

# Key facts

# Key figures

# Shareholder letter

Extract from the Gurit Annual Report 2019

## Gurit – with Passion for a Sustainable Future

Our mission is in wind energy and lightweighting.

We are a system partner for wind energy customers globally, with focus on the wind turbine blade. With our unique offering and in-depth understanding of the value chain we help to increase wind energy competitiveness and promote its sustainable growth.

For lightweighting applications in Marine, Aero and other industries we use our knowledge and expertise to provide high-performance materials and engineering.



## Vision and Mission

**With passion  
for a sustainable future**

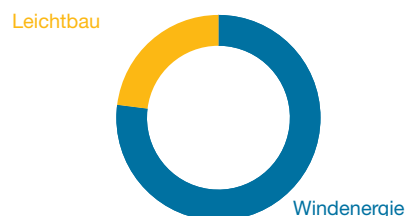
**Our mission is in wind energy and lightweighting.** We are a system partner for wind energy customers globally, with focus on the wind turbine blade. With our unique offerings and in-depth understanding of the value chain we help to increase wind energy competitiveness and promote its sustainable growth. For lightweighting applications we use our knowledge and expertise to provide high-performance materials and engineering.

# Key facts

In 2019, Gurit achieved a significant 35.5% growth in net sales to CHF 576.4 million. On a currency adjusted basis this represents a 38.6% growth. The acquisition of Gurit Kitting combined with strong organic growth of 11.3% (currency adjusted) enabled this improvement. In terms of operating profit, Gurit achieved CHF 51.9 million and an operating profit margin of 9.0%. In the Continued Business – without automotive components – sales grew 36.0% and the operating profit margin scored 11.0%.

The Wind Energy demand and the attractive material and service offering helped Composite Materials and Kitting to achieve growth. Gurit's Tooling Business reported a very strong first half year and an expected weaker second half year. Gurit sales in the Wind Energy market were CHF 429.4 million, composed of the Composite Material, Tooling and Kitting Business Units. The business development in the lightweighting part of Gurit was stable and partly affected by difficult market conditions.

3rd Party Net Sales into Wind Energy and Lightweighting (continued business)



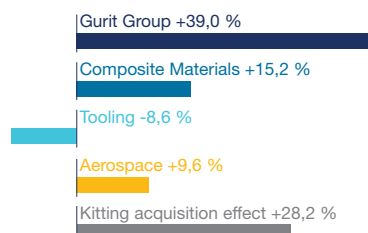
Key Figures Consolidated Income Statement 2019 (in CHF million)

Net sales	576,4
Operating profit	51,9
Net profit	34,9

Key Figures Consolidated Balance Sheet (in CHF million)

	31.12.2019	31.12.2018
Total assets	362,8	369,7
thereof Current assets	260,1	268,4
Total liabilities	216,8	244,7
thereof Current liabilities	136,5	153,3
Equity	146,0	125,1
Equity ratio	40,2 %	33,8 %

Sales Dynamics 2019 over 2018 (at constant rates) Continued Business



# Business and Financial Review

## Key Figures

Amounts in CHF million	2019	2018	+/- %
<b>Continued operations</b>			
Net sales	558.3	410.6	36.0%
Operating profit	61.5	45.4	35.7%
Operating profit margin	11.0%	11.0%	
Profit for the year	44.6	36.9	21.0%

<b>Discontinued operations</b>			
Net sales	18.1	14.7	22.7%
Operating loss	- 9.6	- 16.8	
Operating loss margin	- 53.0%	- 113.9%	
Loss for the year	- 9.7	- 17.0	

## Total

Net sales	576.4	425.3	35.5%
EBITDA	72.0	43.8	64.2%
EBITDA margin	12.5%	10.3%	
Operating profit	51.9	28.6	81.8%
Operating profit margin	9.0%	6.7%	
Profit for the year	34.9	19.9	75.5%
Net cash flow from operating activities	65.9	19.4	240.3%
Capital expenditures	24.7	15.3	61.3%
Net debt	52.9	80.0	- 33.9%
Equity in % of total assets	40.2%	33.8%	
Gross debt/EBITDA ratio	1.36	2.93	
Number of employees at December 31	3 027	2 860	5.8%
Average number of full-time equivalents	2 923	2 419	20.8%
Earnings per bearer share	CHF 76.06	CHF 42.96	-
Dividend per bearer share (proposed/resolved)	CHF 25.00	CHF 20.00	25.0%
Market capitalization at December 31	699.2	405.8	72.3%

