Gurit 1HY 2014 Results

Friday, August 22, 2014
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Such statements are made on the basis of assumptions and expectations which may prove to be erroneous, although Gurit Holding AG believes them to be reasonable at this time.
Strong sales development in all businesses and markets, thanks to recovery in the global wind energy market, but also high demand in some segments of the marine market. Component business continues to grow at double-digit rates.

Profitability continues to recover with an operating profit of CHF 7.7 million or 4.6% of net sales, and CHF 7.1 million net profit after a loss of CHF 2.4 million for the same period last year.

CAPEX limited with CHF 4.3 million, partially for some factory extensions in Automotive and Tooling, and for Gurit (Hungary).

Net cash flow from operating activities negative CHF 1.8 million due to increased NWC, driven by higher sales and some inventory build-up.

Balance sheet remains very solid with an equity ratio of 67%.
Further Key Notes on Business Results 1HY 2014

<table>
<thead>
<tr>
<th>Net sales 1HY 2014 vs 1HY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
</tr>
<tr>
<td><strong>CM Wind Energy</strong></td>
</tr>
<tr>
<td><strong>CM Other</strong></td>
</tr>
<tr>
<td><strong>Tooling</strong></td>
</tr>
<tr>
<td><strong>Automotive</strong></td>
</tr>
<tr>
<td><strong>Eng. Structures (ES)</strong></td>
</tr>
</tbody>
</table>

**Earnings**
- Operating profit CHF 7.7 million, up from CHF 0.6 million in 1HY 2013
- Operating profit margin at 4.6%, up from 0.5% in 1HY 2013
- Profit for the period of CHF 7.1 million after CHF -2.4 million in 1HY 2013

**Cost and Expenses**
- Improved loading, particularly in Tooling and carbon prepreg manufacturing
- Ramp-up inefficiencies in Automotive
- Some reduced operational issues in Gurit Composite Materials
- Select increases in SG&A to strengthen the organisation in Sales, HR and IT

**Cash flow and Balance Sheet**
- Capex contained (PPE, Intangibles): CHF 4.3 million or 2.6% of net sales
- Operating Cash flow CHF -1.8 million; after + CHF 1.7 million a year ago
- Still solid equity ratio of 67% (71% at the end of December 2013)
Net Sales Development by Target Markets

### Gurit Composite Materials
- Wind Energy sales continue to recover steadily
- Aerospace sales with single-digit growth
- Further double-digit growing sales in Marine and Industrial applications

### Gurit Systems and Engineering
- Strong sales recovery which started in Tolling in 2HY 2013 continues with large deliveries into Europe and China
- Continuously strong growth in Automotive and Engineered Structures
• Automotive exterior panel press application for bigger series progressed, first pressed parts delivered to first customer

• Increased sales effort and successful qualifications for new offerings for existing and new composite materials markets (e.g. visual carbon prepreg for automotive, balistic protection material, etc.)

• Won first qualifications for new PVC offering and started to address the PVC logistics issues in Europe

• Selected for a material qualification programme by Boeing

• New operations in Hungary went live with first successful deliveries of bus components
Development by Target Markets
Strategy

- Core materials: move from #3 to #2 position with 25-35% market share
- Carbon prepregs: maintain leading position with shares >60%
- Optimize factory loadings and increase efficiency
- Develop further cost-efficient, enabling technologies to help reduce cost of KWH

Recent achievements

- Maintained leadership position in carbon fibre prepregs
- SparPreg™, Velinox™ and Airstream™ technology for cost-efficient, low-void, thick laminates at ambient temperatures
- Extended Balsa wood offering to new customers, doubled run rate of sales

* Source: GWEC
Wind Energy – Results and Outlook

Market environment 2014
- USA – Continued at good pace following the recovery during the second half of 2013
- Asia – marked improvement, still some price pressure and bad payment conditions requiring containment measures
- Europe – stable in soft market, steady customer demand, apart from glass prepreg

Sales 1HY 2014
- Net sales of CHF 66.8 million, up 22.8% vs. 1HY 2013, and 6.0% vs. 2HY 2013

