

annual
report
2017

Gurit – Delivering the Future of Composite Solutions

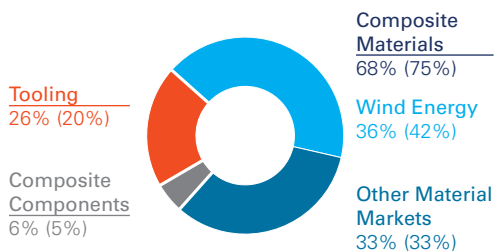
We specialize in advanced composite materials, production tools, select components, and engineering services for our target markets wind energy, aerospace, automotive, marine, and industrial. Our materials offering comprises glass, carbon, and aramid fibre prepregs, structural synthetic core and balsa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

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Gurit generated net sales growth of 2.4% and an operating profit margin of 10% in 2017. Gurit Tooling reported strong growth, driven by the demand for longer wind-blade moulds. The Composite Components Business Unit was able to benefit from the start of new volume-production programs. Gurit Composite Materials was hampered by lower installation rates in the global wind energy market, corresponding to some 10% less volume, particularly in India and China, and increased price pressure of about 5% overall.

Sales by End Market



(Prior-year period)

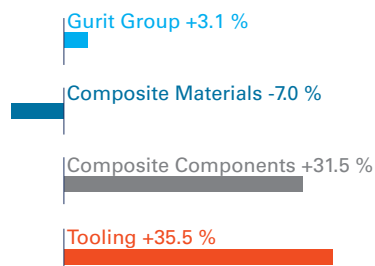
Key Figures Consolidated Income Statement 2017
(in CHF million)

Net sales	360.5
Operating profit	35.9
Net profit	24.9

Key Figures Consolidated Balance Sheet
(in CHF million)

	31.12.2017	31.12.2016
Total assets	289.9	249.1
thereof Current assets	201.1	166.6
Total liabilities	83.8	58.3
thereof Current liabilities	77.8	54.7
Equity	206.1	190.8
Equity ratio	71.1%	76.6%

Sales Dynamics 2017 over 2016 (at constant rates)



Business and Financial Review

Key Figures

Amounts in CHF million	2017	2016	+/- %
Net sales	360.5	352.0	2.4%
EBITDA	46.8	48.6	-3.7%
EBITDA margin	13.0%	13.8%	
EBIT	35.9	36.8	-2.4%
EBIT margin	10.0%	10.5%	
Operating profit	35.9	36.8	-2.4%
Operating profit margin	10.0%	10.5%	
Profit for the year	24.9	26.0	-4.3%
Return on net assets, including goodwill	15.0%	16.1%	
Return on net assets, goodwill offset in equity	176%	18.6%	
Net cash flow from operating activities	30.6	37.9	-21.7%
Capital expenditures	11.7	10.5	11.8%
Net cash	32.7	37.2	-12.1%
Equity in % of total assets	71.1%	76.6%	
Debt/EBITDA ratio	0.25	0.03	
Number of employees at December 31st	2 198	2 199	-0.0%
Average number of full-time equivalents	2 229	2 152	3.6%
Earnings per bearer share	CHF 53.32	CHF 55.64	-
Distribution per bearer share (proposed/distributed)	CHF 20.00	CHF 20.00	0.0%
Market capitalization at December 31st	492.8	378.6	30.2%

Gurit Achieves Further Strategic Progress

Dear Shareholders

Being among the top players in all of the markets we serve requires a competitive product portfolio, innovation and continuous efficiency improvements. In 2017, we achieved further progress. The Company was able to broaden its technology base, expand its business partnerships, and open up more addressable markets and customer groups as a solid foundation for future profitable growth.

On the market side, we saw a mixed picture of demand. In Tooling and Composite Components, there was strong growth, while Composite Materials was faced with negative, short-term macroeconomic effects. The demand halt in the Indian wind energy industry due to the introduction of a new auction system, lower additions to wind energy capacity in China and continuing liquidity shortages in the Middle-Eastern construction industry, resulted in lower demand for advanced composite materials and thereby had an impact on Gurit's growth achievements in 2017.

Despite the challenges, Gurit generated currency-adjusted growth of 3.1% in net sales and an operating profit margin of 10.0% of net sales, delivering on its profitability target for the third consecutive year.

In view of the current market conditions, our objective for 2018 is to achieve single-digit revenue growth and to continue to score at the upper end of our operating profitability target range of 8-10%.



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 technology base, product offering, global footprint and organizational setup over the course of 2017. Key projects included the acquisition of PH Windsolutions, the formation of a balsa wood joint venture in Indonesia, and conclusion of material qualification with another major aircraft manufacturer.

In the **Composite Materials Business Unit**, constant advancement of the Company's product offering further progressed according to schedule. Gurit successfully developed a new PET foam made from 100% recycled (post-consumer) PET materials, brought it into production at its Volpiano, Italy and Tianjin, China production centers and launched it to key customers in 2017 for sales in 2018. Gurit's global balsa wood offering was further strengthened by the formation of a joint venture for balsa wood supply from Java, Indonesia in order to secure a second high-quality source in addition to the Company's existing sourcing and production setup in Ecuador, and to gain more proximity to its Asian customer base. The renewal of the distribution agreement with an Italian producer of closed-cell PVC until the end of 2020 secured global volume-supply capability for high-quality PVC structural foam. Gurit also continued product and process improvement activities for the Company's Corecell™ structural foam to foster future growth potential in the marine, wind, and industrial sectors.

In the **aerospace** business, Gurit completed material qualification for a second global and major aerospace manufacturer. Inclusion of the Company's qualified prepreg range in the manufacturer's official supplier database for existing aircraft types now enables Gurit to build up a position with promising mid-term revenue potential.

In the Company's non-aerospace prepreg business, consolidation of production into one facility in Europe has started in order to improve overall capacity utilization. The transfer of the production equipment from the UK to Spain commenced in October 2017 and is expected to be completed by summer 2018.

In the Company's Formulated Products business, the new industrial adhesive range Smartfuse™ was launched. The two-component epoxy adhesive allows for the bonding of multiple substrates, both composite and non-composite, and is targeted at a wide range of applications in the automotive, transportation, industrial, and construction sectors.

In the **Composite Components Business Unit**, semi-automated series production of exterior car body panels with the Company's proprietary and patented press technology showed further progress. Besides volume production for existing programs, Gurit was able to secure further orders and increase order intake to a total value of CHF 29 million to turn into revenue over the next years. With regard to the further strategic development of the business, Gurit continues to invest in the industrialization of its production facility in Hungary in order to ensure fast production cycles, top-level manufacturing standards, and efficient capacity utilization. Continued development of the material base for the production of Class-A hoods, roofs, trunk decks, and other exterior body panels also moved forward in 2017 with the strategic objective of further reducing piece cost in order to facilitate adoption in the premium car market. New material concepts resulting from these development efforts are expected to be introduced to the market in the first semester of 2018.

In the **Tooling Business Unit**, Gurit built another even longer factory hall to accommodate production of long offshore blade moulds, as the number of blade moulds with a length of more than 80 meters is increasing. The acquisition of the wind-blade mould automation specialist PH Windsolutions in April 2017 has broadened the Company's addressable customer base and has also added a presence in the American region alongside the existing Tooling locations in Taicang, China and Szczecin, Poland. Gurit therefore now has access to more or less all wind-turbine-blade manufacturers worldwide. In addition, the acquisition has further strengthened the Company's technology position with the latest automation solutions. The Tooling business also achieved strategic progress in diversifying its overall offering for future growth. Started in Taicang, China in 2014 as an evolution of the Company's comprehensive resin and mould expertise, formation and development of a composite mineral casting business was accelerated in 2017 with the foundation of a new composite mineral casting production site in Germany. The new site in Germany is based on the capabilities and key personnel of the former Tricketts Mineralguss AG, a pioneer in composite mineral casting. Targeted at the machine-building industry in Europe and Asia, both sites have been able to secure orders and the integration of technologies and capabilities at both sites is expected to develop into an attractive growth business for Gurit in the mid-term.

Overall, **capital investments** were slightly higher in 2017 compared to 2016. Major projects included the construction of another even larger production bay at the Company's Tooling premises in China, investment in PET capacity and production technology at the sites in Italy and China as well as continued industrialization of car part production in Hungary.

Research and Development

Gurit serves its customers with a wide portfolio of advanced composite materials, select composite parts and tooling. As a consequence, the Company's R&D efforts are equally targeted at process development and product innovation. In 2017, Smartfuse™ a new two-component industrial adhesive range for bonding of multiple substrates, both composite and non-composite, was launched. Product innovation processes for the aerospace prepreg range mainly related to the development of more environmentally friendly base materials and improved process capability for existing products. Efforts to further improve cost efficiency of advanced composite car parts for the super-premium and premium car segments also proceeded further with new material concepts to be launched over the course of 2018. In addition, the global R&D teams also continued to refine product properties and production processes for the synthetic structural Corecell™ materials and the new PET foam made from 100% recycled input material. In order to support the global wind energy industry in further improving non-subsidized competitiveness of wind energy versus fossil fuels, a new balsa wood coating solution was developed to significantly reduce resin uptake and thus help to cut total material usage cost and blade weight for wind-blade production. The new balsa wood coating solution will be introduced to the market in the first quarter of 2018. With this innovative step and in combination with the new recycled PET foam, which offers higher cost competitiveness than PET foams made from non-recycled input material, Gurit is now even better positioned to deliver on its target of being the partner of choice for the global wind energy industry.

Market Environment and Demand Situation

Following the double-digit decline of newly installed wind energy capacity from the 63.6 gigawatts (GW) record level in 2015 to 54.6 GW of newly installed capacity in 2016, the global wind energy industry experienced another challenging year in 2017. Installation volume declined by some 10% according to MAKE Global Wind Power statistics Q3-2017, while price pressure increased, corresponding to about 5%. Two main trends prevailed in 2017: Firstly, a continued shift from tax- and policy-supported schemes to more competitive auction and bidding structures for wind projects. Secondly, record low prices for newly commissioned onshore and offshore wind energy projects, undercutting the mark of USD 0.04 per kilowatt-hour (kWh) for fossil-fuel fired electricity generation. Gurit's wind-industry-material customers are expecting the price pressure to continue to persist over the coming years. At the same time, the very competitive cost of wind energy is expected to result in strong volume growth. Approximately 75% of all global investments in new power-generating technology by 2040 will be from renewable sources (primarily wind and solar), according to Bloomberg New Energy Finance (BNEF).

India, in particular, was affected by the switch from feed-in tariffs to a new competitive bidding scheme and a number of cancelled auctions, which led to a significant time lag between commissioning and installation of newly awarded capacity, and ultimately resulted in a demand halt for advanced composite materials as of spring 2017. Energy transition in China progressed further in 2017 yet at a lower level than in 2016. The demand situation in these two key markets presented a challenge to Gurit's composite materials business. The market contraction resulted in a 13.8% decrease in materials sales to the wind energy industry. Composite material sales to the wind energy market likewise decreased from 42% of total Group sales in 2016 to 36% in 2017.

