annual report 2013

Gurit – Delivering the Future of Composite Solutions

We specialize in advanced composite materials, production tools, the manufacture of selected components, and engineering services for demanding industries such as wind energy, aerospace, rail, automotive, marine, civil engineering, architecture, ocean energy, agriculture, and new applications where materials such as metal, wood, or concrete are being replaced by engineered, durable, and lightweight composite solutions. Our complete materials offering comprises glass, carbon, and aramid fibre prepregs, structural foam and balsa wood core materials, gel coats, adhesives, resins, and consumables. Our components business includes large-scale tooling moulds, rapid prototyping, and the manufacture of certain finished parts. Our engineering services combine an unparalleled know-how in materials manufacturing, composite processing, and structural engineering with a high responsiveness based on our global presence.

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

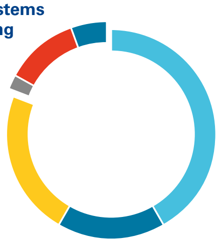
Sales by end-market

Composite Systems and Engineering
19.1% (11.6%)

Automotive
5.3% (3.4%)

Tooling
11.6% (7.1%)

Engineered Structures
2.2% (1.1%)



Composite Materials
80.9% (88.4%)

Wind Energy
41.8% (58.3%)

Aerospace
16.7% (13.7%)

Industrial & Marine
22.4% (16.4%)

(Prior-year period)

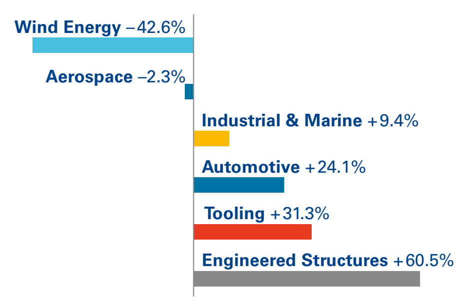
Key figures Consolidated Income Statement 2013
(in CHF million)

Net sales	281.1
Operating profit	6.5
Net profit	0.1

Key figures Consolidated Balance Sheet
(in CHF million)

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

Sales dynamics 2013 over 2012



Key Figures

Amounts in million CHF	2013	2012	+/– %
Net sales	281.1	351.0	–19.9%
EBITDA	17.8	36.6	–51.4%
EBITDA margin	6.3%	10.4%	–
EBIT	6.5	13.9	–53.3%
EBIT margin	2.3%	4.0%	–
Operating profit	6.5	12.7	–48.9%
Operating profit margin	2.3%	3.6%	–
Profit for the year	0.1	13.7	–99.2%
Return on net assets (RONA)	1.0%	3.6%	–
Net cash flow from operating activities	12.6	48.3	–74.0%
Capital expenditures	6.2	6.0	3.5%
Net cash	6.4	6.0	6.7%
Equity in % of total assets	70.8%	70.5%	–
Number of employees at December 31	2 007	1 733	15.8%
Earnings per bearer share	CHF 0.24	CHF 29.39	–99.2%
Distribution per bearer share (proposed/resolved)	CHF 7.50	CHF 15.00	–50.0%
Market capitalization at December 31	211.1	168.7	25.1%

Operational EBIT		
Operating profit	6.5	12.7
Less: other operating income	–3.0	–1.6
Add back: non-recurring expenses	0.4	3.7
Add back: impairment, net of reversals	1.4	10.7
Less/add back: inventory impairment (reversals)/charges from restructuring	–0.4	1.4
= Operational EBIT	4.9	26.9

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

Dear Shareholders

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

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

Strategy deployment generates future growth

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

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

Gurit Composite Materials comprises the Group's whole materials business. Its market focus encompasses the traditionally served markets and helps us to identify and address more and new applications. These new sales opportunities will gradually make up for the substantial drop we have experienced in Wind Energy in 2013 and will open up new growth areas. This entity is led by Stefan Gautschi who joined Gurit in 2013. Shape N° 13 p.22

Gurit Composite Systems and Engineering covers the components and engineering activities of Gurit. This unit is directly run by the CEO. The growth perspectives are positive: with rising demand for wind turbine blade moulds, we have started to market large metal transportation devices for wind turbine blades and tower sections as an additional offering. In the automotive business, the demand for our manually laid-up composite body panels for super-premium cars is steadily increasing. Additionally, a new press technology is now being evaluated in the market and should offer premium car makers a more industrialized process for less complex, higher-volume composite parts series. Gurit's Engineered Structures team is delivering especially growing numbers of composite parts for commuter buses. We want to leverage this "Making big things light" concept with more bus models and additional applications. Finally, our engineers continue to provide world-leading structural design work for a growing range of exciting composite projects.

Positive results overshadowed by weak wind energy market

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

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

Given the lower output of composite materials sold into the wind energy market, fixed costs were insufficiently absorbed. The volatile demand during the year for certain materials also generated some production inefficiencies. In addition, significant price pressure in the wind energy market and net impairment charges of CHF 1.4 million impacted the operating profit. Yet rigorous cost containment efforts kept the business profitable. Gurit achieved an operating profit of CHF 6.5 million after CHF 12.7 million a year ago. This translates to an operating profit margin of 2.3% after 3.6% in 2012. After tax expenses of CHF 4.7 million (2012: tax income of CHF 2.6 million), Gurit reports a net profit for 2013 of CHF 0.1 million. This equals to earnings of CHF 0.24 per listed bearer share after CHF 29.39 a year ago.

Positive cash flow and strong balance sheet

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

Investments in infrastructure

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

Product and process innovations

2013 also saw several important product and process innovations. Gurit successfully introduced a technology to create thick, low-void laminates – typically required for spars in wind turbine blades. We also launched a newly developed, visual carbon prepreg product family, specifically designed for the automotive market. Shape N° 14 p. 19 An additional range of prepregs was created for anti-ballistic applications which are now being evaluated in the market. Significant efforts went into improving the high temperature resilience of our automotive resins. High temperature tolerance is a prerequisite to produce automotive body panels that can directly be painted in the car manufacturers' high-temperature paint shops. In order to reduce the resin absorption of structural Balsa panels during lamination and to achieve lighter final parts, Gurit has further improved its UVOTECH technology which was launched at the JEC 2013 trade show in Paris a year ago. In Tooling, we developed, tested, and launched a new product family of metal transport and lifting devices for wind turbine blades and tower elements. These systems complement the existing mould business and generate additional turnover with existing customers.

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

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

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

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

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

In the global marine and industrial markets, we were again involved in many high profile boat building Shape N° 14 p.04 and structural engineering projects. Our materials sales to marine and industrial customers both grew by solid single digit percentage rates. Over all, Gurit achieved a sales increase of 9.4% to CHF 62.9 million in this market. Apart from materials going into racing yachts, luxury motor boats, commercial and military vessels, we also shipped substantially higher volumes of prepregs for the production of marine spars, especially to Asia-Pacific. A whole new series of visual carbon fibre prepregs, especially developed for the automotive market, has met with great response and is already being employed by first customers. Shape N° 14 p. 19 The new dynamics created by the organizational changes and extensive product and sales training sessions for the various regional teams, resulted in a growing stream of sales to the general industrial sector. Gurit has secured important supply contracts for large-scale infrastructure projects such as materials for composite roofs Shape N° 13 p.10, bridges Shape N° 14 p.10, and lightweight health care components.

Gurit's sales to the global aerospace market remained quite stable, slightly declining year-over-year by 2.3% to CHF 46.9 million. While certain customers requested less high volume materials for aircraft interiors, Gurit succeeded in winning new interesting projects with high performance niche products, like prepregs used for the manufacture of air ducts for passenger airplanes and certain new structural applications Shape N° 14 p.21. These projects also help to establish a stronger presence in the Americas and sharpen Gurit's profile as a manufacturer of highly fire-resistant prepregs with manufacturers of smaller regional planes and also rolling stock in Europe.

Looking at the sales development from a product category perspective, the structural foam business is gaining additional momentum: As Maricell's new exclusive global distributor for PVC materials outside of China Shape N° 14 p.08, Gurit has again expanded the breadth of its core material offering and is now able to leverage its global sales organization even better. An important backward integration step was achieved in Ecuador: our new factory for glued balsa blocks has successfully come on stream. We are now directly processing about half of the annual capacity of balsa wood sheets.

Gurit Composite Systems and Engineering with significant growth

The sales of Composite Systems and Engineering grew 31.9% to CHF 53.8 million in 2013, representing 19% of Group sales. The tooling business located in Taicang, China, contributed CHF 32.8 million. Mainly serving the global market for wind turbine blade moulds, tooling grew 31.3% year-over-year. As the demand for moulds generally picks up ahead of the overall business cycle, tooling achieved 67% of its sales in the strong second half of 2013. The trend towards longer moulds is ongoing: The majority of tools now measures well over 50 meters. Split mould technology, enhanced mould turning devices, and more powerful heating and cooling systems become necessary as orders for new moulds almost reach up to 90 meters in the years to come. These technical challenges and the fact that regionally diverging business cycles intensify the inherent volatility of the tooling business call for a global approach. Gurit aims at expanding its significant market share worldwide through a fully integrated manufacturing capability and fast delivery times at competitive prices, both for lower and high-end equipment needs. To expand the business with existing customers, we have developed and launched a range of metal hinges and racks for the safe, long-haul transport of wind turbine blades and tower elements.

Gurit's automotive business is specialized on the manufacture of class A, high-contour manually laid-up carbon composite car body panels for super-premium brands. Shape N° 13 p.26 In 2013, this business grew 24.1% to CHF 15.0 million and is well on track to become a more significant business for Gurit: We added a new customer to our portfolio, doubled the manufacturing capacity with a plant expansion in the UK, hired and trained many new colleagues, and started the production of several new parts during 2013. Gurit made important progress in developing a new material range for parts that can pass through the car makers' in-line paint shops at temperatures of around 200 degrees Celsius. We also made great headway with our automated press mould project. This next-generation production technology is geared for higher-volume, medium-contour, class A surface car body panels. It is now entering industrial trials as an additional new press has arrived in the UK. The interest from existing and potential customers is solid, both for the manually laid-up parts and for components produced with the automated press technology.

Engineered Structures has clearly expanded its presence in 2013 in several global markets. We were again involved with many performance sailing boat projects and proved the high standard of Gurit's engineering and materials solutions in the world's top sailing events. Shape N° 14 p.24 Engineered Structures also secured demanding projects in the civil structures market – mainly in the Middle East Shape N° 14 p.22 – a series of civil marine and novel general industrial projects. Over the course of the year, the Engineered Structures team hired additional staff and further expanded its skill base, both with internal and external objectives in mind: an internal goal was to expand the existing engineering expertise in the manufacture of automotive exterior panels to develop a true systems supplier presence. Externally, Gurit's ambition is to advance existing and new product applications and grow its composite parts business. The sales growth of 60.5% to CHF 6.1 million was not least the result of the growing composite parts business for commuter buses. Achieving sizable weight reductions with composite parts for transportation applications and for general industrial components should result in further growth in the years ahead.

