

## Press release

Niederweningen, 27 July 2016

### Fall in demand for agricultural equipment marks first half of 2016

The business performance of Bucher Industries in the first half of 2016 was marked by a fall in demand for agricultural equipment. Sales and order intake declined, but the operating profit margin was nearly maintained.

#### Group

CHF million January – June	2016	2015	Change in		
			%	% <sup>1)</sup>	% <sup>2)</sup>
Order intake	1 088	1 156	-5.8	-6.1	-7.2
Net sales	1 245	1 341	-7.2	-8.0	-9.4
Order book	564	549	2.7	2.0	-1.4
Operating profit (EBITDA)	154	162	-5.1		
<i>As % of net sales</i>	12.4%	12.1%			
Operating profit (EBIT)	107	118	-8.8		
<i>As % of net sales</i>	8.6%	8.8%			
Profit/(loss) for the period	73	80	-8.2		
<i>As % of net sales</i>	5.9%	5.9%			
Earnings per share in CHF	7.33	7.85	-6.6		
Operating free cash flow	-31	-63	50.6		
Net cash/debt	-149	-239	37.9		
Total assets	2 371	2 366	0.2		
Equity	1 157	1 041	11.1		
<i>Equity ratio</i>	48.8%	44.0%			
<i>Return on equity (ROE)</i>	12.2%	16.1%			
Net operating assets (NOA), average	1 277	1 330	-4.0		
<i>Return on net operating assets (RONOA), after tax</i>	12.1%	12.7%			
Number of employees at 30 June	11 277	11 607	-2.8		-4.8

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

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

**Subdued market mood** In the first half of 2016 the mood in the markets served by Bucher Industries was generally subdued. The slowdown in the market for agricultural machinery continued. The dairy and meat industries were also affected in addition to arable farming. The market for municipal vehicles remained stable at a low level, whereas the winter maintenance business was strongly affected by another very mild winter in Europe. Momentum in the business with hydraulic system solutions fell away slightly. By contrast, the market for glass-forming and inspection machinery saw modest growth in the emerging markets. There was lively demand for equipment for winemaking and beverage production and for industrial and automation solutions.

**Varied performance across the divisions** In this challenging market environment the Group benefited from the diversification and good performance of Bucher Hydraulics, Bucher Emhart Glass and Bucher Specials. The decline in Group order intake and sales was largely the result of the fall in demand at Kuhn Group. Bucher Municipal lacked the major order worth CHF 30 million from the city of Moscow, which was included in the figures for the previous period. The operating profit margin remained almost at the same level as in the first half of 2015. Group profit for the period of CHF 73 million represented 5.9% of net sales as in the first half of 2015.

**Financial situation** Free cash flow in the first half of 2016 amounted to negative CHF 130 million. Net debt as of 30 June 2016 was CHF 149 million, well below the previous year's figure, and will show another significant fall due to seasonal factors towards the end of 2016. The negative impact of an acquisition-related increase in net operating assets resulted in a return on net operating assets (RONOA) after tax of 12.1%. With an equity ratio of 49% and high liquid assets, the Group's financial independence and opportunities for further growth remain secure.

**Board of directors and Group management** On 15 April 2016, the annual general meeting elected Philip Mosimann as chairman of the board of directors. At the same time, Jacques Sanche took over as CEO. Christina Johansson assumed the position of CFO designate on 1 July 2016. On 1 October 2016 she will take over the role of CFO and member of Group management from Roger Baillod, who will continue to make his services available to the Group for project work until the end of 2016. On 1 March 2016 Aurelio Lemos took the helm at Bucher Municipal, joining Group management at the same time.

**Kuhn Group**

CHF million <b>January – June</b>	<b>2016</b>	<b>2015</b>	Change in	
			<b>%</b>	<b>% <sup>1)</sup></b>
Order intake	<b>349</b>	422	- 17.3	- 16.2
Net sales	<b>559</b>	645	- 13.3	- 13.8
Order book	<b>157</b>	197	- 20.2	- 19.7
Operating profit (EBITDA)	<b>85</b>	96	- 12.2	
<i>As % of net sales</i>	<i>15.1%</i>	<i>14.9%</i>		
Operating profit (EBIT)	<b>63</b>	75	- 16.8	
<i>As % of net sales</i>	<i>11.2%</i>	<i>11.7%</i>		
Number of employees at 30 June	<b>4 742</b>	5 194	- 8.7	

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

**Continuing decline in demand** The agricultural equipment market experienced a further global contraction during the first half of 2016. The downturn that first took hold in the arable sector in 2015 is now also affecting the meat and dairy sectors, which are contending with considerable overproduction at a time of stagnating worldwide demand. This was the result of the favourable weather, the Russian embargo, the growing beef herds, and overproduction of milk in the EU resulting from the abolition of milk quotas. The falling prices of agricultural commodities and declining revenue for farmers as a result dampened investment in agricultural machinery.

