

## Press release

Niederweningen, 25 July 2018

### Pleasing performance in the first half of 2018

Order intake at Bucher Industries rose by 20% year on year in the first half of 2018. All divisions contributed to this positive development. Group sales increased by 19%. Of this increase, 5 percentage points were attributable to the currency translation effect, largely as a consequence of the stronger euro. The operating profit margin stood at 9.1%. Bucher Industries will change its accounting standards from IFRS to Swiss GAAP FER as per 1 January 2019.

#### Group

CHF million	January – June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	<b>1 524</b>	1 267	20.3	16.1	2 871
Net sales	<b>1 560</b>	1 313	18.8	13.9	2 647
Order book	<b>952</b>	677	40.8	35.4	960
Operating profit (EBITDA)	<b>189</b>	160	18.4		318
<i>as % of net sales</i>	12.1%	12.2%			12.0%
Operating profit (EBIT)	<b>142</b>	115	23.9		226
<i>as % of net sales</i>	9.1%	8.7%			8.6%
Profit/(loss) for the period	<b>111</b>	87	27.5		168
<i>as % of net sales</i>	7.1%	6.6%			6.3%
Earnings per share in CHF	<b>10.79</b>	8.74	23.5		16.81
Operating free cash flow	<b>-119</b>	-30	-296.3		148
Free cash flow	<b>-225</b>	-79	-185.3		129
Net cash/debt	<b>-14</b>	-16	10.8		214
Total assets	<b>2 627</b>	2 405	9.2		2 720
Equity	<b>1 426</b>	1 251	14.0		1 432
<i>Equity ratio</i>	54.3%	52.0%			52.7%
<i>Return on equity (ROE)</i>	14.3%	11.0%			12.6%
Net operating assets (NOA) average	<b>1 319</b>	1 285	2.6		1 274
<i>Return on net operating assets (RONOA) after tax</i>	17.0%	13.6%			13.2%
Number of employees at closing date	<b>12 640</b>	11 615	8.8		12 108

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

**Dynamic economic development** The economic environment was mostly favourable during the first half of 2018. In Europe in particular, milk and meat prices remained at a good level. This had a positive effect on the hay and forage harvesting and feeding equipment markets. However, the milk price in the USA remained low, as did prices in the arable sector. During the first half of the year, political tensions between the USA and China and the announcement of punitive tariffs prompted uncertainties regarding the US farmers' future incomes, which were in any case already low. This hampered their willingness to invest. The municipal vehicles market picked up strongly in Europe, and especially in the major markets of the UK, France, Germany and Russia. Demand for sewer cleaning vehicles and winter maintenance equipment increased markedly, as did demand for refuse collection vehicles in Australia. Demand for hydraulic solutions, already unusually high, remained so into the first half of 2018. Glass forming machines were also very much in demand in Europe, North America and Asia. Overall, the markets of Bucher Specials were healthy, with a slight decline only in the agricultural equipment market in Switzerland.

**Broad-based growth** In the first half of 2018, Bucher Industries saw a considerable increase in its order intake. Group sales stood at CHF 1 560 million, with a good operating profit margin of 9.1% despite difficult market conditions for Kuhn Group in North America and higher material costs. The Group saw its profit for the period increase by a considerable 28%. Kuhn Group recorded a solid increase in both order intake and sales. The operating profit margin in the first half of the year was kept down by bottlenecks at the suppliers as well as higher prices for steel and aluminium. In Europe and Australia in particular, the municipal vehicles business did notably well. The concentration of sweeper production in the previous year and the good capacity utilisation at the production plants made Bucher Municipal much more profitable. Bucher Hydraulics posted a consistently impressive order intake worldwide in the materials handling, agricultural equipment and construction equipment segments. The division again generated record figures for order intake and sales and maintained its operating profit margin at the same high level as in the previous year. Order intake at Bucher Emhart Glass was at the same very high level as in the previous year. The Chinese market continued to recover, helping to improve the margin. The division posted a gratifying increase in operating profit margin thanks to better utilisation of production capacity and optimised cost structures. Bucher

Specials recorded a high order intake and a solid increase in sales. Despite last year's poor grape harvest, the winemaking equipment business remained stable. The beverage technology business performed well, with major orders won in Eastern Europe, Asia and Mexico. The Swiss agricultural machinery distributorship was adversely impacted by uncertainties about the Swiss agricultural policy and, while remaining at a high level, was down slightly. Demand for control systems remained high.

