

## Press Release

Niederweningen, 3 August 2017

### Improved business performance in the first half of 2017

The business performance and above all the outlook for Bucher Industries for the year as a whole improved in the first half of 2017. All the divisions with the exception of Bucher Specials contributed to the marked increase in order intake. Group sales were also up year on year. The operating profit margin remained at the same level as in the first half of 2016.

#### Group

CHF million	January - June		Change in			Full year 2016
	2017	2016	%	% <sup>1)</sup>	% <sup>2)</sup>	
Order intake	<b>1 267</b>	1 088	16.4	17.5	16.3	2 386
Net sales	<b>1 313</b>	1 245	5.4	6.4	5.6	2 380
Order book	<b>677</b>	564	19.9	21.4	20.6	728
Operating profit (EBITDA)	<b>160</b>	154	3.8			263
<i>as % of net sales</i>	12.2%	12.4%				11.0%
Operating profit (EBIT)	<b>115</b>	107	6.7			169
<i>as % of net sales</i>	8.7%	8.6%				7.1%
Profit/(loss) for the period	<b>87</b>	73	18.9			118
<i>as % of net sales</i>	6.6%	5.9%				5.0%
Earnings per share in CHF	<b>8.74</b>	7.33	19.2			11.73
Operating free cash flow	<b>-30</b>	-31	2.6			190
Net cash/debt	<b>-16</b>	-149	89.4			61
Total assets	<b>2 405</b>	2 371	1.5			2 420
Equity	<b>1 251</b>	1 157	8.1			1 224
<i>Equity ratio</i>	52.0%	48.8%				50.6%
<i>Return on equity (ROE)</i>	11.0%	12.2%				10.0%
Net operating assets (NOA) average	<b>1 285</b>	1 277	0.6			1 293
<i>Return on net operating assets (RONOA) after tax</i>	13.6%	12.1%				9.7%
Number of employees at closing date	<b>11 615</b>	11 277	3.0		2.7	11 175

<sup>1)</sup> Adjusted for currency effects

<sup>2)</sup> Adjusted for currency and acquisition effects

**Improved market mood** The Group benefitted in the first half of 2017 from a more positive mood in its markets. There was evidence of greater confidence in the farming sector. The higher milk and stabilised meat prices had a positive impact on the dairy and livestock segments. In the arable segment, cereal prices also stabilised, albeit at a low level because of high stocks worldwide. The market for sweepers recovered in Europe, and demand for refuse collection vehicles revived in Australia. Demand for hydraulic systems and components as well as glass-forming and inspection machinery showed a gratifying upturn. The situation in the markets served by Bucher Specials presented a varied picture.

**Pleasing business performance** In the first half of 2017, the order intake at Bucher Industries showed pleasing growth. All the divisions, with the exception of Bucher Specials, contributed to this development. Kuhn Group reported a marked increase in order intake, particularly in North America. Bucher Municipal's business with municipal vehicles showed a pleasing trend, particularly in Europe, Australia and Russia. Bucher Hydraulics reported increased orders in the construction machinery, industrial hydraulics, materials handling and agricultural engineering segments. The positive development in glass-forming machines and related spare parts underpinned the business performance of Bucher Emhart Glass. The four Bucher Specials business units developed along different lines. Group order intake improved significantly, but the increase in sales remained at a lower level. The operating profit margin of 8.7% was adversely affected above all by higher material costs at Kuhn Group. The operating profit also contained a positive one-off effect of CHF 5 million from the reduction in the conversion rate of the Swiss pension fund. In combination with lower financial and tax expenses, Group profit for the period rose significantly.

**Financial situation** The seasonal increase in working capital and the dividend payout resulted in a negative free cash flow of CHF 79 million in the first half of 2017. The net liquidity decreased as of 30 June 2017 to minus CHF 16 million. It will increase again significantly towards the end of 2017 due to seasonal reasons. The Group invested CHF 25 million in organic growth in the reporting period. The main focus was on expansion of the production infrastructure as well as modernisation and automation of production plants. In

addition, great emphasis was once more placed on the net operating assets. Together with the increased operating profit, return on net operating assets (RONOA) after tax improved to 13.6% (previous period: 12.1%). This was still significantly higher than the cost of capital, but below the long-term target of 16%. With an equity ratio of 52% and high liquid assets, the Group's financial independence and opportunities for further growth remain secure.

**Board of Directors** On 19 April 2017, the Annual General Meeting re-elected Philip Mosimann as Chairman of the Board of Directors. The General Meeting confirmed all the members standing for re-election to the Board of Directors and the Remuneration Committee. Ernst Bärtschi did not stand for re-election having served twelve years on the Board.

