

Press release

Niederweningen, 30 July 2015

Strong Swiss franc influences half-year results for 2015

In the first half of 2015, Bucher Industries was unable to maintain the high level attained in the same period of last year. Sales and order intake decreased. The appreciation of the Swiss franc contributed around 7% to the decline in sales. Before adjustment for currency effects, the operating profit margin decreased slightly, edging down 0.3 percentage points. As a result, Group profit for the period was lower than the high level reached in the same period of 2014.

Group

CHF million January – June	2015	2014	Change in		
			%	% ¹⁾	% ²⁾
Order intake	1 155.6	1 322.4	- 12.6	- 6.0	- 7.0
Net sales	1 341.3	1 469.0	- 8.7	- 2.0	- 2.9
Order book	549.3	701.7	- 21.7	- 16.2	- 16.2
Operating profit (EBITDA)	162.1	186.5	- 13.1		
<i>As % of net sales</i>	12.1%	12.7%			
Operating profit (EBIT)	117.8	141.5	- 16.7		
<i>As % of net sales</i>	8.8%	9.6%			
Profit/(loss) for the period	79.5	96.5	- 17.6		
<i>As % of net sales</i>	5.9%	6.6%			
Earnings per share in CHF	7.85	9.60	- 18.2		
Operating free cash flow	- 62.6	- 87.7	28.6		
Net cash/debt	- 239.4	- 221.7	- 8.0		
Total assets	2 366.0	2 561.4	- 7.6		
Equity	1 041.3	1 100.3	- 5.4		
<i>Equity ratio</i>	44.0%	43.0%			
<i>Return on equity (ROE)</i>	16.1%	19.0%			
Net operating assets (NOA), average	1 329.5	1 141.4	16.5		
<i>Return on net operating assets (RONOA), after tax</i>	12.7%	17.4%			
Number of employees at 30 June	11 607	11 890	- 2.4		- 2.4

¹⁾ Adjusted for currency effects

²⁾ Adjusted for currency and acquisition effects

Subdued mood in the markets In the first half of 2015, the principal markets served by Bucher Industries developed along different lines. Economic activity in Europe remained sluggish; in North America, the development of demand in the Group's market segments was variable. Brazil entered recession; and the Chinese market showed no signs of recovery. In the biggest market segment, agricultural machinery, falling grain prices and lower incomes dampened farmers' willingness to invest.

Business performance In this generally subdued market environment, the consolidated order intake fell by 6% in terms of local currencies. Thanks to solid positions in the principal markets, sales in terms of local currencies were only 2% lower. Bucher Municipal, Bucher Hydraulics and Bucher Emhart Glass were able to improve their operating profit margins. However, this pleasing performance was not sufficient to compensate for the decline at Kuhn Group and Bucher Specials. Currency effects, the economic development, persistent competitive and margin pressure and underutilisation of capacity at some plants led to a decrease in operating profit and profit for the period.

Currency effects The marked appreciation of the Swiss franc influenced the half-year results for 2015. In the first half, the euro lost 12% compared with the average exchange rate against the Swiss franc in the same period a year ago. The depreciation in the value of the euro was partly offset by the recovery of the US dollar. In the reporting period, the currency effect on sales was negative 7%. The net negative effect on operating profit was 11% and on the operating profit margin 0.5 percentage points. Translation of foreign currencies into Swiss francs and one-off devaluation effects on balance sheet items were the main reasons for the marked currency effect. The translation of the various balance sheet items reduced equity by CHF 142 million and increased net debt by CHF 20 million.

Financial situation The seasonal increase in net working capital was less than in the same period of 2014. Free cash flow improved by CHF 68 million, while net debt on 30 June 2015 showed an increase, but will fall again significantly owing to seasonal factors by the end of 2015. At 13% the return on net operating assets (RONOA) after tax was significantly higher than the cost of capital. With a return on equity of 16%, an equity ratio of 44% and high liquid assets, Bucher Industries is still very robust and well positioned for further growth.

Board of directors and group management As designated successor to long-serving CEO, Philip Mosimann, Dr Jacques Sanche will assume his role on 1 September 2015, three months earlier than planned, to begin his induction programme. Philip Mosimann will step down as CEO at the 2016 annual general meeting of shareholders. At the same time, it will be proposed to the annual general meeting that Philip Mosimann be elected as the new chairman of the board.