Less prone to the cyclicity of newly installed capacity, Gurit Tooling was able to report yet another record year in 2017, with a 33.1% increase (currency-adjusted: 35.5%) in net sales as customers continued to invest in more efficient wind-blade production technology.

In the aerospace business, completion of material qualification for a second global and major aerospace manufacturer marked a strategic milestone for Gurit in 2017. Inclusion of the Company's qualified prepreg range in the manufacturer's official supplier database for existing aircraft types now enables Gurit to build up a position with promising mid-term revenue potential. Engine delivery problems within the supply chain of a European aerospace manufacturer, however, hampered the revenue potential of Gurit's aerospace business in the short-term in 2017 and material sales decreased slightly in 2017 compared to 2016. Overall, however, the market fundamentals remain positive based on a healthy order backlog, record order intake levels as well as the continued fleet growth in the commercial aircraft industry.

The global marine industry experienced a slight recovery in 2017 after years of cautious order behaviour and relative stagnation on a global scale. Strengthening order books, particularly in Europe and North America, resulted in single-digit revenue growth for Gurit in 2017 compared to 2016 sales levels, based on the Company's long-standing heritage and leadership in composite boat building and its strong product offerings, including structural engineering services. As part of its market penetration strategy, Gurit will continue to tap into additional marine market sub-sectors in all major regions and boat types in order to maintain and grow its strong foothold in the global marine industry.

As in previous years, however, total net sales and profit contributions from other industrial markets remained on a comparatively low level within total Group sales. The Middle Eastern construction industry, which was affected by financial challenges, represented a difficulty in 2017.

Gurit serves the automotive industry with both, advanced composite materials and select composite car parts. Use of lightweight material technologies in the automotive industry remained at around the prior-year level. The automotive components business, by contrast, achieved further progress. Net sales increased to 6% of total Group sales in 2017. Furthermore, order intake increased to a total value of CHF 29 million to turn into revenue over the coming years. Overall, the Group's order situation was stable at year-end 2017.

Key Financial Figures 2017 and Business by Segments

In total, Gurit achieved Group sales of CHF 360.5 million for the 2017 fiscal year. This represents an increase of 2.4% in reported Swiss francs (currency adjusted: +3.1%) over net sales of CHF 352.0 million for the 2016 fiscal year.

Sales by geographic location of material and part supply showed Europe once again to be the largest destination for goods delivered. Deliveries to Europe accounted for 40% of total Group sales in 2017 (2016: 38%); supply to Asia decreased from 38% of total Group sales in 2016 to 36% in 2017. Goods delivered to the Americas accounted for 19% of total Group sales in 2017 (2016: 17%); supply to the rest of the world amounted to 5% of total Group sales in 2017 (2016: 7%). A detailed breakdown can be found in the Notes to the Consolidated Financial Statements of this Annual Report on page 69.

Gurit reports net sales in three segments: 'Composite Materials', 'Composite Components', and 'Tooling'. The Composite Materials segment contributed 68% of total Group sales in 2017 (2016: 75%); the Composite Components segment accounted for 6% of total Group sales in 2017 (2016: 5%), and Tooling amounted to 26% of total Group sales in 2017 (2016: 20%).

Gurit Composite Materials Hampered by Lower Wind Energy Capacity Additions

The Composite Materials Segment achieved full-year sales of CHF 246.4 million in 2017. This represents a decrease of 7.2% (currency-adjusted: -7.0%) compared to full-year sales of CHF 265.6 million in 2016. The decline mainly results from the demand halt in the Indian wind energy industry as of spring 2017 and a lower demand in the wind energy industry in China compared to the prior year. Net sales to the wind market decreased by 13.9% (currency-adjusted: -13.8%) to CHF 128.2 million in 2017.

Material supply to other material markets increased slightly by 1.3% in reported Swiss francs (currency-adjusted: 1.8%), mainly due to higher material sales to the marine and industrial sectors.

Gurit Composite Components on Growth Track

Based on a higher number of new projects since end-2015 and further contract wins in 2016, the Composite Components Segment achieved net sales growth of 28.3% (currency-adjusted: 31.5%) to CHF 22.3 million in 2017.

Gurit Tooling Reports Yet Another Record Year

The Gurit Tooling Segment took benefit from ongoing demand for moulds for longer blades to build ever more efficient turbines as well as the win of two more global key customers. Net sales thus increased by 33.1% (currency-adjusted: 35.5%) to CHF 91.8 million in 2017 compared to net sales of CHF 69.0 million in 2016.

Midterm Profitability Target Met for the Third Consecutive Year

Despite lower capacity additions in the Indian and Chinese wind energy markets, the continued market contraction in the Middle Eastern construction industry and the concomitant lower sales revenues generated in 2017, Gurit was able to achieve an operating profit margin of 10% of net sales in 2017, including the announced restructuring cost related to the transfer of prepreg production from UK to Spain (2016: 10.5% of net sales). The Group operating profit amounted to CHF 35.9 million in 2017. Gurit achieved a net profit of CHF 24.9 million in fiscal year 2017 (2016: CHF 26.0 million). This equals to earnings per listed bearer share of CHF 53.32 (2016: CHF 55.64).

Continued Positive Cash Flow and Strong Balance Sheet

Gurit generated a positive net cash flow from operating activities of CHF 30.6 million and closed the year with a net cash position of CHF 32.7 million (2016: CHF 37.2 million) and an equity ratio of 71.1% (2016: 76.6%).

Capital expenditures as described were slightly higher than in 2016 and amounted to CHF 11.7 million in 2017 (2016: CHF 10.5 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 performed annually by the Business Units and the Executive Committee, including assessment of the individual sites. Gurit groups the risks into the following three categories: strategy execution risks, operational risks and financial risks. The different risks are assessed and prioritized according to their financial impact and the likelihood of their occurrence. The Executive Committee ensures that appropriate measures are taken to mitigate risks. The Board of Directors is informed 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.

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

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

Demand for composite solutions in the automotive and industrial markets served by Gurit is often the result of a conversion from established metal structures to new composite ones. This transition implies timing and sales growth risks. Gurit presumes that industrialization of car part production and material cost reductions are suited to support this conversion process.

Gurit is also faced with material procurement risks. Price development in general is tied to the oil price for all oil-based raw materials used and the steel price, in particular, for the Tooling business. Other material procurement risks relate to the availability of supply and climatic conditions for balsa wood harvest, individual vendor delivery constraints, commodity changes driven by health and safety regulations or changes in governmental health and safety regulation in regions or countries (e.g. in China).

Outlook and Proposed Distribution to Shareholders

In light of the current market fundamentals, our outlook for the Company's development in 2018 is positive. Despite potential short-term effects from the further transition to competitive auction systems, mid- and long-term prospects for the global wind energy industry remain favourable with projected annual growth of 4 to 5 percent over the coming years. We expect the market situation in the Indian wind energy industry to improve over the course of the year and commissioned projects to enter installation phase. Equally, we anticipate the Middle Eastern construction industry to recover over time. For the aerospace business, we are confident that we can turn the successful material qualification with another major aircraft manufacturer into additional sales revenue in 2018 as well as into a promising growth opportunity for Gurit in the mid-term.

Overall, we currently expect to achieve low single-digit revenue growth and profitability at the upper end of the Company's target operating profit range of 8-10% for the fiscal year 2018.

The Board of Directors will propose to the Annual General Meeting of Shareholders, scheduled for April 17, 2018, to distribute a total of CHF 9.4 million corresponding to CHF 20.00 per listed bearer share to shareholders.

We would like to thank all of our employees for their excellent performance and strong contribution to the Company's success and strategic progress. We would also like to express our gratitude to our customers and business partners for their continued loyalty to Gurit and rewarding relationships of mutual respect and benefit. We look forward to a continued close and trustful collaboration and open dialogue in the future.

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 Urs Kaufmann, Chairman of the Nomination and Compensation Committee Nick Huber, 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 17, 2018 Annual General Meeting Press release on Q1 sales	End of January 2019 Press release on FY 2018 sales
August 17, 2018 Half-Year Report 2018 Analyst/Media Conference	March 2019 Presentation full-year results 2018 Analyst/Media Conference Publication of Annual Report
October 23, 2018 Press release on Q3 sales	April 2019 Annual General Meeting

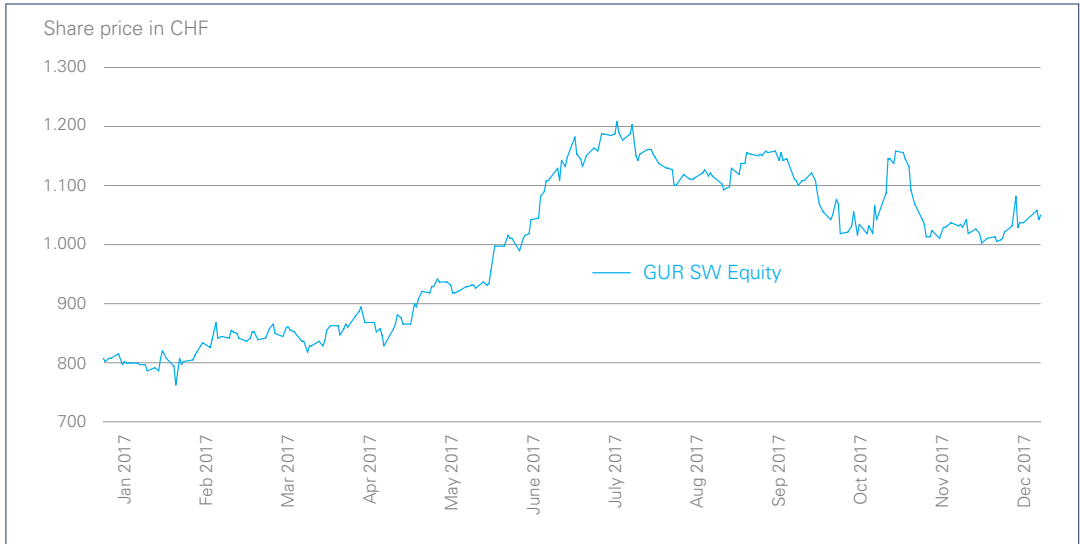
The key dates are continuously updated at <http://www.gurit.com/Investors/Events>

