

Press release

Niederweningen, 30 July 2019

First half of 2019: pleasing sales growth despite drop in demand

Bucher Industries' market environment was positive overall in the first half of 2019, but with declining demand, albeit from a high level. Accordingly, order intake declined slightly, while sales continued to rise. The operating profit margin fell slightly short of the strong margin achieved in the prior-year period. This interim report was prepared for the first time in accordance with the accounting standards of Swiss GAAP FER instead of IFRS. For the purpose of comparability, the prior-year figures were restated accordingly.

Group

CHF million	January – June		Change in			Full year 2018
	2019	2018	%	% ¹⁾	% ²⁾	
Order intake	1 449	1 524	-4.9	-2.4	-5.3	3 206
Net sales	1 661	1 560	6.5	9.2	6.5	3 065
Order book	908	952	-4.7	-2.2	-4.1	1 137
Operating profit (EBITDA)	196	191	2.9			374
<i>as % of net sales</i>	<i>11.8%</i>	<i>12.2%</i>				<i>12.2%</i>
Operating profit (EBIT)	155	150	3.1			292
<i>as % of net sales</i>	<i>9.3%</i>	<i>9.6%</i>				<i>9.5%</i>
Profit/(loss) for the period	122	117	3.8			226
<i>as % of net sales</i>	<i>7.3%</i>	<i>7.5%</i>				<i>7.4%</i>
Earnings per share in CHF	11.77	11.42	3.1			21.80
Operating free cash flow	-72	-119	39.6			101
Net cash/debt	2	-14	112.9			159
Total assets	2 517	2 424	3.8			2 543
Equity	1 315	1 244	5.7			1 296
<i>Equity ratio</i>	<i>52.2%</i>	<i>51.3%</i>				<i>51.0%</i>
<i>Return on equity (ROE)</i>	<i>18.0%</i>	<i>17.2%</i>				<i>17.8%</i>
Net operating assets (NOA) average	1 200	1 100	9.1			1 156
<i>Return on net operating assets (RONOA) after tax</i>	<i>20.4%</i>	<i>21.6%</i>				<i>19.6%</i>
Number of employees at closing date	13 281	12 640	5.1		1.9	13 054

¹⁾ Adjusted for currency effects

²⁾ Adjusted for currency and acquisition effects

In the first half of 2019, the Group's order intake was slightly lower than in the very good prior-year period. With the exception of Bucher Emhart Glass, all divisions recorded a decrease in demand. Kuhn Group saw a marked drop in demand for agricultural machinery in the important market USA. At Bucher Municipal, all product groups except winter maintenance equipment recorded a decline. Order intake at Bucher Hydraulics declined in practically all of its markets. This was especially significant in North America, as many customers had placed orders for 2019 already last year to make sure they would receive their products on time despite delivery bottlenecks. Thanks to an extraordinarily strong order book at the beginning of the year and a good delivery capacity, the Group's sales increased further in the reporting period. All five divisions contributed to this sales growth, in particular Bucher Emhart Glass with double-digit percentage increase. The sales growth and the acquisitions made in the previous year led to an increase in the number of employees. The operating profit margin fell slightly short of the strong margin achieved in the prior-year period. Both operating profit and profit for the period were up again.

Pleasing profitability The return on net operating assets after tax (RONOA) was 20.4%, exceeding the ambitious medium-term target of 20% and continuing to surpass the cost of capital significantly. In the reporting period, the Group invested CHF 42 million in expanding production infrastructure and in modernising and automating the production equipment. The seasonal increase in net working capital, greater investment and payment of the dividend resulted in a negative free cash flow of CHF 179 million. Net liquidity stood at CHF 2 million and will increase markedly by the end of the year due to seasonal factors. With an equity ratio of 52% and high liquid assets, the financial flexibility of Bucher Industries and opportunities for further growth remain secure.