**High profitability with solid financial situation** Bucher Industries invested CHF 35 million in the expansion of its production infrastructure and in modernising and automating its production machinery. The group also invested more in the development of new products. Bucher Industries stepped up its operations in Asia by completely taking over the joint venture Shandong Sanjin Glass Machinery Co., Ltd. (Sanjin) in China, and is also planning to acquire an 80% stake in Wuxi Deli Fluid Technology Co., Ltd. (Wuxi Deli). Good economic conditions enabled Bucher Industries to reduce net operating assets by 7 percentage points to 45.6% of net sales. This, combined with greater profitability, improved the return on net operating assets after tax (RONOA) to 17.0%, significantly exceeding capital costs. The seasonal increase in net working capital, higher capital expenditure and the payment of the dividend combined to result in a negative free cash flow of CHF 225 million (compared with minus CHF 79 million over the same period in the previous year). Seasonal factors will push net liquidity, which stood at minus CHF 14 million, back into positive territory by the end of the year. With an equity ratio of 54% and high liquid assets, the financial flexibility of Bucher Industries and opportunities for further growth remain secure.

**Greater presence in Asia** By acquiring an 80% stake in Wuxi Deli, Bucher Hydraulics plans to boost its presence in China and expand its range of products offered worldwide. Wuxi Deli is the leading manufacturer of hydraulic pumps and hydraulic power packs in China and has been successful in growing its export business in recent years. This majority holding will make Bucher Hydraulics a globally significant producer of hydraulic power packs. The takeover is dependent on conditions such as the approval by the Chinese authorities, and is expected to be completed in the second half of 2018. With the complete takeover of the Sanjin joint venture, Bucher Emhart Glass will continue the systematic development of its subsidiary. At the

end of May, Bucher Emhart Glass also took over the glass container laser marking business of Qualimarq, a pioneer and worldwide leader in this field. Bucher Emhart Glass will now be offering state-of-the-art technologies for the laser marking of hot glass containers. These will not only become an integral part of the “End-to-End” initiative, but will also be marketed as a single system under the “ID Mark” product name.

**Change of accounting standards to Swiss GAAP FER** The board of directors has decided to change the accounting standards from IFRS to Swiss GAAP FER as per 1 January 2019. The change of accounting standards will lead to lower volatility in equity and in the income statement. Swiss GAAP FER involves fewer changes in the accounting standards, thus ensuring a more constant financial reporting. Upon the first-time application goodwill will be offset with equity. Bucher Industries will continue to guarantee transparent reporting that gives a true and fair view of the financial situation. The registered shares will continue to be listed on the SIX Swiss Exchange and will remain included in the Swiss Performance Index (SPI).

**Board of directors** On 18 April 2018, the annual general meeting re-elected Philip Mosimann as chairman of the board of directors and confirmed all members of the board of directors and of the compensation committee standing for re-election. Martin Hirzel was elected to the board of directors, bringing the number of directors to seven.

