

# Gurit

## Full Year 2013 Results

Zürich, March 14, 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.

- **Sales: Difficult development** – extremely difficult HY1, better HY2
  - Sales contraction 2013 of 19.9% from CHF 351 million to CHF 281 million, mostly due to turbulent Wind Energy market
  - Wind Energy: Recovery in HY2 2013, better outlook for 2014
  - Non-Wind-Energy related markets: Growth in 2014
- **Profitability: Further challenged** – Op. profit margin of 2.3% after 3.6% in 2012. Profit for the period protected at break-even
- **Capex: limited** – CHF 6 million; maintenance and new business
- **Balance sheet: strong** – Net cash position (CHF 6 million); solid equity ratio (70.8%) maintained at prior-year level in difficult 2013
- **Cash flow: Remarkably positive** at CHF 12.6 million, but lower than in 2012 (CHF 48 million) due to higher NWC and lower EBIT level

# Key Messages on FY 2013 Business Result (2)



## Net sales by area 2013 %Chg. vs 2012

<b>Group</b>	<b>CHF 281.1 million;</b>	<b>-19.9%</b>
<b>Wind Energy</b>	CHF 117.4 million;	-42.6%
<b>Aero</b>	CHF 46.9 million;	-2.3%
<b>Industrial &amp; Marine</b>	CHF 62.9 million;	+9.4%
<b>Tooling</b>	CHF 32.8 million;	+31.3%
<b>Automotive</b>	CHF 15.0 million;	+24.1%
<b>Eng. Structures (ES)</b>	CHF 6.1 million;	+60.5%

## Earnings

Operating profit CHF 6.5 million; down -48.9% vs. FY 2012  
Operating profit margin at 2.3%, down from 3.6% in FY 2012  
Profit for the period of CHF 0.1 million after CHF 13.7 million in FY 2012

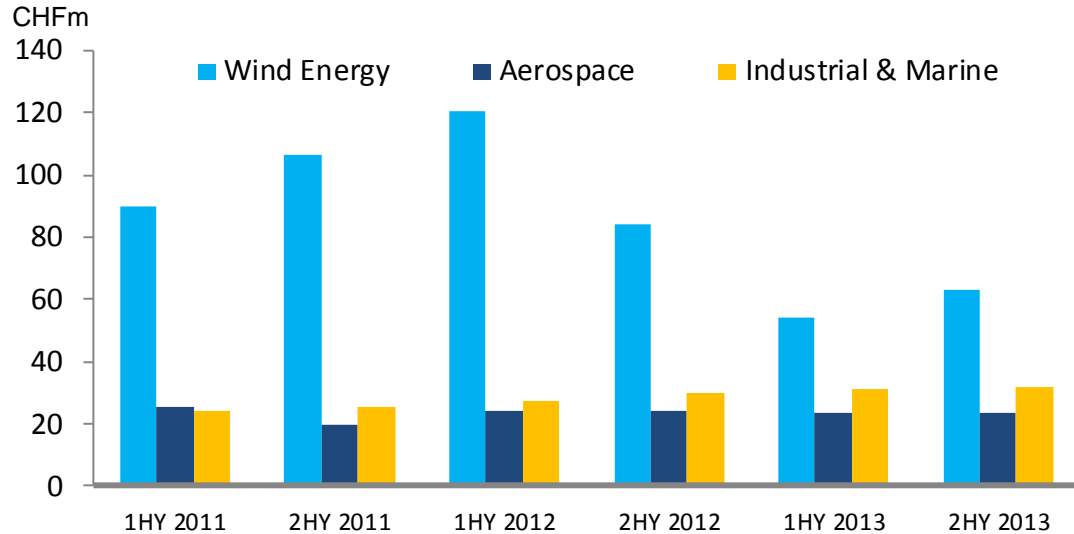
## Cost and Expenses

Suffered from capacity under-utilizations and imbalances in HY1 at Wind Energy plants  
Some operating issues in HY2 after starting-up again from idle HY1  
Cost reductions not fully in line with price pressure from competition

## Cash flow and Balance Sheet

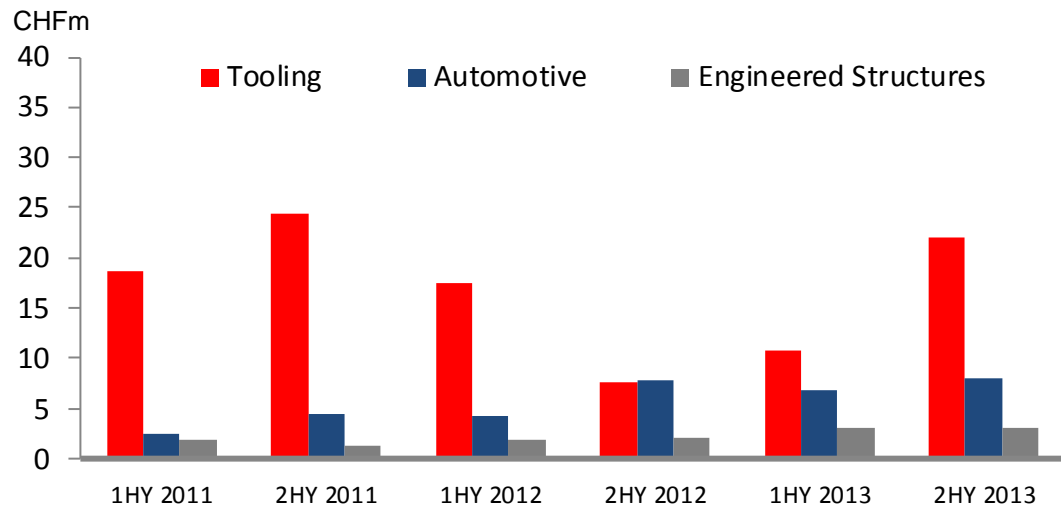
Capex contained (PPE, Intangibles): CHF 6.2 million or 2.2% of net sales  
Operating Cash flow CHF 12.6 million; after CHF 48.3 million a year ago  
Equity ratio stable at 71%

# Net Sales Development by Target Market



## Gurit Composite Materials

- Growth in material sales to the Wind Energy market has stopped sharply in Q4 2012 but started to recover in 2013
- Stable Aerospace sales
- Growing sales in Marine and Industrial applications



## Gurit Systems and Engineering

- Strong sales recovery in Tooling in HY2 2013, thanks to large deliveries to Europe
- Dynamic, continuous growth in Automotive, and first component sales in ES

## **New organizational structure implemented**

- Gurit Composite Materials and
- Gurit Sytems and Engineering

## **12 strategic projects for future, profitable, and better-balanced growth**

- Continuation of earlier de-risking strategies
- Focus on higher, value-adding in the customer offering
  - New offerings for existing and new composite materials markets (e.g. cosmetic/visual prepreg for automotive) and important qualifications
  - Strengthening of core material offering in Gurit Composite Materials (Balsa block plant upstream integration, PVC distribution partnership)
  - Automotive exterior panel press application for bigger series
  - New factory in Hungary for component manufacturing initialized; SOP April 2014
  - Enhance offering in Tooling with transportation structures for blades and tower sections