For explanation of financial terms used see pages 160-161 of the Gurit Annual Report 2019 which can be downloaded from [www.gurit.com/Investors/Reports](http://www.gurit.com/Investors/Reports)



# Gurit Strategic Focus on Wind Energy

Dear Shareholders

2019 marks the first year under the refined strategy of Wind Energy and Lightweighting. Gurit also revised its vision and mission statements as stated on page 4–5 of this annual report.

Gurit is a leader in materials, core material kitting and tooling for the wind turbine blade production industry. Gurit has further strengthened its geographic market position by opening a new production site in Mexico in 2019, by acquiring PET recycling operations in Italy in spring 2019 for its PET Kerdyn® Green product lines and by investing into a major PET extrusion capacity expansion secured by firm longer term customer commitments.

Overall, Gurit experienced a very strong wind business year 2019 and expects an even stronger year 2020. The demand rise for core materials led to a global capacity shortage – especially critical in Bal-sa and PET core materials – not seen in the recent past. The situation is expected to continue in 2020 as it is further accentuated by a shift in core materials demand from thermoset to thermoplastic products for cost reduction and environmental reasons. It will take the most part of 2020 until the supply chain capacities of PET have all been raised to the new demand levels.

In total, Gurit generated net sales of CHF 576.4 million, which represents a currency-adjusted growth of 38.6%. The operating profit for the fiscal year 2019 reached CHF 51.9 million which represents a 9.0% margin on net sales. In the Continued Business – without automotive components, which is reclassified as Discontinued Operations – the operating profit margin scored a strong 11.0% of net sales in the calendar year 2019.

In December 2018 Gurit decided to divest the automotive components part of the Composite Components business unit. On October 28th, Gurit communicated that the automotive operations would be closed in summer 2020. As a subsequent event after the balance sheet date, an automotive parts manufacturer expressed interest in acquiring the business which lead ultimately to the sale in February 2020.

Gurit employed a staff of 3 027 as of December 31, 2019. This represents an increase of 5.8% versus the previous year.

In 2019 Gurit reported several changes in the Board of Directors. Peter Pauli has left the Board and Bettina Gerharz-Kalte and Philippe Royer joined after the election in the Annual General Meeting in April 2019. In the Executive Management Philippe Wirth joined as the new CFO in fall 2019 and in December 2019 Stefan Gautschi, GM of Composite Materials Business Unit handed in his resignation.

The Board of Directors will propose to the Annual General Meeting an increased dividend of CHF 25.00 per bearer share.

## Strategy Deployment of Gurit

Following the refinement of the Gurit strategy on Wind Energy and Lightweighting in 2018, Gurit revised its vision – with passion for a sustainable future – and mission statements to truly reflect the company's direction on sustainability with a focus on clean, renewable energy. Equally, sustainability has been anchored as one of our five core values for success.

The Sustainability Report enclosed in this annual report elaborates further on this topic, including the occupational health and safety aspects and the related major programs we have started in 2019 to roll-out in 2020.

Our strategy has allowed us to significantly surpass the CHF 500 million net revenue threshold and to achieve an operational margin in the 8-10% range.

In terms of organisational development, we report on several key Board of Director and management changes. In April 2019 two new, industry-proven members have joined the Board of Directors: Bettina Gerharz-Kalte and Philippe Royer. In March 2019 we have communicated that Philippe Wirth will join Gurit later in 2019 as the new CFO. In December 2019 we have communicated that Stefan Gautschi, Head of the Business Unit Composite Materials will pursue other professional career opportunities outside the composite industry in 2020.

