

Gurit 1HY 2018 Results

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Gurit 1HY 2018 Business Update



- ❑ **Growth:** +11.5% (currency-adjusted: +6.1%) to CHF 195.3m (1HY 2017: CHF 175.2m)
- ❑ **Operating Profit and RoS:** CHF 16m (1HY 2017: CHF 21m) and 8.2% operating profit margin (1HY 2017: 12.1%)
- ❑ **Net Profit** of CHF 11.2m (1HY 2017: CHF 15.3m)
- ❑ **Equity Ratio** solid at 65.8% (1HY 2017: 77.5%)
- ❑ **Investments:**
 - CAPEX of CHF 8.9m (1HY 2017: CHF 4.0m) mainly for Tooling bay, Hungary industrialization and Balsa JV Indonesia



❑ 1HY 2018 solid Group net sales growth, challenged operating margins

- 11.5% topline growth (currency-adjusted: +6.1%)
- Operating profit margin at 8.2% of net sales

❑ Market demand & Gurit performance in BU's:

- Wind Tooling: Strong market, strong Tooling growth with market share gains
- Wind Materials: Overall challenging market, sales in line with client performance, price pressure, raw material cost increase in H1 – price recovery in H2/2018
- Marine: Solid market demand, positive double digit growth
- Aero: Key OEM with temporary demand reduction, Gurit sales stable
- Auto Components: Hurting demand dip from key customer, extra cost from start-up of three new programs

❑ Product lines

- Balsaflex™ Lite and Kerdyn® Green client qualifications started, attractive customer value proposition for the future
- Own PVC product line will cease due to divestment, traded PVC with solid demand

❑ Operations

- Underutilisation impact on profit margins especially in Components
- Concentration of non-Aero prepreg production in Spain – one time impact in H1, benefits to follow as of H2/2018
- Divestment of PVC production facility in China, closing in Q4/2018

❑ **Aero BU newly formed** to achieve greater market focus, Aero GM search

❑ **Performance:** Further improvements in Operations and Overheads

Development in Key Markets



❑ Short-term situation:

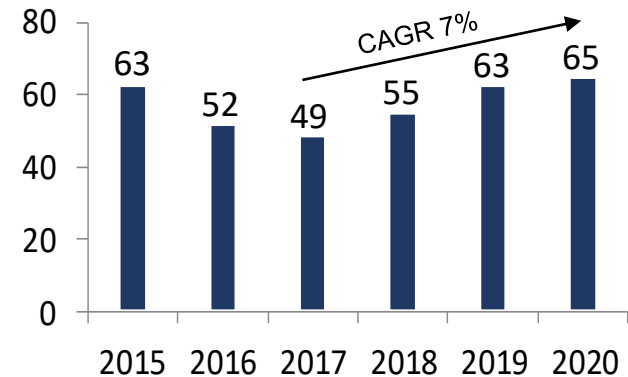
- North America with good growth ahead of production tax credit (PTC) expiration after 2019, industry cuts cost/kWh
- Europe with lower installations (4.5 GW in 1HY 2018 versus 6.1 GW in 1HY 2017)
- India delayed re-start, China stagnating
- Trend to bigger turbines/longer blades to reduce generation cost per kWh

❑ Long-term trends favouring wind:

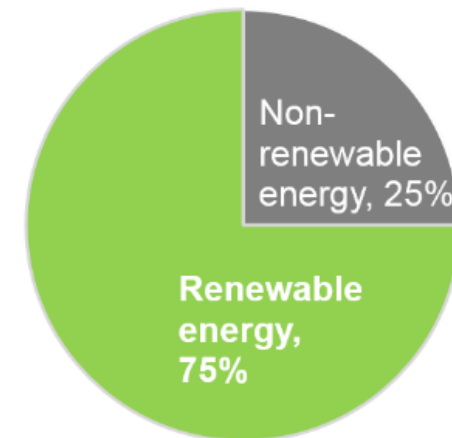
- Cost competitiveness at par/below non-renewable energy creation
- Decarbonisation
- De-centralisation
- Digitalisation