Sustainability, occupational health, and safety

Gurit wants to be recognized as the worldwide leading developer and supplier of advanced composite materials, systems and technologies. We strive to achieve this through our dedicated focus on customer needs, a superior level of technology and competence, operations excellence as well as environmental, social, and ethical best practice and conduct. Shape N° 14 p.09 A good example for such efforts is Gurit's initiative to optimize the recycling of process waste in its Chinese tooling and composite materials operations. In the tooling works, we investigated ways to better recycle metal, paint, and lamination waste. Great attention was paid to raise the general awareness for sustainability of our staff with special instructions and intensified levels of monitoring. Another project aimed at maximizing the yield in our balsa wood processing operation. Wanting to make best use of every harvested balsa tree, we investigated ways to gain more finished balsa core material from any given numer of trees. After intense studies, we expect to implement important findings now in 2014. Also in our balsa wood operations, we installed a clever system to use dried and compressed saw dust as replacement for firewood to dry the fresh balsa wood.

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

Corporate Governance

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

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

Outlook and proposed distribution to shareholders

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

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

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

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

Yours sincerely, Gurit Holding AG

Peter Leupp,
Chairman of the
Board of Directors

Rudolf Hadorn
Chief Executive
Officer

Organization

Board and Group Management

Board of Directors of Gurit Holding AG	Peter Leupp, Chairman of the Board Robert Heberlein, Chairman of the Audit and Corporate Governance Commmittee Nick Huber, Chairman of the Nomination and Compensation Committee Urs Kaufmann, Member Peter Pauli, Member
Group Management	Rudolf Hadorn, CEO and General Manager Gurit Composite Systems and Engineering Markus Knüsli Amacker, CFO Stefan Gautschi, General Manager Gurit Composite Materials Damian Bannister, Chief Technology Officer
Auditors	PricewaterhouseCoopers AG, Zurich

Organizational Chart

Chief Executive Officer
Rudolf Hadorn

Composite Materials
General Manager
Stefan Gautschi

Composite Systems and Engineering
General Manager
Rudolf Hadorn

Chief Technology Officer
Damian Bannister

Chief Financial Officer
Markus Knüsli Amacker

As from February 1, 2013.

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

April 10, 2014
Annual General Meeting
Press release on Q1 sales

August 21, 2014
Half-Year Report 2014
Analyst/Media conference call

October 20, 2014
Press release on Q3 sales

End of Jan. 2015
Press release on FY 2014 sales

March 17, 2015
Presentation full-year results 2014
Analyst/Media conference
Publication of Annual Report

April 9, 2015
Annual General Meeting

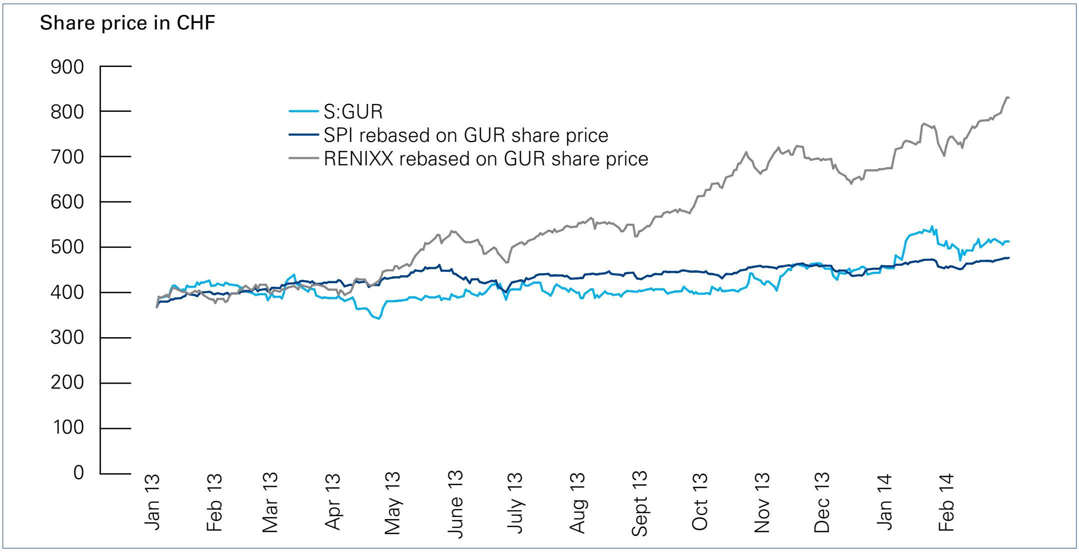
The key dates are continuously updated at http://investors.gurit.com/

Internet/e-mail alerts

For additional information, please visit the Gurit website at www.gurit.com.
Sign-up for e-mail alerts on Gurit is available at http://investors.gurit.com/news-alert-subscription.aspx.

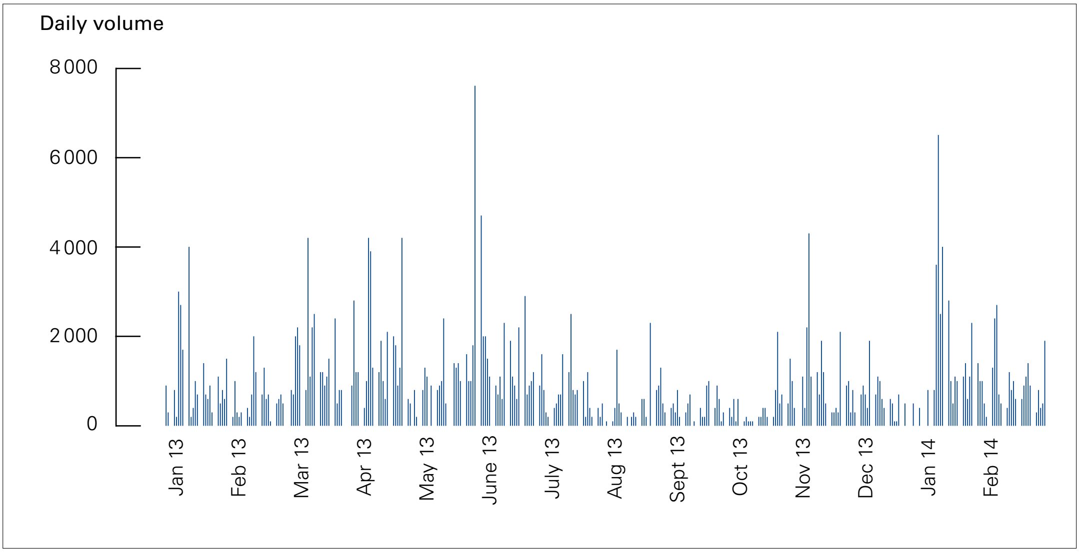
Stock Price Chart

Gurit bearer shares and respective indices



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

Trading volumes in Gurit bearer shares



Source: Thomson Reuters Datastream

Key figures per bearer share

	2013	2012	2011	2010	2009
Price at year-end	CHF 451.00	CHF 360.50	CHF 408.25	CHF 573.00	CHF 580.00
Highest price	CHF 465.00	CHF 545.00	CHF 688.00	CHF 629.00	CHF 728.00
Date	26.11.2013	23.4.2012	21.4.2011	12.4.2010	29.9.2009
Lowest price	CHF 339.00	CHF 360.00	CHF 361.00	CHF 406.25	CHF 246.00
Date	22.4.2013	21.12.2012	12.9.2011	31.8.2010	9.3.2009
Earnings per share	CHF 0.24	CHF 29.39	CHF 47.83	CHF 53.45	CHF 44.87
Gross dividend	–	–	–	–	CHF 15.00
Distribution out of reserves from capital contributions	CHF 7.50	CHF 15.00	CHF 15.00	CHF 15.00	–

Taxable values of traded securities

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Bearer shares CHF 50.00	CHF 451.00	CHF 360.50	CHF 408.25	CHF 573.00	CHF 580.00

Corporate Governance

The following chapter describes the principles of corporate governance applied at Board and Senior Management level at Gurit in accordance with the "Guidelines concerning information on Corporate Governance" published by SIX Swiss Exchange. Unless otherwise indicated, all information refers to the financial year 2013 ended December 31, 2013. 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 occurred between year-end and the copy deadline are duly disclosed. Gurit also publishes a Remuneration Report, included as a separate chapter in this Annual Report.

1. Group structure and shareholders

1.1 Group structure

1.1.1 Operative 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 systems and engineering. An organizational chart depicting the Group Organization for the financial year 2013 can be found on page 12.

1.1.2 Legal structure of subsidiaries

Of all the companies consolidated, Gurit Holding AG (the Gurit Group's holding company) is the only one listed on a stock exchange. Gurit Holding AG is domiciled in Wattwil/SG. 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 451.00 and equally valuating the par-value-adjusted registered shares, the market capitalization on December 31, 2013, amounted to CHF 211.1 million.

1.1.3 Information about the non-listed companies can be found in the overview on page 80 of the Financial Report.

1.2 Major shareholders

On December 31, 2013, the Company knew of the following shareholders holding over 3% of the voting rights in Gurit Holding AG:

Huwa Finanz- und Beteiligungs AG, Bahnhofstrasse 2, 9435 Heerbrugg, is holding 220000 registered shares. This equals 9.4% of the share capital and 33.33% of all voting rights in Gurit Holding AG. The shares of Huwa Finanz- und Beteiligungs AG are controlled by Hans Huber, Appenzell.

Robert Heberlein, Tobelmülistrasse 20, 8126 Zumikon, held directly and indirectly via Burix Holding AG, Bleicherweg 58, 8027 Zürich, 4.12% of the voting rights in Gurit as disclosed following purchase on January 28, 2008. 2.96 percentage points thereof stemmed from the ownership of 19 545 registered shares and 1.14 percentage points from 7633 bearer shares. The amount of bearer shares has since increased to 10 765.

Martin Bisang, 8700 Küsnacht, held since a purchase on October 29, 2012, through Whale Holding AG, Baarerstrasse 2, 6300 Zug, with 35000 bearer shares 5.3% of the voting rights in Gurit Holding AG.

Sarasin Investmentfonds AG, Wallstrasse 9, 4002 Basel, disclosed on January 20, 2011, that they held since a purchase on January 19, 2011, a total of 3.11% of the voting rights in Gurit Holding AG with 20500 bearer shares.

Updated information on major shareholders is available on the SIX Swiss Exchange website at: http://www.six-swiss-exchange.com/shares/companies/major_shareholders_de.html?fromDate=19980101&issuer=14575

1.3 Cross-shareholding

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

2. Capital structure

Information about the capital structure can be found in Gurit Holding AG's Articles of Association, in the Financial Report and the Statements on Gurit Holding AG as well as in the Investor Relations section on page 13 of this report. The Articles of Association are available on the website at http://investors.gurit.com/corporate-governance-1.aspx

2.1 Capital
Details on the capital are included in the notes to Gurit Holding AG's financial statements on page 80.

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 occurred.

