BUCHER

Interim report 2016

Contents

Fall in demand for agricultural equipment marks first half of 2016

Dear Shareholder

During the first half year the business performance of Bucher Industries saw a decline. The Group benefited from the good performance of several divisions, although this was not enough to compensate fully for the continuing downturn in the important agricultural equipment market. It was almost possible to maintain the operating profit margin through the implementation of strict cost-cutting programmes.

CHF million			change in		
January – June	**2016**	**2015**	**%**	**%[1]**	**%[2]**
Order intake	1 088.1	1 155.6	– 5.8	– 6.1	– 7.2
Net sales	1 245.3	1 341.3	– 7.2	– 8.0	– 9.4
Order book	564.1	549.3	2.7	2.0	– 1.4
Operating profit before depreciation and amortisation (EBITDA)	153.9	162.1	– 5.1		
as % of net sales	12.4%	12.1%			
Operating profit (EBIT)	107.4	117.8	– 8.8		
as % of net sales	8.6%	8.8%			
Profit/(loss) for the period	73.0	79.5	– 8.2		
as % of net sales	5.9%	5.9%			
Earnings per share in CHF	7.33	7.85	– 6.6		
Operating free cash flow	– 30.9	– 62.6	50.6		
Net cash/debt	– 148.6	– 239.4	37.9		
Total assets	2 370.7	2 366.0	0.2		
Equity	1 156.8	1 041.3	11.1		
Equity ratio	48.8%	44.0%			
Return on equity (ROE)	12.2%	16.1%			
Net operating assets (NOA) average	1 276.6	1 329.5	– 4.0		
Return on net operating assets (RONOA) after tax	12.1%	12.7%			
Number of employees at 30 June	11 277	11 607	– 2.8		– 4.8

[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Subdued market mood In the first half year of 2016 the economic mood in the various markets served by Bucher Industries was generally subdued. Growth momentum in the major European and American markets was largely absent. The global downturn in the agricultural machinery sector continued, and has now also affected the dairy and meat industries in addition to arable farming. These market segments had to contend with overproduction at a time of stagnating demand. The market for municipal vehicles remained stable at a low level, whereas the winter maintenance business was significantly affected by another very mild winter in Europe. Momentum in the business with hydraulic system solutions fell away slightly in Europe and America. By contrast, the market for glass-forming and inspection machinery saw moderate growth in the burgeoning markets. There was lively demand for machinery and equipment for winemaking and fruit juice and beer production and for industrial and automation solutions.

Varied performance across the divisions In this challenging market environment the Group benefited from the varying levels of performance in its divisions. The decline in order intake and sales remained within reasonable limits thanks to the pleasing performance of hydraulic system solutions, machinery for the glass container industry and the specialist companies. The decline was largely the result of the fall in demand at Kuhn Group. The business with municipal vehicles had to get by without the major order worth CHF 30 million from the city of Moscow which was included in the figures for the previous period. The Group operating profit margin decreased only slightly during the reporting period despite the difficult environment. Factors contributing to this were the relatively good order book at Kuhn Group at the beginning of the reporting year and the division's strict cost management policy, which enabled it to maintain profitability at a respectable level. The other divisions improved profitability, with the exception of Bucher Municipal. The reasons for this were the CHF 2 million cost of concentrating sweeper production, underutilised capacity in the winter maintenance business and the low level of profitability in the business with sewer-cleaning vehicles, which was affected by the cost of acquisition and integration. As in the previous year, Group profit for the period of CHF 73 million represented 5.9% of net sales.

Financial situation As a result of the seasonal increase in working capital, the acquisition of the sewer-cleaner business and the payment of dividends, free cash flow in the first half of 2016 amounted to negative CHF 130 million (first half 2015: negative CHF 133 million). This resulted in an increase in net debt to CHF 149 million as of 30 June 2016, though this was below the previous year's figure. Towards the end of 2016 net debt will show another significant fall due to seasonal factors. Affected by the acquisition-related increase in net operating assets of CHF 52 million, return on net operating assets (RONOA) after tax was 12.1% (12.7%), still significantly higher than the cost of capital but below the long-range target of 16%. An equity ratio of 49% and high liquid assets will ensure that financial independence and opportunities for further growth continue to be maintained.