=> **¾ of global investment** in new power generating technology by 2040 will be from renewable sources (BNEF 2017)

Capacity Installed Annually*



* Source: MAKE Global Wind Power Q3-2017



Results & Achievements 1HY 2018

Net Sales: CHF 62.1m (1HY 2017: 69.1m)

- Decline by 10.2% (currency-adjusted: -15.1%) vs. 1HY 2017
- Demand halt in India since April 2017, North America with good growth, Europe flat, China with lower installation rates

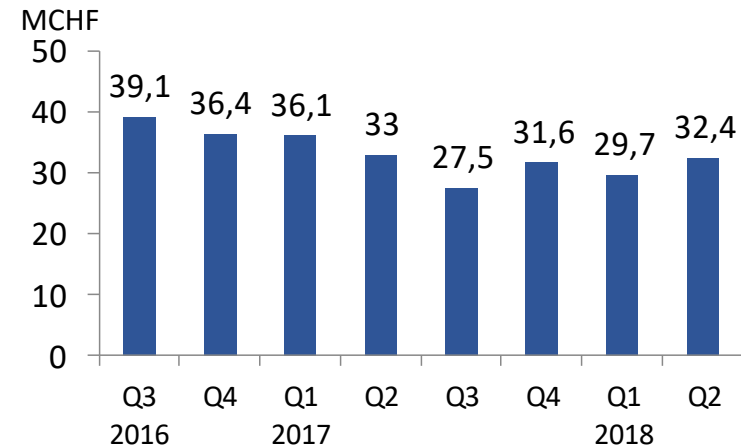
Key Business Steps 1HY 2018:

- Set-up of balsa wood production JV in Indonesia for cost and “region for region” supply
- Launch of Kerdyn® Green and Balsaflex™ Lite as the future wind core materials solution

Business Focus 2HY 2018

- Ramp-up of Indonesia balsa wood block production
- Clients qualify Kerdyn® Green and Balsaflex™ Lite
- Product cost-out and product property improvement

Wind Energy: Quarterly Net Sales



Results & Achievements 1HY 2018

Net Sales: CHF 60.2m (1HY 2017: CHF 35.6m)

- Increase by 68.9% (currency-adjusted: 60.5%)
- Strong demand from existing and new regional and global customers, market share gains
- 31 moulds made in 1HY 2018 at 67 meters length and surface of 440m² per main mould on average

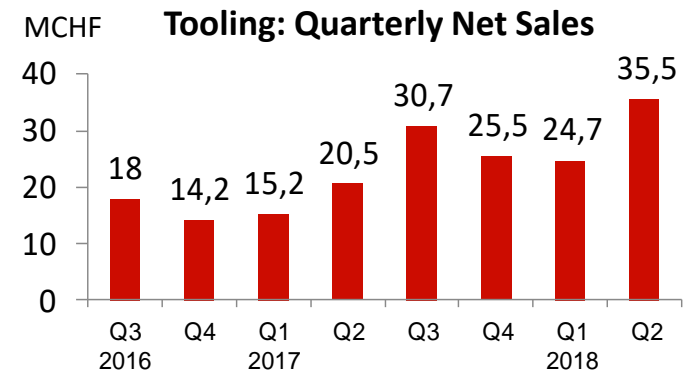


Key Business Steps 1HY 2018:

- New 150 meter long bay finished for maxi moulds
- Integration of PH Windsolutions

Business Focus 2HY 2018

- Reduce installation time and further increase price competitiveness for customer benefit
- Generate additional growth with automation and transport devices



Results & Achievements 1HY 2018

Net Sales: CHF 25.0m (1HY 2017: 25.5m)

- Slight decrease due to supply chain issues (engine delivery) at European OEM
- A380 build rate reduction impact
- US Business started with deliveries