In CHF 1000	December 31, 2013	December 31, 2012	December 31, 2011
Share capital	23 400	23 400	23 400
General reserves:			
– Reserves from capital contributions	25 704	32 724	39 744
– Other general reserves	4 680	–	–
Reserves for treasury shares	37	37	499
Retained earnings	58 722	62 099	56 703
Total equity	**112 543**	118 260	120 346

2.4 Shares and participation certificates
The Company's share capital consists of 240000 registered shares with a par value of CHF 10.00 and 420000 bearer shares with a par value of CHF 50.00. Bearer shares are traded in the domestic segment of 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 Restrictions 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 acquired the registered shares for his 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 warrants/options
Gurit Holding AG has no outstanding convertible bonds nor options.

3. Board of Directors

On December 31, 2013, 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 page:

Gurit Board of Directors

Peter Leupp

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

Professional background (main stages)

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

Other important activities and vested interests

Member of the Board of Directors, ABB (India) Ltd, India
Member of the Board of Directors, ABB (China) Ltd, China

Robert Heberlein

Member of the Board of Directors
Dr iur., attorney-at-law
Swiss citizen, 1941
Non-executive member

Professional background (main stages)

Since 1977	Partner/Counsel, Lenz & Staehelin, Zurich

Other important activities and vested interests

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

Nick Huber

Member of the Board of Directors
Businessman, Stanford Executive Program, Stanford University
Swiss citizen, 1964
Non-executive member

Professional background (main stages)

1990–1995	Account Manager, IBM (Schweiz) AG
1995–2005	Divisional Head, SFS Unimarket AG
Since 2005	Member of the Executive Management of SFS Services AG, Heerbrugg SG

Other important activities and vested interests

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

Urs Kaufmann

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

Professional background (main stages)

1987–1993	Production and Sales Manager with Zellweger Uster AG, Uster and USA
1994–1997	Managing Director of Henry Berchtold AG, Zell ZH, subsidiary of Huber+Suhner AG
1997–2000	Division Manager and Member of the Executive Management Team at Huber+Suhner AG
2001–2002	Member of Group Management Huber+Suhner AG
Since 2002	CEO Huber+Suhner AG

Other important activities and vested interests

Member of the Board of Müller Martini Holding AG, Hergiswil
Member of the Board of Directors of SFS Holding AG, Heerbrugg
Member of the Executive Committee of SWISSMEM
Chairman of the Executive Committee of ITEM, University of St. Gallen

Peter Pauli
Member of the Board of Directors
Mechanical engineer, postgraduate studies in industrial engineering,
Advanced Management Program INSEAD
Swiss citizen, 1960
Non-executive member

Professional background (main stages)

1985–1995	Various functions inc. Member of Executive Board, Translelastic AG, CH-Wallbach (Siegling Group)
1995–2000	Head of Executive Board, Siegling (Switzerland)
2000–2002	Head Sales and Marketing, Siegling GmbH, Hannover
2002–2010	CEO and Member of the Board of Directors, Meyer Burger AG
Since 2011	CEO; Member and Delegate of the Board of Directors of Meyer Burger Technology AG

Other important activities and vested interests

Since 2011	Member and Delegate of the Board of Directors of Meyer Burger Technology AG

Members of the Board of Directors

Name	Born	Position in BoD	Election to BoD	Elected until AGM
Peter Leupp	1951	Chairman	23.4.2010	2016
Robert Heberlein	1941	Member	22.11.1984	2014
Nick Huber	1964	Member	15.6.1995	2014
Urs Kaufmann	1962	Member	12.4.2006	2015
Peter Pauli	1960	Member	23.4.2012	2015

3.4 Election and term of office

Starting with the Ordinary Annual General Meeting of Shareholders 2014, all members of 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). Previously, the members of the Board were elected for a three-year term-of-office.

Members may be reelected. There is no statutory limit to the maximum period of office for members of the Board of Directors. But the period of office is limited to the AGM following the completion of the age of 72.

3.5 Internal organization

3.5.1 Allocation of tasks within the Board of Directors

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

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

He may be assisted by one or two additional members defined by the Board.

3.5.2 Membership of the Board's committees, their duties and responsibilities

The Board has formed two permanent committees:

Audit and Corporate Governance Committee

Chairman: Robert Heberlein
Members: Nick Huber, Urs Kaufmann, Peter Leupp, Peter Pauli

The Audit and Corporate Governance Committee assists the Board of Directors in its supervisory financial duties, 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.

Nomination and Compensation Committee

Chairman: Nick Huber
Members: Robert Heberlein, Urs Kaufmann, Peter Leupp, Peter Pauli

The Nomination and Compensation Committee defines the compensation of the members of the Board of Directors, proposes to the Board of Directors the principles of compensation for members of the Group Management, and 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 extended Group Management made by the CEO, the remuneration system for the Group Management as well as 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 at least for four ordinary meetings, generally one in each quarter. In 2013, the Board of Directors met ten times. Eight meetings were held in person, two as a telephone conference.

The Audit and Corporate Governance Committee met twice in 2013 in person.

The Nomination and Compensation Committee met twice in 2013, once in person and once by telephone conference.

Meetings are summoned in writing by the Chairman. An invitation together 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 and the Chief Financial Officer attend meetings of the Board of Directors and the Committees. 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 is quorate 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. The minutes also contain a summary of important requests to speak during deliberations.

3.6 Definition of areas of responsibility

The Board of Directors' main duties are:

- to formulate the general Group policy and the industrial concept behind the Group as a whole, and to decide on any acquisition, sale, foundation or liquidation of subsidiaries as well as to approve of investment decisions exceeding CHF 500000;
- to define the Group's organizational structure and its organizing regulations;
- to define the Group's financing strategy, decide on collective means of financing as well as to determine accounting, financial control, 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 Group Management

As a rule, Group Management updates the Board of Directors and especially the Audit Committee on operations and the Group's financial position every month. In addition, the CEO and CFO report back on business and all matters of relevance to the Group at each Board meeting. Every member of the Board of Directors also has the right to ask any member of Group Management for information about matters within his remit, even outside meetings. The Chairman of the Board of Directors is also informed by the Chief Executive Officer about all business and issues of a fundamental nature or of special importance.

4. Group Management

On December 31, 2013, Gurit Holding AG's Group Management consisted of the CEO and the CFO as well as two 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 and
General Manager Gurit Composite
Systems and Engineering
MBA University of St Gallen
Swiss citizen, 1963

Professional background (main stages)

1989–2000	Management and Executive positions with GM in Europe
2000	CEO, Krone GmbH, Berlin, CFO Krone Group
2002	CFO, Ascom Group, Bern
2004–2007	CEO, Ascom Group, Bern
Since 1.11.2007	CEO, Gurit
Since 1.2.2013	CEO and General Manager Composites Systems and Engineering, Gurit

Other important activities and vested interests
Member of the Board of Directors of Looser Holding AG, Arbon
Member of the Advisory Board of Cross 1 Private Equity Firm

Markus Knüsli Amacker
Chief Financial Officer,
Head of Investor Relations
Degree in economics HEC Lausanne
Swiss and French citizen, 1962

Professional background (main stages)

1989–1993	General Audit Supervisor, Coopers & Lybrand, Geneva
1993–1997	Manager Controlling and Consolidation, Tetra Laval International, Pully
1997–2003	CFO, Nextrom Group, Morges
2004–2007	CFO, Unicible SA, Prilly
Since 1.10.2007	CFO, Gurit

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

Professional background (main stages)

1996	Joined former SP Systems Technical Support
2000	Wind Energy Sales Project Engineer, SP Systems
2002	Technical Manager Wind Energy, SP Systems
2004	Development and Processing Manager, SP Systems
2005	Head of Technology, SP Systems
Since 2006	Chief Technology Officer, Gurit

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

Professional background (main stages)

1995–2000	Functions in Finance and Marketing, Georg Fischer Piping Systems, Schaffhausen
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
2009–2011	VP Operations, Georg Fischer Piping Systems, Schaffhausen
2011–2012	VP Global Business Unit Utility, Georg Fischer Piping Systems, Schaffhausen
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)

4.3 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

The information on compensation, shareholdings, and loans regarding members of the Board of Directors and Group Management are presented in a Remuneration Report as a separate chapter of this Annual Report on pages 26 to 35.

6. Shareholders' participation rights

Details of shareholders' participation rights can be found in the Articles of Association of Gurit Holding AG.

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 a legally recognized proxy, another shareholder attending the General Meeting or by the independent proxy holder.

6.2 Statutory quorums

Unless otherwise determined by law or the Articles of Association, a General Meeting convened in accordance with the Articles of Association is quorate 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.

6.3 Convocation of the General Meeting

The ordinary General Meeting takes place annually within six months of the end of the Company's financial year. Extraordinary General Meetings can be called by decision of the General Meeting, the Board of Directors, at the request of the auditors, or if 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 once in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) and published in various newspapers. 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 fourth 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 in accordance with article 32 paragraph 1 of the Bundesgesetz über die Börsen und den Effektenhandel (Swiss Law on Stock Exchanges and Securities Trading), of March 24, 1995, version of May 1, 2013, 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. Stefan Gerber is lead auditor since 2009.

8.2 Auditing fees

The total sum charged during the year under review by PricewaterhouseCoopers in its capacity as auditor amounted to CHF 387 802.

8.3 Additional fees

Fees for additional services supplied by the auditors during the year under review amounted to CHF 180 020. These fees consist of CHF 143 278 for tax advisory, and CHF 36 742 for other services. There were no transaction fees in 2013. The additional fees represent 46% of the auditing fees disclosed under 8.2.

8.4 Supervisors and control instruments pertaining to the auditors

The supervision and verification of the external audit is exercised by the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee evaluates together with Group Management the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Assembly. 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 analyzed and explained. In the year under review, the auditors attended one of the two meetings of the Audit and Corporate Governance Committee.

9. Information policy

Gurit Holding provides its shareholders with information in the form of the Annual Report and a Half-Year Report. Important events are published immediately through press releases and/or letters to shareholders.

10. Internet

Shareholders and other interested parties can also obtain information about the Group on the Internet at www.gurit.com.

E-mail alerts: the latest financial information from Gurit Holding can be received via e-mail alert; sign-up is available at http://www.gurit.com/register-for-news-alerts.aspx

11. Ad hoc publicity

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.

