



### 2018-2019 First-Half Results

## EXEL Industries: First-half results affected by agricultural activities and the restructuring of the Sugar Beet Harvesters activity

in M€	1st semester 2018	1st semester 2019
	Oct 17 - Mar 18	Oct 18 - Mar 19
<b>Revenue</b>	<b>343.0</b>	<b>348.9</b>
<b>Current Operating Income</b>	<b>10.9</b>	<b>5.0</b>
%	3.2%	1.4%
Non-recurring items	0.3	-4.2
Financial expenses	-1.8	-1.9
(Losses)/gains on foreign exchange	-2.8	2.9
Profit before tax	6.6	1.7
Tax expense	-2.6	-0.7
Share of profit of associates	0.1	0.2
<b>Net income</b>	<b>4.1</b>	<b>1.2</b>

- **Analysis of 2018-2019 first-half results**

Over the first-half of 2018-2019, the decline in current operating income was due primarily to margin deterioration in Agricultural Spraying and Sugar Beet Harvesters.

**Agricultural Spraying** posted sales up 1.7% with growth in sales in vineyard and orchard in France, partially offset by declining sales in Ukraine and Australia. The gross margin worsened because of competitive pressure and an unfavorable product and country mix. The result was a decline in operating income. R&D costs were up with the development of precision spraying and the analysis of data taken from our equipment.

Sales of **Sugar Beet Harvesters** were up slightly for the half-year (+1.0%) due to the development of Terra Variant, an open-field logistics machine. The gross margin was affected by the sale of used machines and provisions for impairment of inventories against the background of a market in crisis.

**Garden Spraying and Watering** started its season earlier than last year and posted 4.4% growth over the first half, largely driven by the development of sales at Amazon.

**Industrial Spraying** benefited from strong growth in the US and the improvement in its margins through its strategy of refocusing on standard equipment.

Non-recurring expenses primarily include the restructuring of the Sugar Beet Harvesters activity.

Net income over the period came to €1.2m, compared with €4.1 million a year earlier, impacted by the decline in operating income and non-recurring expenses.

In the first half of the 2018-2019 fiscal year, net investments amounted to €4.8 million, compared to €11.9 million a year earlier, which included €7 million in real estate projects in Germany and the Netherlands.

Net financial debt at end-March 2019 amounted to €154.3 million, compared with €151.9 million at the same period last year.

- **Audit Process**

The Group Internal Audit Committee met on the afternoon of May 27, 2019. The Statutory Auditors reported to the Audit Committee on the audits they conducted on the financial statements of the Group and its main subsidiaries.

They did not issue any reservations following a limited review of the financial statements for the period ended March 31, 2019. As is standard practice, they noted the change in accounting method due to the first application of IFRS15.

On these bases, the Board of Directors on May 28, 2019 approved EXEL Industries Group's half-year consolidated financial statements.

- **Application of IFRS 15**

The Group has applied IFRS 15 "Revenue from contracts with customers" since October 1, 2018. The impact on the recognition of sales mainly comes from the way in which the rights to return goods in the sugar beet harvester and agricultural spraying activities, are recorded as a deduction from sales. Over the first half of the fiscal year, this effect was negative by €1.8 million on sales and by €0.2 million on current operating income.

The standard's retrospective effect is processed using the simplified retrospective method: shareholders' equity at the current fiscal year opening is adjusted for the cumulative impact. The resulting loss of reserves (including deferred taxes) was €2.4 million.

- **Outlook and Strategy**

Mr. Gueric Ballu, CEO of the EXEL Industries Group, comments:

"The first-half results for this fiscal year were affected by worsened margins in agricultural activities and the restructuring costs of the Sugar Beet Harvesters activity. Despite a decline in operating income, debt was virtually stable compared to March 31, 2018 as a result of less growth of inventories and the reduction in real estate investments.

The sugar industry is in the midst of a major crisis. Several closures of sugar operations have been announced in Europe, and land in cultivation has been reduced as a result. Against this backdrop, we project a significant reduction in our Sugar Beet Harvester activity over the second half and a difficult environment for at least two years. In response, we are adjusting our production capacity. A headcount

reduction plan is currently being negotiated with social partners. The costs of this restructuring plan are provisioned in the first-half 2018-2019 financial statements.

The results for Agricultural Spraying were down and we forecast that the second half will also be difficult. We are working on action plans to improve our brands' strength and the innovation momentum while considering measures to restore our margins and streamline our activity. We will also have to face an abrupt change in the US market environment, affected by the trade war with China, the falling price of crops, and very unfavorable climate conditions.

For the Garden Spraying and Watering segment, the season got off to a good start. If the weather stays good, we should have another good year.

In Industrial Spraying, we are pursuing our strategy of developing standard equipment. Activity in the US remains very dynamic, but we anticipate a slight downturn in Asia.

This means that our full-year sales are likely to be lower than in 2017-2018. Our profitability should be weaker under the impact of worsening agricultural margins, the under-absorption of fixed costs and restructuring costs. We are keeping up our efforts to reduce our working capital requirement and should reduce our debt by the end of the year.

Product innovation and development of a unique customer experience are fundamental assets to ensure our future growth in our top markets."

- **Upcoming events**

- June 4, 2019: first-half 2018-2019 results and SFAF meeting;
- June 25, 2019: Third-quarter 2018-2019 sales;
- October 29, 2019: Fourth-quarter 2018-2019 sales.

<b>EXEL Industries</b>	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016 13 months	2016/2017	2017/2018
<b>Sales in €m</b>	430.1	525.3	740.2	775.4	725.2	819.3	874.2	839.1

About EXEL Industries:

EXEL Industries' core business is agricultural (world leader) and industrial spraying. The Group also competes in the consumer watering products market and in sugar beet harvesters (world leader). The goal of EXEL Industries is to expand in its markets through a policy of constant innovation and an international growth strategy. EXEL Industries employs approximately 3,758 people spread across 27 countries and five continents.

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