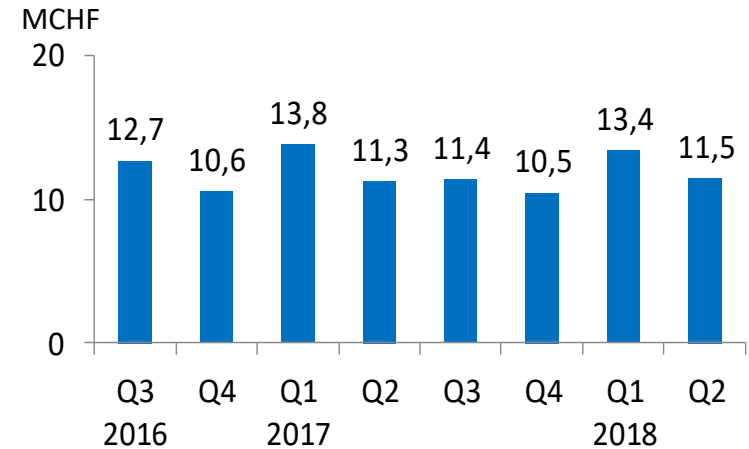
Key Business Steps 1HY 2018:

- Stronger focus and bundling of resources through establishment as independent business unit
- Renewal of 3-year framework agreement with long-standing customer EFW for cabin interiors

Business Focus 2HY 2018

- Complete set-up of Aero BU, hire new GM
- Qualify additional products for US demand
- Innovation programs for industrialized prepregs and low heat release epoxy development

Aerospace: Quarterly Net Sales



Results & Achievements 1HY 2018

Net sales: CHF 40.7m (1HY 2017: CHF 35.0m)

- Increase by 16.1% (currency-adjusted: +12.9%) due to favorable demand in the global marine industry and industrial customers in North America and Asia-Pacific

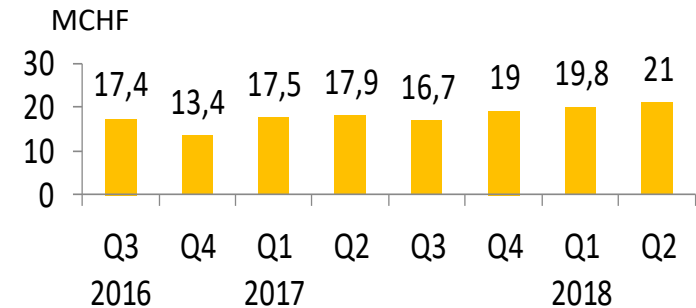
Key Business Steps 1HY 2018

- Stronger presence in superyacht and race boat market (engineering and material)
- Innovation effort for new product launches 2018: property, cost and H&S improvements

Business Focus 2HY 2018

- Push industrial applications with core and prepreg material range (sandwich panels, lightweight equipment, non-leisure marine)

**Other Material Markets:
Quarterly Net Sales**



Results & Achievements 1HY 2018

Net sales: CHF 7.3m (1HY 2017: 9.8m)

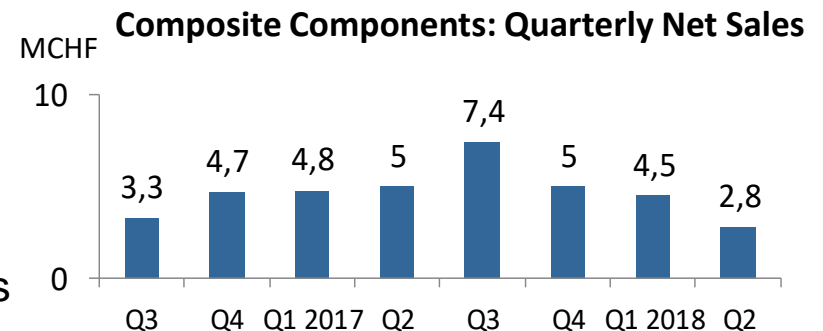
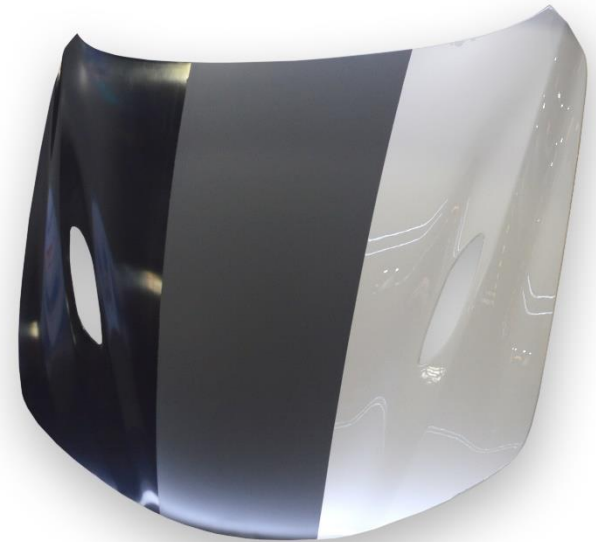
- Decrease by -25.4% (currency-adjusted: -30.5%) due to volume drop in biggest client program and time gap until the start of 3 new volume programs