Strengthening the business Four relatively small but strategically important transactions were initiated in the first half of this year; they are set to be completed in the second half. Bucher Municipal acquired 100% of Zynkon, a Chinese manufacturer of sewer cleaning vehicles, in early July. The acquisition gives Bucher Municipal a platform in China and access to this growth market as well as strengthening its presence in Asia. Bucher Emhart Glass will sell

its refractory business to the Austrian RATH Group in the autumn so as to focus on its core business, the manufacture and inspection of glass containers as well as the automation of these processes. This “end-to-end” strategy will be pushed through further proprietary developments and the acquisition of the German company Symplex Vision Systems. Symplex specialises in inspection equipment and cameras for gob forming. In early July, Bucher Specials’ business unit Jetter acquired Elan Systems, a manufacturer of automation solutions based in Hungary. The acquisition gives Jetter additional engineering competencies as well as access to a network of software and hardware specialists in Central Eastern Europe. The four transactions involve smaller companies or business activities. The three acquisitions together generated sales of CHF 25 million in 2018, while the refractories business to be divested generated CHF 9 million.

Kuhn Group

CHF million	January – June		Change in			Full year 2018
	2019	2018	%	% ¹⁾	% ²⁾	
Order intake	440	471	-6.6	-3.7	-7.0	1 210
Net sales	679	676	0.5	3.5	1.6	1 204
Order book	214	249	-14.0	-11.8	-15.6	461
Operating profit (EBITDA)	81	79	1.5			141
<i>as % of net sales</i>	11.8%	11.7%				11.7%
Operating profit (EBIT)	62	61	1.8			104
<i>as % of net sales</i>	9.2%	9.1%				8.7%
Number of employees at closing date	5 354	5 455	-1.9		-3.0	5 352

¹⁾ Adjusted for currency effects

²⁾ Adjusted for currency and acquisition effects

Challenging environment in North America The performance of Kuhn Group’s markets was once again heterogeneous in the first half of 2019. Demand for agricultural machinery for the dairy and livestock industry in Europe remained satisfactory. Following a brief recovery at the start of the year, grain prices dropped again worldwide, weighing on the arable sector. In Western Europe, demand for Kuhn Group products remained stable, with France developing well. In Northern and Eastern Europe, demand continued to be negatively impacted by last year’s drought and a general reluctance to invest. As in 2018, agricultural producers in the USA

were faced with low net income and Chinese tariffs on US agricultural products. This difficult situation was exacerbated in the spring of 2019 by very unfavourable weather conditions in the Midwest, which delayed seeding. Consequently, demand for agricultural machinery in this important market dropped markedly. The division recorded a positive first six months of 2019 in Brazil thanks to the good harvest and high prices for Brazilian grain. In this mixed environment, Kuhn Group's order intake came in lower, but sales increased slightly. The operating profit margin remained stable. The challenging market situation for the division's activities in the USA offset the positive effects of the improvements in efficiency achieved at the European and Brazilian production sites as well as the higher prices in Europe.

Bucher Municipal

CHF million	January – June		Change in		Full year 2018
	2019	2018	%	% ¹⁾	
Order intake	263	291	-9.7	-7.0	556
Net sales	260	246	5.7	8.7	539
Order book	183	213	-14.3	-11.8	183
Operating profit (EBITDA)	26	26	1.5		60
<i>as % of net sales</i>	<i>10.2%</i>	<i>10.6%</i>			<i>11.1%</i>
Operating profit (EBIT)	22	22	2.3		51
<i>as % of net sales</i>	<i>8.5%</i>	<i>8.7%</i>			<i>9.5%</i>
Number of employees at closing date	2 271	2 128	6.7		2 215

¹⁾ Adjusted for currency effects

Sales increase while demand declines Demand for municipal vehicles continued to weaken in the first half of 2019. Consequently, Bucher Municipal's order intake was down on the good prior-year period, with all product groups except winter maintenance equipment recording a decline. The winter maintenance equipment business saw a significant upturn thanks to the plentiful snow throughout the long winter season. Having started the year with a well-filled order book, the division succeeded in increasing sales again in the reporting period. Capacities were well utilised, especially at the sites in England and Latvia, where several major projects were successfully completed. The operating profit margin remained nearly on a par with the good prior-year period despite the division incurring additional costs in connection with its

preparations for Brexit and higher expenditure for research and development. Bucher Municipal is focusing on developing innovative products, such as electrified sweepers and winter maintenance equipment, where demand from customers is growing.