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>

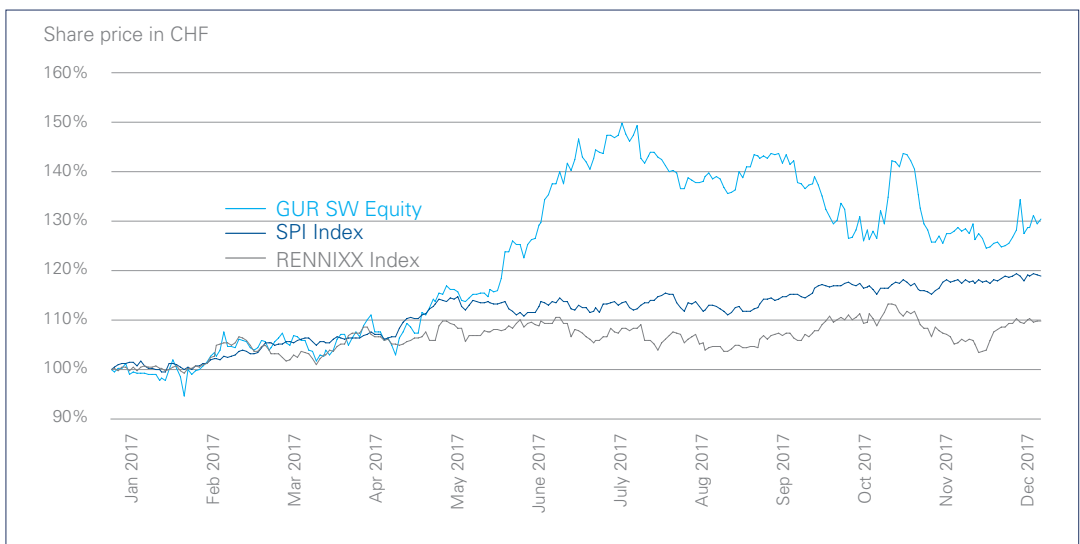
Stock Price Chart

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

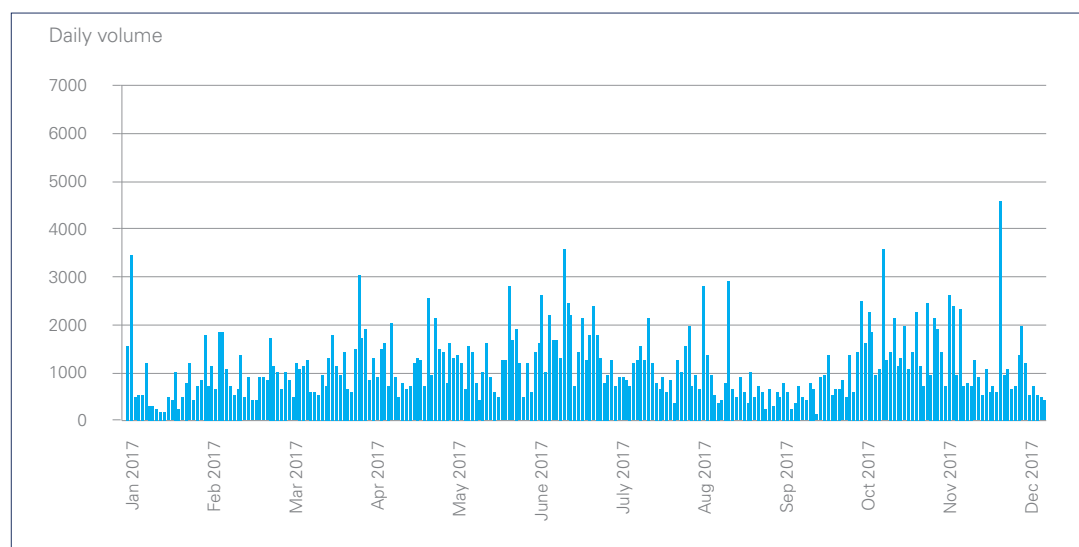
Key Figures per Bearer Share

	2017	2016	2015	2014	2013
Price at year-end	CHF 1 053.00	CHF 809.00	CHF 568.00	CHF 384.50	CHF 451.00
Highest price	CHF 1 216.00	CHF 896.00	CHF 578.00	CHF 550.00	CHF 465.00
Date	20.07.2017	10.10.2016	23.11.2015	13.01.2014	26.11.2013
Lowest price	CHF 758.50	CHF 470.75	CHF 318.00	CHF 380.00	CHF 339.00
Date	31.01.2017	12.02.2016	19.01.2015	13.10.2014	22.04.2013
Earnings per share	CHF 53.32	CHF 55.64	CHF 48.24	CHF 23.74	CHF 0.24
Distribution out of reserves from capital contributions	CHF 3.75	CHF 20.00	CHF 15.00	CHF 8.50	CHF 7.50
Gross dividend	CHF 16.25	–	–	–	–

Taxable Values of Traded Securities

	31.12.2017	31.12.2016	31.12. 2015	31.12. 2014	31.12. 2013
Bearer shares CHF 50.00	CHF 1 053.00	CHF 809.00	CHF 568.00	CHF 384.50	CHF 451.00

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 2017 fiscal year ending on December 31, 2017. 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, tooling and engineering. An organizational chart depicting the Group organization for the 2017 fiscal year can be found on page 14.

1.1.2 Legal Structure of Subsidiaries

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

Based on the bearer shares' year-end closing price of CHF 1053.00 and equally valuating the par-value-adjusted registered shares, the market capitalization on December 31, 2017 amounted to CHF 492.8 million.

1.1.3 Information about the non-listed companies can be found in the overview on pages 84-85 of the Financial Report.

1.2 Significant Shareholders

On December 31, 2017, the Company knew of the following shareholders holding more than 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Bahnhofstrasse 2, 9435 Heerbrugg, Switzerland, holds 220 000 registered shares. This equals 33.33% of all voting rights in Gurit Holding AG. The shares of Huwa Finanz- und Beteiligungs AG are held by the families of Ruedi Huber, Balgach/Switzerland, Helene Huber, Heerbrugg/Switzerland, and Nick Huber, Balgach/Switzerland, and are governed by a shareholder agreement. Further details on the disclosure of shareholdings are available on the SIX Swiss Exchange website mentioned at the end of this section.

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

Robert Heberlein, 8126 Zumikon, Switzerland, holds directly and indirectly via Burix Holding AG, Bleicherweg 58, 8027 Zürich, 4.59% of all voting rights in Gurit Holding AG. 2.96 percentage points thereof stem from the ownership of 19 545 registered shares and 1.63 percentage points from 10 765 bearer shares.

Disclosures related to significant shareholders and their shareholdings reported in 2017 as well as updated information on major shareholders are available on the SIX Swiss Exchange website at: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=GURIT>

1.3 Cross-Shareholding

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

2. Capital Structure

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

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

2.1 Capital

Details on the capital are included in the Notes to Gurit Holding AG's Financial Statements on page 93 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, 2017	December 31, 2016	December 31, 2015
Share capital	23 400	23 400	23 400
Legal reserves			
Reserves from capital contributions	1 836	11 196	18 216
Other legal reserves	4 680	4 680	4 680
Retained earnings	127 539	127 381	101 257
Treasury shares	- 110	- 88	- 50
Total equity	157 345	166 569	147 503

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, 2017, the Board of Directors of Gurit Holding AG consisted of five members.

3.1 and 3.2 Members of the Board of Directors

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

Grund Board of Directors

Peter Leupp

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



Professional Background (Main Stages)

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

Stefan Breitenstein

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



Professional Background (Main Stages)

Since 1994 Partner at Lenz & Staehelin

Other Important Activities and Vested Interests

Vice-Chairman of the Board of Directors, Brink's International Holdings AG, Zug, Switzerland
Vice-Chairman of the Board of Directors, Fibi (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
Member of the Board of Directors, SFS Group AG, Heerbrugg, Switzerland

Urs Kaufmann

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



Professional Background (Main Stages)

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

Other Important Activities and Vested Interests

Member of the Board of Directors, Müller Martini Holding AG, Hergiswil, Switzerland
Member of the Board of Directors, SFS Group AG, Heerbrugg, Switzerland
Chairman of the Board of Directors, Schaffner Holding AG, Luterbach, Switzerland (since January 12, 2017)
Member of the Board of Directors, Vetropack AG, Bülach, Switzerland
Chairman of the Board of Directors, Huber+Suhner AG, Pfäffikon, Switzerland
Member of the Executive Committee SWISSMEM

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

Other Important Activities and Vested Interests

Member of the Board of Directors, Stosus AG, Steinhausen, Switzerland
 Delegate of the Board of Directors, Aston Foods International AG, Steinhausen, Switzerland
 Chairman of the Board of Directors, Reha Technology AG, Olten, 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 years.

3.5 Internal Organization

3.5.1 Allocation of Tasks Within the Board of Directors

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

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

3.5.2 Membership of the Board's

Committees, their Duties and Responsibilities

The Board has formed two permanent committees:

Audit and Corporate Governance Committee

Chairman: Stefan Breitenstein

Members: Peter Leupp, Peter Pauli

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

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

Nomination and Compensation Committee

Chairman: Urs Kaufmann

Members: Peter Leupp, Nick Huber

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

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

3.5.3 Working Methods of the Board of Directors and its Committees

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

In 2017, the Board of Directors met six times. All meetings were held in person. Apart from one meeting, where one member of the Board of Directors was unable to attend, there was full attendance at all meetings. The average meeting duration of these meetings was 6 hours.

Composition of the committees changed in 2017 and the decision was taken that only committee members attend the committee meetings rather than the entire Board of Directors.

The Audit and Corporate Governance Committee met three times in person in 2017. The average meeting duration of the Audit and Corporate Governance Committee meetings was 2 hours.

The Nomination and Compensation Committee met two times in person in 2017. The average meeting duration of the Nomination and Compensation Committee meetings was 3 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. Risk management forms an integral part of the Group's conduct of business. A formal risk management review and subsequently an update of the risk profiles are performed by the Business Units and the Executive Committee. The Executive Committee ensures that appropriate measures are taken to mitigate risks. The Board of Directors is informed in the Board of Directors' meetings of the Group's risk profile and mitigating action plans. If the Group is exposed to major new risks, the Chief Executive Officer or his deputy will inform the chairman of the Board of Directors immediately after he became aware of the risk. Further detail regarding Gurit's Risk Management is provided in the Group Business and Financial Review on page 11f of this Annual Report.

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

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

4. Executive Committee

On December 31, 2017, 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, Telematix 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 Chief Financial Officer, 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 Hauéis

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



Professional Background (Main Stages)

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

4.3 Statutory Number of Permitted Activities

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

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

4.4 Management Contracts

No agreements pertaining to the provision of managerial services exist between Gurit Holding AG and other companies or natural persons outside the Gurit 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 30 to 42.

5.2 Statutory Provisions on Compensation, Shareholdings and Loans

The statutory provisions on compensation, shareholding and loans are outlined in the paragraphs 21, 22, 23, 25 and 28 of the 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. Shareholders' Participation Rights

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

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

6.1 Voting Right Restrictions and Representation

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

6.2 Statutory Quorum

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

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

6.3 Convocation of the General Meeting

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

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

6.4 Agenda

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

6.5 Entries in the Share Register

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

7. Changes of Control and Defense Measures

7.1 Public Purchase Offers

The threshold at which a shareholder is obliged to make an offer for all Gurit Holding AG's stock pursuant to the applicable provisions of the Federal Act on Financial Market 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 369 147 (2016: CHF 402 732). Additional audit fees charged during the year by other audit firms amounted to CHF 41 179 (2016: CHF 19 475).

8.3 Additional Fees

Fees for additional services supplied by PricewaterhouseCoopers during the year under review amounted to CHF 44 029 (2016: CHF 52 292). In 2017, these fees consist of fees for internal audit support. The additional fees represent 12% (2016: 13%) of the auditing fees disclosed under 8.2.