Operations:

- Further industrialization steps implemented
- Development of low cost materials
- Cost of underutilisation affecting BU and Group
- Start-up cost for three new programs

Focus 2HY 2018

- Succeed in the start-up of new programs
- Maintain order pipeline building in H2/2018
- Launch new low cost material for new programs
- Complete industrialization of Hungarian plant



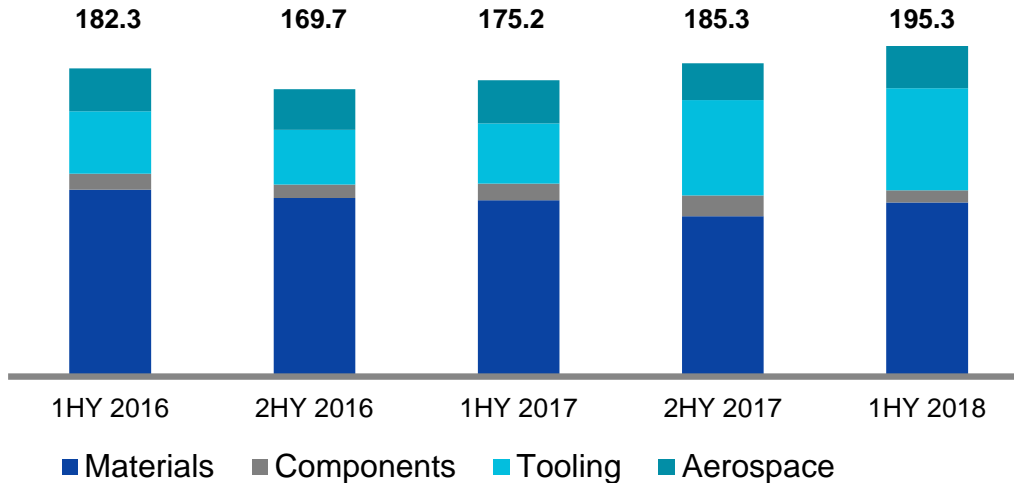
Financial Results 1HY 2018



Net Sales Analysis by Markets



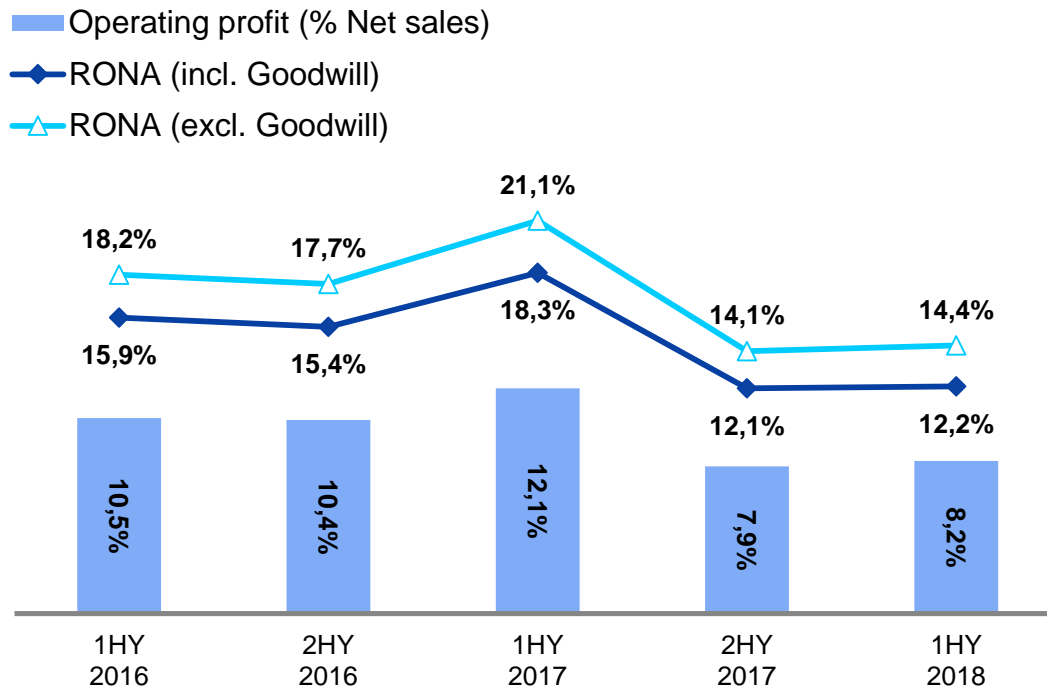
Net sales in MCHF



Net sales by markets in MCHF	1HY 2018	1HY 2017	Δ 1HY 2018 vs 1HY	Δ 1HY 2018 vs 1HY FX adj.
Wind Energy	62.1	69.1	-10.2%	-15.1%
Other Material Markets	40.7	35.0	16.1%	12.9%
Composite Materials	102.8	104.2	-1.3%	-5.9%
Aerospace	25.0	25.5	-2.2%	-7.0%
Composite Components	7.3	9.8	-25.4%	-30.5%
Tooling	60.2	35.6	68.9%	60.5%
Total Net Sales	195.3	175.2	11.5%	6.1%

