

Press release

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Emhart Glass plans to leverage its global footprint

Emhart Glass, a division of Bucher Industries and the worldwide market leader in glass container forming machinery, is planning to step up its response to the shift in the glass container markets from customized, high-end equipment to more standardized glass-forming machinery. The proposed realignment of production and engineering capacities will increase the division's flexibility, cost efficiency and profitability, while improving proximity to its customers worldwide.

In recent years, Emhart Glass has faced a gradual shift in demand from high-end, customized equipment to mid-range, more price-competitive and standardized glass container forming and inspection machinery. Demand in emerging markets, such as the Middle East and Asia, is increasing all the time, while markets in Western Europe and the USA are becoming more mature. Emhart Glass, with its unique global footprint, plans to leverage its competitive advantage by adapting its production, engineering and supply chain set-up to the new market environment, while at the same time reducing fixed costs. To serve the different market needs as effectively as possible, Emhart Glass envisages focusing its production and engineering capacities in Europe and the USA on the high-end machine segment, while concentrating the production of medium-range machines mainly in Asia. This would also mean reducing production capacities in Europe and the USA, while increasing engineering and production capacities in Asia.

Today, Emhart Glass operates several production and engineering facilities for glass container forming and inspection machinery. In Sweden, the Sundsvall operation focuses on the manufacture of complete high-end and standardized glass forming machines, while the Örebro operation is highly specialized in the manufacture of critical, high-tech machine parts.

The global, centralized spare parts distribution centre is also based in Sundsvall. Inspection machines are produced in Elmira, USA. The Johor Bahru facility in Malaysia has been built up over the last five years for the assembly of standardized forming machines and sourcing of components. The Sanjin joint venture in China, which was established in 2011, is focusing on the manufacture of glass forming and inspection machines for the Chinese market. The Research Center, located in Windsor, USA, has a complete glass container production line with glass melting capacity of 40 tonnes per day. The major engineering base is located in Cham, Switzerland, together with the division's headquarters.

To create the new set-up at Emhart Glass, a comprehensive set of measures is envisaged, including allocating different tasks and capacities to each location. The main elements are as follows:

- Glass forming machine production in Sundsvall will focus on high-end machines like the NIS and BIS “flagships”, as well as on standardized forming machines for those customers who prefer to buy a machine produced in Sweden. This will necessitate downsizing the Sundsvall operations by approximately 50%.
- The parts distribution centre in Sundsvall will be outsourced to a global logistics company, with warehousing to be built up at locations in Central Europe, the USA and Asia. This will increase customer proximity to spare parts and improve service efficiency.
- The capacity of the modern, specialized parts manufacturing operation in Örebro will remain unchanged. However, it is planned to optimize in-sourcing of high-end parts from European suppliers and transfer the production of other, uncritical parts and components to Malaysia and Sanjin, China.
- In Malaysia, production capacity will be increased, with more emphasis on complete standard forming machines, including sections and mechanisms, as well as medium-range inspection machines; furthermore, an engineering team for forming and inspection machines will be established.
- The proposed build-up of engineering and production capacities in Malaysia would necessitate adjustments to the corresponding functions in the USA and Europe.

- To facilitate these changes and meet the shorter response and delivery times requested by customers, the respective business processes will be streamlined to increase efficiency and quality of service in dealing with customer orders.

This comprehensive set of proposed measures is expected to lead to an overall reduction of approximately 210 employees in Europe and the USA, the majority of them in Sundsvall. On the other hand, the build-up of facilities and capabilities in Malaysia would create around 50 additional jobs. As the new set-up would unfortunately result in a sizeable reduction in the number of employees in Sweden, the proposed measures are subject to consultation with the unions before any decision is taken. The consultation process will start immediately and is expected to last around three months. Emhart Glass is committed to finding an equitable solution for all involved.

The implementation of the proposed new set-up would lead to annual savings of EUR 25 million. The savings would take effect gradually, with the full effects felt from 2015 onwards. Additional capital expenditure of EUR 4 million will be committed in 2013 for the extension of the production building in Malaysia and improvements in Sundsvall. The total one-time cost for all the proposed measures, including severance payments, moving and building up production capacity, as well as other project expenses, is estimated at EUR 15 million, of which around EUR 12 million will be accounted for in the 2012 year-end accounts. As a consequence, Emhart Glass will show a negative result for the 2012 business year. However, Bucher Industries is sticking to its forecast for 2012 as a whole and continues to expect improved sales, operating profit and profit for the year.

Emhart Glass is the world's leading supplier of advanced technologies for manufacturing and inspecting glass containers, with a portfolio encompassing glass container forming and inspection machinery, systems, components, spare parts, advice and services for the glass container industry. In 2011, the division employing some 2100 people generated sales of CHF 345 million.

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