Fees in CHF	2017	2016
PwC Audit fees	369 147	402 732
PwC Tax advisory fees	5 617	–
PwC Other services fees	38 412	52 292
Total	413 176	455 024

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 rec-

ommends 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 17, 2018

Annual General Meeting
Press release on Q1 sales

August 17, 2018

Half-Year Report 2018
Analyst/Media Conference

October 23, 2018

Press release on Q3 sales

End of January 2019

Press release on FY 2018 sales

March 2019

Presentation full-year results 2018
Analyst/Media Conference
Publication of Annual Report

April 2019

Annual General Meeting

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

Contact Address

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Compensation Report

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

1. Compensation Philosophy

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

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

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

2. Compensation Reporting Standards

Unless otherwise indicated, all information disclosed in this report refers to the fiscal year ending on December 31, 2017. This report follows article 13 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies and the

Swiss Code of Best Practice for Corporate Governance published by *economiesuisse*. It also complies with chapter 5 of the Annex to SIX Swiss Exchange's Directive on Information relating to Corporate Governance and the Swiss Code of Obligations. In addition, the compensation system is coherent with Gurit's Code of Conduct, which establishes comprehensive guidance of business principles applicable throughout the Group.

3. Compensation Governance

Responsibilities of the Annual General Meeting of Shareholders

The Annual General Meeting approves all compensation paid to the members of the Board of Directors as a group prospectively for the period from the date of the ordinary Annual General Meeting until the next ordinary Annual General Meeting.

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

Responsibilities of the Board of Directors

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

Responsibilities of the Nomination and Compensation Committee (NCC)

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

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

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

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

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

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

Responsibilities of the CEO

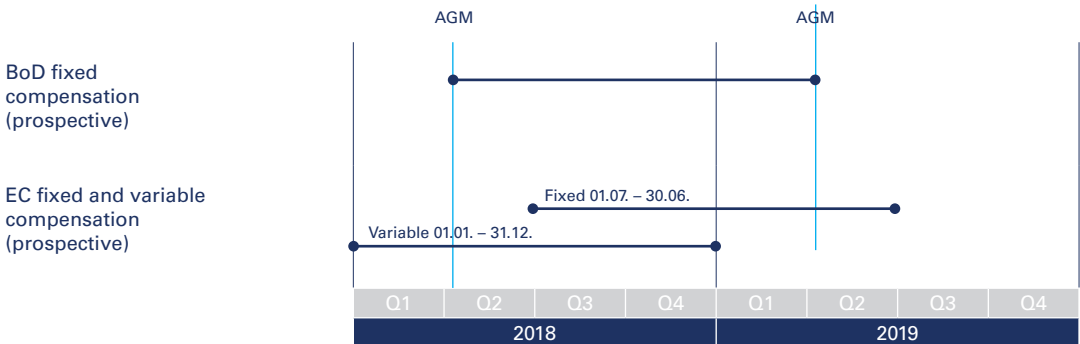
The CEO proposes the compensation for the members of the Executive Committee to the Nomination and Compensation Committee.

Responsibilities of the Executive Compensation Committee

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

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

Compensation Vote at the AGM



To ensure market competitive compensation, Gurit benchmarks the Board of Directors and the Executive Management compensation with 13 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 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 decides (reviews EC relevant governance elements)

Body which approves

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

4. Compensation Policy and Key Elements

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

4.1 Fixed Salary Components

The fixed compensation elements at Gurit consist of the following elements:

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

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

4.2 Performance-Related Variable Salary Components

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

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

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

5. Cash-Based Performance Incentive Schemes

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

5.1 Performance Incentive Scheme for Production Employees

As defined by the Performance Incentive Scheme for production employees (Shop Floor Bonus), the cash bonus of production staff can range from 0% to 5% of a person's fixed annual salary at target goal achievement. If the target is outperformed, it can reach a maximum of 8%. The objectives for this bonus are defined at site level by the site management and approved by the respective Business Unit manager and the CEO. The key performance indicators (KPI's) include objectives for health and safety, quality, productivity and individual attendance. The achievement of these objectives is assessed with all operations employees four times per year, or in certain cases monthly, and the bonus is generally paid on a quarterly basis, reflecting the need for operational flexibility. The bonus payments are calculated by the local site management and approved by the respective Business Unit manager and the CEO.

5.2 Performance Incentive Scheme for Sales Employees

As defined by the Performance Incentive Scheme for sales employees (Sales Incentive Scheme), the cash bonus of sales employees can range up to 50 % of a person's fixed salary of which three-quarters are linked to the achievement of the sales budget and one-quarter to the achievement of individual qualitative objectives. The sales targets are defined in the context of the Group's budgeting process and are approved in their entirety as part of the Group's budget by the Executive Committee and the Board of Directors. The individual targets are set and evaluated by the line manager of the respective sales employee and approved by the Business Unit Head.

5.3 Performance Incentive Scheme for Other Employees

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

Summary Bonus Components

Recipient	Group performance component	Business Unit or Sub-Unit performance component	Total general performance bonus component	Individual bonus component	Total maximum bonus
CEO	80%	–	80%	20%	100%
Business Unit / Sub-Unit Manager	50%	30%	80%	20%	100%
CFO & Corporate Functions	60%	–	60%	40%	100%
Business Unit Functions	30%	30%	60%	40%	100%

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

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

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

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

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

At the end of the fiscal year, the Business Unit, Sub-Unit, and Group general performance bonus achievements are calculated by the CFO and proposed by the Nomination and Compensation Committee for approval to the Board of Directors. Bonus payment starts with the achievement of the minimum objective level, rises linearly to a 66.7 % payout of the maximum bonus at achievement of the target level and then rises again linearly to full maximum payout at achievement of the cap level. During the year under review, the objective levels were in general between 9 % and 22 % below the target levels, and the cap levels exceeded the target levels in general by between 9 % and 17 %. 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 Selected Categories of Management

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

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

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

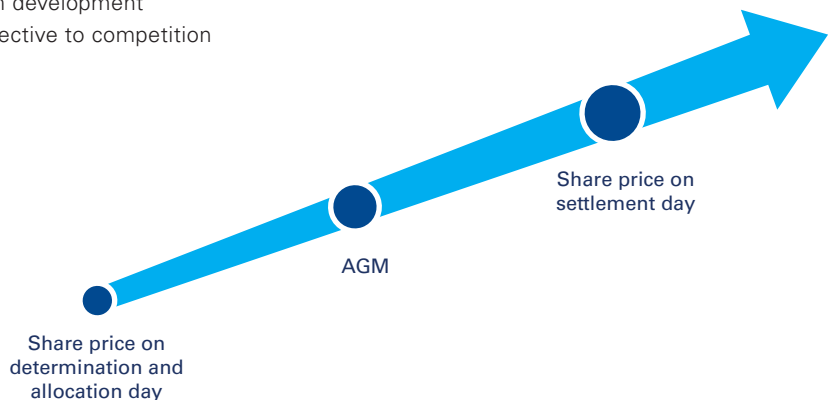
The level to which these criteria are achieved is assessed early in the year following the year under review by the Nomination and Compensation Committee. Depending on the level of achievement, the number of shares granted varies between 50% and 150% of the target number of shares fixed for each level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

Share-based compensation at 100% target achievement:

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

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

Potential Deviation in Share Closing Prices:



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

7.1 CEO

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

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

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

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

7.2 Other Members of the Executive Committee

The fixed compensation for the other members of the Executive Committee (base salary) is based on the market and employment conditions in the relevant country as gathered from various sources; it also reflects the individual qualifications and requirements needed for the specific position.

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

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

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

7.3 Members of the Board of Directors

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

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

8. Management Compensation 2017/2016

The following tables show the compensation for the Board of Directors and the Executive Committee in 2017 and 2016. Fixed other compensation includes pension contributions and social benefits relating to the fixed compensation. Variable compensation contains the accrued variable compensation (including related accrued social benefits), which are paid out in the calendar year following the calendar year under review.

The amount of the share-based compensation for 2017 was calculated based on a share price of CHF 968 per share. This corresponds to the average closing share price of the five days actual stock price trading before the date of the NCC meeting on February 15, 2018. Due to the share price fluctuation, the effective settlement value may be higher or lower on the settlement date in April 2018. In 2016, the share-based compensation was calculated based on a share price of CHF 848, based on the average closing share price of the five days actual stock price trading before the date of the NCC meeting on March 3, 2017.

In 2017, the performance-related compensation for the members of the Executive Committee varied from 29% to 91% (2016: 23% to 72%) of the individual fixed compensation.

The reduction of the total amount paid to Management (Board of Directors and Executive Committee) in 2017 compared to 2016 mainly reflects the reduction of the number of members in the Executive Committee from six to five.

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, received 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, 2017, in the context of a participation program.

Management Compensation 2017/2016

In CHF 1000

2017

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

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

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

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

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

	Fixed compensation Board of Directors April 13, 2017 - April 17, 2018		Fixed compensation Executive Committee July 1, 2016 - June 30, 2017		Variable compensation Executive Committee January 1, 2017 - December 31, 2017	
	Approved Maximum	Actual	Approved Maximum	Actual	Approved Maximum	Actual
Cash, in CHF 1000	570	570	2 208	1 940	1 300	557
Number of shares	150	150	–	–	825	600
Shares value at current price in CHF 1000	144	144	–	–	799	581
Social security and pension in CHF 1000	64	28	442	397	169	86
Total	778	742	2 650	2 337	2 268	1 224

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

We have audited the accompanying remuneration report of Gurit Holding AG for the year ended 31 December 2017 on page 40 to 41.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Gurit Holding AG for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



A handwritten signature in black ink, appearing to read 'P. Balkanyi'.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'C. Budakoglu'.

Cüneyt Budakoglu
Audit expert

Zurich, February 28, 2018

Sustainability Report

Organizational Profile Gurit Group¹



20
Locations
worldwide

Markets served



 **2198**
Employees

360.5
million CHF
Net sales

35.9
million CHF
EBIT

24.9
million CHF
Net profit

10,0
percent
EBIT margin

206.1
million CHF
Equity

¹ This page includes information from GRI 102: General Disclosures 2016 (102-1: Name of the organization; 102-2: Activities, brands, products, and services; 102-3: Location of headquarters; 102-4: Location of operations; 102-6: Markets served; 102-7: Scale of the organization); For 102-4: Location of operations, please see also page 84; For 102-5: Ownership and legal form, please see pages 93 and 94; For 102-45: Entities included in the consolidated financial statements, please see pages 62 ff;

1. Introduction²

Gurit is specialised in the development and manufacture of advanced composite materials, production tools and 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 reported on economic, environmental, social and governance-related developments for several years in its annual report. In order to align its disclosures with international reporting standard practice, the Company started using the Global Reporting Initiative (GRI)'s Sustainability Reporting Guidelines as a framework for the first time in preparation of the 2015 Gurit Annual Report. For the 2017 Gurit Annual Report, the 2016 GRI Standards again served as reference and framework.