Outlook
- Asia: Strong rebound 2014 but tough terms (prices, payment terms)
- US: Good momentum due to PCT reaching out to 2014 for started projects and expected to be extended for 2015
- Momentum to come from extended core material offering
Aerospace – Strategy and Achievements

Strategy
- Maintain leading position in aircraft interiors and certain structural applications at Airbus
- Develop position in Boeing and others
- Attack structural material market for business and regional jets as well as for nacelles
- Focus on next-generation, cost-out materials

Recent achievements
- Cost-out efforts on aerospace materials
- Intensive customer care, new sales leads in traditional and new geographic areas
- Selected for a production qualification program by Boeing
- Upgrading the product offering and innovations
Aerospace – Results and Outlook

Market environment
- Steady Aerospace market with growing build rates for some programs
- Some cost-out pressures creating new offering opportunities, as well

Sales 1HY 2014
- Net sales of CHF 24.5 million
  - Up 4.1% vs 1HY 2013 and 4.4% vs 2HY 2013

Outlook
- Gain market share in mid size OEMs
- Qualification in Boeing with significant mid-term sales potential
Industrial & Marine – Strategy and Achievements

**Strategy Marine**
- Penetrate all geographies and segments
  - Mediterranean, Middle East and Far East
  - All boat sectors incl. commercial, military and production vessels

**Strategy Industrial**
- Penetrate the ballistic protection prepreg market with existing and slightly adapted products. Use distribution model and full material offering tactically for new industrial applications
- Sell existing and slightly adapted prepreg, and formulated systems into Automotive markets for structural and visual carbon applications

**Recent achievements**
- Significant amount of superyacht projects won
- Increased proximity to ballistic protection and automotive customers
Industrial & Marine – Results and Outlook

Market environment
- Marine business recovering gradually with more momentum in superyacht and race boats, regionally in Europe and UAE
- Addressable Automotive composite material market growing strongly

Sales 1HY 2014
- Net sales of CHF 37.5 million
  - Up 20.5% vs. 1HY 2013 and 18.1% vs. 2HY 2013, in particular due to large deliveries to the superyacht segment

Outlook
- Development of sales into new markets in particular ballistic protection and Automotive
Tooling
Tooling – Strategy and Achievements

Strategy

- Asia: Leader in affordable, quickly available quality moulds for wind turbine blades
- Internationally: High quality, custom tailored, affordable, quick and higher-volume mould-making and outsourcing partner of choice
- Penetrate residual European and American client base during 2014/2015 also for multi-megawatt projects (Blade length >70 m)
- Widen scope of Tooling beyond Wind Energy
  - Transportation racks and fixtures
  - Marine: Plugs, moulds for spars and hulls

Recent achievements

- Taken full benefit from recovered wind energy market
- Improved production efficiency
- Won significant new customers in Europe
- Improved mould heating and cooling systems with new modules for high-end customers

Source: Gurit / Market research estimates
**Tooling – Results and Outlook**

**Market environment**
- Continuous strong demand for new moulds in all regions
- Trend to longer, special moulds in small series, but also increased needs for repetitive orders for large series of moulds
- Trend to outsource mould manufacturing continues at OEMs

**Sales 1HY 2014**
- Net sales of CHF 25.2 million
  - Up 136.3% vs. 1HY 2013
  - Factory fully loaded

**Outlook**
- Good market conditions with strong demand should continue to prevail
- High production efficiency should continue to ensure a strong operating profit contribution from this activity
Automotive – Strategy and Achievements

Strategy Automotive
- Pursue the two strategic avenues:
  - Further grow client/project base for complex, smaller series, class-A, lightweight exterior car body panels
  - Launch press mould technology, class-A, up to 200°C temperature resistant, less complex, higher volume exterior panels using the CBS material matrix. Complete industrialization of press manufacturing process

Recent achievements
- Production site expansion in UK completed
- Transfer of first automotive parts to Hungary initiated
- First pressed visual carbon roof delivered to customer
- Press curing cycle time significantly reduced to around 7 minutes
Automotive – Results and Outlook