Contact address

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Important dates

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

April 10, 2014 **Annual General Meeting** **Press release on Q1 sales**	End of Jan. 2015 **Press release on FY 2014 sales**
August 21, 2014 **Half-Year Report 2014** **Analyst/Media conference**	March 17, 2015 **Presentation full-year results 2014** **Analyst/Media conference** **Publication of Annual Report**
October 20, 2014 **Press release on Q3 sales**	April 9, 2015 **Annual General Meeting**

The key dates are continuously updated at http://investors.gurit.com/default.aspx

Remuneration Report

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

1. Remuneration Philosophy

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

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

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

2. Remuneration Reporting Standards

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

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

3. Remuneration Governance

3.1 Remuneration Governance for the reporting period 2013

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

Responsibilities of the Board of Directors

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

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

Responsibilities of the Nomination and Compensation Committee

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

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

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

Responsibilities of the Chief Executive Officer

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

Responsibilities of the Executive Committee

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

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

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

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

3.2 Intended Remuneration Governance starting from April 11, 2014

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

Overview Compensation Governance until December 31,2013

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

* Within limits of the budget approved by the Executive Committee and the Board of Directors
** Plus line managers for individual bonus targets (see description of Performence Incentive Scheme)
NCC = Nomination and Compensation Committee

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

Responsibilities of the Annual General Meeting of Shareholders

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

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

Responsibilities of the Board of Directors

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

Responsibilities of the Nomination and Compensation Committee

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

The Nomination and Compensation Committee proposes the fixed compensation (in cash, benefits, and shares) for members of the Board of Directors, the Chief Executive Officer, and the other members of the Executive Committee to the Board of Directors and the Annual General Meeting of Shareholders. The share-based part of such compensation is considered in the proposed total fixed compensation at the value of the shares at the date they will be granted, taking into consideration an appropriate reduction for the period during which the granted shares are blocked.

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

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

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

Responsibilities of the Chief Executive Officer

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

Responsibilities of the Executive Committee

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

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

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

4. Remuneration Policy and Key Elements

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

4.1 Fixed salary components

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

- Fixed cash compensation (base salary);
- Pension plans and social security according to applicable jurisdiction;
- Certain fringe benefits such as car and parking allowances for certain employees;
- A performance-independent, share-based compensation for the members of the Board of Directors and the Chief Executive Officer. These shares are subject to a blocking period of three years from the date of the grant during which the members of the Board of Directors and the Chief Executive Officer cannot sell the shares;
- A performance-independent share-based compensation for the members of the Executive Committee (excluding the CEO) and the next level of Management according to the rules of the Share Participation Plan for Management (SPPM).

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

4.2 Variable, performance-related salary components

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

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

Overview Compensation Governance as proposed starting with the AGM 2014

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

* Within limits of the budget approved by the Executive Committee and the Board of Directors
** Plus line managers for individual bonus targets (see description of Performence Incentive Scheme)
NCC = Nomination and Compensation Committee

5. Share-based compensation for selected categories of Management

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

6. Performance Incentive Schemes

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

6.1 Performance Incentive Scheme for Production Employees

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

6.2 Performance Incentive Scheme for Sales Employees

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

6.3 Performance Incentive Scheme for other employees

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

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

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

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

The Business Unit, Sub-Unit, and Group general performance bonus component is annually calculated considering the following three key performance indicators: 1) Net Sales, 2) Operating Profit excluding one-off income and expenses, and 3) Net Working Capital per Business Unit/Sub-Unit or Group.

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

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

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

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

6.3.2 Individual Bonus Component

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

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

6.3.3 Limited individual bonus for special achievements

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

Summary bonus components

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

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

7.1 Chief Executive Officer

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

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

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

7.2 Other Members of the Executive Committee

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

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

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

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

7.3 Members of the Board of Directors

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

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

8. Management compensation

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

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

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

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

In connection with the new Ordinance against excessive remuneration in listed common stock companies, effective since January 1, 2014, the total amount of share-based compensation granted under the Group's Share Participation Plan for Management is now considered as a fixed compensation, whereas it had previously been considered as a variable compensation. The Other Executive Committee members' compensation under this plan in 2012 of CHF 145 000 has been reclassified accordingly.

In CHF 1000					2013
	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
Board of Directors					
Peter Leupp (Chairman)	250	24	–	–	274
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	80	12	14	–	106
Total Board of Directors	**570**	**72**	**51**	**–**	**693**
Executive Committee					
Rudolf Hadorn (CEO)	630	120	138	176	1 064
Other members	857	61	177	137	1 232
Total Executive Committee	**1 487**	**181**	**315**	**313**	**2 296**
Total Management compensation	**2 057**	**253**	**366**	**313**	**2 989**

In CHF 1000					2012
	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
Board of Directors					
Peter Leupp (member, Chairman since April 23, 2012)	193	26	1	–	220
Dr Paul Hälg (Chairman until April 23, 2012)	84	–	13	–	97
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	53	12	14	–	79
Total Board of Directors	570	74	65	–	709
Executive Committee					
Rudolf Hadorn (CEO)	521	120	114	250	1 005
Other members	1 617	145	276	308	2 346
Total Executive Committee	2 138	265	390	558	3 351
Total Management compensation	2 708	339	455	558	4 060

Financial Report

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Consolidated Income Statement

In CHF 1000	Note	Year ended December 31, 2013	Year ended December 31, 2012
Net sales	5	281 135	351 020
Other operating income	6	3 034	1 602
Change in inventories of finished and unfinished goods		1 102	–8 974
Material expense		–151 601	–187 490
Personnel expense	7	–76 110	–76 801
Other operating expenses	8	–39 790	–43 983
Impairment charges	20, 21	–2 398	–10 650
Impairment reversals	20	986	–
Depreciation	20	–8 961	–11 190
Amortization	21	–895	–804
Operating profit		6 502	12 730
Finance expense	9	–2 278	–3 352
Finance income	10	595	554
Ordinary result		4 819	9 932
Non-operating result	11	–	1 190
Profit before tax		4 819	11 122
Income tax (expense)/credit	12	–4 707	2 625
Profit for the year		**112**	**13 747**

Earnings per share	13		
Basic earnings per bearer share		CHF 0.24	CHF 29.39
Diluted earnings per bearer share		CHF 0.24	CHF 29.39
Basic earnings per registered share		CHF 0.05	CHF 5.88
Diluted earnings per registered share		CHF 0.05	CHF 5.88

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

Consolidated Balance Sheet

In CHF 1000	Note	At December 31, 2013	At December 31, 2012
Assets			
Cash and cash equivalents		23 101	37 266
Derivative financial instruments	15	668	38
Trade receivables	16	62 962	61 053
Other receivables	17	6 712	5 044
Prepayments and accrued income	18	13 737	7 014
Inventories	19	37 526	36 560
Current assets		144 706	146 975
Other receivables	17	916	883
Deferred income tax assets	24	957	1 017
Property, plant and equipment	20	70 259	77 053
Intangible assets	21	5 272	5 666
Non-current assets		77 404	84 619
Total assets		**222 110**	231 594
Liabilities and equity			
Borrowings	22	10 609	16 377
Derivative financial instruments	15	136	186
Trade payables		19 419	12 807
Other payables		6 241	7 145
Accrued liabilities and deferred income	23	17 361	10 956
Provisions	25	3 372	2 091
Current liabilities		57 138	49 562
Borrowings	22	6 089	14 886
Derivative financial instruments	15	13	93
Deferred income tax liabilities	24	839	901
Provisions	25	765	2 794
Non-current liabilities		7 706	18 674
Total liabilities		**64 844**	68 236
Share capital		23 400	23 400
Capital reserve		25 704	32 724
Treasury shares		–37	–37
Hedging reserve		253	–68
Currency translation adjustments		–29 674	–28 929
Offset goodwill		–26 690	–27 920
Retained earnings		164 310	164 188
Total equity	26	**157 266**	163 358
Total liabilities and equity		**222 110**	231 594

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

Consolidated Cash Flow Statement

In CHF 1000	Note	Year ended December 31, 2013	Year ended December 31, 2012
Profit for the year		112	13 747
Adjustments for:			
Impairment, net of reversals	20, 21	1 412	10 650
Depreciation and amortization	20, 21	9 856	11 994
Finance income and expense, net	9, 10	1 683	2 798
Income tax expense/(credit)	12	4 707	–2 625
Net losses/(gains) from disposal of fixed assets	6, 8, 11	178	–1 059
Losses from disposal of intangible assets	8	–	36
Inventory write-down		3 988	3 940
Other non-cash items		813	1 681
Working capital changes (excluding the effects of acquisitions and disposals of subsidiaries):			
Change in trade receivables		–3 134	17 317
Change in inventories		–5 467	8 488
Change in other receivables and prepayments and accrued income		–10 719	4 326
Change in trade and other payables and accrued liabilities and deferred income		13 110	–13 169
Change in provisions		464	1 165
Cash generated from operations		17 003	59 289
Finance cost, net paid		–902	–1 723
Income tax paid		–3 526	–9 247
Net cash flow from operating activities		**12 575**	**48 319**
Purchase of property, plant and equipment	20	–5 598	–4 947
Proceeds from sale of property, plant and equipment		91	3 624
Purchase of intangible assets	21	–635	–1 076
Repayments of loans receivable		850	851
Acquisition of subsidiaries	29	185	–881
Net cash flow from investing activities		**–5 107**	**–2 429**
Proceeds from/(repayments of) current borrowings		–14 413	–15 922
Proceeds from/(repayments of) non-current borrowings		–	–5 000
Distribution to shareholders	14	–7 019	–7 018
Purchase of treasury shares		–404	–220
Net cash flow from financing activities		**–21 836**	**–28 160**
Net change in cash and cash equivalents		**–14 368**	**17 730**
Cash and cash equivalents at the beginning of the year		37 266	19 861
Net change in cash and cash equivalents		–14 368	17 730
Exchange gains/(losses) on cash		203	–325
Cash and cash equivalents at the end of the year		**23 101**	**37 266**

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

Consolidated Statement of Changes in Equity

In CHF 1000	Share capital	Capital reserve
Balance at January 1, 2012	**23 400**	**39 744**
Profit for the year	–	–
Changes in hedging reserve	–	–
Currency translation adjustments	–	–
Total income and expense for the year	–	–
Distribution to shareholders (note 14)	–	–7 020
Usage of treasury shares for share-based compensation	–	–
Share-based compensation	–	–
Purchase of treasury shares	–	–
Total transactions with shareholders	–	–7 020
Goodwill directly offset with equity (note 26)	–	–
Balance at December 31, 2012	**23 400**	**32 724**
Profit for the year	–	–
Changes in hedging reserve	–	–
Currency translation adjustments	–	–
Total income and expense for the year	–	–
Distribution to shareholders (note 14)	–	–7 020
Usage of treasury shares for share-based compensation	–	–
Share-based compensation	–	–
Purchase of treasury shares	–	–
Total transactions with shareholders	–	–7 020
Goodwill directly offset with equity (note 26)	–	–
Balance at December 31, 2013	**23 400**	**25 704**

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

Treasury shares	Hedging reserve	Currency translation adjustments	Offset goodwill	Retained earnings	Total equity
–499	**–187**	**–28 055**	**–39 157**	**150 683**	**145 929**
–	–	–	–	13 747	13 747
–	119	–	–	–	119
–	–	–874	–	–	–874
–	119	–874	–	13 747	12 992
–	–	–	–	2	–7 018
682	–	–	–	–682	–
–	–	–	–	438	438
–220	–	–	–	–	–220
462	–	–	–	–242	–6 800
–	–	–	11 237	–	11 237
–37	**–68**	**–28 929**	**–27 920**	**164 188**	**163 358**
–	–	–	–	112	112
–	321	–	–	–	321
–	–	–745	–	–	–745
–	321	–745	–	112	–312
–	–	–	–	1	–7 019
404	–	–	–	–404	–
–	–	–	–	413	413
–404	–	–	–	–	–404
–	–	–	–	10	–7 010
–	–	–	1 230	–	1 230
–37	**253**	**–29 674**	**–26 690**	**164 310**	**157 266**

Notes to the Consolidated Financial Statements

1. General information

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

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

These consolidated financial statements were signed off by the Board of Directors on March 7, 2014, for publication. The Annual General Meeting of Shareholders, scheduled for April 10, 2014, 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 and are in conformity with the Swiss law and the requirements of the SIX Swiss exchange. They 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.