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

1.1 Stakeholder Inclusiveness and Key Topics³

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

² This page includes information from GRI 101: Foundation 2016

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

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

Materiality Index⁴:



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

1.2 Organizational Profile Gurit Group

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

1.3 Ethics and Integrity⁵

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

4 This section includes information from GRI 101: Foundation 2016 and from GRI 102: General Disclosures 2016 (102-46: Defining report content and topic boundaries; 102-47: List of material topics)

5 This section includes information from GRI 102: General Disclosures 2016 (102-16: Values, principles, standards, and norms of behaviour; 102-17: Mechanisms for advice and concerns about ethics; 102-26: Role of the highest governance body in setting purpose, values and strategy); GRI 205: Anti-corruption 2016 and GRI 206: Anti-competitive behaviour 2016; and GRI 419: Socioeconomic Compliance 2016

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

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

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

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

No 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 2017. 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 2017.

1.4 Governance⁶

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

1.5 Stakeholder Engagement⁷

Gurit fosters a constant and close dialogue with its key stakeholders in order to create added value and maintain long-standing, beneficial partnerships. In addition to individual customer meetings, the Company participates in various annual specialist and industry trade fairs and events globally in order to deepen the relationship with existing 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 2017. The sustainability reporting period covers the current reporting period (fiscal year 2017) as well as the previous reporting period (fiscal year 2016). As outlined above, Gurit has chosen a stepwise approach to sustainability reporting in order to be able to implement the necessary internal processes and monitoring tools in a meaningful way over time. Therefore, the compiled data does not currently cover all relevant Gurit entities worldwide.

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

2. Customers⁹

Gurit supplies a global customer base from manufacturing and distribution sites in Germany, Hungary, Italy, Poland, Spain, Switzerland, the U.K., the Netherlands, Canada, the U.S.A, 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 in deriving many benefits from the transformation of traditional structures into lightweight and durable solutions. On-site technical support as well as product and process training related to the correct and safe handling and use of the 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 by local sales and technical support offices.

Gurit also informs customers regularly about product developments and organizational updates by means of customer newsletters. Management of customer data on an overall level and for distribution of newsletters takes place in compliance with all relevant legal requirements related to data protection and security. 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 2017.

The main focus of the Company's internal customer health and safety activities in 2017 again related to the implementation of REACH (Registration, Evaluation and Authorisation of Chemicals). The legislation, which was introduced by the European Union on June 01, 2007 and which will become effective on June 01, 2018

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

for all producers of chemicals in volumes greater than 1 tonne per year, aims to provide a high level of protection of human health and the environment from the use of chemicals. It also makes manufacturers and importers of chemicals responsible for understanding and managing the risks associated with their use.

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

In 2017, 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 relating to non-compliance with any health and safety, product marketing and labelling regulations and standards were imposed in 2017.

Gurit also continued to assess composition of products in view of substances that were reclassified to a higher hazard level under the REACH framework in 2017. 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 hand, and health and safety protection of its customers and business partners on the other hand.

3. Employees

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

3.1 Employee Ratios¹⁰

Gurit serves markets that have a certain cyclicity, such as the wind energy, tooling and marine segments. As part of its business model and in order to maintain and nurture a strong capability and competency level amongst its global staff, the 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. As of December 31, 2017, Gurit employed 2 198 people as compared to 2 199 people in 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

Workforce by Employment Contract:

	2017	2016
Total Workforce	2 280	2 235
Permanent*	2 075	2 043
Temporary*	123	156
Apprentices, Interns	14	15
Workers/Contractors	68	21
Full-time*	2 142	2 156
Part-time*	56	43

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

Employees by Gender*:

	2017		2016		2015	
	Male	Female	Male	Female	Male	Female
Board of Directors	5	–	5	–	5	–
Executive Committee	5	–	5	–	6	–
Senior Management	28	5	28	5	29	5
Total Staff	1 840	358	1 872	327	1 775	319

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

Employees by Age Structure*:

	2017			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	Age under 30 years	Age 30 to 50 years	Age above 50 years
Board of Directors	–	–	5	–	–	5	–	–	5
Executive Committee	–	2	3	–	2	3	–	2	4
Total Staff	433	1 432	333	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 for the Tooling operation in Poland, all operational sites globally are staffed with senior managers who are citizens of the country in which the production sites are located.

Gurit complies with all relevant local rules and legislations regarding employees' freedom of association and the right to collective negotiation. No complaints, concerns or violations were reported at any of the Company's global sites in 2017.

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 transporting heavy equipment. Gurit, therefore, constantly strives to de-risk its employees and operations through specific training sessions and procedural changes for high-risk areas and processes.

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

Number of Work-Related Accidents and Incidents:

	2017		2016		2015	
	Accidents	Incidents	Accidents	Incidents	Accidents	Incidents
Composite Materials	17	144	22	145	18	203
Composite Components	–	5	4	9	11	14
Tooling	6	9	8	14	9	17
Total	23	158	34	168	38	234

The Composite Materials business achieved further progress in reducing the number of work-related accidents and incidents in 2017. A tailored program will be rolled out in 2018 to target those sites that have not yet achieved their health & safety targets. In the Composite Components business, well-practiced manufacturing processes and rehearsed teams for semi-automated production of car body panels contributed positively to the significant reduction of work-related accidents and incidents.

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.

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)

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 2017, several courses and training programs were conducted for employees by using this platform. Furthermore, the Company launched a sales academy training program in 2016 tailored to the needs of its global sales force. In 2017, additional sales-related functions and new sales colleagues were included in the roll-out of the program. To date, Gurit does not collect data relating to the average hours of training per year per employee.

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

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

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

4. Suppliers and Responsible Procurement¹³

Gurit offers a broad range of advanced composite materials to its strategic target markets. The majority of these products are manufactured from raw chemicals that the 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 that would slow down production and thus limit the overall gains from this practice.

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

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

In terms of improving the ratio of recycled input materials, the acquisition of the PET business in Italy in December 2016 has enabled the Company to produce structural PET foam from 100% recycled, post-consumer input material at the production sites in Italy and China. Furthermore, research and development work on the production of carbon fibre products from recycled carbon fibre for select applications is showing good progress and will be introduced to the market during 2018. Gurit also purchases balsa wood (*Ochroma pyramidale*), a natural resource for producing blocks and sheets from virgin balsa wood. The wood is sourced from local farmers and smallholder cooperatives rather than from large monoculture plantations that negatively impact biodiversity and conditions of the local communities. In 2017, Gurit formed a joint venture for balsa wood supply from Java, Indonesia, in addition to the existing supply chain in Ecuador. The main rationales for this step were greater proximity to customers in the region and risk reduction from the El Niño climate cycle in South America. 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. The Company has therefore established a dual-sourcing approach for the majority of its key raw materials in order to be able to respond adequately to fluctuations in the demand and supply markets. Furthermore, Gurit maintains steady relationships with local suppliers rather than buying in irregular or cyclical patterns. This is particularly important for the relationship the Company maintains with the small local farmers and balsa wood suppliers.

5. Environment¹⁴

Gurit is committed to a production concept that combines economic manufacturing with minimal ecological impact. The 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 prerequisite 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. Due to the announced transfer of prepreg production from the UK to Spain which was started in October 2017 and is to be completed by summer 2018, significance of the figures presented below is limited. Going forward, the Company will reconsider presentation of environmental information.

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

Gurit UK Environmental Indicators*

In MWh	2017	2016	2015
Electricity**	5 107	5 517	6 414
Thereof renewable sources***	477	461	520
Thereof other sources	4 630	5 056	5 894
In tonnes	2017	2016	2015
Waste****	895	986	1 158
Non-hazardous waste			
Residual waste to recycling	745	812	974
Residual waste to landfill	49	53	80
Hazardous waste to specialist treatment	101	121	104
Recycling			
Pallets	104	96	91
Cardboard and plastic	26	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 student 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 40,000 in 2017. 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, 2017	Year ended December 31, 2016
Net sales	3	360 505	351 983
Cost of goods sold		– 271 616	– 264 361
Gross profit		88 889	87 622
Research and development expense		– 6 887	– 6 929
Selling expense		– 16 638	– 17 419
Administrative expense		– 23 455	– 23 044
Other operating income		–	534
Other operating expense	5	– 5 971	– 3 961
Operating profit		35 938	36 803
Finance expense	6	– 3 429	– 2 820
Finance income	7	1 738	2 029
Ordinary result		34 247	36 012
Non-operating and extraordinary result		–	–
Profit before tax		34 247	36 012
Income tax expense	8	– 9 346	– 9 982
Profit for the year		24 901	26 030
Thereof attributable to shareholders of Gurit		24 932	26 030
Thereof attributable to minority interests		– 31	–
Earnings per share	9		
Basic earnings per bearer share		CHF 53.32	CHF 55.64
Diluted earnings per bearer share		CHF 53.32	CHF 55.64
Basic earnings per registered share		CHF 10.66	CHF 11.13
Diluted earnings per registered share		CHF 10.66	CHF 11.13

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

Consolidated Balance Sheet

In CHF 1000	Note	At December 31, 2017	At December 31, 2016
Assets			
Cash and cash equivalents		44 595	38 646
Derivative financial instruments	11	731	112
Trade receivables	12	72 892	61 329
Other receivables		8 274	7 237
Prepayments and accrued income		13 648	13 134
Inventories	13	61 002	46 190
Current assets		201 142	166 648
Loans receivable		2 151	822
Deferred income tax assets	18	3 958	2 911
Property, plant and equipment	14	76 419	72 980
Intangible assets	15	6 252	5 756
Non-current assets		88 780	82 469
Total assets		289 922	249 117
Liabilities and equity			
Borrowings	16	11 884	1 446
Derivative financial instruments	11	4	597
Trade payables		31 860	22 742
Other payables		5 172	4 313
Accrued liabilities and deferred income	17	26 588	24 429
Provisions	19	2 314	1 169
Current liabilities		77 822	54 696
Derivative financial instruments	11	–	103
Deferred income tax liabilities	18	4 739	2 553
Provisions	19	1 225	962
Non-current liabilities		5 964	3 618
Total liabilities		83 786	58 314
Share capital		23 400	23 400
Capital reserve		1 797	11 196
Treasury shares		– 110	– 88
Retained earnings		180 748	156 295
Equity attributable to shareholders of Gurit		205 835	190 803
Minority interests		301	–
Total equity	20	206 136	190 803
Total liabilities and equity		289 922	249 117

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

Consolidated Cash Flow Statement

In CHF 1000	Note	Year ended December 31, 2017	Year ended December 31, 2016
Profit for the year		24 901	26 030
Impairment, net of reversals	14, 15	769	2 169
Depreciation and amortization	14, 15	10 057	9 579
Finance income and expense, net	6, 7	1 691	791
Income tax expense	8	9 346	9 982
Net losses/(gains) from disposal of fixed assets		711	- 14
Other non-cash items		1 321	35
Changes in			
Trade receivables		- 8 853	3 486
Inventories		- 10 654	4 074
Other receivables and prepayments and accrued income		830	- 1 298
Trade and other payables and accrued liabilities and deferred income		8 217	- 4 274
Provisions		1 290	- 1 196
Cash generated from operations		39 626	49 364
Finance cost, net paid		- 684	- 782
Income tax paid		- 8 356	- 10 661
Net cash flow from operating activities		30 586	37 921
Purchase of property, plant and equipment	14	- 10 383	- 9 297
Proceeds from sale of property, plant and equipment		51	81
Purchase of intangible assets	15	- 1 310	- 1 168
Investments in loans receivable		- 1 638	- 832
Proceeds from repayments of loans receivable		193	403
Business Acquisition	23	- 12 624	- 1 773
Net cash flow from investing activities		- 25 711	- 12 586
Changes in current borrowings, net		10 348	- 7 889
Distribution to shareholders		- 9 338	- 7 006
Purchase of treasury shares	20	- 926	- 611
Net cash flow from financing activities		84	- 15 506
Net change in cash and cash equivalents		4 959	9 829
Cash and cash equivalents at the beginning of the year		38 646	29 831
Net change in cash and cash equivalents		4 959	9 829
Exchange gains/(losses) on cash		990	- 1 014
Cash and cash equivalents at the end of the year		44 595	38 646