Market environment
- Increasing interest of the automotive market for composite material solutions

Sales 1HY 2014
- Net sales of CHF 9.1 million
  - Up +31.7% vs. 1HY 2013 thanks to larger series and increased customer base

Outlook
- Improve efficiency of hand layup production process
- Further reduce end to end press technology production costs
- Finalize and validate industrialization concept for preforming and post press finishing of panels
Engineered Structures
Engineered Structures – Strategy and Achievements

Strategy
- Establish Gurit early in new applications in existing and newly emerging or converting industries
- Leverage leading composites engineering, prototyping, tooling and manufacturing capabilities
- Assess new industry trends and approach key players in concise manner
- Address new markets outside traditional Gurit target markets

Recent achievements
- Large follow up orders for double decker commuter buses
- Set up of an Hungarian manufacturing base as a lower cost hub for manufacturing of composite components
Engineered Structures – Results and Outlook

Market environment
- Hardly any existing market data
- Engineering for marine, construction and new special projects
- Promote Gurit as expert of complex, big, lightweight structures

Sales 1HY 2014
- Net sales of CHF 4.0 million
  - Up +29.8% vs. 1HY 2013
  - Growth mainly due to increased component sales

Outlook
- Volume growth thanks to additional component sales
Financial Results 1HY 2014
Gurit Composite Materials sales continue to recover. Still solid growth in Gurit Composite Systems and Engineering.

- Gurit Composite Materials sales confirm the recovery started in summer 2013, driven by some strong demand in Marine and the recovering Wind Energy market.

- Continuous high double-digit growth in Gurit Composite Systems and Engineering thanks to strong demand in Tooling, extended series of car body parts and growth in the bus components business.

### Net sales in CHFm

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Materials</td>
<td>128.8</td>
<td>109.1</td>
<td>18.1%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Composite Systems and Engineering</td>
<td>38.2</td>
<td>20.6</td>
<td>85.5%</td>
<td>86.6%</td>
</tr>
<tr>
<td><strong>Total Net Sales</strong></td>
<td><strong>167.0</strong></td>
<td><strong>129.7</strong></td>
<td><strong>28.8%</strong></td>
<td><strong>29.9%</strong></td>
</tr>
</tbody>
</table>
• Operating profit and profit margin continue to rise thanks to
  • increased volumes
  • loading and efficiency gains, particularly in Tooling
  • some tailwind from procurement

• EBIT favorably impacted by CHF 2.1 million gain on real estate sale

• No significant change in the asset basis of the Company, hence Rona follows essentially the Operating profit development.
A largely volume driven, significant recovery of the operating profit
Exchange Result and Tax

Stable exchange result and improved tax ratio

Exchange result (in CHFm)

Closely monitored and hedged balance sheet exposures keep exchange result small

Income tax expense (in CHFm)

Improved income tax rate thanks to higher profits in low income tax jurisdictions and reduced non tax effected losses
Profit recovery started in summer 2013 continues