The preparation of financial statements in conformity with Swiss GAAP FER requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.2 Consolidation

2.2.1 Changes in the scope of consolidation

In 2013, the Group has incorporated the new subsidiaries Gurit (Hungary) Kft, in Hungary, and Gurit Composite Materials AG, in Switzerland. In addition, the Group has liquidated its wholly owned subsidiary Gurit (Australia) Pty Ltd., in Australia.

In 2012, the Group incorporated the new subsidiaries Gurit do Brasil Representações Ltda, in Brazil, and Balsablock CIA. LTDA., in Ecuador.

2.2.2 Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The net assets taken over in an acquisition are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the newly valued net assets taken over is designated as goodwill. At the date of the acquisition, the acquired goodwill is offset with equity. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is also offset in equity. Subsequent adjustments to any contingent purchase consideration are recorded as an adjustment to the acquisition's cost and to goodwill. Adjustments to the fair values of the acquired net assets are recorded in the income statement in subsequent periods.

Intercompany transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

2.3.1 Functional and presentation currency

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

2.3.2 Transactions and balances

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

2.3.3 Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized as a separate component of equity.

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

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

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

	December 31, 2013	Ø 2013	December 31, 2012	Ø 2012
1 USD	0.8905	0.9272	0.9139	0.9380
1 EUR	1.2259	1.2309	1.2077	1.2055
1 GBP	1.4684	1.4500	1.4768	1.4865
1 CAD	0.8327	0.9008	0.9170	0.9384
1 CNY	0.1457	0.1498	0.1450	0.1488

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

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. The obligation in respect of the pension plans of all Group companies is with the pension institution and not with the Group companies.

2.5.2 Termination benefits

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

2.5.3 Share-based compensation

The Group operates different equity-settled share-based compensation schemes, under which the entity receives services from directors and from employees for equity instruments of the Company (see note 30). The fair value of the services received in exchange for the grant of equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

2.6 Current and deferred income tax

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

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

2.7 Distributions to shareholders

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

2.8 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are sub-sequently 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 15. Movements on the "hedging reserve" in shareholders' equity are shown in the consolidaed statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months, and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

2.8.1 Cash flow hedges

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

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

2.8.2 Derivates accounted for at fair value through profit or loss

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

2.9 Cash and cash equivalents

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

2.10 Trade receivables

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

2.11 Inventories

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

2.12 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

2.13 Intangible assets

Intangible assets contain patents, land-use rights, software, and other intangible assets. They are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives, which for patents, software, and other intangible assets normally do not exceed five years, but can extend to twelve years in exceptional cases. Land-use rights are amortized over 50 years, which represents the period of the use rights.

Internally generated intangible assets are not recognized as assets.

2.14 Impairment of assets

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

2.15 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.17 Trade payables and other payables

Trade payables and other payables are recognized at par value.

2.18 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Equity

2.19.1 Ordinary shares

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

2.19.2 Treasury shares

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

2.19.3 Goodwill offset in equity

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

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

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

2.20 Government grants

Government grants are recognized when there is reasonable assurance that the entity will comply with the conditions related to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan and the proceeds received.

Grants related to income are recognized over the periods necessary to match them with the related costs that they are intended to compensate. The timing of such recognition in the income statement will depend on the fulfillment of any conditions or obligations attaching to the grant.

Government grants related to assets are presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset. The income statement will be affected by a reduced depreciation charge over the useful life of the related asset.

3. Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Provision for impairment of trade receivables

At the end of 2013, trade receivables at par value increased from CHF 63 377 000 in prior year to CHF 65 240 000, whereas the receivable balances overdue since more than 30 days decreased from CHF 12 891 000 at the end of 2012 to CHF 10 179 000 at the end of 2013. Even though certain receivables in China continue to be long overdue, there is no objective evidence that the Group will not be able to collect the carrying amounts of trade receivables. The overall credit risk is reduced by the fact that more than 50% of the Group's trade receivable balance is covered by insurance at the end of 2013. Management believes that the Group will be able to recover the carrying amount of trade receivables as recorded at the end of 2013.

3.2 Impairment of property, plant and equipment

As explained in note 20, the Group wrote down the assets of its PVC production facility to the recoverable amount. The recoverable amount 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 Group's customers, the Group's share in this demand, the future operating profit margin of these production facilities and the discount rate.

4. Risk management

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

A formal risk management review and subsequently an update of the risk profiles are done by the Business Units and the EC. The EC ensures that appropriate measures are taken to mitigate the risks. The Board of Directors is informed in the Board of Directors meetings of the Group's risk profile and the mitigating action plans. If the Group is exposed to major new risks, the Chief Executive Officer or his deputy will inform the chairman of the Board of Directors immediately after he became aware of the risk in line with the delegation of authority and the standing orders of the Board of Directors with the Chief Executive Officer.

4.1 Risk assessment

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

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

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

4.2 Strategy execution and operational risks

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

4.3 Financial risk management

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

4.3.1 Currency risk

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

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

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

4.3.2 Interest rate risk

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

4.3.3 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set by Management based on internal or external ratings. The utilization of credit limits is regularly monitored. Until December 31, 2013, Gurit had Group-wide credit insuring instruments in place to cover a significant portion of the outstanding trade receivables.

4.3.4 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed and uncommitted credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines. The Group monitors its risk to a shortage of funds by reviewing short-term cash forecasts on a monthly basis and performs annual cash forecasts once a year.

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

In CHF 1000	2013	2012
Cash and cash equivalents	23 101	37 266
Undrawn available committed credit lines	26 362	13 432
Total liquidity reserves and available credit lines	**49 463**	50 698

4.3.5 Capital risk management

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

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

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

In CHF 1000	2013	2012
Debt	16 698	31 263
EBITDA	17 770	36 564
Debt / EBITDA ratio	**0.9**	0.9
Assets	222 110	231 594
Equity	157 266	163 358
Equity ratio	**70.8%**	70.5%

5. Net sales

In CHF 1000	2013	(restated) 2012
Net sales by business units		
Composite Materials	227 304	310 216
Composite Systems and Engineering	53 831	40 804
Total net sales	**281 135**	**351 020**

Prior year net sales figures have been restated to reflect the new business unit structure of the Group, which is effective since February 1, 2013.

In CHF 1000	2013	2012
Net sales by regions of destination		
Europe	134 199	165 129
Asia	50 139	56 336
Americas	70 621	109 493
Rest of the world	26 176	20 062
Total net sales	**281 135**	**351 020**

6. Other operating income

In CHF 1000	2013	2012
Release of restructuring provision (note 25)	785	–
Gains from disposals of fixed assets	4	163
Income from settlement of a legal case	549	–
Other income	1 696	1 439
Total other operating income	**3 034**	**1 602**

7. Personnel expense

In CHF 1000	2013	2012
Salaries and wages	60 485	60 626
Pension expense	3 440	3 326
Social security expense	7 424	7 966
Other personnel expenses	4 761	4 883
Total personnel expense	**76 110**	**76 801**

The pension expense is summarized as follows:

Employer contribution reserves (ECR)

In CHF 1000	Nominal value	Renounced use	Balance sheet	Accumulation	Balance sheet	Result from ECR within personnel expense	
	Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2013	2013	Dec. 31, 2012	2013	2012
Patronage funds/pension institutions	–	–	–	–	–	–	–
Pension institutions	–	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	–	**–**	–

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, 2013	Dec. 31, 2013	Dec. 31, 2012			2013	2012
Patronage funds/pension institutions	–	–	–	–	–	–	–
Pension institutions without surplus/deficit	–	–	–	–	–	3 440	3 326
Pension institutions with surplus	–	–	–	–	–	–	–
Pension institutions with deficit	–	–	–	–	–	–	–
Pension institutions without own assets	–	–	–	–	–	–	–
Total	**–**	**–**	–	–	–	**3 440**	3 326

8. Other operating expenses

In CHF 1000	2013	2012
Utilities, maintenance, and rent expense	13 863	15 090
Non-recurring expense	350	3 699
Other operating expenses	25 577	25 194
Total other operating expenses	**39 790**	43 983

The non-recurring expense is summarized as follows:

In CHF 1000	2013	2012
Losses from disposals of fixed assets	182	294
Losses from disposals of intangibles	–	36
Restructuring costs	–	3 211
Other expenses	168	158
Total non-recurring expense	**350**	3 699

9. Finance expense

In CHF 1000	2013	2012
Interest expense	758	1 866
Exchange rate losses	1 240	1 089
Other finance expenses	280	397
Total finance expense	**2 278**	3 352

In CHF 1000					2013
Exchange rate gains and losses per currency	EUR	GBP	USD	Other	Total
Net gains per currency (note 10)	468	–	–	8	476
Net losses per currency	–12	–168	–572	–488	–1 240
Total	**456**	**–168**	**–572**	**–480**	**–764**
Whereof:					
Gains per currency and balance sheet position	529	111	1 641	122	2 403
Losses per currency and balance sheet position	–73	–279	–2 213	–602	–3 167

In CHF 1000					2012
Exchange rate gains and losses per currency	EUR	GBP	USD	Other	Total
Net gains per currency (note 10)	201	–	177	30	408
Net losses per currency	–126	–11	–577	–375	–1 089
Total	75	–11	–400	–345	–681
Whereof:					
Gains per currency and balance sheet position	401	229	2 356	135	3 121
Losses per currency and balance sheet position	–326	–240	–2 756	–480	–3 802

10. Finance income

In CHF 1000	2013	2012
Interest income	119	146
Exchange rate gains (note 9)	476	408
Total finance income	**595**	554

11. Non-operating result

The non-operating gain of CHF 1 190 000 in 2012 relates to a sale of operationally not needed land lots in Switzerland.