### Wind Energy

With the acquisition of Gurit Kitting (JSB) in late 2018, Gurit has markedly raised its profile in the global Wind Energy market. During 2019, this acquisition performed very well and grew dynamically across all business metrics. In July 2019 Kitting closed longer term business deals with clients in the magnitude of CHF 175-200 million. In summer 2019, the Kitting Business Unit opened its 7th global kitting plant in Matamoros, Mexico. The same location was chosen for the next PET materials extrusion site for the Materials Business Unit. As part of this co-location strategy we will have core material and kitting services available for Gurit customers in Mexico and the US.

### Momentum gain

The Gurit strategy to significantly raise its position in the global Wind business gained momentum during 2019.

Gurit decided on investing a very significant amount of capital in three new, bigger extruders, of which one has been successfully commissioned in China and the remainder will follow in Mexico and again in China in 2020.

Gurit will in the future co-locate PET extrusion plants and core kitting plants in different global regions to realize cost synergies of avoided transportation cost, waste recycling and working capital reduction to the benefit of our clients.

As a consequence of our PET expansion strategy Gurit closed several key wind customer multi-year supply agreements. In August 2019 Gurit communicated PET supply agreements over CHF 200 million and a smaller one in December 2019 for the Chinese local market.

In order to develop the upstream sourcing capability of recycling PET feedstock, Gurit acquired a PET recycling operation in Italy.

In Tooling, Gurit started to deploy more resources in close cooperation with wind energy customers for process automation on top of its tooling offering of moulds.

### Business streamlining and operational efficiency

The marine and industrial prepreg plant consolidation of two plants into the Albacete Spain plant, which was started in 2018 and executed throughout 2019, showed positive operational efficiency results.

In October 2019 Gurit communicated that it will close its Hungarian automotive plant mid-2020, following a divestment effort announced in late 2018 and undertaken for almost one year without reaching the desired outcome. Subsequently, an Italian composite parts manufacturer expressed interest in acquiring the business which led ultimately to the sale in February 2020.

In October 2019 Gurit announced an Aerospace plant consolidation of two sites in Europe into one in Kassel, Germany. This will allow us to optimise efficiency and make best use of new investments avoiding a duplication of investments at two sites.

The year 2019 marked a record year in **capital expenditures of CHF 24.7 million**, mainly to raise PET extrusion capacity for future growth, in Tianjin China and Matamoros Mexico as well as for an Aero prepreg machine purchased for the Kassel site.

## Research and Development

Gurit serves its customers with a wide portfolio of advanced composite materials, select composite parts, tooling equipment, structural engineering and wind turbine blade core material kits.

In 2019 Gurit undertook a major product development and capacity expansion program for PET due to the market demand shift from thermoset (PVC, SAN) to thermoplastic core materials (PET). Three additional extrusion lines were developed and one already implemented; the remaining two big lines will follow in 2020. Gurit also started a major product improvement program in PET to raise future product properties and reduce cost. The recycled PET production and qualification of additional feedstock resources continued at a strong pace.

Gurit Kitting is investing in faster and more automated kitting process equipment which will become operational in 2020.

In the Tooling business, Gurit is working on blade making automation and industry 4.0 solutions to reduce blade production cycle time in cooperation with our customers and external partners.

A new adhesive range enabling reduced blade bonding cycle time was launched in 2019, also offering the Light Reflective Technology (LRT) feature already known from the Ampreg™ laminating resin range.

Product innovation for the aerospace prepreg range is focusing on the development of new, more environmentally friendly base materials and higher performance prepreps for our customers.

## Market Environment and Demand Situation

### Wind

Gurit's wind business took advantage of the strong growth in newly installed capacity in global Wind Energy, especially in the Asian (except India) and US markets, offsetting the difficult market environment in the northern part of Europe and the still sluggish Indian market. The overall demand 2019 is expected to have reached 66 GW, an increase of 32% versus 2018 at 50 GW\*. The expiry of the government support programs (USA 2020, China 2021) created significant installation demand in 2019.

The Americas region is expected to have grown by 40% to 16 GW. In Europe the 2019 new installations grew by 32% to 16 GW and in the APAC region the new installations are expected to grow by almost 27% to 32 GW, with China contributing with 27 GW the major part. Globally the offshore share of installations is a growth driver, especially in China and northern Europe, while onshore Wind is growing now with at a slower pace. The trend to bigger turbines continues with strong pace to reduce the cost of energy.