**Focus on measures** Kuhn Group held up comparatively well in this difficult environment. Sales were underpinned by the order book at the beginning of the reporting period and fell less steeply than order intake in the first half of the year. By adopting a number of measures the division was able to maintain its operating profit margin at a good level. Important measures included a programme aimed at decreasing purchasing costs, systematically optimised production planning and management, a selective pricing and human resources policy, the implementation of broadly based efficiency programmes, and close collaboration with retailers including initiatives designed to help manage their stocks. When implementing these measures, Kuhn Group took account of the need to prepare the ground for a future recovery.

**Bucher Municipal**

CHF million <b>January – June</b>	<b>2016</b>	<b>2015</b>	Change in		
			<b>%</b>	<b>% <sup>1)</sup></b>	<b>% <sup>2)</sup></b>
Order intake	<b>172</b>	201	- 14.5	- 14.1	- 20.3
Net sales	<b>175</b>	184	- 4.7	- 4.3	- 14.8
Order book	<b>107</b>	112	- 5.0	- 4.9	- 21.2
Operating profit (EBITDA)	<b>9</b>	15	- 39.9		
<i>As % of net sales</i>	<i>5.2%</i>	<i>8.4%</i>			
Operating profit (EBIT)	<b>4</b>	12	- 63.5		
<i>As % of net sales</i>	<i>2.4%</i>	<i>6.2%</i>			
Number of employees at 30 June	<b>1 740</b>	1 616	7.7		- 6.3

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

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

**Stagnating markets** Bucher Municipal's markets remained stable at a low level in the first six months of 2016 in comparison with the same period last year. There was barely any change in the level of demand for sweepers in Europe and refuse collection vehicles in Australia, while the winter maintenance equipment business was badly affected by another very mild winter in Europe.

**Lower profitability** Sales and order intake were below the levels of the previous year. This was due to the strict import restrictions in Russia and the absence of a major order such as the one worth over CHF 30 million last year from the city of Moscow. The business with sewer-cleaning vehicles contributed CHF 20 million to the sales performance, but was not able to compensate for the decline. The low operating profit margin was affected by the restructuring costs for the relocation of sweeper production to Latvia and Great Britain, under-utilised capacity in the winter maintenance business and expenses incurred through the acquisition and integration of the business with sewer cleaners.

**Bucher Hydraulics**

CHF million <b>January – June</b>	<b>2016</b>	<b>2015</b>	Change in	
			<b>%</b>	<b>% <sup>1)</sup></b>
Order intake	<b>255</b>	246	3.3	1.5
Net sales	<b>254</b>	241	5.3	3.4
Order book	<b>76</b>	80	- 4.3	- 6.0
Operating profit (EBITDA)	<b>43</b>	39	9.5	
<i>As % of net sales</i>	<i>16.7%</i>	<i>16.1%</i>		
Operating profit (EBIT)	<b>33</b>	30	11.5	
<i>As % of net sales</i>	<i>13.0%</i>	<i>12.2%</i>		
Number of employees at 30 June	<b>2 053</b>	2 039	0.7	

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

**Increase in market share in a contracting market environment** The markets for hydraulic system solutions and components showed a slight overall downturn in the first half of 2016, both in Europe and America. There was some positive impetus from China and India.

**Pleasing performance** Bucher Hydraulics held up well against the weaker market trend in the major regions of Europe and the USA. In the reporting period the division increased its sales and order intake as well as its market share in the material handling and mobile and industrial hydraulics segments. The agricultural equipment segment developed well, while construction equipment remained stable. Thanks to its outstanding positioning and innovative engineering, Bucher Hydraulics was able to win a number of large-scale contracts from various new customers. Good capacity utilisation and the continuing focus on cost control measures resulted in an operating profit margin slightly above that of the previous year.