Kuhn Group

CHF million January – June	2015	2014	Change in		
			%	% ¹⁾	% ²⁾
Order intake	421.8	513.5	- 17.9	- 10.0	-12.7
Net sales	645.0	725.9	- 11.1	- 3.4	- 5.1
Order book	196.7	279.2	- 29.5	- 24.0	- 24.0
Operating profit (EBITDA)	96.2	118.3	- 18.7		
<i>As % of net sales</i>	14.9%	16.3%			
Operating profit (EBIT)	75.4	97.6	- 22.7		
<i>As % of net sales</i>	11.7%	13.4%			
Number of employees at 30 June	5 194	5 435	- 4.4		- 4.4

¹⁾ Adjusted for currency effects

²⁾ Adjusted for currency and acquisition effects

Difficult market conditions In the first half of 2015, the downward trend in demand for agricultural machinery persisted in Kuhn Group's key markets. Arable farming was particularly badly affected. By contrast, the meat and dairy segments held up well. In the USA and Western Europe, the high volume of investment in recent years had an additional dampening effect on demand. Brazil lacked any momentum owing to the recession.

Despite the difficult conditions, the division was able to keep the effects within bounds. Adjusted for currency effects, sales fell by only 3%. Order intake was 10% lower than the same period a year ago. At some Kuhn plants, production capacity was not fully utilised and the operating profit margin of 11.7% was 1.7 percentage points under the high value of the same period a year ago.

Bucher Municipal

CHF million			Change in	
January – June	2015	2014	%	% ¹⁾
Order intake	200.9	223.4	- 10.0	- 4.6
Net sales	183.6	189.7	- 3.2	2.1
Order book	112.3	136.5	- 17.7	- 12.7
Operating profit (EBITDA)	15.3	13.8	10.9	
<i>As % of net sales</i>	<i>8.4%</i>	<i>7.3%</i>		
Operating profit (EBIT)	11.5	10.0	15.0	
<i>As % of net sales</i>	<i>6.2%</i>	<i>5.3%</i>		
Number of employees at 30 June	1 616	1 628	- 0.7	

¹⁾ Adjusted for currency effects

Stable market The market for sweepers in Europe refuse collection vehicles in Australia remained stable, but at a low level. The business with winter maintenance equipment lacked momentum owing to the mild winter. In February of the reporting period, the division received a further major order for sweepers and winter maintenance equipment from the city of Moscow. The order was worth CHF 30 million, CHF 23 million below that received in the first half of 2014.

Thanks to the good market performance, sales rose slightly in terms of local currencies, order intake fell by just under 5%. The operating profit margin showed a marked improvement thanks to selective measures to improve efficiency.

Bucher Hydraulics

CHF million January – June	2015	2014	Change in	
			%	% ¹⁾
Order intake	246.3	256.2	- 3.9	0.2
Net sales	241.2	245.8	- 1.9	2.6
Order book	79.8	79.1	0.9	3.9
Operating profit (EBITDA)	38.8	37.6	3.2	
<i>As % of net sales</i>	<i>16.1%</i>	<i>15.3%</i>		
Operating profit (EBIT)	29.5	27.7	6.5	
<i>As % of net sales</i>	<i>12.2%</i>	<i>11.3%</i>		
Number of employees at 30 June	2 039	2 030	0.4	

¹⁾ Adjusted for currency effects

Stable business performance In the first half of 2015, the markets for hydraulic systems and components followed a varied pattern of development. The brisk demand in North America continued, while Europe saw only a slight rise. Demand in the materials handling equipment and industrial hydraulics segments was solid; however, in the key agricultural machinery segment Bucher Hydraulics experienced a marked decline.

Thanks to its strong market position in the various areas of application, the division was able to increase sales in local currencies. The excellent business performance in North America compensated for the cooling market climate in Europe. The lively demand for materials handling equipment almost offset the marked decline in the agricultural machinery segment. The operating profit margin came in above expectations at 12.2%. All the production facilities, especially those in Switzerland, Italy, the USA, India and China contributed to the pleasing result.