The **installation projections for 2020** are expected to continue the growth pace and to grow by 16% to 76 GW. Again, China and US are expected to be the two most vibrant global regions, while India is finally expected to grow.

Looking out to the **next decade**, the new capacity installation is expected to be more stable in the 70 GW range (2018-2028 CAGR 8.4%) with stronger growth in the Middle East and Africa (23.7% CAGR), Latin America (10.2% CAGR) and Eastern Europe (11.8% CAGR) while North America (6.4%), Western Europe (5.5%) and especially China (2.9%) are expected to have a below average growth rate.\*

Wind Energy has once more made significant progress in improving cost competitiveness by further improving its cost of energy contracts in 2019 versus non-renewable cost benchmarks. This will sustain growth of wind renewable energy beyond the government subsidized period in the various countries. The global consolidation of Wind Energy Original Equipment Manufacturers (OEM's) is expected to continue within the global top ten. Manufacturing capacity expansions are expected to grow especially in China and India, for domestic and export business in the latter. Bigger turbines powered by ever longer blades create more challenges as the capital expenditures of the OEM's are growing much faster than the blade length. Process cycle time improvements to manufacture the big blades quicker and automation support in the blade making process are focus areas in Gurit Materials, Kitting and especially Tooling. Cost reduction and efficiency improvements are a necessity to make wind energy more cost effective. Gurit's investment in PET core, co-location of PET extrusion and core kitting and the development of faster reacting adhesives are key activities in this context.

### Gurit sales to Lightweighting markets Aerospace

Demand in the aerospace business was driven by both Europe and North America. The continuous global growth of commercial air transport was unbroken again in 2019 and allowed for an increase in revenue and a solid backlog in the Aero sector.

### Marine & Industrial

The global marine industry was weaker in 2019. While Gurit strengthened its market position in Europe, the market environment in the Asia-Pacific and Americas regions was difficult and additionally challenged by the global shortage of core materials. Some large industrial customers also faced a slow demand situation, resulting in a slight overall decline in the Marine & Industrial segment.

### Order situation

In total, the Group's order situation was solid at the year-end 2019 for 2020, especially in Gurit Materials where multi-year agreements secure sales development especially of PET. Gurit Tooling will start 2020 with a strong order book for the Chinese and international customers. Gurit Kitting demand is equally contractually agreed for 2020.

\* Source: Wood Mackenzie January 2020

\* Source: Wood Mackenzie: Global wind power market outlook update: Q4 2019 25 Nov 2019

## Key Financial Figures 2019 and Business by Segments

In total, Gurit achieved Group net sales of CHF 576.4 million for the full year 2019 (FY 2018: CHF 425.3 million). This represents an increase of 35.5% in reported Swiss francs and 38.6% growth on a currency adjusted basis. The organic growth for the Gurit Group has been 11.3% on a currency adjusted basis. Group sales for continued operations (excluding automotive components) accounted for CHF 558.3 million in the fiscal year 2019, a growth of 36.0% over 2018.

**Sales by geographic location** showed the APAC region with 37.4% as the largest destination for goods delivered, as compared to 36.6% in the previous year. Deliveries to Europe accounted for 31.6% of total Group sales in 2019 (2018: 37.6%). Goods delivered to the Americas accounted for 22.8% of total Group sales (2018:19.1%), while supply to the rest of the world amounted to 8.2% (2018: 6.7%). A detailed breakdown can be found in the Notes to the Consolidated Financial Statements of this Annual Report on page 124.

Gurit reports net sales in four segments together forming Continued Operations: 'Tooling', 'Kitting', 'Composite Materials' and 'Aerospace', while 'Automotive Components' is accounted for under Discontinued Operations.

### Continued Operations

#### Gurit Tooling

The Tooling Business reported a very strong first half year and an expected weaker second half year. Net sales decreased by -10.5% (currency adjusted: -8.6%) to CHF 106.1 million in 2019 compared to net sales of CHF 118.5 million in 2018. The increase in demand from Asian customers secured in the second half of 2019 will enable strong first half year 2020 sales and a good capacity utilization.