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

Consolidated Statement of Changes in Equity

In CHF 1000	Note	Share capital	Capital reserve	Treasury shares
Balance at January 1, 2016		23 400	18 216	- 49
Profit for the year		-	-	-
Changes in hedging reserve		-	-	-
Currency translation adjustments		-	-	-
Total income and expense for the year		-	-	-
Distribution to shareholders	10	-	- 7 020	-
Usage of treasury shares for share-based compensation		-	-	572
Share-based compensation		-	-	-
Purchase of treasury shares		-	-	- 611
Total transactions with shareholders		-	- 7 020	- 39
Balance at December 31, 2016		23 400	11 196	- 88
Profit for the year		-	-	-
Changes in hedging reserve		-	-	-
Currency translation adjustments		-	-	-
Total income and expense for the year		-	-	-
Distribution to shareholders	10	-	- 9 360	-
Usage of treasury shares for share-based compensation		-	- 39	904
Share-based compensation		-	-	-
Purchase of treasury shares		-	-	- 926
Total transactions with shareholders		-	- 9 399	- 22
Minority capital contribution		-	-	-
Goodwill directly offset with equity	20	-	-	-
Balance at December 31, 2017		23 400	1 797	- 110

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

Hedging reserve	Currency translation adjustments	Offset goodwill	Other retained earnings	Total retained earnings	Equity attributable to shareholders of Gurit	Minority interests	Total equity
- 1 317	- 32 453	- 26 690	198 368	137 908	179 475	-	179 475
-	-	-	26 030	26 030	26 030	-	26 030
1 096	-	-	-	1 096	1 096	-	1 096
-	- 8 272	-	-	- 8 272	- 8 272	-	- 8 272
1 096	- 8 272	-	26 030	18 854	18 854	-	18 854
-	-	-	14	14	- 7 006	-	- 7 006
-	-	-	- 572	- 572	-	-	-
-	-	-	91	91	91	-	91
-	-	-	-	-	- 611	-	- 611
-	-	-	- 467	- 467	- 7 526	-	- 7 526
- 221	- 40 725	- 26 690	223 931	156 295	190 803	-	190 803
-	-	-	24 932	24 932	24 932	- 31	24 901
444	-	-	-	444	444	-	444
-	6 295	-	-	6 295	6 295	- 3	6 292
444	6 295	-	24 932	31 671	31 671	- 34	31 637
-	-	-	22	22	- 9 338	-	- 9 338
-	-	-	-	-	865	-	865
-	-	-	1 321	1 321	1 321	-	1 321
-	-	-	-	-	- 926	-	- 926
-	-	-	1 343	1 343	- 8 078	-	- 8 078
-	-	-	-	-	-	335	335
-	-	- 8 561	-	- 8 561	- 8 561	-	- 8 561
223	- 34 430	- 35 251	250 206	180 748	205 835	301	206 136

Notes to the Consolidated Financial Statements

1. General information

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

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

These consolidated financial statements were signed off by the Board of Directors on February 28, 2018, for publication. The Annual General Meeting of Shareholders, scheduled for April 17, 2018, 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 from January 1, 2016, the Group has adopted the changes in Swiss GAAP FER Framework, FER 3 and FER 6 in regard 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.

2.1.1 Change in Accounting Policies (presentation of the consolidated income statement)

The Board of Directors has decided to change the presentation of the consolidated income statement. The consolidated income statement 2017 is presented for the first time using the classification of expenses based on their function. Previously, the consolidated income statement had been presented using the classification of expenses based on their nature. The consolidated income statement by function is a generally accepted presentation format and is more commonly applied by manufacturing companies. The Board of Directors believe that the amended presentation provides a better reflection of the Group’s performance measurement. Prior-period figures have been restated to conform with the presentation of the current-year figures. The change of the presentation of the consolidated income statement had no impact on the operating profit nor on the net profit of the Group.

2.1.2 Gross Profit

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

2.2 Consolidation

2.2.1 Changes in the scope of consolidation

As at September 1, 2017, the newly founded and fully owned subsidiary Gurit Tooling (Americas) Inc. in Canada acquired the business of PH Windsolutions Inc. and Gurit Holding AG acquired all the shares in PH Windsolutions BV in the Netherlands. The latter was renamed Gurit Tooling (Netherlands) BV. In addition, with effect from October 13, 2017, the Group founded the new subsidiary PT. Gurit Parta Balsa in Indonesia together with a domestic partner. The Group holds an ownership interest of 55% in this new subsidiary. As at December 1, 2016, the Group acquired a business in Italy in an asset deal through Gurit's existing subsidiary in Italy. Further details on the business acquisitions and the subsidiaries of the Group are disclosed in notes 23 and 25.

2.2.2 Subsidiaries

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

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

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

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

2.3.3 Group companies

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

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

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

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

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

	December 31, 2017	ø 2017	December 31, 2016	ø 2016
1 US dollar	0.9762	0.9845	1.0190	0.9852
1 Euro	1.1695	1.1118	1.0720	1.0900
1 British Pound	1.3172	1.2683	1.2577	1.3349
1 Canadian dollar	0.7777	0.7590	0.7581	0.7438
1 Chinese yuan renminbi	0.1500	0.1457	0.1467	0.1483

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 within 60 days on average.

Revenue recognition from the sale of the wind-turbine tooling project business is contract-dependent and typically recognized after the customer has inspected the goods at our premises, the so called Factory Acceptance test ("FAT") and upon receipt of such signed FAT acceptance document. Gurit thus applies the

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

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

2.5 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 a third party pension institution and not with the Group companies.

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

2.5.2 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 the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value. Provisions for termination benefits are recorded in the consolidated balance sheet within "provisions".

2.5.3 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 granting of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

2.6 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.

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

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

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

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

2.7.1 Cash flow hedges

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

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

2.7.2 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.

2.8 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.

2.9 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 debt-

or, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Furthermore, the Group records a general provision on long overdue, not insured or otherwise secured receivables, that are not covered by specific provisions, as follows: 30% on all balances overdue more than 90 days, 60% on all balances overdue more than 180 days, 80% on all balances overdue more than 270 days and 100% on all balances overdue more than 360 days. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within “other operating expenses”. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “other operating expenses” in the income statement.

2.10 Inventories

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

2.11 Property, plant and equipment

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

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

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

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

2.12 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.

2.13 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair

value less costs to sell and value in use. Assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Leases

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

2.15 Payables and Borrowings

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

2.16 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.

2.17 Equity

2.17.1 Treasury shares

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

2.17.2 Goodwill offset in equity

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

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

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

3. Segment information

In CHF 1000	2017	2016
Net sales by segments		
Composite Materials	246 412	265 636
Composite Components	22 264	17 347
Tooling	91 829	69 000
Total net sales	360 505	351 983

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	2017	2016
Net sales by regions of destination		
Europe	144 678	134 901
Asia	129 113	133 744
Americas	69 416	60 389
Rest of the world	17 298	22 949
Total net sales	360 505	351 983

4. Personnel expense

In CHF 1000	2017	2016
Salaries and wages	66 765	64 371
Pension expense	1 265	1 927
Social security expense	10 633	10 176
Other personnel expenses	5 962	4 031
Total personnel expense	84 625	80 505

The split between pension expense and social security expense has been revised in 2016. Salaries and wages include share-based compensation in the aggregate amount of CHF 1 321 000 (2016: CHF 912 000). 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 2017, the members of the Board of Directors and the Executive Committee and other employees will receive, in aggregate, 1 365 bearer shares (2016: 1 126 bearer shares).

The amount of the share-based compensation was calculated based on a share price of CHF 968 (2016: share price of CHF 810). This corresponds to the average closing share price of the five days actual stock price trading before the date of the Nomination and Compensation Committee meeting on February 15, 2018.

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, 2017	Dec. 31, 2017	Dec. 31, 2016			2017	2016
Patronage pension unfunded	- 338	- 338	- 486	148	- 148	- 148	273
Pension institutions without surplus/deficit	-	-	-	-	-	1 413	1 654
Pension institutions with surplus	-	-	-	-	-	-	-
Pension institutions with deficit	-	-	-	-	-	-	-
Pension institutions without own assets	-	-	-	-	-	-	-
Total	- 338	- 338	- 486	148	- 148	1 265	1 927

During 2017 and 2016, the Group did not have any employer contribution reserves.

5. Other operating expenses

In CHF 1000	Note	2017	2016
Change in provision for impairment of trade receivables	12	3 077	1 468
Restructuring expenses	19	1 702	236
Impairment charges / reversals, net	14, 15	769	2 169
Other operating expenses		423	88
Total other operating expenses		5 971	3 961

6. Finance expense

In CHF 1000	2017	2016
Interest expense	532	282
Exchange rate losses	2 531	1 907
Other finance expenses	366	631
Total finance expense	3 429	2 820

7. Finance income

In CHF 1000	2017	2016
Interest income	209	121
Exchange rate gains	1 529	1 908
Total finance income	1 738	2 029

8. Income tax expense

In CHF 1000	Note	2017	2016
Deferred income tax expense / (credit)	18	2 256	- 1 095
Current income tax expense		7 090	11 077
Total income tax expense		9 346	9 982

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	2017	2016
Profit before tax	34 247	36 012
Tax expense at the weighted average tax rate of 19.5% (2016: 20.1%) applicable to profits of the consolidated entities	6 686	7 249
Utilization of previously unrecognized tax losses	- 163	- 589
Tax losses for which no deferred income tax asset was recognized	1 134	1 794
Not recoverable withholding taxes on Group-internal dividends	2 088	1 701
Recognition of previously unrecognized deferred tax assets	- 789	- 510
Expenses not deductible for tax purposes	672	428
Adjustment in respect of prior years	- 185	94
Effect of tax concessions	- 372	- 436
Others	275	251
Income tax expense recognized in profit or loss	9 346	9 982

9. Earnings per share

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

	2017	2016
Profit for the year attributable to shareholders of Gurit (in CHF 1000)	24 932	26 030
Weighted average number of shares in issue during the year		
Bearer shares	419 626	419 832
Registered shares	239 795	239 795
Basic and also diluted earnings per share (in CHF)		
Bearer shares (par value of CHF 50)	53.32	55.64
Registered shares (par value of CHF 10)	10.66	11.13

10. Distribution to shareholders

The distribution to shareholders in 2017 out of reserves from capital contributions amounted to CHF 9 360 000 (CHF 4.00 per registered share and CHF 20.00 per bearer share). In 2016, a distribution out of reserves from capital contributions in the amount of CHF 7 020 000 (CHF 3.00 per registered share and CHF 15.00 per bearer share) was paid to the shareholders.