#### Kuhn Group

CHF million	January - June		Change in		Full year 2016
	2017	2016	%	% <sup>1)</sup>	
Order intake	417	349	19.5	18.9	935
Net sales	592	559	5.9	6.0	930
Order book	195	157	24.1	23.6	371
Operating profit (EBITDA)	81	85	-3.7		116
<i>as % of net sales</i>	13.7%	15.1%			12.4%
Operating profit (EBIT)	62	63	-1.3		74
<i>as % of net sales</i>	10.5%	11.2%			8.0%
Number of employees at closing date	5 029	4 742	6.1		4 731

<sup>1)</sup> Adjusted for currency effects

**Improved market conditions** The mood in the farming sector was noticeably more confident in the first half of 2017. Rising milk prices and stabilising meat prices had a positive effect on the dairy and livestock industries. In the arable segment, cereal prices stabilised, though at a low level owing to high stocks worldwide and restrained demand. The situation in western Europe developed generally positively. However, France was still affected by the poor harvest of 2016. In North America, the crop production sector remained under pressure due to low grain prices and high stocks. The market for hay and forage harvesting as well as feeding technology began a slow recovery.

**Strong increase in order intake** Kuhn Group recorded a strong increase in order intake during the first half of 2017. The positive impact of this trend resulted in steadily improving utilisation of production capacities and higher sales year on year. Operating profit was on a par with the previous year, while the operating profit margin decreased slightly. Over the last six months, the division was hit by rising steel costs, which could only partially be passed on to customers in the first half of the year. In addition, sales in North America continued to decline, despite the pleasing increase in order intake. The combination of these developments had a negative impact overall on Kuhn Group's operating profit margin, which came in at 10.5%.

#### **Bucher Municipal**

CHF million	January - June		Change in			Full year 2016
	2017	2016	%	% <sup>1)</sup>	% <sup>2)</sup>	
Order intake	<b>220</b>	172	28.0	31.0	23.5	381
Net sales	<b>181</b>	175	3.5	6.1	0.3	389
Order book	<b>141</b>	107	32.3	35.6	31.5	104
Operating profit (EBITDA)	<b>10</b>	9	6.5			25
<i>as % of net sales</i>	<i>5.4%</i>	<i>5.2%</i>				<i>6.4%</i>
Operating profit (EBIT)	<b>4</b>	4	4.8			15
<i>as % of net sales</i>	<i>2.4%</i>	<i>2.4%</i>				<i>3.7%</i>
Number of employees at closing date	<b>1 840</b>	1 740	5.7		3.6	1 746

<sup>1)</sup> Adjusted for currency effects

<sup>2)</sup> Adjusted for currency and acquisition effects

**Market recovery** The first half of 2017 saw a revival in demand for sweepers in Europe. The market for sewer cleaning vehicles was stable. Demand for winter maintenance equipment was also constant year on year, though it remained at a low level. The situation in Russia improved, while demand for refuse collection vehicles rose in Australia on the basis of a brighter economic situation.

**Pleasing business performance** The overall performance of the business with municipal vehicles showed a pleasing trend in the first half of 2017, particularly in Europe, Australia and Russia. There was a very pleasing upturn in the division's order intake compared with the

same period a year ago. Organic growth and consolidation of the previous year's acquisitions were contributing factors. Sales showed only a modest rise, but there was a marked increase in capacity utilisation at the production plants. Bucher Municipal's operating profit margin was unchanged compared with the same period of last year at 2.4%. This was subject to pressure due to the challenge of concentrating sweeper production in Latvia and Great Britain at the same time as coping with a strong short-term rise in order intake.

### Bucher Hydraulics

CHF million	January - June		Change in		Full year 2016
	2017	2016	%	% <sup>1)</sup>	
Order intake	289	255	13.5	14.6	482
Net sales	273	254	7.4	8.4	475
Order book	98	76	27.9	29.2	82
Operating profit (EBITDA)	49	43	15.1		76
<i>as % of net sales</i>	17.9%	16.7%			16.0%
Operating profit (EBIT)	39	33	18.8		57
<i>as % of net sales</i>	14.3%	13.0%			11.9%
Number of employees at closing date	2 159	2 053	5.2		2 061

<sup>1)</sup> Adjusted for currency effects

**Rising trend in the markets** The market for hydraulic systems and components showed a significant upturn in almost all regions in the first half of 2017. Demand developed favourably overall in Europe and North America. India also benefitted from a rising market trend and in China demand rose on a revival of construction activity, particularly in construction machinery. This market segment along with industrial hydraulics and agricultural engineering grew strongly year on year, but there were also signs of positive impetus in materials handling.

**Pleasing profitability** Bucher Hydraulics enjoyed a very successful first half of 2017. All locations across the division contributed to the good level of order intake. Sales also showed a pronounced year-on-year increase. This strong growth trend was driven by increased demand in the construction machinery, industrial hydraulics, materials handling and

agricultural engineering segments. This resulted in a gratifying operating profit margin of 14.3%.