Bucher Hydraulics

CHF million	January – June		Change in			Full year 2018
	2019	2018	%	% ¹⁾	% ²⁾	
Order intake	301	375	-19.8	-18.6	-24.4	700
Net sales	352	316	11.3	12.5	6.0	627
Order book	149	179	-16.8	-15.6	-20.2	201
Operating profit (EBITDA)	56	56	0.7			104
<i>as % of net sales</i>	<i>15.9%</i>	<i>17.6%</i>				<i>16.6%</i>
Operating profit (EBIT)	45	46	-2.4			84
<i>as % of net sales</i>	<i>12.8%</i>	<i>14.7%</i>				<i>13.4%</i>
Number of employees at closing date	2 864	2 450	16.9		4.3	2 835

¹⁾ Adjusted for currency effects

²⁾ Adjusted for currency and acquisition effects

Normalising demand The flattening of demand for hydraulic system solutions and components that set in at a high level at the end of 2018 continued in the first half of 2019. As a result, order intake declined in practically all of Bucher Hydraulics' markets. This was especially significant in North America, as many customers had placed orders for 2019 already last year to make sure they would receive their products on time despite delivery bottlenecks. The drop in demand was noticeable in the important segments of construction equipment and agricultural machinery and, in recent months, also in materials handling. Thanks to a well-filled order book at the start of the year, sales again rose significantly at Bucher Hydraulics in the first half of 2019. By expanding its capacity, the division was able to increase production continuously. This enabled it to steadily reduce the order backlog and delays in delivery. The sales increase was in part also due to the consolidation of the Bucher Hydraulics Wuxi joint venture since August 2018. The operating profit margin narrowed compared with the very high level recorded in the first half of 2018, due to higher material prices, greater expenditure for research and development, and the consolidation of Bucher Hydraulics Wuxi.

Bucher Emhart Glass

CHF million	January – June		Change in		Full year 2018
	2019	2018	%	% ¹⁾	
Order intake	311	249	24.7	29.0	499
Net sales	258	217	18.9	23.1	447
Order book	284	218	30.1	34.6	236
Operating profit (EBITDA)	37	25	45.5		56
<i>as % of net sales</i>	<i>14.3%</i>	<i>11.7%</i>			<i>12.5%</i>
Operating profit (EBIT)	32	21	56.0		47
<i>as % of net sales</i>	<i>12.5%</i>	<i>9.5%</i>			<i>10.4%</i>
Number of employees at closing date	1 753	1 649	6.3		1 696

¹⁾ Adjusted for currency effects

Global boom in demand Demand for glass containers has been strong around the world and increased further in the first half of 2019. The demand currently outstrips manufacturers' capacities, leading them to invest in expanding and modernising their production lines. Bucher Emhart Glass once again benefited from this very positive market environment in the reporting period. The division's order intake grew markedly again. Both glass-forming and inspection machines were in high demand. Sales also increased significantly in the first six months of 2019, from an already high level. Contributing factors were the continued good collaboration with O-I and the sales growth in Sanjin. In order to deal with the high production volumes, the division optimised its production processes and thus expanded capacities. Nevertheless, the already strong order book continued to grow in the reporting period and is now well above the high level of the prior-year period. The operating profit margin is significantly higher than the prior-year level thanks to the excellent sales growth and the fully utilised production capacities. The improvements made in Sanjin also contributed to this strong result.

Bucher Specials

CHF million	January – June		Change in			Full year 2018
	2019	2018	%	% ¹⁾	% ²⁾	
Order intake	164	163	0.2	1.9	-2.1	301
Net sales	145	140	4.2	6.0	-	309
Order book	91	105	-12.5	-11.0	-11.7	74
Operating profit (EBITDA)	8	13	-34.4			31
<i>as % of net sales</i>	<i>5.6%</i>	<i>8.9%</i>				<i>10.0%</i>
Operating profit (EBIT)	6	10	-41.2			26
<i>as % of net sales</i>	<i>4.1%</i>	<i>7.3%</i>				<i>8.3%</i>
Number of employees at closing date	971	895	8.5		5.9	888