The distribution to be proposed at the Annual General Meeting on April 17, 2018 is presented in the table below. These financial statements do not reflect this distribution payable.

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

11. Derivative financial instruments

In CHF 1000	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges, categorized as derivatives used for hedging	373	–	–	– 364
Cash flow hedges, categorized as derivatives at fair value through profit and loss	358	– 4	112	– 336
Total derivative financial instruments	731	– 4	112	– 700
Whereof				
Current portion	731	– 4	112	– 597
Non-current portion	–	–	–	– 103

12. Trade receivables

In CHF 1000	2017	2016
Trade receivables	78 218	63 447
Less: provision for impairment	– 5 326	– 2 118
Trade receivables, net	72 892	61 329

In CHF 1000	2017	2016
Aging of trade receivables		
Not due	60 598	45 432
Overdue 1-15 days	4 990	6 073
Overdue 16-30 days	1 615	1 824
Overdue more than 30 days	11 015	10 118
Total trade receivables	78 218	63 447
Less: provision for impairment	– 5 326	– 2 118
Total trade receivables, net	72 892	61 329

In CHF 1000	2017	2016
Movements on the provision for impairment		
Balance at January 1	2 118	890
Provision for receivables impairment	3 260	1 650
Receivables written off as uncollectible	– 75	– 61
Unused amounts reversed	– 183	– 182
Exchange differences	206	– 179
Balance at December 31	5 326	2 118

In CHF 1000	2017	2016
Trade receivables by currency		
US dollar	25 135	24 119
British pound	1 377	2 869
Euro	21 069	16 306
Chinese yuan renminbi	24 712	17 432
Others	599	603
Total trade receivables, net	72 892	61 329

13. Inventories

In CHF 1000	2017	2016
Raw materials	28 227	21 422
Work in progress	7 568	4 992
Semi-finished goods	7 778	6 338
Finished goods	20 730	16 713
Total inventories	64 303	49 465
Less: inventory provision	- 3 301	- 3 275
Total inventories, net	61 002	46 190

14. 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, 2016		127 645	46 987	4 320	2 147	181 099
Additions		5 748	142	3 158	249	9 297
Business acquisition	23	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
Additions		2 777	666	6 954	321	10 718
Business acquisition	23	571	–	–	182	753
Disposals		– 6 226	–	– 165	– 51	– 6 442
Reclassifications		1 361	–	– 1 361	–	–
Exchange differences		4 891	1 007	243	73	6 214
Balance at December 31, 2017		128 802	50 671	6 834	2 813	189 120
Accumulated depreciation						
Balance at January 1, 2016		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
Depreciation charges		7 496	1 248	–	223	8 967
Impairment charges		769	–	–	–	769
Disposals		– 5 633	–	–	– 47	– 5 680
Exchange differences		3 312	387	–	49	3 748
Balance at December 31, 2017		91 200	19 534	–	1 967	112 701
Net book values						
Balance at January 1, 2016		40 490	30 027	4 320	564	75 401
Balance at December 31, 2016		40 172	31 099	1 163	546	72 980
Balance at December 31, 2017		37 602	31 137	6 834	846	76 419

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

Impairment 2017

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

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

Impairment 2016

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.

15. Intangible assets

In CHF 1000	Note	Patents and trademarks	Land use rights	Software and other intangibles	Total intangible assets
Cost					
Balance at January 1, 2016		3 965	3 243	6 341	13 549
Additions		200	–	968	1 168
Business acquisition	23	22	–	–	22
Disposals		–	–	– 11	– 11
Exchange differences		– 403	– 134	– 452	– 989
Balance at December 31, 2016		3 784	3 109	6 846	13 739
Additions		269	–	1 041	1 310
Business acquisition	23	–	–	70	70
Disposals		–	–	– 147	– 147
Exchange differences		170	70	320	560
Balance at December 31, 2017		4 223	3 179	8 130	15 532
Accumulated amortization					
Balance at January 1, 2016		2 490	401	4 721	7 612
Amortization charges		234	64	462	760
Impairment charges		–	–	99	99
Disposals		–	–	– 11	– 11
Exchange differences		– 189	– 17	– 271	– 477
Balance at December 31, 2016		2 535	448	5 000	7 983
Amortization charge		238	63	789	1 090
Disposals		–	–	– 147	– 147
Exchange differences		109	12	233	354
Balance at December 31, 2017		2 882	523	5 875	9 280
Net book values					
Balance at January 1, 2016		1 475	2 842	1 620	5 937
Balance at December 31, 2016		1 249	2 661	1 846	5 756
Balance at December 31, 2017		1 341	2 656	2 255	6 252

16. Borrowings

In CHF 1000	2017	2016
Current		
Bank overdrafts	984	1 020
Bank loans	10 900	426
Total current borrowings	11 884	1 446
Total borrowings	11 884	1 446

Bank loans bear average interest rates of 0.6 % annually (2016: 2.3 %). Bank overdrafts bear average interest rates of 2.3 % annually (2016: 2.3 %).

In 2016 and 2017, there were no secured bank borrowings included in total borrowings.

Borrowings become due as follows:

In CHF 1000	2017	2016
3 months or less	11 884	1 446
Total borrowings	11 884	1 446

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

In CHF 1000	2017	2016
Currency		
Swiss franc	10 900	–
Euro	–	426
British pound	984	1 020
Total borrowings	11 884	1 446

17. Accrued liabilities and deferred income

In CHF 1000	2017	2016
Current income tax liabilities	1 411	1 770
Advance payments from customers	5 324	2 868
Accruals	19 853	19 791
Total accrued liabilities and deferred income	26 588	24 429

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

18. Deferred income tax

In CHF 1000	2017	2016
Deferred income tax assets	3 958	2 911
Deferred income tax (liabilities)	- 4 739	- 2 553
Deferred income tax (liabilities)/assets, net	- 781	358

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

In CHF 1000	Note	2017	2016
Balance at January 1		358	- 344
Deferred income tax (expense)/credit	8	- 2 256	1 095
Tax effect recorded in equity		- 95	- 308
Deferred tax assets from business acquisition	23	1 017	-
Exchange differences		195	- 85
Balance at December 31		- 781	358

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

In CHF 1000	2017	2016
Recognized tax claims from tax losses carried forward	1 034	995
Unrecognized tax claims from tax losses carried forward	6 996	8 056
Total tax claims from tax losses carried forward	8 030	9 051

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

In CHF 1000	2017	2016
0 - 3 years	4 136	3 195
4 - 6 years	3 566	6 111
Over 6 years	11 537	10 620
No expiry	13 365	14 264
Total unrecognized tax losses	32 604	34 190

19. Provisions

In CHF 1000	Warranty	Restructuring	Other	Total provisions
Balance at January 1, 2016	1 952	191	1 288	3 431
Utilized during the year	- 377	- 409	- 472	- 1 258
Additions	626	236	580	1 442
Unused amounts reversed	- 756	-	- 625	- 1 381
Exchange differences	- 75	- 18	- 10	- 103
Balance at December 31, 2016	1 370	-	761	2 131
Utilized during the year	- 170	- 293	- 683	- 1 146
Additions	1 306	1 702	148	3 156
Unused amounts reversed	- 720	-	-	- 720
Exchange differences	45	54	19	118
Balance at December 31, 2017	1 831	1 463	245	3 539
Whereof at December 31, 2016				
Current portion	408	-	761	1 169
Non-current portion	962	-	-	962
Whereof at December 31, 2017				
Current portion	606	1 463	245	2 314
Non-current portion	1 225	-	-	1 225

20. Equity

The issued share capital of the Company consists of 420 000 bearer shares (2016: 420 000 shares) with a par value of CHF 50.00 each and 240 000 registered shares (2016: 240 000 shares) with a par value of CHF 10.00 each. All issued shares are fully paid. The Company has no authorized or conditional capital.

The entitlement to dividend payments is based on the par value of the shares, while the voting power is defined by the number of shares.

The Company's statutory or legal reserves that may not be distributed amounted to CHF 4 790 000 at December 31, 2017 (2016: CHF 4 768 000).

Treasury shares:

In number of shares	2017	2016
Registered shares		
Balance at January 1	205	205
Balance at December 31	205	205
Bearer shares		
Balance at January 1	86	31
Additions at CHF 805 each (2016: CHF 602)	1 150	1 015
Disposals (used for share-based compensation)	- 1 123	- 960
Other disposals	- 20	-
Balance at December 31	93	86

Goodwill from acquisitions

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

In CHF 1000	Note	Cost	Accumulated amortization	Theoretical net book value
Balance at January 1, 2016		26 690	- 26 336	354
Amortization charge		-	- 354	- 354
Balance at December 31, 2016		26 690	- 26 690	-
Additions	23	8 561	-	8 561
Amortization charge		-	- 561	- 561
Balance at December 31, 2017		35 251	- 27 251	8 000

Impact on income statement:

In CHF 1000	2017	2016
Profit for the year according to the consolidated income statement	24 901	26 030
Amortization of goodwill	- 561	- 354
Theoretical profit for the year including amortization	24 340	25 676

Impact on balance sheet:

In CHF 1000	2017	2016
Equity according to the balance sheet	206 136	190 803
Theoretical capitalization of goodwill (net book value)	8 000	–
Theoretical equity including net book value of goodwill	214 136	190 803
Equity according to balance sheet	206 136	190 803
Equity as % of total assets	71.1%	76.6%
Theoretical equity including net book value of goodwill	214 136	190 803
Theoretical equity including net book value of goodwill as % of total assets	71.9%	76.6%

21. 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 investigations and discussions, which shall identify, amongst others, the cause of the contamination were partially put on hold as the interim results were inconsistent. Gurit's Management continues to be of the opinion that the environmental contamination has not been caused by Gurit.

In connection with the acquisition of PH Windsolutions Inc.'s business on September 1, 2017, a maximum contingent purchase consideration of CAD 6 000 000 (CHF 4 666 000) has been agreed. As the achievement of the underlying conditions appears unlikely as of the date of this report, no provision has been recognized.

22. Commitments

Capital expenditures for the purchase of property, plant and equipment contracted for at the balance sheet date but not yet incurred amount to CHF 4 645 000 (2016: CHF 488 000).

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

In CHF 1000	2017	2016
No later than 1 year	3 412	2 377
Later than 1 year, no later than 5 years	9 058	5 539
Later than 5 years	5 117	5 837
Total commitments	17 587	13 753

23. Business acquisition

In 2017, the Group acquired the businesses of PH Windsolutions in Canada and in the Netherlands. In addition, the Group founded a new subsidiary in Indonesia together with a partner. In 2016, the Group acquired an operation in Italy. See also note 2.2.1. The transactions are summarized as follows:

In CHF 1000	Note	2017	2016
Cash paid		12 349	1 666
Direct costs related to the acquisitions		364	107
Total purchase consideration		12 713	1 773
less: Fair value of net assets acquired		- 4 152	- 1 773
Goodwill	20	8 561	-
Cash and cash equivalents		89	-
Trade receivables		1 568	-
Other receivables		105	-
Inventories		2 592	555
Deferred income tax assets	18	1 017	-
Property, plant and equipment	14	753	1 393
Intangible assets	15	70	22
Trade payables		- 1 935	-
Other payables		- 107	- 197
Total fair value of net assets acquired		4 152	1 773
Purchase consideration settled in cash		12 713	1 773
Less: cash and cash equivalents acquired		- 89	-
Cash outflow on acquisitions during the year		12 624	1 773

24. Subsequent events

No significant events occurred between the balance sheet date and February 28, 2018, the date on which these consolidated financial statements were signed off by the Board of Directors for publication.