# Development by Target Markets







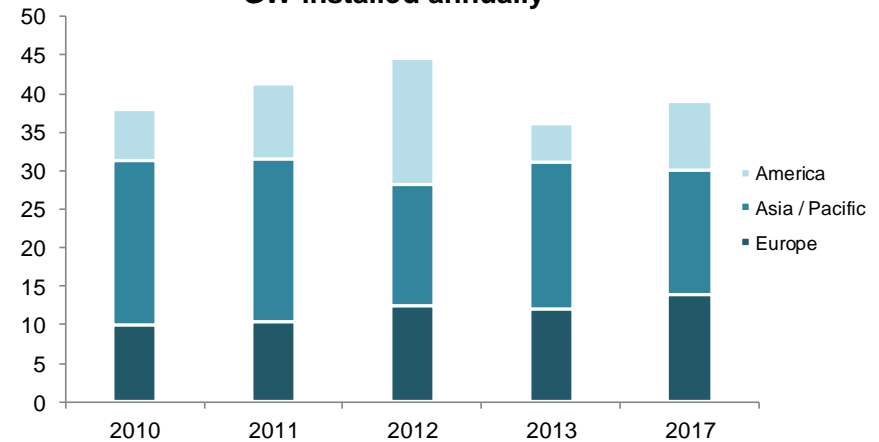
## Strategy

- Core materials: move from #3 to #2 position with 25-35% market share
- Carbon fibre preregs: maintain/expand leading position with shares >60%
- Better utilize prepreg factories again in recovery ahead
- Develop further cost-efficient, enabling technologies to help reduce cost/KWH

## Recent achievements

- Leader in carbon fibre preregs
- SparPreg™, Velinox™ and Airstream™ technology for cost-efficient, low-void, thick laminates at ambient temperatures
- Strengthen successful Balsa presence in Ecuador and upstream investments
- PVC trading partnership and new PET product offering

GW installed annually\*



\* Source: GWEC for 2010 to 2012, Gurit estimate for coming years

Number of Gurit Customers



## Market environment 2013

- USA – some recovery in 2013 after complete halt in Q4 2012 due to delay in PTC renewal
- Asia – gradual improvement in 2013 but overcapacity, price pressure and bad payment conditions requiring containment measures
- Europe – stable in soft market, uninterrupted customer demand, offshore demand softened as well. Uncertainty in bigger markets, e.g. fate of German “Energiewende”

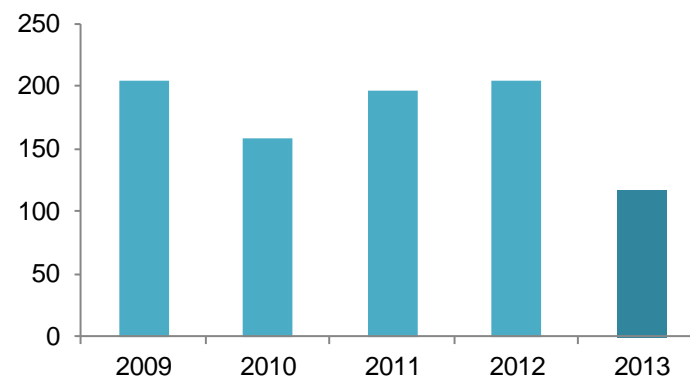
## Sales 2013

- Net sales 2013 of CHF 117.4 million, down 42.6% vs. 2012; 2HY 2013 > 1HY 2013

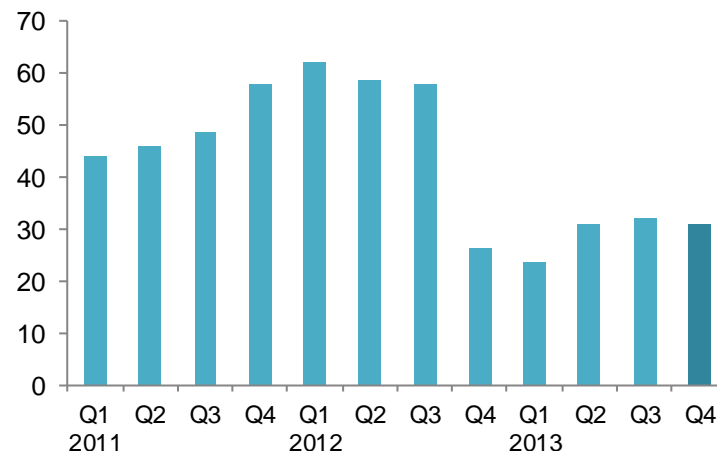
## Outlook

- Asia: Strong rebound 2014, yet tough terms (prices, payment terms)
- USA: Good momentum due to PTC reaching out into 2014 for initiated projects
- Momentum from core material offering

CHFm Wind Energy: Annual Net Sales



CHFm Wind Energy: Quarterly Net Sales



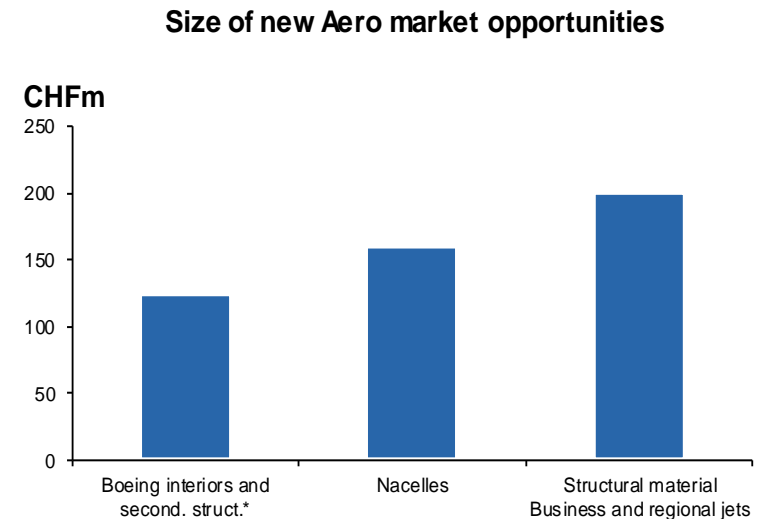
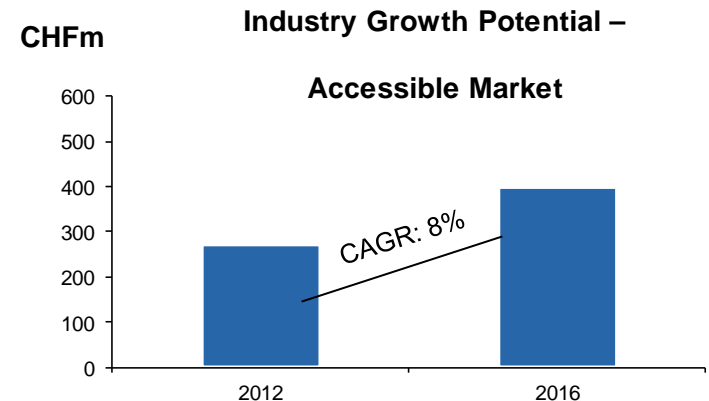


## Strategy

- Maintain leading position in aircraft interiors and certain structural applications at Airbus
- Develop position at 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
- Upgrading the product offering and innovations