12. Income tax expense/(credit)

In CHF 1000	2013	2012
Deferred income tax credit (note 24)	– 111	– 10 797
Current income tax expense	4 818	8 172
Total income tax expense / (credit)	**4 707**	– 2 625

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

In CHF 1000	2013	2012
Profit before tax	4 819	11 122
Tax expense at the average tax rate of 23.6% (2012: 30.5%)	1 136	3 396
Utilization of previously unrecognized tax losses	– 91	– 501
Tax losses for which no deferred income tax asset was recognized	3 033	2 194
Effect of unrecognized deferred tax asset from temporary differences	381	3 392
Derecognition of previously recognized tax liability from temporary differences	–	– 11 922
Expenses not deductible for tax purposes	363	816
Adjustment in respect of prior years	220	319
Effect of tax concessions (mainly research and development)	– 381	– 368
Others	46	49
Income tax expense / (credit) recognized in profit or loss	**4 707**	– 2 625

In 2012, the Group derecognized previously recognized tax liabilities from temporary differences in the amount of CHF 11 922 000. These temporary differences relate to investments in subsidiaries held by the Company, which in the past had been fully written down for statutory and for tax purposes. As the provisions on these investments were at the time accepted by the tax authorities as a reprocurement reserve ("Wiederbeschaffungsreserve"), it is very unlikely that the tax authorities would disallow these provisions in the future. A current tax liability would therefore only arise if the Company would sell these investments. With time and after the organizational restructuring of the Group as of February 1, 2013, and the resulting deeper integration of the various parts of the Group's businesses, such potential sales of investments in subsidiaries have become unlikely. As a consequence, the related deferred tax liabilities were derecognized.

13. Earnings per share

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

	2013	2012
Profit for the year (in CHF 1000):	**112**	**13 747**
Weighted average number of shares in issue during the year:		
Bearer shares	419 939	419 789
Registered shares	239 795	239 797
Basic and also diluted earnings per share (in CHF):		
Bearer shares (par value of CHF 50)	0.24	29.39
Registered shares (par value of CHF 10)	0.05	5.88

14. Distribution to shareholders

The distribution to shareholders in 2013 out of reserves from capital contributions amounted to CHF 7 019 000 (CHF 3.00 per registered share and CHF 15.00 per bearer share). In 2012, a distribution out of reserves from capital contributions in the amount of CHF 7 018 000 (CHF 3.00 per registered share and CHF 15.00 per bearer share) was paid to the shareholders. A distribution out of reserves from capital contributions of CHF 1.50 per registered share and CHF 7.50 per bearer share, amounting to a total distribution of CHF 3 510 000, is to be proposed at the Annual General Meeting on April 10, 2014. These financial statements do not reflect this distribution payable.

15. Derivative financial instruments

In CHF 1000	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedges, categorized as derivatives used for hedging	544	–149	–	–201
Cash flow hedges, categorized as derivatives at fair value through profit and loss	124	–	38	–78
Total derivative financial instruments	**668**	**–149**	**38**	**–279**
Whereof:				
Current portion	668	–136	38	–186
Non-current portion	–	–13	–	–93

All of the Group's cash flow hedges relate to foreign exchange instruments. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates until 2015.

16. Trade receivables

In CHF 1000	2013	2012
Trade receivables	65 240	63 377
Less: provision for impairment	–2 278	–2 324
Trade receivables – net	**62 962**	**61 053**

In CHF 1000	2013	2012
Aging of trade receivables		
Not due	42 284	36 347
Overdue 1–15 days	6 612	11 975
Overdue 16–30 days	6 165	2 164
Overdue more than 30 days	10 179	12 891
Total trade receivables	**65 240**	**63 377**
Less: provision for impairment	–2 278	–2 324
Total trade receivables – net	**62 962**	**61 053**

In CHF 1000	2013	2012
Movements on the provision for impairment		
Balance at January 1	2 324	1 231
Provision for receivables impairment	795	1 582
Receivables written off as uncollectible	–191	–341
Unused amounts reversed	–640	–99
Exchange differences	–10	–49
Balance at December 31	**2 278**	**2 324**

In CHF 1000	2013	2012
Trade receivables by currency		
US dollar	23 725	17 862
GB pound	7 651	4 027
Euro	18 166	24 307
Chinese yuan (Renminbi)	12 619	14 204
Others	801	653
Total trade receivables – net	**62 962**	**61 053**

17. Other receivables

In CHF 1000	2013	2012
Other receivables	7 062	4 336
Loans	566	1 591
Total other receivables	**7 628**	**5 927**
Whereof:		
Current portion	6 712	5 044
Non-current portion	916	883

18. Prepayments and accrued income

In CHF 1000	2013	2012
Current income tax assets	160	1 168
Prepaid expenses	3 495	3 271
Accrued income	10 082	2 575
Total prepayments and accrued income	**13 737**	7 014

19. Inventories

In CHF 1000	2013	2012
Raw materials	18 309	18 181
Work in progress	2 510	2 196
Semi-finished goods	6 379	7 104
Finished goods	16 474	15 740
Total inventories	**43 672**	43 221
Less: inventory provision	–6 146	–6 661
Total inventories – net	**37 526**	36 560

20. Property, plant and equipment

In CHF 1000	Plant and equipment	Real estate	Equipment under construction	Other tangible assets	Total property, plant and equipment
Cost					
Balance at January 1, 2012	124 768	50 423	2 173	1 561	178 925
Additions	3 149	1 048	608	142	4 947
Disposals	–3 065	–2 366	–	–41	–5 472
Reclassifications	1 759	492	–2 251	–	–
Exchange differences	–817	–480	16	–20	–1 301
Balance at December 31, 2012	125 794	49 117	546	1 642	177 099
Additions	1 790	285	3 437	86	5 598
Disposals	–1 292	–18	–	–13	–1 323
Reclassifications	2 460	–2 817	–695	38	–1 014
Exchange differences	–3 222	–558	45	–21	–3 756
Balance at December 31, 2013	**125 530**	**46 009**	**3 333**	**1 732**	**176 604**
Accumulated depreciation					
Balance at January 1, 2012	68 984	11 806	–	996	81 786
Depreciation charges	9 681	1 290	–	219	11 190
Impairment charges	10 581	22	–	–	10 603
Disposals	–2 507	–361	–	–39	–2 907
Reclassifications	–20	–	–	20	–
Exchange differences	–568	–43	–	–15	–626
Balance at December 31, 2012	86 151	12 714	–	1 181	100 046
Depreciation charges	6 196	2 574	–	191	8 961
Impairment charges	1 862	536	–	–	2 398
Impairment reversals	–986	–	–	–	–986
Disposals	–1 036	–6	–	–13	–1 055
Reclassifications	222	–426	–	22	–182
Exchange differences	–2 518	–295	–	–24	–2 837
Balance at December 31, 2013	**89 891**	**15 097**	**–**	**1 357**	**106 345**
Net book values					
Balance at January 1, 2012	55 784	38 617	2 173	565	97 139
Balance at December 31, 2012	39 643	36 403	546	461	77 053
Balance at December 31, 2013	**35 639**	**30 912**	**3 333**	**375**	**70 259**

In 2012, the Group mothballed its prepreg production in Canada and China due to a reduced outlook in the wind energy market, especially in the US and China. The impairment charge of CHF 10 603 000 in 2012 on property, plant and equipment related mainly to the mothballed equipment in Canada and China, and to a lesser extent, to specific prepreg equipment at other production sites. In 2013, a need for certain of the impaired Canadian prepreg machines had been identified at other subsidiaries. As a result, the Group recorded a respective impairment reversal of CHF 902 000 on these machines. Other minor impairment reversals amount to CHF 84 000 in 2013.

In 2013, following the implementation of the Group's new PVC core material strategy, the outlook of the current PVC production facility had worsened. The Group therefore carried out an impairment test, which showed that the carrying amount of the facility exceeded its recoverable amount by CHF 1 705 000. As a consequence, the Group recognized an impairment charge at this amount regarding this production facility. In 2013, the Group recorded other impairment charges of total CHF 693 000 at various sites, relating to assets, which are no longer in use.

Undeveloped land included in real estate amounts to CHF 100 000 at December 31, 2013 (2012: 100 000). At December 31, 2013, the net book value of leased property, plant and equipment amounted to zero (2012: zero). Fire insurance values of property, plant and equipment amounted to CHF 239 000 000 (2012: CHF 218 000 000).

21. Intangible assets

In CHF 1000	Patents and trademarks	Land-use rights	Software and other intangibles	Total intangible assets
Cost				
Balance at January 1, 2012	3 005	3 137	4 769	10 911
Additions	506	–	570	1 076
Disposals	–70	–	–	–70
Exchange differences	22	–63	–13	–54
Balance at December 31, 2012	3 463	3 074	5 326	11 863
Additions	278	–	357	635
Disposals	–	–	–593	–593
Exchange differences	–116	15	–81	–182
Balance at December 31, 2013	**3 625**	**3 089**	**5 009**	**11 723**
Accumulated amortization				
Balance at January 1, 2012	1 655	137	3 588	5 380
Amortization charge	292	59	453	804
Impairment charge	–	–	47	47
Disposals	–34	–	–	–34
Exchange differences	5	–4	–1	–
Balance at December 31, 2012	1 918	192	4 087	6 197
Amortization charge	311	65	519	895
Disposals	–	–	–593	–593
Reclassifications	–	–	114	114
Exchange differences	–100	–1	–61	–162
Balance at December 31, 2013	**2 129**	**256**	**4 066**	**6 451**
Net book values				
Balance at January 1, 2012	1 350	3 000	1 181	5 531
Balance at December 31, 2012	1 545	2 882	1 239	5 666
Balance at December 31, 2013	**1 496**	**2 833**	**943**	**5 272**

22. Borrowings

In CHF 1000	2013	2012
Current		
Bank overdrafts	–	6 854
Bank loans	10 503	9 238
Other loans	106	285
Total current borrowings	**10 609**	**16 377**
Non-current		
Bank loans	6 089	14 790
Other loans	–	96
Total non-current borrowings	**6 089**	**14 886**
Total borrowings	**16 698**	**31 263**

Bank loans mature until 2016 and bear average interest rates of 1.9% annually (2012: 1.9%). There were no finance lease liabilities included in total borrowings at the end of 2013 (2012: CHF 16 000).

In 2012 and 2013, there were no secured bank borrowings included in total borrowings.