**Bucher Emhart Glass**

CHF million <b>January – June</b>	<b>2016</b>	<b>2015</b>	Change in	
			%	% <sup>1)</sup>
Order intake	<b>183</b>	178	2.9	0.9
Net sales	<b>158</b>	162	- 2.4	- 4.4
Order book	<b>153</b>	102	50.6	47.5
Operating profit (EBITDA)	<b>16</b>	16	1.3	
<i>As % of net sales</i>	<i>10.1%</i>	<i>9.7%</i>		
Operating profit (EBIT)	<b>10</b>	10	1.0	
<i>As % of net sales</i>	<i>6.3%</i>	<i>6.1%</i>		
Number of employees at 30 June	<b>1 794</b>	1 822	- 1.5	

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

**Stable markets** In the first half year the market for glass-forming and inspection machinery remained stable, while emerging markets were alone in showing slight growth. The Chinese market was affected by overcapacity and margin pressure. This situation led to a certain degree of consolidation among providers.

**Slight revival in performance** In this environment, Bucher Emhart Glass achieved an increase in order intake, while sales failed to reach the level of the same period last year. Demand for technologically advanced machines for forming glass containers revived and the division succeeded in gaining market share in this segment. In China project activity stabilised at a relatively low level. The spare parts and service businesses benefited from the division's extensive global base of glass forming machinery and from the successful cooperation with O-I. The operating profit margin was slightly higher than in the comparable period of 2015.

**Bucher Specials**

CHF million			Change in	
<b>January – June</b>	<b>2016</b>	<b>2015</b>	<b>%</b>	<b>% <sup>1)</sup></b>
Order intake	<b>153</b>	130	18.2	17.3
Net sales	<b>125</b>	133	- 6.0	- 6.8
Order book	<b>80</b>	67	18.9	17.7
Operating profit (EBITDA)	<b>13</b>	8	54.3	
<i>As % of net sales</i>	<i>10.0%</i>	<i>6.1%</i>		
Operating profit (EBIT)	<b>10</b>	5	102.1	
<i>As % of net sales</i>	<i>7.6%</i>	<i>3.5%</i>		
Number of employees at 30 June	<b>886</b>	874	1.4	

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

**Expansion of project activity** The main markets served by Bucher Specials performed much better than in the same period a year ago. Demand for winemaking equipment was lively in the main markets of Europe and North America. The project business with beverage technologies for fruit juice and beer picked up significantly during the current year. Good performance by the Swiss distributorship for tractors and specialised agricultural machinery enabled it to maintain its level year on year. Demand for control systems for automation technology from Jetter also developed pleasingly.

**Profitability raised significantly** In the first six months of the current year order intake at Bucher Specials showed a marked recovery. Sales, by contrast, remained below the previous year's level, largely because the majority of projects at Bucher Unipektin will only be ready for delivery in the second half of the year. Thanks to better capacity utilisation, a strict cost control policy and measures to increase efficiency, the division's operating profit margin was significantly above that of the weak previous year.

**Outlook for 2016** For the year in progress, the Group does not anticipate any significant improvement in the economic climate. Uncertainty in the eurozone has increased as a result of the Brexit vote in the UK and the tense situation that prevails in some countries due to their levels of debt. Compared with the previous year, Kuhn Group expects a further weakening of demand in the arable sector as well as the dairy and meat industries. Thanks to measures taken, the division expects to see a decline in sales and an operating profit margin for the whole year in high single-digit figures. Bucher Municipal is anticipating an increase in sales and a downturn in profitability for 2016. This is affected by the relocation costs for sweeper production, underutilised capacity in the winter maintenance business and expenses incurred through the acquisition and integration of the business with sewer-cleaning vehicles. Bucher Hydraulics expects business performance to fall off by the end of the year due to seasonal factors, and is anticipating a moderate increase in sales and a steady operating profit margin. Bucher Emhart Glass is projecting higher sales and slightly improved profitability and Bucher Specials increased sales and a significantly improved operating profit margin compared with 2015. For 2016 as a whole, the Group is expecting to maintain sales almost at the previous year's level and anticipates a slight decrease in operating profit and profit for the year.

**Contact**

Jacques Sanche, CEO

Roger Baillod, CFO

Phone: +41 43 815 80 88

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

[www.bucherindustries.com](http://www.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 group's shares are traded on the SIX Swiss Exchange (SIX: BUCN). For further information please visit [www.bucherindustries.com](http://www.bucherindustries.com).