\* Also included in current accessible market

## Market environment

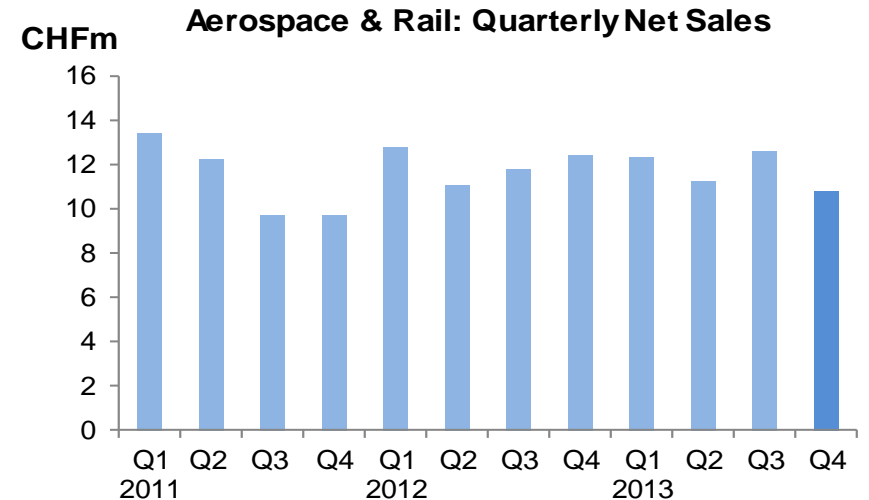
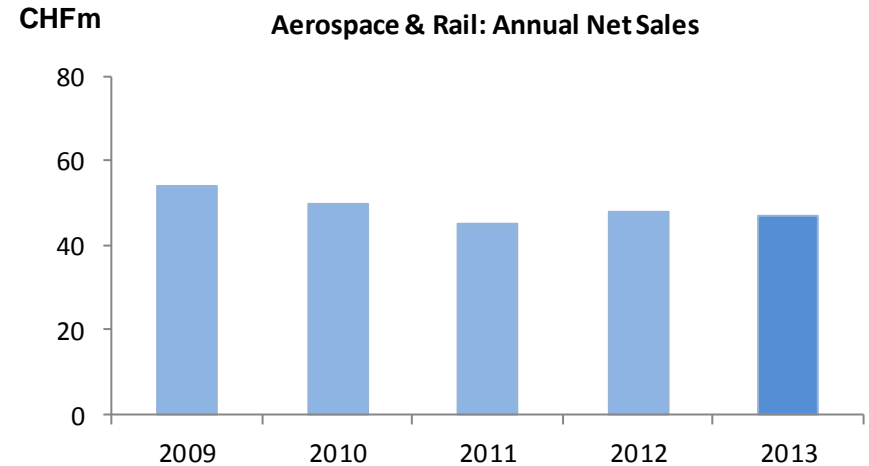
- Steady Aerospace market
- Some cost-out pressures creating new offering opportunities, as well

## Sales 2013

- Net sales of CHF 46.9 million
  - Down 2.3% vs. 2012, due to reduced share in one big European OEM

## Outlook

- Gain market share in mid size OEMs
- Qualification in big US OEM (mid term sales)





## Strategy Marine

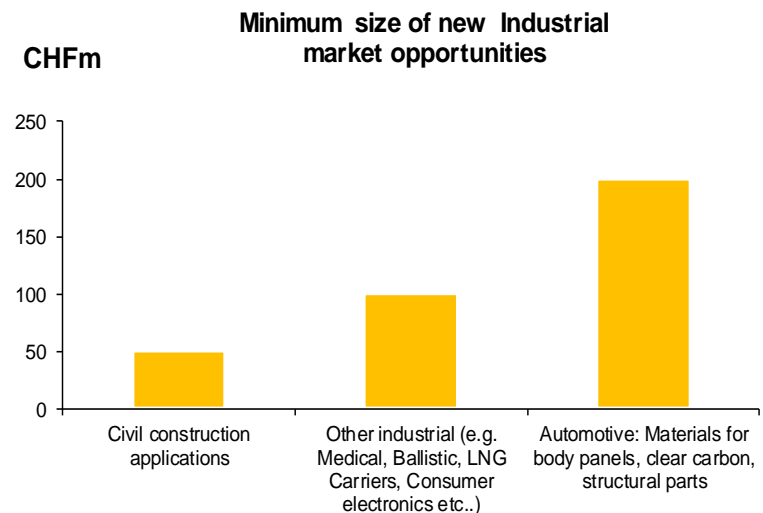
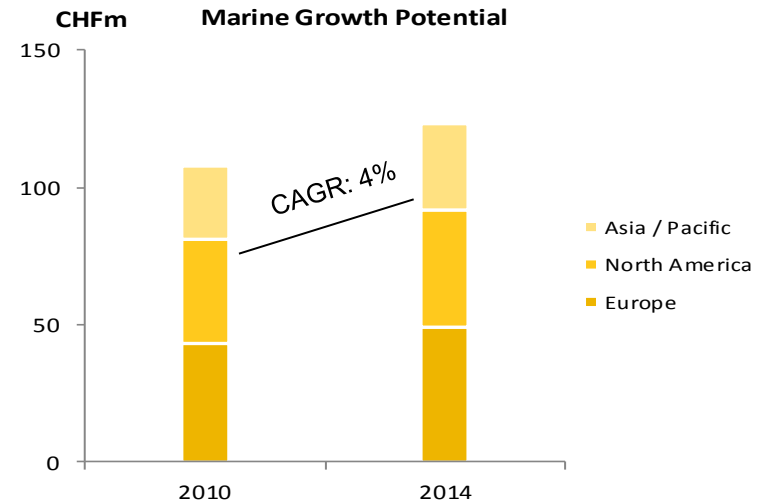
- Penetrate all geographies and segments
  - Mediterranean, Middle East and Far East
  - All boat sectors incl. commercial, military and production vessels

## Strategy Industrial

- Use distribution model and full material offering for select new industrial applications (e.g. lightweight construction, medical, anti-ballistics, LNG carriers, consumer electronics, etc...)
- Sell existing prepreg and formulated systems into Automotive markets for structural and visual carbon application

## Recent achievements

- Introduced Balsa, PET and PVC to customers
- Growth in carbon prepreps for spar applications
- Increasing Industrial sales, in particular in civil construction applications
- Global re-branding to Gurit