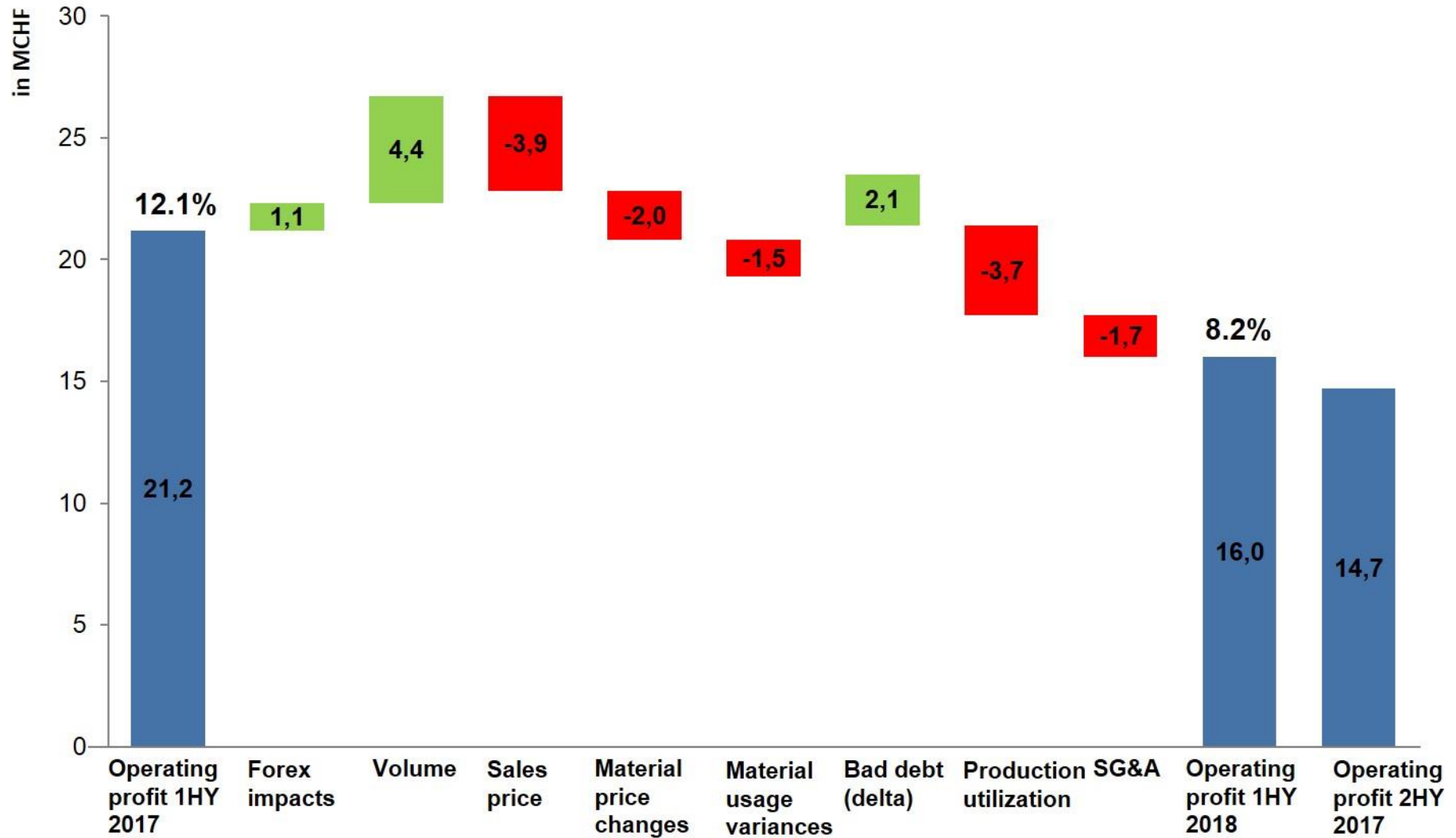
- **Overall** currency-adjusted growth of 6.1% in net sales (2.8% growth exchange rate and M&A adjusted)
- **Composite Materials** solid global demand in Marine and industrial (US and Asia-Pacific) burdened by continued weak wind material demand in India and China
- **Aerospace** affected by temporary demand decline
- **Composite Components** hurt by sharp demand decline in biggest volume contract
- **Tooling** continued strong demand reached yet a new record level