**Kuhn Group**

CHF million	January - June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	<b>471</b>	417	13.0	9.9	1 138
Net sales	<b>676</b>	592	14.1	9.2	1 076
Order book	<b>249</b>	195	27.6	24.3	440
Operating profit (EBITDA)	<b>79</b>	81	-2.6		133
<i>as % of net sales</i>	<i>11.7%</i>	<i>13.7%</i>			<i>12.4%</i>
Operating profit (EBIT)	<b>58</b>	62	-6.3		93
<i>as % of net sales</i>	<i>8.6%</i>	<i>10.5%</i>			<i>8.6%</i>
Number of employees at closing date	<b>5 455</b>	5 029	8.5		5 235

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

**Growth despite regional challenges** At the end of 2017 and in early 2018, the market for agricultural machinery was positive. However, there was a noticeable decline in the willingness of farmers in the USA to invest, as the wet spring weather delayed the start of the season, milk prices fell abruptly and the USA and China became embroiled in a trade dispute. The arable sector in North America continued to suffer from the high grain inventories that recent good harvests have generated, which weighed down on grain prices. In Brazil, the forthcoming elections in October and uncertainties surrounding the subsidy programmes have held back the willingness of farmers to invest. In contrast, the good price level in the dairy and livestock sector in Western Europe generated positive farm incomes, boosting demand for hay and forage harvesting machinery and feeding equipment. Demand fell in Russia and Ukraine. Moreover, Kuhn Group was affected by further rising prices for material, parts and logistics.

## Bucher Municipal

CHF million	January - June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	<b>291</b>	220	32.4	27.7	486
Net sales	<b>246</b>	181	36.1	31.4	426
Order book	<b>213</b>	141	51.1	45.1	165
Operating profit (EBITDA)	<b>26</b>	10	164.3		37
<i>as % of net sales</i>	<i>10.5%</i>	<i>5.4%</i>			<i>8.7%</i>
Operating profit (EBIT)	<b>20</b>	4	359.1		26
<i>as % of net sales</i>	<i>8.2%</i>	<i>2.4%</i>			<i>6.1%</i>
Number of employees at closing date	<b>2 128</b>	1 840	15.7		2 014

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

**High order intake** The good economic situation in Europe and Australia further boosted demand for municipal vehicles. The increase in spending on infrastructure and street maintenance resulted in rising demand for sweepers, especially in France, Germany, Russia and the UK. Demand for sewer cleaning vehicles rose sharply, as did demand for refuse collection vehicles in Australia, where several large orders were won. The market for winter maintenance equipment also experienced a strong upturn due to the long and snowy winter. The high production capacity utilisation and improved cost structure boosted the division's profitability.

## Bucher Hydraulics

CHF million	January - June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	<b>375</b>	289	29.8	26.9	581
Net sales	<b>316</b>	273	15.8	12.5	546
Order book	<b>179</b>	98	83.2	79.8	118
Operating profit (EBITDA)	<b>55</b>	49	12.7		94
<i>as % of net sales</i>	<i>17.4%</i>	<i>17.9%</i>			<i>17.3%</i>
Operating profit (EBIT)	<b>45</b>	39	15.3		75
<i>as % of net sales</i>	<i>14.3%</i>	<i>14.3%</i>			<i>13.7%</i>
Number of employees at closing date	<b>2 450</b>	2 159	13.5		2 319

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

**Record high number of orders** In the first half of 2018, the demand for hydraulic system solutions and components was extraordinarily high in the main markets of Europe, North America and Asia. Hydraulic solutions both for mobile and industrial applications were in strong demand in the German market in particular. The development of the Chinese market for construction equipment was very dynamic. As a result, the most important segments materials handling, agricultural machinery and construction machines again reported high growth rates. The continued growth led to a very high capacity utilisation. However, the division handled the challenges arising in the supply chain and production well, enabling the operating profit margin to be maintained at the high level of the previous year.