## Market environment

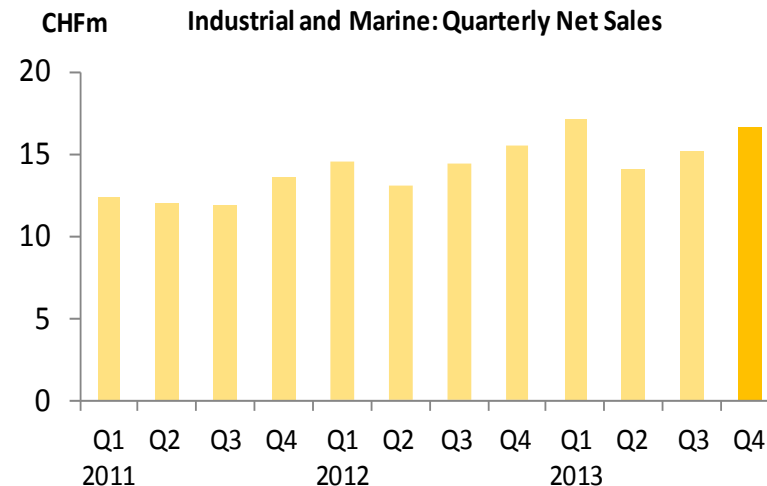
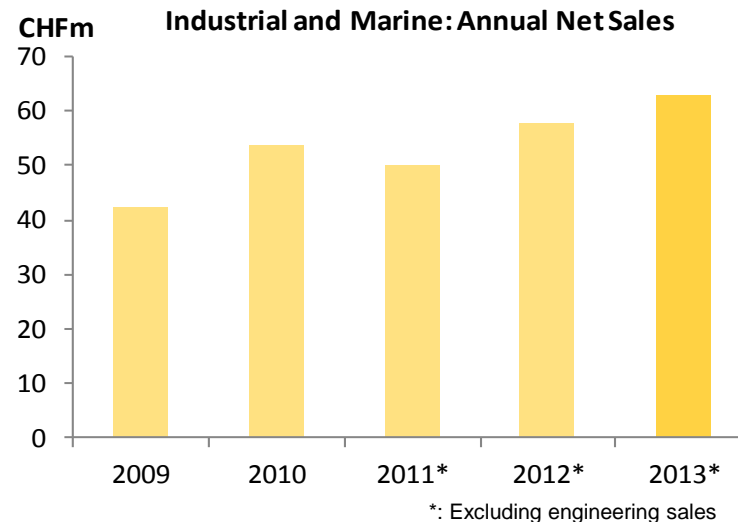
- Marine business recovering gradually with more momentum in super yacht and race boats, regionally in Europe and UAE
- Increasing sales to non-marine customers
- Australia and New Zealand suffering from strong currency impacts – but good industrial sales leads

## Sales 2013

- Net sales of CHF 62.9 million
  - Up +9.4% vs. 2012, in particular due to large deliveries for civil construction and some military applications

## Outlook

- Development of sales into new markets such as Ballistics, Automotive and Transportation





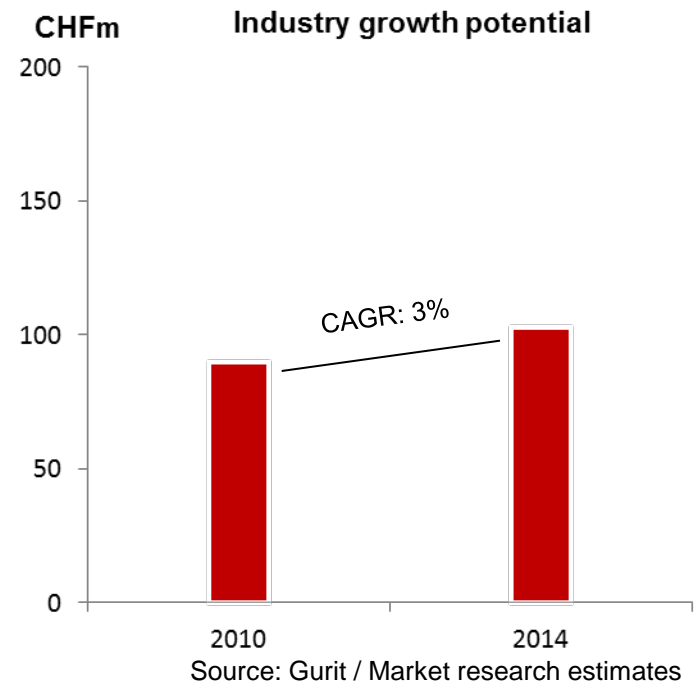


## Strategy

- 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
  - Support Engineered Structures with moulds (Transportation, Ocean Energy)

## Recent achievements

- Sustained difficult market situations and won significant new customers in Europe
- Industrial cost-out to sustain low cost competition in Asia managed
- Improved mould heating and cooling system with new modules for high-end customers



# Tooling – Results and Outlook

## Market environment

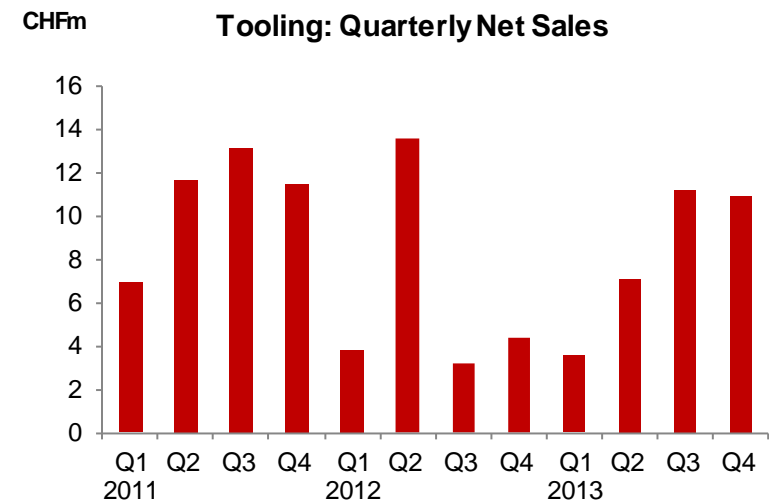
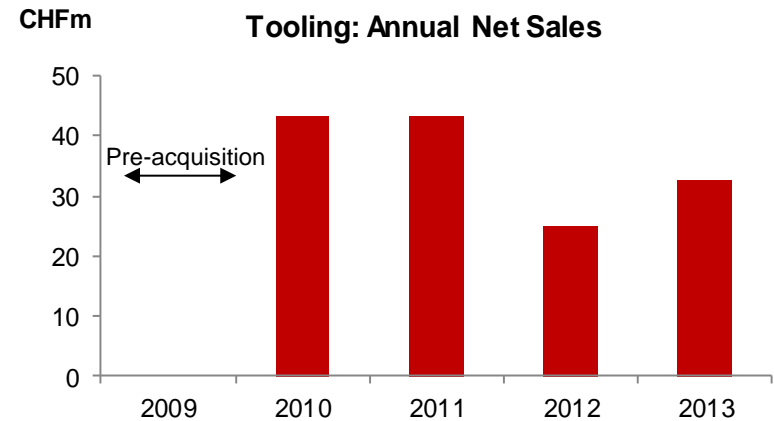
- Cyclical, fully hit from HY2 2012 until HY1 2013
- China/India: almost stand-still in HY2 2012, slight recovery in HY1 2013
- Europe: Good demand

## Sales 2013

- Net sales of CHF 32.8 million
  - Up 31.3% vs. 2012
  - Strong sales in HY2 2013 (2/3 of annual sales) thanks to high sales into Europe

## Outlook

- Significant recovery of mould demand with full loading till Q3 2014 across all regions except India
- More multi MW applications (over 6 MW)
- Strong start into 2014