Bucher Emhart Glass

CHF million			Change in	
January – June	2015	2014	%	% ¹⁾
Order intake	177.8	188.0	- 5.4	5.3
Net sales	162.2	188.0	- 13.7	- 4.4
Order book	101.7	117.5	- 13.4	- 3.6
Operating profit (EBITDA)	15.8	13.4	17.9	
<i>As % of net sales</i>	<i>9.7%</i>	<i>7.1%</i>		
Operating profit (EBIT)	9.9	7.5	32.0	
<i>As % of net sales</i>	<i>6.1%</i>	<i>4.0%</i>		
Number of employees at 30 June	1 822	1 857	- 1.9	

¹⁾ Adjusted for currency effects

Challenging market environment In the first half of 2015, the market for glass-forming machines remained at the same level overall as in the comparable period of last year. The market for glass inspection machinery weakened after several very good years. Existing surplus capacity at manufacturers of glass-forming machinery ramped up the competitive and margin pressure. In China the market remained at a low level. The parts and service business, on the other hand, benefitted worldwide from strong demand. The successful cooperation with O-I also had a positive influence.

Despite these difficult conditions, Bucher Emhart Glass held up well. While the order intake in local currencies grew by more than 5%, in terms of Swiss francs it was down by about 5%. The same applied to sales, which showed a currency effect of about 9%. Nevertheless, the division succeeded in significantly improving the operating profit margin by 2.1 percentage points to 6.1%. This was the first sign of positive results after several years of effort in the framework of the strategic realignment.

Bucher Specials

CHF million			Change in	
January – June	2015	2014	%	% ¹⁾
Order intake	129.6	161.1	- 19.6	- 15.1
Net sales	132.5	142.8	- 7.2	- 2.9
Order book	67.1	96.4	- 30.4	- 26.4
Operating profit (EBITDA)	8.1	14.4	- 43.8	
<i>As % of net sales</i>	<i>6.1%</i>	<i>10.1%</i>		
Operating profit (EBIT)	4.7	10.7	- 56.1	
<i>As % of net sales</i>	<i>3.5%</i>	<i>7.5%</i>		
Number of employees at 30 June	874	879	- 0.6	

¹⁾ Adjusted for currency effects

Variable business performance In the first half of 2015, the principal markets served by Bucher Specials developed along distinctly different lines. In terms of local currencies, sales of winemaking equipment held firm at the high level achieved in the same period of last year. By contrast, the project business with beverage and environmental technologies unexpectedly saw sales slump as a result of keen price competition and delays in customer projects. Thanks to rapid price reductions passing on the euro exchange rate price advantage to customers, the Swiss distributorship for tractors and agricultural machinery turned in a pleasing business performance. Demand for control systems in the field of automation technology developed in accordance with expectations.

The gratifying business performance of the distributorship for agricultural machinery, which exceeded expectations, was not able to compensate for the massive slump in the business with beverage and environmental technologies. Bucher Specials' sales in local currencies fell by almost 3%. The order intake decreased by 15%. The operating profit margin fell to 3.5% as a result of underutilisation of capacity and currency-related one-off effects.

Outlook for 2015 The Group does not anticipate any significant improvement in the economic situation during the second half of the business year. The uncertainties in the eurozone are likely to continue for some time. Depending on market developments, the slump in demand for agricultural machinery could persist beyond the end of the year. Kuhn Group should be able to cope with the slump in arable farming thanks to its solid position in the meat and dairy sectors; the division will probably fall just below the sales level of the previous year in terms of local currencies. On the other hand, profitability is likely to lose further ground owing to the low level of capacity utilisation at some plants. Bucher Municipal expects the present development of business to continue, with slightly lower profitability, and at Bucher Hydraulics demand may weaken somewhat in the second half, with profitability sustained. Bucher Emhart Glass anticipates a modest increase in sales in local currencies along with a significant improvement in the operating profit margin as the restructuring measures begin to bear fruit. Bucher Specials is reckoning with a decline in sales and operating profit. For the 2015 business year as a whole, the Group is expecting sales and operating profit in terms of local currencies to decrease. The operating profit margin is likely to remain below the level seen during the first half of 2015 due to seasonal, economic and currency factors.

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Simply great machines

Bucher Industries is a global technology group with leading market positions in speciality areas of mechanical and vehicle engineering. The company's operations include specialised agricultural machinery, municipal vehicles, hydraulic components, manufacturing equipment for the glass container industry and for wine and fruit juice production, as well as automation technology. The group's shares are traded on the SIX Swiss Exchange (SIX: BUCN). For further information please visit www.bucherindustries.com.