#### Kitting

The Kitting Business Unit reported net sales of CHF 190.7 million and is on a solid growth track versus the prior year of which Gurit consolidated only the last quarter. This contribution represents the majority of the acquisition effect for the Gurit net sales growth reported.

#### Composite Materials

Composite Materials increased net sales by 12.8% (currency adjusted: 15.2%) year-on-year from CHF 221.3 million in 2018 to CHF 249.5 million in 2019. The sales growth has been driven by the vibrant Wind energy market, while sales in the Marine and Industrial business saw a slight decline.

#### Aerospace

Gurit's Aerospace Business reported net sales of CHF 53.5 million, which represents an increase of 7.3% (currency adjusted 9.6%). Both the European and the North American market generated strong demand.

### Discontinued Operations

#### Composite Components

The Composite Components Business reported net sales of CHF 18.1 million in 2019 compared to net sales of CHF 14.7 million in 2018. As communicated on February 11, 2020, Gurit has sold its automotive production site in Hungary.

#### Profitability

Gurit reached an Operating Profit of CHF 51.9 million in 2019 with a margin of 9.0% of net sales which compared favourably to the 2018 margin of 6.7%. In the Continued Operations the operating profit reached CHF 61.5 million with an 11.0% margin to net sales, which is in line with the 11.0% margin achieved in the fiscal year 2018.

The Profit for the year 2019 accounted to CHF 34.9 million and 6.1% of net sales. This compares to a margin in the prior year of 4.7%. This equals to earnings per listed bearer share of CHF 76.06 in 2019 (2018: CHF 42.96). In the Continued operations the Profit for the year was CHF 44.6 million or 8.0%, compared to the prior year with CHF 36.9 million or 9.0% of net sales.

#### Cash Flow and Balance Sheet

Gurit generated a positive net cash flow from operating activities of CHF 65.9 million, which is markedly higher than in 2018 (CHF 19.4 million) due to higher Operating Profits and the timing of customer payments which were late in the previous year. **Capital expenditures** amounted to CHF 24.7 million in 2019 compared to CHF 15.3 million in the previous year. The increase is mainly due to the Capex needs of the acquired Gurit Kitting business, such as the new Kitting facility in Mexico, as well as the acquisition of core material production equipment for PET. Gurit undertakes a significant Capex program to increase its PET extrusion footprint.

Gurit reduced its **net debt** to CHF 52.9 million at year end 2019 compared to CHF 80.0 million in the previous year. The gross debt to EBITDA ratio was 1.36 at year end 2019 compared to 2.93 in the previous year.

The equity ratio increased to 40.2% at year end 2019 from 33.8% in 2018.

## Risk Management

Risk management forms an integral part of the Group's conduct of business and is therefore an important element of daily business conduct. A formal risk management review and subsequently an update of the risk profiles are performed semi-annually by Management and Board of Directors, including assessment of the individual sites. Gurit groups the risks into the following three categories: **strategy execution risks, operational risks and financial risks**. The different business risks are assessed and prioritized according to their financial impact and the likelihood of their occurrence. The Executive Committee ensures that appropriate measures are taken to mitigate the risks. The Board of Directors is regularly updated of the Group's risk profile and the corresponding mitigating action plans and their respective changes.

Gurit has identified the following key risks out of its wider business risk list which are all managed according to the outlined risk management process:

The wind energy industry is to a certain degree still influenced by governmental policies, such as the introduction of auction systems, which can affect demand momentum in a given time period. Based on Gurit's global footprint of operations and sales, the Company is able to balance such risks to a certain degree. The long-term trend in the wind energy industry is to reduce cost per KWh of produced energy, which requires steady cost reduction and subsequently creates price pressure in the supply chain. Gurit strives to meet this challenge with efficiency improvements, fixed cost leverage through volume growth and product innovation to reach the required product cost reductions.

Gurit is undertaking a major investment in PET core materials both from a capital investment as well as from a site expansion viewpoint. The execution risks of such a major program exist and are being monitored monthly.