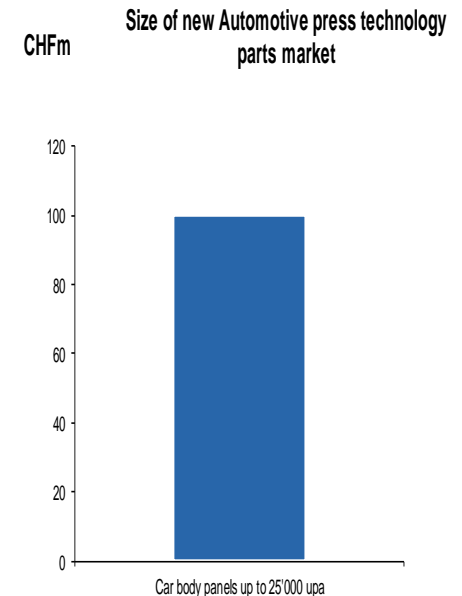


## Strategy Automotive

- Pursue two strategic avenues
  - Further grow client/project base for complex, smaller series, class A, lightweight exterior car body panels
  - Launch press moulded, 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

- New customer wins, qualified a new record number of new panel variants in manual, high-end manufacturing – stretching to the max
- Production site expansion in UK completed
- Press technology: Equipment installed for new high-temp press technology for car parts (CBS 200)
- Successfully passed industrial heat tests with CBS 200 in regular paint shop process temperatures around 200°C



## Market environment

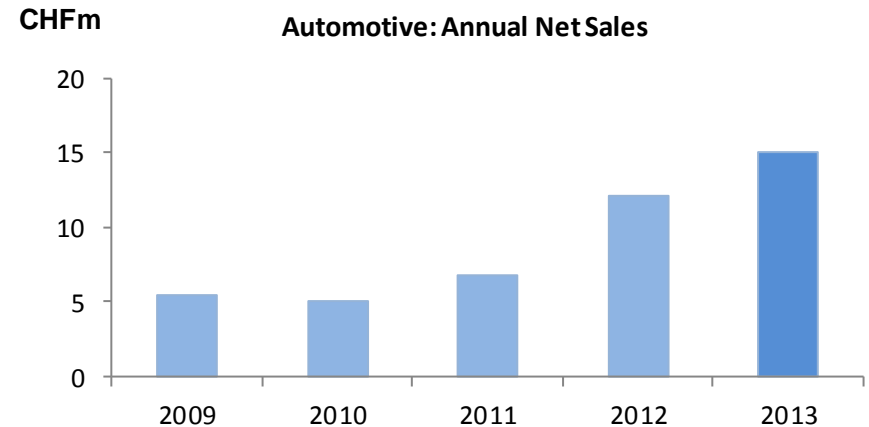
- Increasing interest of the Automotive market for composite material solutions

## Sales 2013

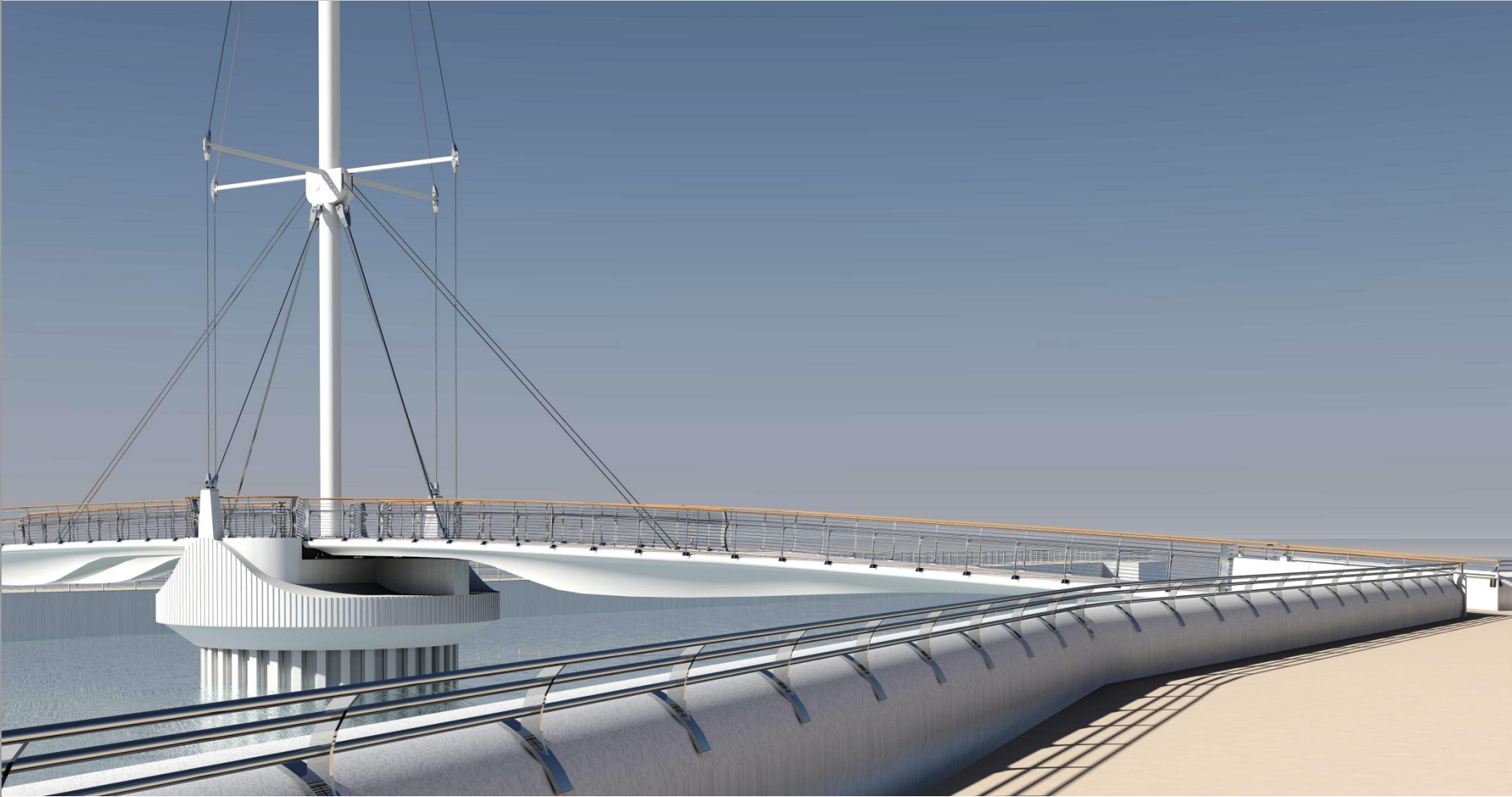
- Net sales of CHF 15.0 million
  - Up +24.1% vs. 2012 thanks to larger series and increased customer base