¹⁾ Adjusted for currency effects

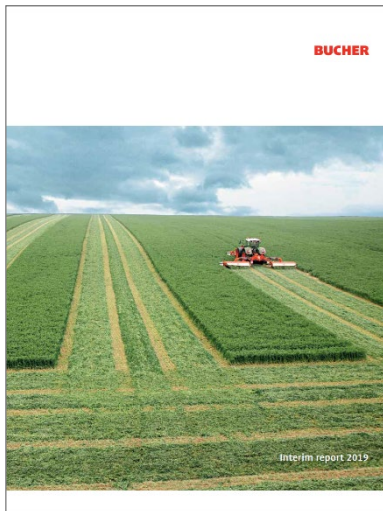
²⁾ Adjusted for currency and acquisition effects

Heterogeneous market developments Developments in the four markets of Bucher Specials were mixed in the first half of 2019. Demand for Bucher Vaslin winemaking equipment was strong as the result of a very good grape harvest, both in terms of quantity and quality, in Europe last year. The beverage technology business remained challenging in the first half of 2019. Political developments and customers' financing difficulties weighed on the Turkish and Eastern European markets, which are both important for Bucher Unipektin. Bucher Landtechnik put in a good performance in the reporting period despite ongoing uncertainties regarding Switzerland's agricultural policy. The good performance was in part due to the acquisition of Grunderco in 2018 with the New Holland harvesting machinery and Pronar products. On 17 July 2019, the Swiss Competition Commission (COMCO) announced that it had reached an amicable settlement with Bucher Landtechnik. The fine imposed has no impact on the profitability or the future business activities of Bucher Landtechnik. Demand for solutions for automation technology by Jetter continued to grow, with the high demand for control solutions for glass-forming machinery as a key factor. In this mixed environment, order intake in the first six months of 2019 remained practically in line with the prior-year period, but sales were higher. The operating profit margin, on the other hand, fell, mainly due to the challenging beverage technology business.

Outlook 2019

The Group expects a challenging market environment for 2019, with a slowdown in demand at a high level. **Kuhn Group** expects the overall market trend to be flat. Global uncertainties and challenges remain high, especially in North America. The division anticipates sales for 2019 to be similar to the level of 2018. The operating profit margin should increase slightly thanks to efficiency and productivity improvements in Europe. **Bucher Municipal** continues to expect diverging developments. Overall, the division anticipates a modest decline in sales for the current financial year compared with the record high of 2018, which was characterised by exceptionally high capacity utilisation. The operating profit margin will likely be below last year's high level due to lower sales and the costs of integrating Zynkon. **Bucher Hydraulics** expects that demand for hydraulic solutions will decline in most markets. Thanks to the still well-filled order book and the full-year consolidation of Bucher Hydraulics Wuxi, the division is forecasting a modest increase in sales. The operating profit margin is likely to be lower than in 2018 due to costs relating to product development and capacity expansions as well as the consolidation of Bucher Hydraulics Wuxi. **Bucher Emhart Glass** continues to expect a pleasing development and is anticipating a rise in sales as well as a marked year-on-year improvement in the operating profit margin. The latter should be supported by an ongoing good capacity utilisation and the sale of the refractory business. The division expects the sale to result in a one-time gain in the high single-digit millions. The market environment of **Bucher Specials** is likely to see a mixed development. Thanks to the acquisition of the import business of Grunderco and of Elan Systems and the positive development in mobile and industrial automation, the division is expecting a slight increase in sales in the current year. Given the challenging environment for Bucher Unipektin, coupled with acquisition-related integration costs, the operating profit margin of the division is likely to be below the prior-year figure. The **Group** should achieve sales in line with the good previous year. The reasons for this are the well-filled order book at the beginning of 2019, the good delivery capacity and the consolidation of the acquisitions made in 2018. The operating profit and the profit for the year should also be at a similar level to last year. In addition, there is the one-time gain from the sale of the refractory business.

The interim report as well as the investor relations handout for the results for the first half of 2019 can be found on www.bucherindustries.com under the section “Financial reports”.



Contact for media

Silvia Oppliger, Head of Group Communications

Phone +41 43 815 80 40

media@bucherindustries.com

Contact for investors and financial analysts

Manuela Suter, CFO

Phone +41 43 815 80 50

ir@bucherindustries.com

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 company's shares are traded on the SIX Swiss Exchange (SIX: BUCN). For further information, please visit www.bucherindustries.com.