25. Subsidiaries

Company	Activity
Brazil	
Gurit do Brasil Representações Ltda., Sorocaba	Liquidated
Canada	
Gurit Americas Inc., Magog	Production and sales of composite materials
Gurit Tooling (Americas) Inc., Montreal	Production and sales of composite process equipment
China	
Gurit Tooling (Hong Kong) Ltd.* , 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
Indonesia	
PT. Gurit Parta Balsa, Probolinggo Java	Production of balsa wood core panels
Italy	
Gurit (Italy) S.R.L., Volpiano	Production and sales of composite materials
Netherlands	
Gurit Tooling (Netherlands) BV, Oldenzaal	Sales of composite process equipment
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 of composite materials
Gurit Services AG, Zurich	Providing management services
Gurit (Zullwil) AG, Zullwil	Production and sales of composite materials
United Kingdom	
Gurit Composite Components Ltd., Newport	Structural engineering, production and sales of automotive body panels
Gurit Material Systems (UK) Ltd., Newport	Holding company
Gurit (UK) Ltd., Newport	Production and sales of composite materials
SP Group Ltd., Newport	Liquidated
SP Holdings, Newport	Liquidated
USA	
Gurit (USA) Inc., Bristol	Sales of composite materials

* formerly known as Cheer Tech Investment, Hong Kong

** Minority interests are ignored due to immateriality

Registered capital	Group ownership and voting rights	
	2017	2016
–	0%	100%
CAD 38 626 898	100%	100%
CAD 10 000 000	100%	0%
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%
USD 755 148	55%	0%
EUR 10 000	100%	100%
EUR 1	100%	0%
NZD 6 830 085	100%	100%
PLN 2 120 000	100%	100%
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%
–	0%	100%
–	0%	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 31 December 2017 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 57 to 85).

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, 2017, 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 1 700 000
- We concluded full scope audit work at 10 reporting units in 7 countries. Our audit scope addressed over 72% 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 13% of the Group's revenue and 7% of the Group's assets.

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

Impairment assessment of property, plant and equipment

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 units. We identified 10 reporting units that, in our view, required a full scope audit due to their size or risk characteristics. Specified procedures were also carried out at a further 3 reporting entities to give appropriate coverage of material balances. In order to exercise appropriate direction and supervision of the work of the reporting units' auditors, the Group engagement team conducted a series of conference calls with each of the auditors performing full scope audits. These calls consisted of a detailed planning meeting, an interim meeting and a clearance meeting. 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. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Overall Group materiality	CHF 1 700 000
How we determined it	5% of profit before tax, rounded
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 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

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

Impairment assessment of property, plant and equipment

Key audit matter

We focused on this area due to the size of the property, plant and equipment balance (CHF 76.419 million as at 31 December 2017) and because the directors' assessment of the future recoverability of the assets involves judgement regarding the future results of the business.

In particular, we focused our audit effort on the valuation of the fixed assets of one legal entity in the Composite Materials business, which in 2017 experienced a sudden and significant sales decline as a consequence of the new rules in governmental wind power tendering in India.

Group management therefore performed an impairment test on the net book value of the impacted legal entity, which represents a cash-generating unit. Based on Group management's impairment test, the recoverable amount exceeds the carrying value of this cash-generating unit's assets. Accordingly, no impairment charge was recorded. The recoverable amount for the impairment test was determined based on value-in-use calculations, which use discounted cash flow projections.

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 lead actual results to differ materially.

How our audit addressed the key audit matter

We obtained from Group management the cash flow projections of the legal entity in the Composite Materials segment and explanations as to why they believe the performance of the cash-generating unit in question will develop in a positive way. We also conducted interviews with the business segment manager to corroborate these explanations and to obtain an understanding of the specific business and other future projects to allow us to assess independently whether there were any impairment indicators. We took into account that the Group management believes in a recovery of the Indian market and a general positive development. We found the explanations obtained from Group management to be consistent with our understanding of developments in the business. This evidence supported Group management's assessment that property, plant and equipment in this legal entity of the Composite Materials segment is still recoverable under Group management's current discounted cash flow projections.

- We used valuation specialists to assess the discount rate for the cash-generating unit in the Composite Materials segment by comparing it with third party information. Further, we 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 previous income statement budgets with the actual results of the year. Based on these audit procedures, we assessed that Group management's estimates are generally reasonable and balanced.

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG



A handwritten signature in black ink, appearing to read 'P. Balkanyi'.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'C. Budakoglu'.

Cüneyt Budakoglu
Audit expert

Zurich, February 28, 2018

Income Statement

In CHF 1000	Year ended December 31, 2017	Year ended December 31, 2016
Income from investments	8 513	34 234
Finance income	4 811	5 106
Other income	944	1 270
Release of provision on loans to Group companies	–	1 903
Total income	14 268	42 513
Finance expense	– 2 804	– 8 509
Change in provision for impairment of investments	– 3 215	–
Stewardship expense	– 6 975	– 6 247
Administration expense	– 1 111	– 1 628
Total expenses	– 14 105	– 16 384
Ordinary result	163	26 129
Tax expense	– 5	– 5
Profit for the year	158	26 124

Balance Sheet

In CHF 1000	Note	At December 31, 2017	At December 31, 2016
Assets			
Cash and cash equivalents		1 843	1 494
Other receivables from third parties		223	243
Other receivables from Group companies		747	652
Loans to Group companies		15 009	8 283
Current assets		17 822	10 672
Loans to Group companies		58 369	59 599
Investments	2	113 963	106 588
Non-current assets		172 332	166 187
Total assets		190 154	176 859
Liabilities and equity			
Interest-bearing liabilities third parties		10 900	–
Interest-bearing liabilities Group companies		8 915	2 850
Other payables due to third parties		76	167
Other payables due to Group companies		–	549
Accrued expenses		919	847
Current liabilities		20 810	4 413
Interest-bearing liabilities Group companies		11 999	5 868
Provisions		–	9
Non-current liabilities		11 999	5 877
Total liabilities		32 809	10 290
Share capital	3	23 400	23 400
Legal reserves:			
Reserves from capital contributions		1 836	11 196
Other legal reserves		4 680	4 680
Treasury shares	4	– 110	– 88
Retained earnings		127 539	127 381
Total equity		157 345	166 569
Total liabilities and equity		190 154	176 859

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 2017 and 2016 did not exceed fifty people. The Company has prepared its consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER). In accordance with the Swiss Code of Obligations the Company decided to forgo presenting additional disclosures as well as a cash flow statement and management report.

1.2 Valuation methods and translation of foreign currencies

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

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

2. Investments

All direct and indirect investments of the Company are listed in note 25 to the Gurit Group's consolidated financial statements.

3. Share capital

The share capital at December 31 consisted of:

	2017				
	Number of shares	in % of total	Par value in CHF	Share capital in CHF 1000	in % of total
Registered shares	240 000	36	10	2 400	10
Bearer shares	420 000	64	50	21 000	90
Total	660 000	100		23 400	100

	2016				
	Number of shares	in % of total	Par value in CHF	Share capital in CHF 1000	in % of total
Registered shares	240 000	36	10	2 400	10
Bearer shares	420 000	64	50	21 000	90
Total	660 000	100		23 400	100

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

4. Treasury shares

In number of shares	2017	2016
Registered shares		
Balance at January 1	205	205
Balance at December 31	205	205
Bearer shares		
Balance at January 1	86	31
Additions at CHF 805 each (2016: CHF 602)	1 150	1 015
Disposals (used for share-based compensation)	– 1 123	– 960
Other disposals	– 20	–
Balance at December 31	93	86

5. Contingent liabilities

In CHF 1000	2017	2016
Guarantees in favor of banks of subsidiaries, as security for bank loans of these subsidiaries	2 334	3 572
Guarantees in favor of customers of subsidiaries, as warranty security	1 546	–
Guarantees in favor of banks of the Group, in respect to credit frame agreements of the Group	38 228	31 472

Furthermore, the Company has a contingent liability in connection with an environmental investigation and a further contingent liability in connection with a business acquisition. These matters are further explained in note 21 to the Gurit Group's consolidated financial statements.

6. Silent reserves

In CHF 1000	2017	2016
Release of silent reserves	9 683	3 228

7. Significant shareholders

In percentage of all voting rights (all above 3%)	2017	2016
Huwa Finanz- und Beteiligungs AG, Heerbrugg (registered shares)	33.33%	33.33%
Whale Holding AG, Zug (Martin Bisang, Küsnacht)	5.30%	5.30%
Robert Heberlein, Zumikon	4.59%	4.59%

8. Board and Executive shareholdings

In number of shares	2017	
	Bearer shares held at year-end	Bearer shares allocated during the year
Board of Directors		
Peter Leupp (Chairman)	466	42
Stefan Breitenstein (member)	141	21
Nick Huber (member)	401	21
Urs Kaufmann (member)	356	21
Peter Pauli (member)	371	21
Total Board of Directors	1 735	126
Executive Committee		
Rudolf Hadorn (CEO)	2 070	300
Damian Bannister (member)	168	50
Stefan Gautschi (member)	95	50
Hannes Haueis (member)	95	50
Angelo Quabba (member)	95	50
Total Executive Committee	2 523	500
Total Management participation	4 258	626
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

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	2017	2016
Retained earnings carried forward from previous year	127 381	101 257
Net profit for the year	158	26 124
Retained earnings available to the Annual General Meeting	127 539	127 381
Dividend distribution	- 7 605	-
To be carried forward	119 934	127 381

Appropriation of reserves from capital contributions

In CHF 1000	2017	2016
Reserves from capital contributions carried forward from previous year	1 836	11 196
Distribution to shareholders from reserves from capital contributions	- 1 755	- 9 360
To be carried forward	81	1 836

If this proposal is approved by the Annual General Meeting on April 17, 2018, the distributions will be made as follows:

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

The dividend distribution is payable on submission of voucher number 37.

The distribution of capital reserves is payable on submission of voucher number 38.

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, 2017, and the income statement and notes for the year then ended, including a summary of significant accounting policies (pages 90 to 95).

In our opinion, the accompanying financial statements as at 31 December 2017 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	Slightly less than 1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Holding Company is most commonly measured, and is a generally accepted benchmark for Holding Companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 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



A handwritten signature in black ink, appearing to read 'P. Balkanyi'.

Patrick Balkanyi
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'C. Budakoglu'.

Cüneyt Budakoglu
Audit expert

Zurich, February 28, 2018

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Tanja Moehler, Group Communications / Investor Relations

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

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