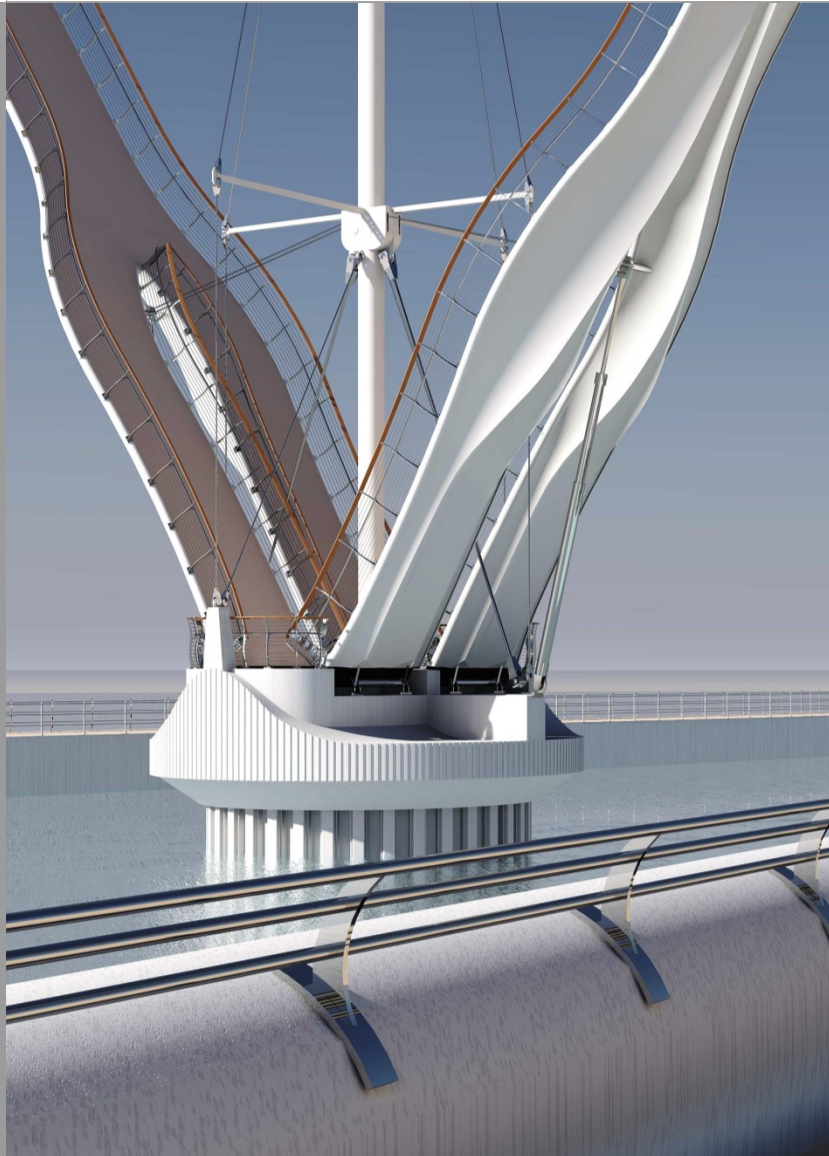
## Outlook

- Continuous strong growth through larger series and broader customer base
- Press cell installed and delivery of first smaller orders to demonstrate technology
- Industrialization concept for preforming and post press finishing of panels



# Engineered Structures





## 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 series orders for double decker commuter buses
- Set up of an Hungarian manufacturing base as a lower cost hub for manufacturing of overall Systems and Engineering components



## Market environment

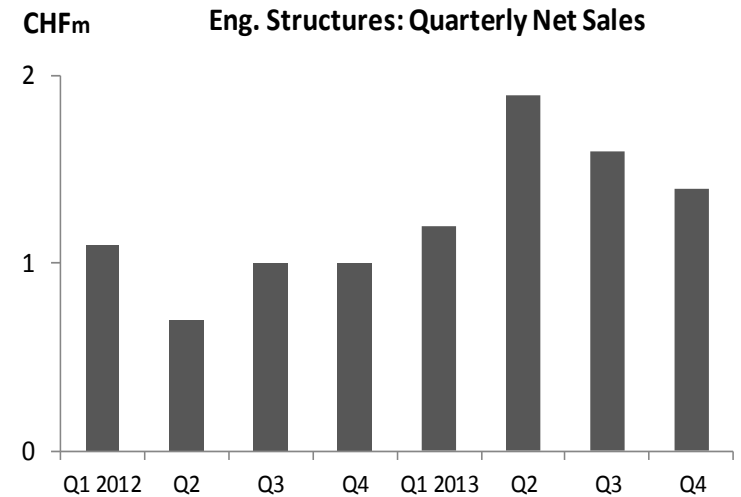
- Hardly any existing market data
- Engineering for marine, construction and new special projects
- Promote Gurit as expert of complex, big, lightweight structures

## Sales 2013

- Net sales of CHF 6.1 million
  - Up +60.5% vs. 2012
  - Growth mainly due to increased component sales

## Outlook

- Volume growth thanks to additional component sales



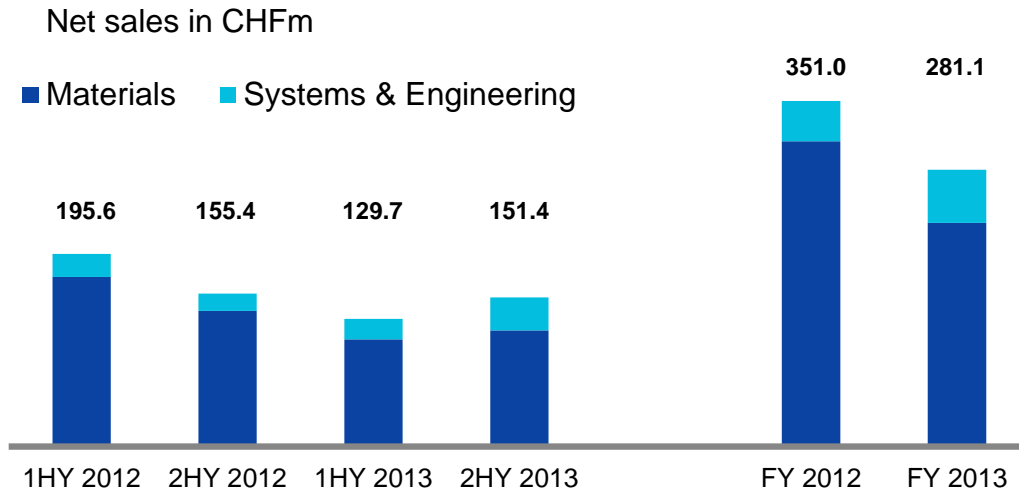
# Financial Results 2013



# Net Sales Analysis by Market



## Low sales in Composite Materials but solid growth in Systems and Engineering

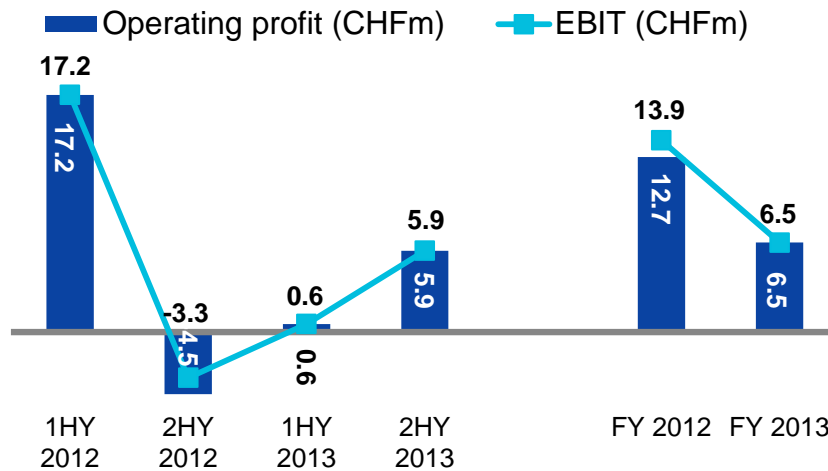


- Drop in Wind Energy sales overshadows sales growth to the Marine and Industrial markets.
- Wind Energy sales have reached the bottom after 1 HY 2013 and started to recover during 2HY 2013.
- 32% growth in Systems and Engineering thanks to strong demand in Tooling, extended series of car body parts and growing customer base in Automotive, and growth in the bus components business.