Operating Profit and RONA Development

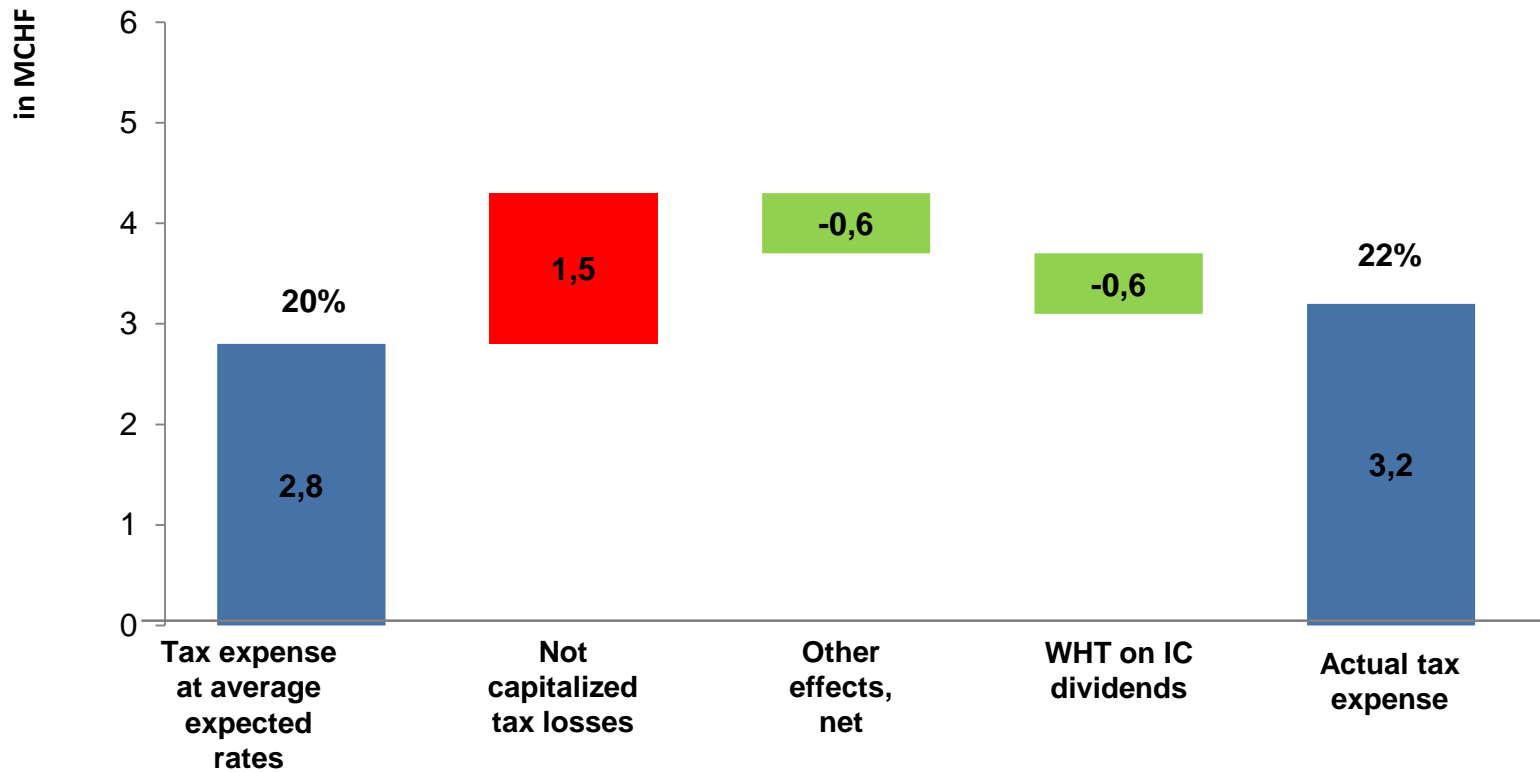


- **Operating profit at 8.2%, within** the target guidance range of 8-10%
- **1HY 2018 impacted by:**
 - Growth in Tooling
 - Low build rates and low utilization and efficiency levels in Automotive Components
 - Sales price decreases and rising chemical raw material prices
- **RONA:** decreased vs. 1HY 2017 due to higher asset base and lower operating profit

Operating Profit Bridge 1HY 2017 to 1HY 2018



Income Tax Expense



- Not capitalized tax losses continue to burden overall tax rate
- Overall tax rate improved by 5% compared to FY2017 due to reduced WHT burden on intercompany dividends

Consolidated Income Statement	1HY 2018		1HY 2017		Variance	
	MCHF	% NS	MCHF	% NS	MCHF	%-pts
Net sales	195.3	100.0%	175.2	100.0%	20.1	0.0%
Cost of goods sold	-154.9	-79.3%	-130.1	-74.2%	-24.8	-5.1%
Gross profit	40.4	20.7%	45.1	25.8%	-4.7	-5.1%
Research and development expense	-3.5	-1.8%	-3.3	-1.9%	-0.3	0.1%
Selling expense	-8.9	-4.5%	-8.1	-4.6%	-0.8	0.1%
Administrative expense	-12.5	-6.4%	-11.2	-6.4%	-1.3	0.0%
Other operating income and expense, net	0.5	0.3%	-1.3	-0.7%	1.8	1.0%
Operating profit	16.0	8.2%	21.2	12.1%	-5.2	-3.9%
Finance result	-0.6	-0.3%	-0.8	-0.4%	0.2	0.1%
Extraordinary result	-1.0	-0.5%	0.0	0.0%	-1.0	-0.5%
Taxes	-3.2	-1.7%	-5.1	-2.9%	1.9	1.3%
Profit for the half-year	11.2	5.7%	15.3	8.7%	-4.1	-3.0%
Earnings per bearer share	CHF	24.13	CHF	32.78		

