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2017-2018 first-half results

EXEL Industries: first-half results less positive than last year's

In €M	1st quarter 2017 Oct 16 - Mar 17	**1st quarter 2018** **Oct 17 - Mar 18**
Revenue	**352.7**	**343.0**
Current operating income	**15.1**	**10.9**
%	4.3%	3.2%
Non-recurring items	0.4	0.3
Financial expenses	-2.0	-1.8
(Losses)/gains on foreign exchange	1.4	-2.8
Profit before income tax	14.9	6.6
Tax expense	-6.6	-2.6
Share of profit of associates	0.1	0.1
Net income	**8.4**	**4.1**

- **Analysis of 2017-2018 first-half results**

Given the seasonal nature of our activities, the first half of the fiscal year represents a relatively small percentage of full-year results: in the 2016-2017 fiscal year, this accounted for 40% of FY sales and 22% of FY current operating income.

The decline in the first half 2017-2018 current operating income was due mainly to a contraction in activity volumes in the Agricultural Spraying business and the losses incurred on certain automotive projects in the Industrial Spraying division. Although standard equipment and spare part sales in the Industrial Spraying division increased at constant foreign exchange rates, the favorable margin impact of this product mix was offset by devaluation of the US dollar.

Revenue in the **Agricultural Spraying** division fell 5.8% over the period with sales down in the USA and Australia coupled with a flat sales performance in France. Despite an improvement in the divisional gross margin, operating income declined due to more limited absorption of fixed costs.

Sustained activity in the **Sugar Beet Harvesters** made for a slight improvement in the gross margin. This year, the Group's decision to optimize production smoothing prompted a sharp increase in inventories and work-in-progress at the end of the first half, but will enable the Company to reduce production spikes in the fourth quarter.

Regarding the **Garden Spraying and Watering**, the beginning of the season was pushed back to the second half due to poor weather conditions in the Spring, but product listing in stores is good and operating income is higher than it was last year.

Net income over the period came to €4.1 million, compared with the year-earlier level of €8.4 million. This decline was due to a drop in operating income and a negative foreign exchange impact to the tune of €2.8 million (versus +€1.4 million last year).

In the first half of the 2017-2018 fiscal year, net investments amounted to €11.9 million, of which €7 million related to the finalization of real estate projects in Germany and the Netherlands.

Net financial debt at end-March 2018 amounted to €151.9 million, compared with €145.5 million at the same period last year.

Audit Process

The Group Internal Audit Committee met on the afternoon of May 28, 2018.
The Statutory Auditors reported to the Internal Audit Committee regarding their limited reviews of the financial statements of the major subsidiaries and the Group and had no reserve or comment with respect to the parent company and consolidated financial statements as at March 31, 2018.
On these bases, the Board of Directors on May 29, 2018 approved EXEL Industries Group's half-year consolidated financial statements.

- ## Outlook and Strategy

Mr. Guerric Ballu, CEO of EXEL Industries Group, said:

"Our first-half results were impacted by the decline in Agricultural Spraying sales, margin erosion of certain projects in the Industrial Spraying division and unfavorable foreign exchange rates.
Current operating income (Current EBIT) amounted to €10.9 million at end-March 2018, compared with €15.1 million last year. Company debt increased slightly due to higher investments and our decision to build up stocks to meet seasonal spikes in activity. Given the seasonal nature of our activities, the first half of the fiscal year represents a relatively small percentage of the Group's full-year performance.

While the outlook in the Sugar Beet Harvesters activity still remains promising this year, the full-year divisional performance is unlikely to match that of 2016-2017 which was an exceptional year.
In the Garden Spraying and Watering segment, the season got off to a late start. New products launched in 2017 continue to drive growth.

In the Industrial Spraying division, sales of standard equipment and spare parts are increasing in all regions, with the exception of the USA where a sales and marketing action plan has been implemented.

In Agricultural Spraying, we expect lower sales than 2016-2017. This activity has barely stabilized in France: sales are recovering in large-scale crops but are down in the vineyard segment. In the USA, the action plan launched a few months ago should enable recovery in the second half.
In France, we are participating alongside Axema in the National Federation of Agricultural Operators' Unions (FNSEA) “solution contract” initiative designed to reduce the use of phytopharmaceutical products. This contract notably includes rejuvenating aging fleets of sprayers, which have an average age of 13 and half years, with more recent models that integrate modern technologies enabling application gains in the range of 50%.

The delay seen in the first half means that our full-year revenue is likely to be lower than in 2016-2017. Nevertheless, actions undertaken to improve our gross margins coupled with our efforts to bring fixed costs under control should enable us to maintain profitability levels and pay down debt."

- **Upcoming events**

- July 19, 2018 after market closing: Third quarter 2017-2018 sales;
- October 25, 2018 after market closing: Fourth quarter 2017-2018 sales;
- December 18, 2018, before market opening: 2017-2018 full-year results.

EXEL Industries	*2009/2010*	*2010/2011*	*2011/2012*	*2012/2013*	*2013/2014*	*2014/2015*	*2015/2016 (13 months)*	*2016/2017*
Revenue in millions of euros	*384.4*	*430.1*	*525.3*	*740.2*	*775.4*	*725.2*	*819.3*	*874.2*

Regarding EXEL Industries:

EXEL Industries' main businesses are agricultural sprayers (world leader) and industrial spraying. The Group also competes in the consumer watering products and sugar beet harvester markets (world leader). EXEL Industries is continually expanding its markets by means of constant innovation and an international strategy. EXEL Industries employs around 3,745 people spread across 29 countries on five continents.

NYSE-Euronext Paris, SRD Long, CAC Mid&Small 190
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The SFAF presentation is available at www.exel-industries.com
This press release is available in French and in English

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