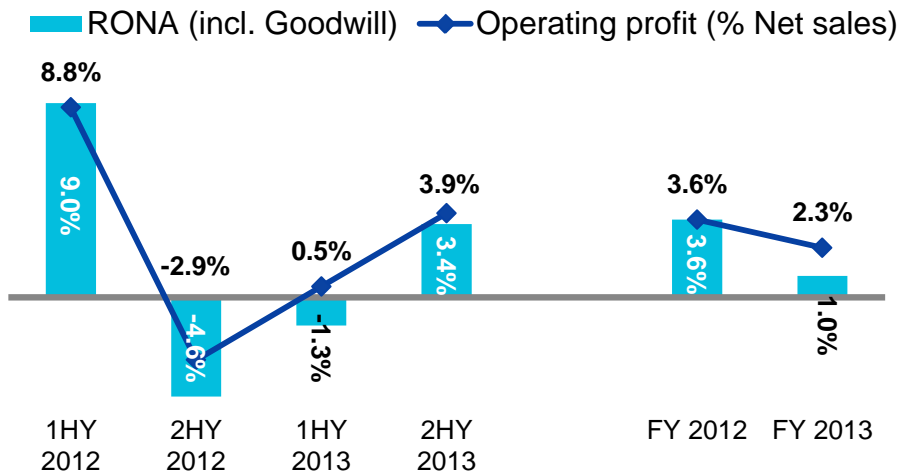
Net sales by markets in CHFm	2013	2012	Δ 2013 vs 2012	Δ 2013 vs 2012 FX adj.
Composite Materials	227.3	310.2	-26.7%	-26.1%
Composite Systems and Engineering	53.8	40.8	31.9%	32.6%
<b>Total Net Sales</b>	<b>281.1</b>	<b>351.0</b>	<b>-19.9%</b>	<b>-19.2%</b>

# Operating profit and EBIT development

Operating profit of 3.9% during 2HY 2013, recovering from low 0.5% during 1HY 2013



- Increasing operating profit of 3.9% during 2HY 2013 vs. 1HY 2013, thanks to
  - better loading of some of the Composite Materials factories;
  - 61% growth in the Systems and Engineering business.

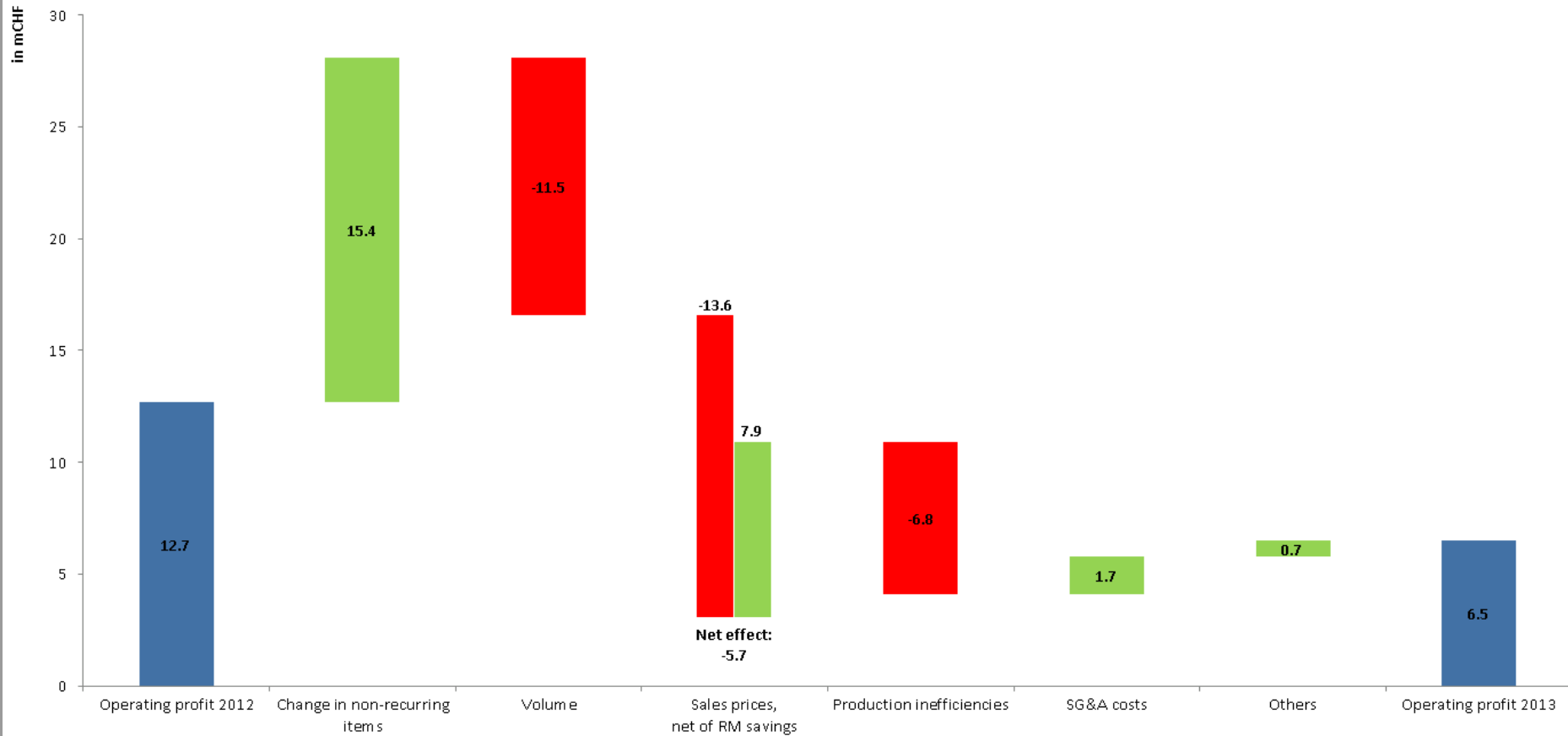


- No significant change in the asset basis of the Company, hence Rona follows essentially the Operating profit development.