Board of directors and Group management On 15 April 2016 the annual general meeting elected Philip Mosimann as chairman of the board of directors. Rolf Broglie stepped down after 20 years' service as a member of the board of directors and serving as its chairman for six years. At the same time, Philip Mosimann handed over the role of Group CEO, which he had fulfilled for 15 years, to Jacques Sanche.

As announced at the end of last year, Christina Johansson took over as CFO designate at Bucher Industries on 1 July 2016. On 1 October 2016 she will assume the role of CFO as a 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. He was most recently managing director of Bucher Hydraulics Switzerland.

Sustainability report 2015 On 30 June 2016 the Group published its sustainability report. The report was produced in compliance with the new G4 standard introduced by the Global Reporting Initiative (GRI) and contains a materiality matrix showing the eight issues relating to sustainability which are of most concern to the Group. This analysis was generated through dialogue with customers, employees, management team members, shareholders and investors.

The Sustainability Report 2015 is available in electronic form and can be accessed at http://www.bucherindustries.com/en/about-us/sustainability.

Outlook for 2016 The Group does not anticipate any upturn in the economy during the current reporting year. 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 decline in demand to affect the arable sector as well as the dairy and meat sectors. However, 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-cleaners. 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.

Niederweningen, 27 July 2016

Philip Mosimann
Chairman of the Board

Jacques Sanche
Chief Executive Officer

Kuhn Group

CHF million			change in	
January – June	**2016**	**2015**	**%**	**%[1]**
Order intake	348.8	421.8	– 17.3	– 16.2
Net sales	559.2	645.0	– 13.3	– 13.8
Order book	157.0	196.7	– 20.2	– 19.7
Operating profit (EBITDA)	84.5	96.2	– 12.2	
as % of net sales	15.1%	14.9%		
Operating profit (EBIT)	62.7	75.4	– 16.8	
as % of net sales	11.2%	11.7%		
Number of employees at 30 June	4 742	5 194	– 8.7	

[1] 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. These segments are having to contend 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. These factors resulted in further falls in the prices of raw materials and declining revenue for farmers. This environment dampened investment activities not only in North and South America, but also in Europe and Asia. The division's operations in Brazil faced additional challenges linked to the uncertainties related to the political situation and the sluggish local economy.

Focus on measures Kuhn Group held up comparatively well in this difficult environment. The division benefited from a satisfactory order book at the beginning of the reporting period, and consequently sales in the first half fell less steeply than order intake. A wide variety of measures enabled the division to maintain its operating profit margin very nearly at the previous year's good level. Important measures included various procurement initiatives aimed at decreasing purchasing costs, systematically optimised production planning and production 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 all of these measures, Kuhn Group took account of the need to prepare the ground for a future recovery.

Outlook for 2016 Kuhn Group expects demand to weaken further in the second half of the year by comparison with the previous year. The measures imposed to reduce costs and promote efficient production and monitoring of stocks will continue to be pursued. For 2016, the division anticipates a downturn in sales and an operating profit margin in high single-digit figures.

Bucher Municipal

CHF million			change in		
January – June	**2016**	**2015**	**%**	**%[1]**	**%[2]**
Order intake	171.7	200.9	– 14.5	– 14.1	– 20.3
Net sales	174.9	183.6	– 4.7	– 4.3	– 14.8
Order book	106.7	112.3	– 5.0	– 4.9	– 21.2
Operating profit (EBITDA)	9.2	15.3	– 39.9		
as % of net sales	5.2%	8.4%			
Operating profit (EBIT)	4.2	11.5	– 63.5		
as % of net sales	2.4%	6.2%			
Number of employees at 30 June	1 740	1 616	7.7		– 6.3

[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Stagnating markets The market environment for Bucher Municipal remained stable at a low level in the first six months of the current year 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 once more by another very mild winter in Europe.

Lower profitability 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 had an impact on the performance of Bucher Municipal. During the reporting period, the takeover of the sewer-cleaner business contributed to sales in the amount of CHF 20 million. Nevertheless, sales and order intake were still below the levels of the previous year. The low operating profit margin was affected by the restructuring costs for the relocation of sweeper production to Latvia and Great Britain, underutilised capacity in the winter maintenance business and expenses incurred through the acquisition and integration of the business with sewer-cleaners.

Entry into the sewer-cleaning market Bucher Municipal set about integrating its new business straight away upon the acquisition of the Danish sewer-cleaner manufacturers, J. Hvidtved Larsen A/S (JHL), in March of the current year. The division placed a clear focus on new opportunities for growth and used the respective broad bases of the companies' sales and service organisations to expand the customer base.

