

REMUNERATION REPORT

This report, published for a first time, describes the principles of remuneration at the Gurit Group. Unless otherwise indicated, all information refers to the financial year 2010 closed on December 31, 2010. This report also follows the recommendations defined in Appendix 1 to the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* and complies with Chapter 5 of the Appendix to the SIX "Guidelines concerning information on corporate governance" and the requirements regarding transparency as defined in art. 663b^{bis} and art. 663c Code of Obligations.

Remuneration policy

Gurit is a globally active industrial group. The Company maintains a remuneration policy in accordance with general market and employment practices in the various countries in which we operate. The compensation reflects the market and employment conditions in the relevant country as well as the individual qualifications and requirements needed for the specific position. In addition, the overall remuneration policy of Gurit reflects individual performance on all Group levels. As a general rule, the compensation for all Gurit employees consists of a fixed and a success-dependent variable salary element; these two form in combination the target market salary for a given position. Production employees on the one hand and Management and other non production employees on the other hand benefit from two different compensation schemes:

Compensation for production employees

Production employees benefit on top of their fixed salary from an Individual Bonus which can represent up to 8% of an employee's fixed salary. The objectives for this bonus are defined at site level and 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 paid out on a quarterly basis, reflecting the need for operational flexibility.

Performance Incentive Scheme

The Performance Incentive Scheme for Management and all other non-production employees consists of an Economic Profit Bonus (EP Bonus) element and an individual bonus element. The total bonus per employee may vary between maximum 8% and maximum 150% of the fixed salary, depending on the hierarchical level of the employee in the Group. The Individual Bonus element

may contribute 0–40% to the total bonus. The EP Bonus thus defines 60–100% of the total bonus.

EP Bonus: The economic profit is annually calculated by deducting the asset base, multiplied by the weighted average cost of capital, from the EBIT. A targeted EP as well as a lower and upper threshold value are defined each year for the Group and the respective Company units, in line with the budget. If the resulting economic profit of a given year is below the defined lower threshold value, no EP Bonus is paid out. If the EP reaches or exceeds the upper threshold limit, 100% of the EP Bonus is paid out. In between the two threshold limits, the percentage of the EP Bonus which is paid out is calculated linearly. The level of achievement of the EP Bonus has no impact on the level of achievement of the Individual Bonus.

Individual Bonus: The fulfillment of the individual and/or factory related objectives and targets is assessed on a yearly basis by the line manager of each individual, based on objectives defined in January and reviewed mid-year. Bonuses are paid out after the Annual General Meeting of Shareholders.

Share-based compensation for members of the Board of Directors and CEO

Effective starting from the year 2010, the CEO of the Group receives in addition to the cash compensation a fixed number of shares as part of his remuneration. The members of the Board of Directors receive in addition to a fixed amount in cash a fixed number of shares as part of their compensation.

Share-based compensation and shareholdings of Executive Management members and members of the Board of Directors are shown in detail on page 78 and 79 of this report.

Pension scheme for Group Management

A supplementary pension scheme exists for certain members of Group Management according to the practices of the various jurisdictions. Half of the premiums is financed by the Management members themselves.

Compensation for members or the Board of Directors and Group Management

The compensation paid to the Chief Executive Officer is determined by the Compensation and Nomination Committee. The fixed compensation is based on what has been assessed as industry standard for comparable Swiss industrial companies of similar size and complexity based on the Compensation and Nomination Committee's members experience. The CEO also benefits from the Performance Incentive Scheme and the share-based compensation as described above.

The fixed amount paid to the other members of Group Management is determined by the Chief Executive Officer, subject to approval by the Compensation and Nomination Committee. The salaries are decided based on the market and employment conditions in the relevant country as gathered from various sources as well as the individual qualifications and requirements needed for the specific position. The members of the Executive Group Management team also participate in the Performance Incentive Scheme, taking both the respective business unit and Group performance into account. During the year under review, the variable compensation paid to members of Group Management varied from 0% to 30% of the individual fixed compensation. The total amount paid to Group Management declined in 2010 compared with 2009 as a consequence of the lower economic profit of the Group and lower fulfillment levels of individual targets and objectives.

Members of the Board of Directors are paid a fixed amount in cash for their services in addition to the yearly share allotment disclosed above. The yearly compensation is determined by the Board of Directors upon recommendation by the Compensation and Nomination Committee. The Compensation and Nomination Committee bases its judgment on industry standards for comparable Swiss industrial companies of similar size and complexity. The yearly compensation remained unchanged versus 2009.

Gurit has no executive members of the Board of Directors. Non-executive members of the Board of Directors do not receive any variable, performance or target-oriented compensation. There are no additional share participation or option programs for members of the Board of Directors or Executive Group Management members apart from the above disclosed and discussed compensation scheme and the disclosed share-based compensation.

Definition and review of remuneration policy and compensation

The Compensation and Nomination Committee of the Board of Directors annually reviews the remuneration policy. The yearly variable compensation of the Group Management is discussed by the Compensation and Nomination Committee once the full income statement is available and submitted to the Board of Directors.

Gurit did not appoint an external consultant to develop its remuneration policy.

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.

No loans, securities, advantages or credits are granted to members of the Board of Directors of Executive Group Management or parties closely linked to them.

There were no options issued on Gurit bearer shares on December 31, 2010 in the context of a participation program.

Disclosure of compensation payments during the year under review

Compensation of members of the Board of Directors, the Group Management as well as the highest-paid member of the Group Management are disclosed in accordance with art. 663b^{bis} and art. 663c of the Swiss Code of Obligations in the financial report of Gurit Holding AG under note 9, Management compensation, on page 78.

Share ownership of governing bodies

The members of the Group Management held together on December 31, 2010 directly and indirectly a total of 1 181 bearer shares or 0.18% of the voting rights of Gurit. The members of the Board of Directors held together on December 31, 2010 directly and indirectly a total of 11 275 bearer and 19 545 registered shares. This equates 4.67% of the voting rights in Gurit.