# Operating profit bridge FY 2012 to FY 2013



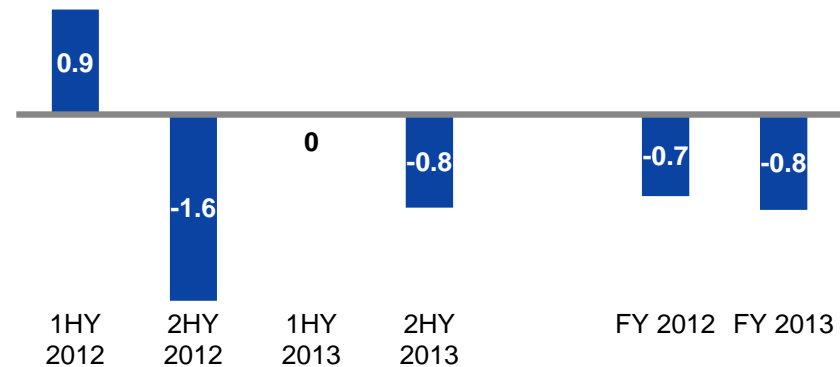
Volumes, sales price reductions, and some production inefficiencies burdened the operating profit



## Stable exchange result, tax charge continues to be impacted by non tax effected losses

### Exchange result

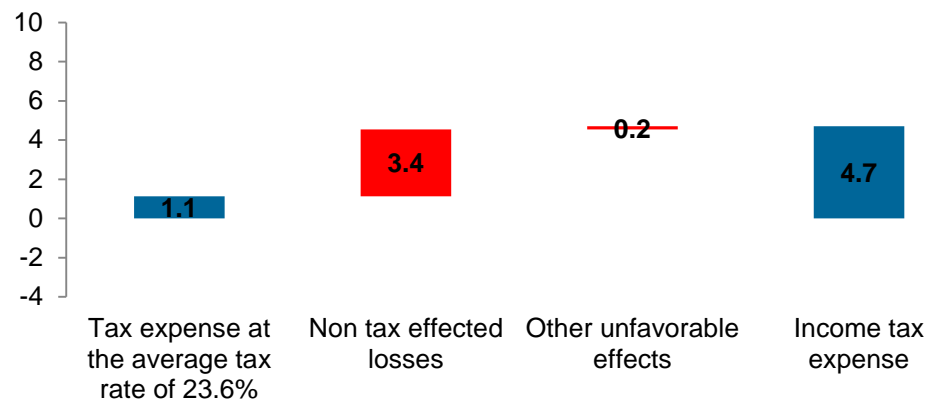
in CHFm



- Small exchange loss mainly due to the weakening of the USD against EUR and GBP

### Income tax expense

in CHFm



- Income tax expenses burdened by CHFm 3.4 of non tax effected losses. Planning tax rate of 25%.

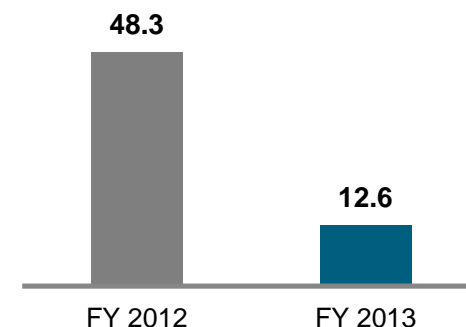
**Break-even net result for the full year 2013 after a loss of 2.4 CHFm during 1HY 2013**

Consolidated P&L	2013		2012	
	CHFm	% NS	CHFm	% NS
<b>Net sales</b>	<b>281.1</b>	<b>100.0%</b>	<b>351.0</b>	<b>100.0%</b>
Gross margin	130.6	46.5%	154.6	44.0%
Operating expenses	-125.8	-44.7%	-127.7	-36.4%
<b>Operational profit before one-offs</b>	<b>4.9</b>	<b>1.7%</b>	<b>26.9</b>	<b>7.7%</b>
One-off items	1.6	0.6%	-14.1	-4.0%
<b>Operating profit</b>	<b>6.5</b>	<b>2.3%</b>	<b>12.7</b>	<b>3.6%</b>
Non-operating & e.o. result	0.0	0.0%	1.2	0.3%
<b>EBIT</b>	<b>6.5</b>	<b>2.3%</b>	<b>13.9</b>	<b>4.0%</b>
Interest income and expenses	-0.6	-0.2%	-1.7	-0.5%
Exchange gains and losses	-0.8	-0.3%	-0.7	-0.2%
Other financial income and expenses	-0.3	-0.1%	-0.4	-0.1%
Taxes	-4.7	-1.7%	2.6	0.7%
<b>Net result</b>	<b>0.1</b>	<b>0.0%</b>	<b>13.7</b>	<b>3.9%</b>
<b>Earnings per bearer share</b>	<b>CHF 0.24</b>		<b>CHF 29.39</b>	

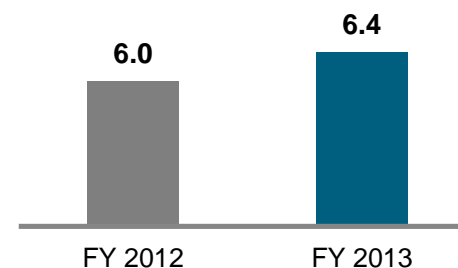
Decreased , though still positive cash flow from operating activities, and stable net cash position

Group Consolidated Cash Flow	2013	2012
	CHFm	CHFm
<b>EBIT</b>	6.5	13.9
Depreciation, amortisation, impairment	11.3	22.6
Change in working capital	-5.7	18.1
Other cash flow from operating activities	0.6	-6.4
<b>Net cash flows from operating activities</b>	<b>12.6</b>	<b>48.3</b>
Purchase of PPE and Intangibles	-6.2	-6.0
Proceeds from sale of PPE	0.1	3.6
Change in borrowings	-14.4	-20.9
Distribution to shareholders	-7.0	-7.0
Acquisition of subsidiaries	0.2	-0.9
Purchase of treasury shares	-0.4	-0.2
Repayments of loans receivable	0.9	0.9
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-14.4</b>	<b>17.7</b>

Cash flow from operating activities in CHFm



Net cash in CHFm





**Stable, strong equity ratio of 71% thanks to reduced asset basis.**

CONSOLIDATED ASSETS	Dec 2013		Dec 2012	
	CHFm	%	CHFm	%
Cash and cash equivalents	23.1	10%	37.3	16%
Trade receivables	63.0	28%	61.1	26%
Inventories	37.5	17%	36.6	16%
Other current assets	21.1	10%	12.1	5%
Deferred income tax assets	1.0	0%	1.0	0%
Property, plant and equipment	70.3	32%	77.1	33%
Intangible assets	5.3	2%	5.7	2%
Other non-current assets	0.9	0%	0.9	0%
<b>TOTAL ASSETS</b>	<b>222.1</b>	<b>100%</b>	<b>231.6</b>	<b>100%</b>

CONSOLIDATED LIABILITIES AND EQUITY	Dec 2013		Dec 2012	
	CHFm	%	CHFm	%
Borrowings	16.7	8%	31.3	13%
Trade payables	19.4	9%	12.8	6%
Other current liabilities	23.7	11%	18.3	8%
Deferred income tax liabilities	0.8	0%	0.9	0%
Provisions	4.1	2%	4.9	2%
Equity	157.3	71%	163.4	71%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>222.1</b>	<b>100%</b>	<b>231.6</b>	<b>100%</b>

- A tighter cash management enabled the decrease of cash and borrowings
- Fixed assets decreased due to the low investment activity and some impairment charges.
- Improved payment terms with certain suppliers enabled the increase in Trade payables

# Outlook 2014



**Net Sales:** No exact guidance at this point but a significant recovery is expected due to:

- Wind Energy Materials: Steadier demand in the US, some improved market position in the Chinese market and additional volume in core material sales (PVC, Balsa)
- Other Composite Materials: Steady growth in Marine and new target markets
- Systems and Engineering: Markedly better in Tooling YoY and full loading in Automotive business

**Operating profitability:** To improve substantially from 2.3% in 2013 for higher loading and better efficiency reasons. Without however reaching the target level of 8% to 10% already in 2014