

Sales revenue grows by 14% in the first half of 2018

Shanghai/Wattwil, 27 August 2018

Group highlights

- Revenue increases by 14% to reach RMB 4,627 million, up in both segments
- Earnings generation with profits before tax of RMB 564 million
- China continues to grow: increase of 55%
- Margins up to 12.2%

Mrs Jenny Lu, Chief Financial Officer, says:

“Following a highly successful 2017, which saw the definition of Saurer’s new corporate strategy, the group is entering a phase of organisational consolidation and slowing growth rates.

Building on the exceptional growth seen in the previous financial year, we continue on our upward trajectory. Sales revenue has increased by 14% to RMB 4,627 million and the group has achieved profits before tax of RMB 564 million (+23.8%) with a profit margin of 12.2%.

The strong financials are reflective of our new strategy. It positions us as an innovative solutions provider with a customer-centric focus that continues to yield strong results across key markets.

China, for instance, delivered excellent growth of 55%. The new production facility in Urumqi, Xinjiang Province, has supplied the first 10 spinning machines, helping to meet the high level of demand. The group also inaugurated an original parts warehouse in the province. Being strategically positioned in this region, which is on the corridor connecting China to adjacent countries as part of the One Belt, One Road initiative, allows us to serve customers not just in the immediate vicinity but also in neighbouring markets.”

Key financial data

in RMB ,000	HY 2017	HY 2018	Change YoY
Sales revenue	4,059,607	4,627,086	14.0%
Profit before tax	455,967	564,386	23.8%
Margin	11.23%	12.20%	+0.97ppt
Net profit/(loss)	317,391	409,822	29.1%
Attributable to equity holders in the company	278,541	363,066	30.3%
Cash and cash equivalents at the end of the period	2,057,716	575,913	-72.0%
Weighted average return on equity	10.45%	15.22%	+4.77ppt
Basic EPS (in yuan/share)	0.2284	0.1915	-16.2%
Dilutes EPS (in yuan/share)	0.2284	0.1915	-16.2%
Weighted average number of shares	1,219,627,217	1,895,412,995	

Balance sheet

in RMB ,000	31 December 2017	30 June 2018
Total current assets	11,193,464	6,662,735
Total non-current assets	3,338,308	3,491,310
Total assets	14,531,772	10,154,045
Total current liabilities	4,722,948	4,816,541
Total non-current liabilities	3,303,460	2,792,792
Total liabilities	8,026,408	7,609,333
Total equity attributable to equity holders of the company	2,207,034	2,544,349
Total equity	6,505,364	2,544,712
Total liabilities and equity	14,531,772	10,154,045

Saurer Group half-year overview

Net profit has increased to RMB 409.8 million (+29.1% YoY) of which RMB 363.1 million are attributable to equity holders in the company (+30.3% YoY). Earnings per share have dropped by 16.2% due to the additionally issued shares for last year's listing on the Shanghai Stock Exchange.

Changes in cash and cash equivalents are mainly a consequence of the steadily increasing sales volume. This led to an increase in cash paid for goods and services as well as an increase in accounts receivable as advances from customers decrease. Additionally Saurer paid dividends to minority shareholders during the reporting period.

Two Chinese entities registered in Changzhou have been dormant without any activities since their establishment. The de-registration of these entities has led to the decrease of minority interest by RMB 4.2 billion.

In line with Saurer's strategy, the group has implemented a number of changes at organisational level. This includes the alignment of the organisational and legal structures. This way, Saurer's regional centres are strengthened so that the group can serve its customers better in their own locations.

Returning to its roots, the group established the Saurer Technology Centre (STC) in its traditional home of Arbon, Switzerland. Two new business units, Sensors and Automation, will form a part of the STC. Working closely together with other departments in the group, Saurer's R&D team will be a key driving force as the group develops innovations characteristic of Industry 4.0. Delivering on its strategy of innovation, the group has increased investment in R&D by +23%.

Segment overview

in RMB ,000	HY 2017	HY 2018	Change YoY
Saurer Spinning Solutions	3,307,094	3,674,867	11.1%
Saurer Technologies	727,076	952,178	31.0%

Saurer Spinning Solutions grew by 11%, the main drivers being pre-spinning and rotor spinning. As part of the group's strategy to become a one-stop provider of the full bale-to-yarn product line, the pre-spinning segment was integrated into Spinning Solutions in January 2018. This product line experienced a substantial increase in demand, growing by 92%, an indication that Saurer is reaping rewards from this move. As a specialist in the manufacture of rotor spinning machines, the group continues to strengthen its position with regard to this technology, which has grown 26%.

At ITM Istanbul in April, Saurer launched the Zinser 72XL – this versatile ring and compact spinning machine is the world's longest, with the ability to process nearly all fibre types and blends into a wide range of yarns, from fine to coarse. Customers can produce a large range of products, including fancy yarns, core yarns, dual-core yarns and technical yarns, on this machine. The feedback received by customers and visitors during the exhibitions is very encouraging, with the group having received a sizeable number of orders.

The Saurer Technologies Segment experienced growth of 31% as demand for glass twisting machines continues to surge. The entrenchment of electro-mobility is a major contributor to the boom in demand for glass fibre. This material is also used in the manufacture of LCD screens and power circuit boards. Our customers in Asia, particularly in China, are working at full capacity to fulfil orders.

Regional overview

in RMB ,000	HY 2017	HY 2018	Change YoY
China	1,566,551	2,434,095	55.4%
India	625,910	351,790	-43.8%
Turkey	376,091	424,865	13.0%
Asia (excl. China/India)	866,682	692,197	-20.1%
Americas	321,272	352,056	9.6%
Europe/Africa/others (excl. Turkey)	303,101	372,083	22.8%

Saurer further established itself across six focus markets in Asia, winning a number of important orders during the first half of the year. Its strong presence at major industry events in Bangladesh, India, Indonesia and Vietnam no doubt played a role here. Vietnam (+145%) and Bangladesh (+109%), were the best performing countries in the first half of 2018. Uzbekistan, which has been one of Saurer's major markets over the past five years, has been able to retain its high sales volumes. Some customer projects were newly categorised under the China region, resulting in a decline for the region 'Asia (excl. China/India)'.

China and Turkey experienced substantial growth rates for the first half of 2018, +55% and +13% respectively year-on-year.

Taking advantage of favourable economic conditions in the US and Germany, the group has grown +73% and +52% respectively in these markets.

India is still facing challenging market circumstances. Factors such as the new Goods and Services Tax, embedded duties, demonetisation and high domestic cotton prices continue to have a substantial impact on a number of market players in this economy.

Market development

Despite rising geopolitical uncertainties in various parts of the world and rising raw material prices, the global textile market is growing, with above-average growth rates expected to continue in China.

The full half-year financial statement in Chinese is published on Saurer's website and that of the Shanghai Stock Exchange.

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About Saurer Group

The Saurer Group is a leading globally operating technology group focusing on machinery and components for yarn processing. As a company with a long tradition, Saurer has always been a leader in innovation. Today, Saurer comprises the two segments Saurer Spinning Solutions and Saurer Technologies. Saurer Spinning Solutions offers high quality, technologically advanced and customer-specific automation solutions for processing staple fibre from bale to yarn. Saurer Technologies specialises in twisting and embroidery as well as engineered and polymer solutions. With annual sales revenues of EUR 1.1 bn, 4300 employees, and locations in Switzerland, Germany, Turkey, Brazil, Mexico, the USA, China, India and Singapore, the strongly growing group is well positioned to serve the world's textile industry centres. Saurer is listed on the Shanghai Stock Exchange (securities code: 600545). www.saurer.com.

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