receivables from Group companies		652	768
Loans to Group companies		8 283	28 397
Current assets		10 672	30 815
Loans to Group companies		59 599	38 749
Investments	2	106 588	105 846
Non-current assets		166 187	144 595
Total assets		176 859	175 410
Liabilities and equity			
Interest-bearing liabilities third parties		–	3 500
Interest-bearing liabilities Group companies		2 850	4 503
Other payables due to third parties		167	165
Other payables due to Group companies		549	2 979
Accrued expenses		847	753
Current liabilities		4 413	11 900
Interest-bearing liabilities Group companies		5 868	15 300
Provisions		9	707
Non-current liabilities		5 877	16 007
Total liabilities		10 290	27 907
Share capital	3	23 400	23 400
Legal reserves:			
Reserves from capital contributions		11 196	18 216
Other legal reserves		4 680	4 680
Treasury shares	4	– 88	– 50
Retained earnings		127 381	101 257
Total equity		166 569	147 503
Total liabilities and equity		176 859	175 410

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 2016 and 2015 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, which 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 30 to the Gurit Group's consolidated financial statements.

3. Share capital

The share capital at December 31 consisted of:

In CHF 1000	2016	2015
240 000 registered shares at CHF 10.00	2 400	2 400
420 000 bearer shares at CHF 50.00	21 000	21 000
Total share capital	23 400	23 400

4. Treasury shares

In number of shares	2016	2015
Registered shares		
Balance at January 1	205	205
Balance at December 31	205	205
Bearer shares		
Balance at January 1	31	31
Additions at CHF 602.32 each (2015: CHF 423.80)	1 015	450
Disposals (used for share-based compensation of Board of Directors)	– 150	– 150
Disposals (used for share-based compensation of employees)	– 810	– 300
Balance at December 31	86	31

5. Contingent liabilities

In CHF 1000	2016	2015
Guarantees in favor of banks of subsidiaries, as security for bank loans of these subsidiaries	3 572	3 789
Guarantees in favor of banks of the Group, in respect to credit frame agreements of the Group	31 472	38 799

Furthermore, the Company has a contingent liability in connection with an environmental investigation. This is further explained in note 25 to the Gurit Group's consolidated financial statements.

6. Silent reserves

In CHF 1000	2016	2015
Release of silent reserves	3 228	–

7. Significant shareholders

In percentage of all voting rights (all above 3 %)	2016	2015
Huwa Finanz- und Beteiligungs AG, Heerbrugg (registered shares)	33.33 %	33.33 %
Whale Holding AG, Zug (Martin Bisang, Küssnacht)	5.30 %	5.30 %
Robert Heberlein, Zumikon	4.59 %	4.59 %
Credit Suisse Funds	< 3 %	3.57 %
J. Safra Sarasin Investmentfonds AG, Basel	< 3 %	3.03 %

8. Board and Executive shareholdings

In number of shares	2016	
	Bearer shares held at year-end	Bearer shares allocated during the year
Board of Directors		
Peter Leupp (Chairman)	424	50
Stefan Breitenstein (member)	120	25
Nick Huber (member)	380	25
Urs Kaufmann (member)	335	25
Peter Pauli (member)	350	25
Total Board of Directors	1 609	150
Executive Committee		
Rudolf Hadorn (CEO)	2 570	270
Damian Bannister (member)	165	45
Stefan Gautschi (member)	145	45
Hannes Haueis (member)	45	45
Laurent Michaux (member until November 30, 2016)	n.a.	45
Angelo Quabba (member)	45	45
Total Executive Committee	2 970	495
Total Management participation	4 579	645

In number of shares	2015	
	Bearer shares held at year-end	Bearer shares allocated during the year
Board of Directors		
Peter Leupp (Chairman)	374	50
Stefan Breitenstein (member)	95	25
Nick Huber (member)	355	25
Urs Kaufmann (member)	310	25
Peter Pauli (member)	325	25
Total Board of Directors	1 459	150
Executive Committee		
Rudolf Hadorn (CEO)	2 929	300
Damian Bannister (member)	120	–
Stefan Gautschi (member)	100	–
Total Executive Committee	3 149	300
Total Management participation	4 608	450

Proposal of the Board of Directors for the Appropriation of Available Earnings and Reserves from Capital Contributions

Appropriation of available earnings as proposed by the Board of Directors

In CHF 1000	2016	2015
Retained earnings carried forward from previous year	101 257	64 773
Net profit for the year	26 124	36 434
Release of reserves for treasury shares	–	50
Retained earnings available to the Annual General Meeting	127 381	101 257
To be carried forward	127 381	101 257

Appropriation of reserves from capital contributions

In CHF 1000	2016	2015
Reserves from capital contributions carried forward from previous year	11 196	18 216
Distribution to shareholders from reserves from capital contributions	– 9 360	– 7 020
To be carried forward	1 836	11 196

If this proposal is approved by the Annual General Meeting on April 12, 2017, the distributions will be made as follows:

CHF 4.00 per registered share
CHF 20.00 per bearer share

The distribution is payable on submission of voucher number 36.

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, 2016, income statement and notes for the year then ended, including a summary of significant accounting policies (pages 92 to 96).

In our opinion, the accompanying financial statements as at December 31, 2016 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

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.

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 1 700 000
How we determined it	1 % of total assets, rounded
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 170 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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



Patrick Balkanyi
Audit expert
Auditor in charge

Cüneyt Budakoglu
Audit expert

Zurich, March 3, 2017

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