- Gross profit: Positive Business Unit mix effects hampered by sales prices reduction in Wind energy, lower utilization and efficiencies, and rising chemical raw material prices
- Extraordinary result: Provision in regard to formerly owned and operated property subject to environmental investigation

Balance Sheet



Consolidated Assets	Jun 2018		Dec 2017		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Cash and cash equivalents	46.6	15%	44.6	15%	2.0	-1%
Trade receivables	71.4	23%	72.9	25%	-1.5	-2%
Inventories	68.6	22%	61.0	21%	7.6	1%
Other current assets	34.3	11%	22.7	8%	11.6	3%
Deferred income tax assets	4.0	1%	4.0	1%	0.0	0%
Property, plant and equipment	79.7	25%	76.4	26%	3.3	-1%
Intangible assets	6.4	2%	6.3	2%	0.2	0%
Other non-current assets	2.4	1%	2.1	1%	0.3	0%
TOTAL ASSETS	313.4	100%	289.9	100%	23.5	0%

Consolidated Liabilities and Equity	Jun 2018		Dec 2017		Variance	
	MCHF	%	MCHF	%	MCHF	%-pts
Borrowings	24.7	8%	11.9	4%	12.9	4%
Trade payables	38.2	12%	31.9	11%	6.3	1%
Other current liabilities	36.0	11%	31.8	11%	4.2	1%
Deferred income tax liabilities	4.1	1%	4.7	2%	-0.7	0%
Provisions	4.3	1%	3.5	1%	0.7	0%
Equity	206.1	66%	206.1	71%	0.0	-5%
TOTAL LIABILITIES AND EQUITY	313.4	100%	289.9	100%	23.5	0%

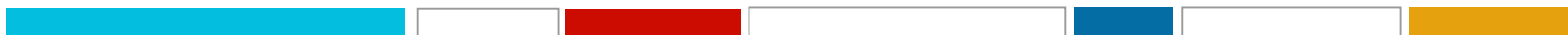
- Trade working capital remains at 26% of annualized net sales (2017 year-end: 28%)
- Solid balance sheet: Net cash of CHF 22m, Equity ratio of 66% and Quick Ratio of 152%

Consolidated Cash Flow	1HY 2018	1HY 2017	Variance
	MCHF	MCHF	MCHF
EBIT	15.0	21.2	-6.2
Depreciation, amortisation, impairment	5.1	5.0	0.2
Change in working capital	-9.0	-11.4	2.5
Other cash flow from operating activities	-2.9	-3.7	0.8
Net cash flows from operating activities	8.3	11.1	-2.8
Purchase of PPE and Intangibles	-6.8	-4.0	-2.8
Proceeds from sale of PPE	0.0	0.1	0.0
Free Cash Flow	1.5	7.1	-5.6
Loans granted, net of repayments	-0.8	-0.3	-0.5
Change in borrowings	11.8	-1.2	13.0
Distribution to shareholders	-9.3	-9.3	0.0
Purchase of treasury shares	-1.2	-0.9	-0.3
Change in Cash and cash equivalents	2.0	-4.7	6.7

- Operating cash flow burdened by lower EBIT and continued working capital increases
- Main capital investments:
 - construction of a larger Tooling production bay in China
 - industrialization of car part production in Hungary
 - balsa wood production facility in Indonesia

Financial Results 1HY 2018

Conclusion



- **Net Sales**
 - High single-digit revenue growth expected for FY 2018
- **Operating Profitability**
 - Score at the mid-level of the target range of 8-10% operating profit margin for FY 2018



- **Positive growth momentum** with double digit growth and good outlook
- **Wind energy cost competitiveness** is a chance for future growth and Wind is Gurit's stronghold
- **Growth opportunities** in Wind India, Civil in MEA and from new product introductions should finally unlock late 2018
- **Operating profit margin** lower than very strong H1/2017 but improved on H2/2017 and improving onwards in line with guidance
- **Several hits taken** (e.g. Component demand hit, plant relocation, raw material with delayed price increase) in H1/2018 which will not repeat to such extend

Thank you.