### Bucher Emhart Glass

CHF million	January - June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	249	235	5.9	-1.6	449
Net sales	217	166	30.7	21.2	381
Order book	218	176	24.1	15.2	177
Operating profit (EBITDA)	25	14	85.3		36
<i>as % of net sales</i>	11.6%	8.2%			9.6%
Operating profit (EBIT)	20	8.0	148.8		25
<i>as % of net sales</i>	9.2%	4.8%			6.6%
Number of employees at closing date	1 649	1 625	1.5		1 630

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

**Gratifying increase of the operating profit margin** The upturn in demand for glass containers worldwide led to high capacity utilisation of the glass container manufacturers, especially in Europe, where many reached their production limit. Demand in North America was also noticeably higher, and the rebound in the Chinese market continued. In the first six months of 2018, glass container manufacturers in almost all markets therefore invested in modernising their production lines or in completely new facilities. The cooperation with O-I continued to develop well. The division posted a much higher operating profit margin year on year thanks to optimisations undertaken in recent years and good capacity utilisation.

## Bucher Specials

CHF million	January - June		Change in		Full year 2017
	2018	2017	%	% <sup>1)</sup>	
Order intake	<b>163</b>	128	27.7	23.7	275
Net sales	<b>140</b>	129	8.6	5.4	272
Order book	<b>105</b>	75	39.3	35.0	80
Operating profit (EBITDA)	<b>12</b>	10	24.2		28
<i>as % of net sales</i>	<i>8.8%</i>	<i>7.7%</i>			<i>10.3%</i>
Operating profit (EBIT)	<b>9</b>	7	31.0		22
<i>as % of net sales</i>	<i>6.6%</i>	<i>5.5%</i>			<i>8.1%</i>
Number of employees at closing date	<b>895</b>	900	-0.6		849

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

**Strong order intake** The markets of the four business units of Bucher Specials developed mostly positively. Wine production in 2017 fell in the main markets of France, Spain and Italy due to bad weather conditions. Nevertheless, the demand for winemaking equipment was stable in the first six months of 2018. After a gratifying start to the reporting year, the market for beverage technology continued to develop positively due to significant orders in Eastern Europe and Asia. The Swiss market for agricultural machinery was subdued at a high level due to the controversial direction of the Swiss agricultural policy. A greater need for control systems for glass-forming machinery boosted demand for Jetter's control systems for automation technology.

## Outlook for 2018

The Group expects market trends to remain positive overall during the current year. Kuhn Group anticipates stable milk and meat prices in Europe, but continued volatility in crop prices, especially in North America. In addition, a lengthy period of drought brought crop failures to northern and north-eastern Europe. The Chinese punitive tariffs on US agricultural products such as soya beans will delay the recovery of agriculture in North America even further. The operating profit margin of Kuhn Group is likely to again be adversely impacted by low sales figures in the USA, the high cost of steel, and by its current challenges with the supply chain and human resources. Against this background, Kuhn Group expects an increase in sales with



an operating profit margin similar to that of the previous year. With a well-filled order book and high order intake in the first half of the year, Bucher Municipal expects a continuing positive development of sales. In addition, over the course of the year the division will be able to further benefit from the cost-saving potential of the concentration of sweeper production. The division therefore expects a sharp increase in sales and the operating profit margin for the year as a whole. Bucher Hydraulics anticipates continued high demand for hydraulic solutions and a significant increase in sales. The operating profit margin is likely to remain high, but is assumed to come in slightly lower than in the first six months due to seasonal characteristics and the expected consolidation of Wuxi Deli. The upbeat market sentiment in the glass container industry is likely to continue, and with it the high demand for the glass-forming machinery of Bucher Emhart Glass. The division started the year with a high order book and expects sales for the year to outstrip last year's. Thanks to good capacity utilisation and the optimisation programmes launched in recent years, the long-term goal of an operating profit margin of 9% should be reached in 2018. Bucher Specials anticipates its business units to perform well overall and hence higher sales and an improvement in the operating profit margin. The Group expects both sales and the profit for the year to increase for 2018 as a whole.

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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 control systems for automation technology. The Group's shares are traded on the SIX Swiss Exchange (SIX: BUCN). Please see [www.bucherindustries.com](http://www.bucherindustries.com) for further information.