The acquisition of JSB (Gurit Kitting) positions Gurit very favourably as a strategic supplier in the global Wind Energy market. The business integration of JSB into Gurit is associated with the typical integration risk of not capturing the intended synergies in time and amount.

Gurit is active in the chemical and materials processing business and is working hard to steadily improve the Health and Safety of its products and operations. In 2019 Gurit has started a major initiative to further improve its overall operations and reduce related risks.

IT cyber and fraud attacks become an ever increasing risk to business. Gurit is steadily reinforcing its defense against such attacks with more refined IT systems, along with stronger access and detection security measures. The exposure to related attacks however remains as a business risk.

Gurit is also faced with material procurement risks. Price development in general is tied to the oil price for all oil-based raw materials used and the steel price, in particular for the Tooling business. Other material procurement risks relate to the availability of supply and climatic conditions for balsa wood harvest, individual vendor delivery constraints, commodity changes driven by health and safety regulations or changes in governmental regulation in regions or countries. As part of its philosophy as a responsible supplier, Gurit has started to re-formulate several of its Formulated products to improve user health and safety through the careful selection of chemicals.

Moreover Gurit is exposed to transaction exchange rate risks as it is selling and manufacturing globally.

At the time of editing this report there was an outbreak of a Novel Coronavirus in China. There is a possibility that this epidemic can have a material adverse effect on the business.

## Sustainability

The sustainability of the Gurit business is growing in significance every year and therefore we have issued a separate sustainability report as part of this annual report. Wind Energy as a renewable form of electricity generation represents 77% of Gurit's business activity. Lightweighting, in terms of higher performing materials in Aero, Marine, and Industrial markets, makes up the balance of activity. Gurit is acting in business fields which create strong benefit for a better world for us and our children. Gurit is an attractive employer which creates passion and a clear and compelling purpose of what we are developing and producing for the global markets. We undertake to develop and promote our own human resources with the ambition to staff more than 50% of our leadership positions longer term from within the company. We also want to attract young talent to achieve this.

Within the good purpose of our business, the reduction of hazardous materials used to create our products is continuously focused on – exemplarily in our recycled PET initiative to substitute thermoset foams over time. Occupational Health and Safety improvements are critical to us and supported by a major program. Equally we steadily improve our customer order fulfillment and our quality levels. We do business under a strong code of business ethics and we do not overstep.

Please review the Gurit Sustainability report on page 52 for further information and the related statistics. [www.gurit.com/About/Sustainability](http://www.gurit.com/About/Sustainability)



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

## Outlook and Proposed Distribution to Shareholders

In light of the expected strong wind energy demand and current market fundamentals, our outlook for the Company's development in 2020 is positive. Despite potential short-term effects of the trend towards competitive auction systems, mid- and long-term prospects for the global wind energy industry remain favourable, with projected annual new installation growth of around 8% over the coming 10 years. For the Aerospace business, we are confident that we can turn the successful material qualification with another major aircraft manufacturer into additional sales revenue in 2020 as well as into a promising growth opportunity for Gurit in the mid-term.

Overall, we currently expect to achieve a single-digit organic revenue growth to around CHF 600 million in 2020. We further expect to achieve an operating profit in the range of 8.5-11.0% for the fiscal year 2020.

The net sales guidance does consider the divestment of the automotive business effective February 1, 2020. The operating profit guidance provided above assumes a negative effect of the corona virus triggered business interruption in China in the month of February. If the busi-

ness impact lasts longer, the effect on sales and operating profit margins would be more severe.

The Board of Directors will propose to the Annual General Meeting of Shareholders, scheduled for April 15, 2020, to distribute a total of CHF 11.7 million to shareholders – this corresponds to CHF 25.00 per listed bearer share, an increase of CHF 5.00 versus 2019.

We would like to thank all our employees for their excellent performance and strong contribution to the Company's success and strategic development. Furthermore, we are also grateful for the continued customer loyalty and rewarding relationships of mutual respect with our business partners. Last but not least we would like to extend our sincere gratitude towards our shareholders for their ongoing trust and support.

Yours sincerely, Gurit Holding AG

Peter Leupp  
Chairman of the  
Board of Directors

Rudolf Hadorn  
Chief Executive  
Officer