**Bucher Emhart Glass**

CHF million	January - June		Change in		Full year 2016
	2017	2016	%	% <sup>1)</sup>	
Order intake	235	183	28.6	31.4	351
Net sales	166	158	4.8	7.0	371
Order book	176	153	14.8	17.3	108
Operating profit (EBITDA)	14	16	-15.0		39
<i>as % of net sales</i>	8.2%	10.1%			10.5%
Operating profit (EBIT)	8	10	-20.0		26
<i>as % of net sales</i>	4.8%	6.3%			7.1%
Number of employees at closing date	1 625	1 794	-9.4		1 757

<sup>1)</sup> Adjusted for currency effects

**Positive market mood** The first half of 2017 saw a pleasing development of the market for glass-forming and inspection machinery. The important European market remained at a high level. In Central and South America as well as large parts of Asia, demand for systems for the glass container industry increased. The Chinese market recovered slowly, but remained at a low level. Demand in the spare parts and service business for glass-forming machinery rose in all regions.

**Increase in order intake** Compared with the same period a year ago, order intake at Bucher Emhart Glass showed a significant improvement in the first half of 2017. However, the increase in sales was less marked because many of the orders taken are not due for delivery until the second half of the current year. The generally good level of demand for glass-forming machinery and spare parts benefitted the division's business performance. The restructuring of Sanjin, initiated the previous year, went according to plan in the first half of 2017, but resulted in one-off costs of CHF 2 million in connection with inventory valuation adjustments. These costs and the low profitability overall at Sanjin resulted in a reduced operating profit margin of 4.8%.

**Bucher Specials**

CHF million	January - June		Change in		Full year 2016
	2017	2016	%	% <sup>1)</sup>	
Order intake	128	153	-16.6	-16.0	289
Net sales	129	125	3.2	3.9	263
Order book	75	80	-6.0	-5.2	76
Operating profit (EBITDA)	10	13	-20.8		27
<i>as % of net sales</i>	7.7%	10.0%			10.2%
Operating profit (EBIT)	7	10	-25.3		21
<i>as % of net sales</i>	5.5%	7.6%			8.0%
Number of employees at closing date	900	886	1.6		817

<sup>1)</sup> Adjusted for currency effects

**Mixed market situation** In the first half of 2017, developments in the Bucher Specials markets varied. Although demand for winemaking equipment was generally stable, it was negatively affected in the important French market by changes in the framework conditions of the Macron subsidy programme and adverse weather conditions. The market for beverage technologies recovered slightly, but remained volatile overall because of difficulties experienced by customers with project financing. The Swiss market for agricultural equipment remained stable on the whole. Demand for mobile and industrial automation solutions showed a pleasing trend.

**Diverse business development** Order intake at Bucher Specials decreased year on year. Sales, by contrast, were slightly higher than in the first half of 2016. The operating profit margin of 5.5% was negatively affected by higher material costs. The result was also adversely influenced by provisions for legal costs in connection with the investigation of the Swiss Competition Commission (COMCO). The Group has been cooperating with COMCO's ongoing investigations at Bucher Landtechnik AG since mid-March 2017 and assisting in clearing the matter up. The division's four business units developed along different lines. Although Bucher Vaslin reported a stable order intake in its business with winemaking equipment, sales were at a lower level. The beverage technologies offered by Bucher Unipektin continued to be exposed to the volatility of the project-related business. The Swiss

distributorship for agricultural machinery, reported a slightly lower order intake and solid sales, while the pleasing growth of Jetter's business with solutions for mobile and industrial automation continued.

**Outlook for 2017** For the current year, the Group anticipates an improvement in the business performance compared with 2016. Kuhn Group expects a continued recovery in the market for agricultural equipment. For the second half of 2017, the division is reckoning with stable milk prices and therefore an increase on the previous year, which could continue to stimulate demand for hay and forage harvesting as well as feeding technology. Cereal prices and the market for agricultural machinery in this segment are likely to remain volatile. For 2017, the division anticipates an increase in sales and a year-on-year rise in operating profit margin, despite higher material costs. Bucher Municipal expects slightly lower demand for municipal vehicles in the second half. The concentration of sweeper production, due to be completed in the current year, the absence of one-off costs and a good level of capacity utilisation should have a favourable impact on profitability. The division therefore anticipates higher sales and an improvement in the operating profit margin for 2017 as a whole. Bucher Hydraulics is expecting the favourable market environment to be sustained. The division should achieve higher sales in the current year and, due to higher development expenditure, an operating profit margin on a par with the previous year. Bucher Emhart Glass expects demand to remain at a good level in the project business. The division will continue its measures to improve profitability and take the restructuring of the Chinese joint venture forward. The high order book will have a positive impact on sales growth in the second half of the year. For the 2017 business year as a whole, Bucher Emhart Glass anticipates sales growth and a slightly higher operating profit margin. Bucher Specials expects an improvement in business performance thanks to its beverage technologies and automation solutions. For 2017, the division is expecting a slight rise in sales and a somewhat lower operating profit margin, negatively affected by one-off costs. For the current year as a whole, the Group expects increased sales and an improved operating profit margin.



**Contact**

Jacques Sanche, CEO

Christina Johansson, CFO

Phone: +41 43 815 80 40

E-mail: [media@bucherindustries.com](mailto:media@bucherindustries.com)

[www.bucherindustries.com](http://www.bucherindustries.com)

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