Borrowings become due as follows:

In CHF 1000	2013	2012
3 months or less	6 404	12 487
4–12 months	4 205	3 890
1–5 years	6 089	14 886
Total borrowings	**16 698**	**31 263**

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

In CHF 1000	2013	2012
Currency		
Swiss franc	10 000	13 000
Canadian dollar	106	4 032
Chinese yuan (Renminbi)	–	383
Euro	1 176	–
US dollar	5 416	13 075
Other currencies	–	773
Total borrowings	**16 698**	31 263

23. Accrued liabilities and deferred income

In CHF 1000	2013	2012
Current income tax liabilities	1 081	947
Advance payments from customers	6 012	945
Accruals	10 268	9 064
Total accrued liabilities and deferred income	**17 361**	10 956

24. Deferred income tax

In CHF 1000	2013	2012
Deferred income tax assets	957	1 017
Deferred income tax (liabilities)	–839	–901
Deferred income tax assets / (liabilities), net	**118**	116

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

In CHF 1000	2013	2012
Balance at January 1	116	–10 646
Deferred income tax credit (note 12)	111	10 797
Tax effect recorded in equity	–118	–
Exchange differences	9	–35
Balance at December 31	**118**	116

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

In CHF 1000	2013		2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	79	30	138	40
Other receivables	537	–	490	–
Inventories	197	124	168	159
Property, plant and equipment	77	225	90	319
Intangible assets	446	87	507	82
Investments in subsidiaries	–	779	–	779
Provisions	183	61	107	64
Other liabilities	60	155	62	3
Offset of deferred income tax assets and liabilities	–622	–622	–545	–545
Total	**957**	**839**	1 017	901

The Group did not recognize deferred income tax assets of CHF 9 952 000 (2012: CHF 6 929 000) in respect of unused tax losses amounting to CHF 37 739 000 (2012: CHF 29 170 000). These tax losses expire as shown in the table below:

In CHF 1000	2013	2012
0–3 years	7 986	9 369
4–6 years	11 120	4 456
Over 6 years	18 633	15 345
Total unrecognized tax losses	**37 739**	29 170

25. Provisions

In CHF 1000	Contingent purchase consideration	Warranty	Restructuring	Other	Total provisions
Balance at January 1, 2012	13 261	1 680	31	842	15 814
Utilized during the year	–881	–327	–1 010	–36	–2 254
Additions	–	625	3 211	–	3 836
Unused amounts reversed	–11 237	–1 014	–	–284	–12 535
Revaluation	65	–	–	–	65
Exchange differences	–	–7	–34	–	–41
Balance at December 31, 2012	1 208	957	2 198	522	4 885
Utilized during the year	–	–649	–1 389	–14	–2 052
Additions	–	3 744	–	–	3 744
Unused amounts reversed	–1 230	–240	–785	–203	–2 458
Revaluation	22	–	–	–	22
Exchange differences	–	19	–24	1	–4
Balance at December 31, 2013	**–**	**3 831**	**–**	**306**	**4 137**
Whereof at December 31, 2012:					
Current portion	–	671	1 339	81	2 091
Non-current portion	1 208	286	859	441	2 794
Whereof at December 31, 2013:					
Current portion	–	3 180	–	192	3 372
Non-current portion	–	651	–	114	765

The provisions for contingent purchase consideration related to the acquisition of subsidiaries during 2009 and 2011.

26. Equity

The issued share capital of the Company consists of 420 000 bearer shares (2012: 420 000 shares) with a par value of CHF 50.00 each and 240 000 registered shares (2012: 240 000 shares) with a par value of CHF 10.00 each. All issued shares are fully paid. The Company has no authorized or conditional capital.

At December 31, 2013, "treasury shares" consisted of 1 bearer share (2012: 1 share) and 205 registered shares (2012: 205 shares).

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

The Company's statutory or legal reserves that may not be distributed amounted to CHF 4 717 000 at December 31, 2013 (2012: CHF 4 717 000).

Goodwill from acquisitions

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

In CHF 1000	Cost	Accumulated amortization	Theoretical net book value
Balance at January 1, 2012	39 157	–12 587	26 570
Subsequent purchase price adjustments	–11 237	–	–11 237
Amortization charge	–	–4 376	–4 376
Balance at December 31, 2012	27 920	–16 963	10 957
Subsequent purchase price adjustments	–1 230	–	–1 230
Amortization charge	–	–3 997	–3 997
Impairment charge	–	–434	–434
Balance at December 31, 2013	**26 690**	**–21 394**	**5 296**

Subsequent purchase price adjustments relate to reductions of the contingent purchase consideration from acquisitions of subsidiaries during 2009 and 2011 (see note 25) and to other price adjustments that are not related to the acquired companies' performances.

Impact on income statement:

In CHF 1000	2013	2012
Profit for the year according to the consolidated income statement	112	13 747
Amortization of goodwill	–3 997	–4 376
Impairment of goodwill	–434	–
Theoretical profit for the year including amortization and impairment of goodwill	**–4 319**	9 371

Impact on balance sheet:

In CHF 1000	2013	2012
Equity according to the balance sheet	157 266	163 358
Theoretical capitalization of goodwill (net book value)	5 296	10 957
Theoretical equity including net book value of goodwill	**162 562**	174 315
Equity according to balance sheet	157 266	163 358
Equity as % of total assets	70.8%	70.5%
Theoretical equity including net book value of goodwill	162 562	174 315
Theoretical equity including net book value of goodwill as % of total assets	71.5%	71.9%

27. Contingent liabilities

On January 26, 2010, customer Seaway Domus has summoned Gurit to appear before the District Court of and at Luxembourg, in order to intervene in the proceedings between Seaway Group S.a.r.l, Slovenia, and its customer Poncin Yachts, France. The proceedings between Seaway and Poncin are in relation to a yacht manufactured by Seaway for Poncin. Gurit supplied material for the manufacture of said yacht to Seaway. Based on the still limited information available to Gurit, the situation remains unclear. Management assumes that a potential claim would be partially covered by the Group's product and professional liability insurance. As of the date of this report it is still not possible to evaluate a potential damage to the Group. Previously scheduled court sessions in 2013 and January 2014 had been postponed. However, based on information from Gurit's attorneys, the case is expected to be officially dismissed by the court in 2014. No provision has been recorded.

The Group has other contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

28. 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 635 000 (2012: CHF 750 000).

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

In CHF 1000	2013	2012
No later than 1 year	3 234	3 201
Later than 1 year, no later than 5 years	7 236	8 262
Later than 5 years	5 920	7 124
Total commitments	**16 390**	18 587

29. Acquisition of subsidiaries

The cash inflow of CHF 185 000 in 2013 from acquisition of subsidiaries related to purchase price adjustment from a past acquisition. The cash outflow in 2012 of CHF 881 000 related to a contingent purchase consideration from the same acquisition.

30. Related party transactions

In CHF 1000	2013	2012
Salaries and other short-term employee benefits	2 344	3 220
Post-employment benefits (including employers' social charges)	392	501
Share-based compensation	253	339
Total Key Management compensation	**2 989**	4 060

Further details are provided in note 8 to the financial statements of Gurit Holding AG. Key Management includes members of the Board of Directors and members of the Executive Committee.

The members of the Board of Directors receive a fixed number of bearer shares of the Company as part of their total annual remuneration. These shares are subject to a lock-up period of three years. For the year 2013, the Board of Directors received, in aggregate, 150 bearer shares (2012: 150 bearer shares).

The Chief Executive Officer receives a fixed number of 300 bearer shares of the Company per year as part of his total annual compensation. These shares are subject to a lock-up period of three years.

In accordance with a management share participation plan, selected categories of Management receive a part of their variable compensation in form of bearer shares of the Company. These shares are subject to a lock-up period of three years. In 2013, other members of the Executive Committee received, in aggregate, 150 bearer shares (2012: 335 bearer shares).

31. Subsequent events

No significant events occurred between the balance sheet date and March 7, 2014, the date when the consolidated financial statements were signed off by the Board of Directors for publication.

32. Subsidiaries

Company	Activity
Australia	
Gurit (Australia) Pty Ltd., Mona Vale***	Dormant company
Brazil	
Gurit do Brasil Representações Ltda, Sorocaba	Sales of composite materials
Canada	
Gurit Americas Inc., Magog	Production and sales of composite materials
China	
Cheer Tech Investment, Hong Kong	Holding company
Gurit (Qingdao) Composite Material Co., Ltd, Qingdao	Production and sales of composite materials
Gurit (Tianjin) Composite Material Co., Ltd, Tianjin	Production and sales of composite materials
Gurit Tooling (Taicang) Co., Ltd, Taicang	Production and sales of composite process equipment
Ecuador	
Balsablock CIA. LTDA., Guayaquil	Production of balsa wood core panels
Delegación Ecuatoriana de Balsaflex España, Del.E.B.ES, 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 composite mouldings
India	
Gurit (India) Pvt. Ltd, Pune	Sales of composite materials
Italy	
Gurit (Italy) S.R.L., Dusino San Michele	Sales of composite materials
New Zealand	
High Modulus International, Auckland	Holding company
Gurit (Asia Pacific) Ltd., Auckland	Structural engineering, production, and sales of composite materials
Spain	
Gurit Balsa, S.L., Fontcoberta	Sales of balsa wood core panels
Gurit (Spain) S.A., Albacete	Production and sales of composite materials
Switzerland	
Heberlein & Co. AG, Wattwil	Real estate company
Gurit Composite Materials AG, Zurich**	Trading company
Gurit (Ittigen) AG, Ittigen	Dormant company
Gurit Services AG, Zurich	Management service company
Gurit (Zullwil) AG, Zullwil	Production and sales of composite materials
United Kingdom	
Gurit Automotive Ltd., Newport	Production and sales of car body panels
Gurit Material Systems Ltd., Newport	Holding company
Gurit (Newport) Ltd., Newport	Dormant company
Gurit (UK) Ltd., Newport	Structural engineering, production, and sales of composite materials
High Modulus Europe, Hamble	Dormant company
SP Group Ltd., Newport	Holding company
SP Holdings, Newport	Holding company
USA	
Gurit (USA) Inc., Bristol	Structural engineering and sales of composite materials

Registered capital	Group ownership and voting rights	
	2013	2012
AUD 55 000	0%	100%
BRL 100 000	100%	100%
CAD 38 626 898	100%	100%
HKD 1	100%	100%
CNY 62 090 245	100%	100%
CNY 128 856 923	100%	100%
CNY 68 559 206	100%	100%
USD 1 000 000	99% *	99% *
USD 1 500 000	99% *	99% *
EUR 100 000	100%	100%
HUF 500 000	100%	0%
INR 3 269 080	100%	100%
EUR 10 000	100%	100%
NZD 400 002	100%	100%
NZD 6 830 085	100%	100%
EUR 1 000 000	100%	100%
EUR 1 552 774	100%	100%
CHF 1 000 000	100%	100%
CHF 500 000	100%	0%
CHF 6 500 000	100%	100%
CHF 500 000	100%	100%
CHF 7 500 000	100%	100%
GBP 500 000	100%	100%
GBP 52 011 300	100%	100%
GBP 50 000	100%	100%
GBP 142 571	100%	100%
GBP 400	100%	100%
GBP 3 333 324	100%	100%
GBP 1 394 554	100%	100%
USD 3 000	100%	100%