<table>
<thead>
<tr>
<th>Consolidated P&amp;L</th>
<th>1HY 2014</th>
<th>1HY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CHFm</td>
<td>% NS</td>
</tr>
<tr>
<td>Net sales</td>
<td>167.0</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>81.9</td>
<td>49.0%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>-74.3</td>
<td>-44.5%</td>
</tr>
<tr>
<td><strong>Operating profit before one-offs</strong></td>
<td>7.6</td>
<td>4.5%</td>
</tr>
<tr>
<td>One-off items</td>
<td>0.1</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>7.7</td>
<td>4.6%</td>
</tr>
<tr>
<td>Non-operating &amp; extraordinary result</td>
<td>2.1</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>9.8</td>
<td>5.8%</td>
</tr>
<tr>
<td>Interest income and expenses</td>
<td>-0.3</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Exchange gains and losses</td>
<td>0.3</td>
<td>0.2%</td>
</tr>
<tr>
<td>Other financial income and expenses</td>
<td>-0.1</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Taxes</td>
<td>-2.5</td>
<td>-1.5%</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>7.1</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Earnings per bearer share</strong></td>
<td>CHF 15.19</td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>1H 2014</th>
<th>1H 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT</strong></td>
<td>9.8 CHFm</td>
<td>0.6 CHFm</td>
</tr>
<tr>
<td>Depreciation, amortisation, impairment</td>
<td>4.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>-10.6</td>
<td>-4.6</td>
</tr>
<tr>
<td>Other cash flow from operating activities</td>
<td>-5.5</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>-1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Purchase of PPE and Intangibles</td>
<td>-4.3</td>
<td>-2.8</td>
</tr>
<tr>
<td>Proceeds from sale of PPE</td>
<td>2.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Change in borrowings</td>
<td>5.7</td>
<td>-9.6</td>
</tr>
<tr>
<td>Distribution to shareholders</td>
<td>-3.5</td>
<td>-7.0</td>
</tr>
<tr>
<td>Acquisition of subsidiaries</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Repayments of loans receivable</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>-1.9</td>
<td>-17.3</td>
</tr>
</tbody>
</table>

### Cash Flow from operating activities

- **1HY 2013**: 1.7 CHFm
- **1HY 2014**: -1.8 CHFm

### Net cash in CHFm

- **Dec 2013**: 6.4 CHFm
- **June 2014**: -0.9 CHFm

### Increasing net working capital following sales recovery reduces the cash flow
Strong equity ratio of 67% despite increased net working capital

- The net working capital increase required some additional borrowing
- No significant changes in payment terms granted to customers
- Stable fixed assets as investments did not exceed depreciation
- Slightly reduced, but still solid equity ratio of 67%

### Consolidated Assets

<table>
<thead>
<tr>
<th></th>
<th>Jun 2014</th>
<th></th>
<th>Dec 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CHFm</td>
<td>%</td>
<td>CHFm</td>
<td>%</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>21.7</td>
<td>9%</td>
<td>23.1</td>
<td>10%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>77.5</td>
<td>32%</td>
<td>63.0</td>
<td>28%</td>
</tr>
<tr>
<td>Inventories</td>
<td>47.7</td>
<td>20%</td>
<td>37.5</td>
<td>17%</td>
</tr>
<tr>
<td>Other current assets</td>
<td>17.6</td>
<td>7%</td>
<td>21.1</td>
<td>10%</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
<td>1.5</td>
<td>1%</td>
<td>1.0</td>
<td>0%</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>70.0</td>
<td>29%</td>
<td>70.3</td>
<td>32%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5.4</td>
<td>2%</td>
<td>5.3</td>
<td>2%</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>0.2</td>
<td>0%</td>
<td>0.9</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>241.6</strong></td>
<td><strong>100%</strong></td>
<td><strong>222.1</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### Consolidated Liabilities and Equity

<table>
<thead>
<tr>
<th></th>
<th>Jun 2014</th>
<th></th>
<th>Dec 2013</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>CHFm</td>
<td>%</td>
<td>CHFm</td>
<td>%</td>
</tr>
<tr>
<td>Borrowings</td>
<td>22.6</td>
<td>9%</td>
<td>16.7</td>
<td>8%</td>
</tr>
<tr>
<td>Trade payables</td>
<td>28.0</td>
<td>12%</td>
<td>19.4</td>
<td>9%</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>22.5</td>
<td>9%</td>
<td>23.7</td>
<td>11%</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>0.7</td>
<td>0%</td>
<td>0.8</td>
<td>0%</td>
</tr>
<tr>
<td>Provisions</td>
<td>6.1</td>
<td>3%</td>
<td>4.1</td>
<td>2%</td>
</tr>
<tr>
<td>Equity</td>
<td>161.7</td>
<td>67%</td>
<td>157.3</td>
<td>71%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td><strong>241.6</strong></td>
<td><strong>100%</strong></td>
<td><strong>222.1</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Outlook
Gurit expects similar business conditions for the remainder of 2014 and an operating profit margin around the level achieved in the first half year.