* Minority interests are ignored due to immateriality
** Company incorporated
*** Company liquidated

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

As statutory auditor, we have audited the consolidated financial statements of Gurit Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 37 to 73), for the year ended December 31, 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2013, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Stefan Gerber Audit expert Auditor in charge	Stefanie Böhm Audit expert

Zurich, March 7, 2014

Income Statement

In CHF 1000	Year ended December 31, 2013	Year ended December 31, 2012
Income from investments	3 651	7 902
Other income	740	864
Finance income	2 636	3 958
Total income	**7 027**	**12 724**
Provision on loans to group companies	–200	–2 605
Finance expense	–1 092	–1 013
Stewardship expense	–3 320	–3 070
Administration expense	–1 112	–1 102
Total expenses	**–5 724**	**–7 790**
Profit for the year	**1 303**	**4 934**

Balance Sheet

In CHF 1000	Note	At December 31, 2013	At December 31, 2012
Assets			
Cash and cash equivalents		1 338	1 777
Other receivables from third parties		162	435
Other receivables from Group companies		916	702
Prepayments and accrued income		5	49
Loans to third parties		–	678
Loans to Group companies		1 542	2 083
Current assets		3 963	5 724
Loans to Group companies		23 152	28 365
Investments	1	111 862	104 460
Treasury shares	4	15	15
Non-current assets		135 029	132 840
Total assets		**138 992**	**138 564**
Liabilities and equity			
Bank loans		4 000	3 000
Other payables to third parties		27	91
Other payables to Group companies		1 568	391
Loans from Group companies		14 034	4 700
Accruals and provisions		820	914
Current liabilities		20 449	9 096
Bank loans		6 000	10 000
Provisions		–	1 208
Non-current liabilities		6 000	11 208
Total liabilities		**26 449**	**20 304**
Share capital	2	23 400	23 400
General reserves:			
– Reserves from capital contributions	3	25 704	32 724
– Other general reserves		4 680	–
Reserves for treasury shares	4	37	37
Retained earnings		58 722	62 099
Total equity		**112 543**	**118 260**
Total liabilities and equity		**138 992**	**138 564**

Notes to the Financial Statements

1. Investments

Company	Activity
Brazil	
Gurit do Brasil Representações LTDA, Sorocaba	Sales of composite materials
Canada	
Gurit Americas Inc., Magog	Production and sales of composite materials
China	
Cheer Tech Investment, Hong Kong	Holding company
Gurit (Qingdao) Composite Material Co., Ltd, Qingdao	Production and sales of composite materials
Gurit (Tianjin) Composite Material Co., Ltd, Tianjin	Production and sales of composite materials
Hungary	
Gurit (Hungary) Kft, Székesfehérvár*	Production of composite mouldings
India	
Gurit (India) Pvt. Ltd, Pune	Sales of composite materials
Italy	
Gurit (Italy) S.R.L., Dusino San Michele	Sales of composite materials
New Zealand	
High Modulus International, Auckland	Holding company
Gurit (Asia Pacific) Ltd., Auckland	Structural engineering, production, and sales of composite materials
Spain	
Gurit Balsa, S.L., Fontcoberta	Sales of balsa wood core panels
Switzerland	
Heberlein & Co. AG, Wattwil	Real estate company
Gurit Composite Materials AG, Zurich*	Trading company
Gurit (Ittigen) AG, Ittigen	Dormant company
Gurit Services AG, Zurich	Management service company
Gurit (Zullwil) AG, Zullwil	Production and sales of composite materials
United Kingdom	
Gurit Automotive Ltd., Newport	Production and sales of car body panels
Gurit Material Systems Ltd., Newport	Holding company

* Company incorporated during the year

Registered capital	Group ownership and voting rights	
	2013	2012
BRL 100 000	99%	99%
CAD 38 626 898	36%	29%
HKD 1	100%	100%
CNY 62 090 245	100%	100%
CNY 128 856 923	100%	100%
HUF 500 000	100%	0%
INR 3 269 080	100%	100%
EUR 10 000	100%	100%
NZD 400 002	100%	100%
NZD 6 830 085	100%	0%
EUR 1 000 000	100%	100%
CHF 1 000 000	100%	100%
CHF 500 000	100%	0%
CHF 6 500 000	100%	100%
CHF 500 000	100%	100%
CHF 7 500 000	100%	100%
GBP 500 000	100%	100%
GBP 52 011 300	100%	100%

2. Share capital

The share capital at December 31 consisted of:

In CHF 1000	2013	2012
240 000 registered shares at CHF 10.00	2 400	2 400
420 000 bearer shares at CHF 50.00	21 000	21 000
Total share capital	**23 400**	**23 400**

3. Reserves from capital contributions

In CHF 1000	2013	2012
Balance at January 1	32 724	39 744
Distribution of reserves from capital contributions	–7 020	–7 020
Balance at December 31	**25 704**	**32 724**

4. Treasury shares

The reserves for treasury shares were valued using the weighted average purchase price method. At December 31, 2013, the reserves for treasury shares amounted to CHF 37 000 (2012: CHF 37 000) and thereby covered the treasury shares recognized as assets of CHF 15 000 (2012: CHF 15 000).

In number of shares	2013	2012
Registered shares:		
Balance at January 1	205	200
Additions (at CHF 98.00 each)	–	5
Balance at December 31	**205**	**205**
Bearer shares:		
Balance at January 1	1	571
Additions (at CHF 401.94 / CHF 499.80 each)	1 005	440
Disposals (used for share-based compensation of Board of Directors)	–150	–150
Disposals (used for share-based compensation of employees)	–855	–860
Balance at December 31	**1**	**1**

5. Contingent liabilities

In CHF 1000	2013	2012
Guarantees in favor of banks of subsidiaries, as security for bank loans of these subsidiaries	1 097	1 773
Guarantees in favor of banks of the Group, in respect to credit frame agreements of the Group	41 738	63 247

6. Significant shareholders

In percentage of all voting rights (all above 3%)	2013	2012
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	4.60%	4.60%
Sarasin Investmentfonds AG, Basel	3.11%	3.11%

7. Hidden reserves

In CHF 1000	2013	2012
Release of hidden reserves	14 254	8 436

8. Management compensation

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

In CHF 1000					2013
	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
Board of Directors					
Peter Leupp (Chairman)	250	24	–	–	274
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	80	12	14	–	106
Total Board of Directors	**570**	**72**	**51**	**–**	**693**
Executive Committee					
Rudolf Hadorn (CEO)	630	120	138	176	1 064
Other members	857	61	177	137	1 232
Total Executive Committee	**1 487**	**181**	**315**	**313**	**2 296**
Total Management compensation	**2 057**	**253**	**366**	**313**	**2 989**

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

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

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

In CHF 1000	Fixed cash compensation	Fixed share-based compensation	Fixed other compensation	Variable cash compensation	Total compensation
					2012
Board of Directors					
Peter Leupp (member, Chairman since April 23, 2012)	193	26	1	–	220
Dr Paul Hälg (Chairman until April 23, 2012)	84	–	13	–	97
Robert Heberlein (member)	80	12	9	–	101
Nick Huber (member)	80	12	14	–	106
Urs Kaufmann (member)	80	12	14	–	106
Peter Pauli (member)	53	12	14	–	79
Total Board of Directors	**570**	**74**	**65**	**–**	**709**
Executive Committee					
Rudolf Hadorn (CEO)	521	120	114	250	1 005
Other members	1 617	145	276	308	2 346
Total Executive Committee	**2 138**	**265**	**390**	**558**	**3 351**
Total Management compensation	**2 708**	**339**	**455**	**558**	**4 060**

In connection with the new "Ordinance against excessive remuneration in listed common stock companies", effective since January 1, 2014, the total amount of share-based compensation granted under the Group's Share Participation Plan for Management is now considered as a fixed compensation, whereas it had previously been considered as a variable compensation. The Other Executive Committee members' compensation under this plan in 2012 of CHF 145 000 has been reclassified accordingly.

9. Management participation

In number of shares — 2013

	Bearer shares	Registered shares
Board of Directors		
Peter Leupp (Chairman)	200	–
Robert Heberlein (member)	10 765	19 545
Nick Huber (member)	255	–
Urs Kaufmann (member)	260	–
Peter Pauli (member)	275	–
Total Board of Directors	**11 755**	**19 545**
Executive Committee		
Rudolf Hadorn (CEO)	1 601	–
Markus Knuesli Amacker (member)	150	–
Stefan Gautschi (member)	50	–
Damian Bannister (member)	150	–
Total Executive Committee	**1 951**	**–**
Total Management participation	**13 706**	**19 545**

In number of shares — 2012

	Bearer shares	Registered shares
Board of Directors		
Peter Leupp (Chairman)	150	–
Robert Heberlein (member)	10 740	19 545
Nick Huber (member)	230	–
Urs Kaufmann (member)	235	–
Peter Pauli (member)	250	–
Total Board of Directors	11 605	19 545
Executive Committee		
Rudolf Hadorn (CEO)	1 301	–
Markus Knuesli Amacker (member)	100	–
Rudolf Gerber (member)	100	–
Graham Harvey (member)	150	–
Paul Goddard (member)	65	–
Kees Reijnen (member)	450	–
Damian Bannister (member)	100	–
Total Executive Committee	2 266	–
Total Management participation	13 871	19 545

10. Risk Management

Gurit Holding AG is fully integrated into the Group-wide risk assessment process which is described in note 4.1 to the consolidated financial statements.

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	2013	2012
Retained earnings carried forward from previous year	57 419	56 703
Net profit for the year	1 303	4 934
Release of reserves for treasury shares	–	462
Retained earnings available to the Annual General Meeting	**58 722**	**62 099**
Transfer to general reserves	–	–4 680
To be carried forward	**58 722**	**57 419**

Appropriation of reserves from capital contributions

In CHF 1000	2013	2012
Reserves from capital contributions carried forward from previous year	25 704	32 724
Distribution to shareholders from reserves from capital contributions	–3 510	–7 020
To be carried forward	**22 194**	**25 704**

If this proposal is approved by the Annual General Meeting on April 10, 2014, the distributions will be made as follows:

CHF 1.50 per registered share
CHF 7.50 per bearer share

The distribution is payable on submission of voucher number 33.

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

As statutory auditor, we have audited the financial statements of Gurit Holding AG, which comprise the balance sheet, income statement and notes (pages 76 to 85), for the year ended December 31, 2013.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2013, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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 comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Stefan Gerber	Stefanie Böhm
Audit expert	Audit expert
Auditor in charge	

Zurich, March 7, 2014

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

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