Relocation of sweeper production In February 2016 the division announced that it would be relocating serial sweeper manufacture to the two production plants in Great Britain and Latvia, where manufacturing activities are to be concentrated. The extensive relocation measures leading to the concentration of production capacity are on course and expected to be completed by the end of 2017. The move will ensure that the sweeper business continues to remain competitive.

Outlook for 2016 Bucher Municipal is not anticipating any significant change in the market dynamic by the end of 2016. The acquisition will have a positive impact on sales, though the cost of integration and relocation will adversely affect operating profit. In comparison with the previous year the division anticipates an increase in sales and a fall in profitability.

Bucher Hydraulics

CHF million			change in	
January – June	**2016**	**2015**	**%**	**%[1]**
Order intake	254.5	246.3	3.3	1.5
Net sales	254.1	241.2	5.3	3.4
Order book	76.4	79.8	– 4.3	– 6.0
Operating profit (EBITDA)	42.5	38.8	9.5	
as % of net sales	16.7%	16.1%		
Operating profit (EBIT)	32.9	29.5	11.5	
as % of net sales	13.0%	12.2%		
Number of employees at 30 June	2 053	2 039	0.7	

[1] 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 and increased its market share in the material handling and mobile and industrial hydraulics segments. The positive performance in the agricultural equipment segment was more subdued in the second quarter, while the construction equipment segment remained stable with no great momentum. In India business performance was pleasing and in China it was possible to consolidate market position at a low level. Compared with the first half of 2015, the division increased its sales and order intake, with growth in the latter being less marked. 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 strict cost control measures resulted in an operating profit margin slightly above that of the previous year.

The two Bucher Hydraulics production plants in Switzerland imposed further measures to increase efficiency and cut costs, ensuring that they would remain competitive despite the strength of the Swiss franc.

Solutions for mobile automation Bauma, the world's biggest trade fair for the construction machinery industry, took place in Munich in the spring. Along with Group company Jetter, Bucher Hydraulics showcased its automation solutions for mobile automation for the first time. Visitors were able to see a variety of examples demonstrating the new solutions to emerge from the technical collaboration between the two companies.

Outlook for 2016 A slight fall-off in the positive business performance is expected by the end of the year, due to seasonal factors. For 2016 Bucher is anticipating a moderate increase in sales and a stable operating profit margin compared with the previous year.

Bucher Emhart Glass

CHF million			change in	
January – June	**2016**	**2015**	**%**	**%[1]**
Order intake	183.0	177.8	2.9	0.9
Net sales	158.3	162.2	– 2.4	– 4.4
Order book	153.2	101.7	50.6	47.5
Operating profit (EBITDA)	16.0	15.8	1.3	
as % of net sales	10.1%	9.7%		
Operating profit (EBIT)	10.0	9.9	1.0	
as % of net sales	6.3%	6.1%		
Number of employees at 30 June	1 794	1 822	– 1.5	

[1] Adjusted for currency effects

Stable market environment In the first half year the market for glass-forming and inspection machinery remained stable overall, while burgeoning markets showed slight growth. The environment in the Chinese glass container industry has been affected by overcapacity and margin pressure since the slump of 2013. This situation has led to a certain degree of consolidation among providers in China.

Slight revival in performance In this environment, Bucher Emhart Glass achieved an increase in order intake compared with the same period last year. Demand for technologically advanced machines for forming glass containers revived in particular and the division succeeded in gaining market share in this segment. In China project activity became stable 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 Bucher Emhart Glass order book increased significantly, but sales failed to reach the previous year's level. Nevertheless, the operating profit margin was slightly higher than in the comparable period of 2015.

Outlook for 2016 Bucher Emhart Glass expects full capacity utilisation by the end of the year and is anticipating increased sales and slightly improved profitability compared with the previous year.

Bucher Specials

CHF million			change in	
January – June	**2016**	**2015**	**%**	**%[1]**
Order intake	153.2	129.6	18.2	17.3
Net sales	124.5	132.5	– 6.0	– 6.8
Order book	79.8	67.1	18.9	17.7
Operating profit (EBITDA)	12.5	8.1	54.3	
as % of net sales	10.0%	6.1%		
Operating profit (EBIT)	9.5	4.7	102.1	
as % of net sales	7.6%	3.5%		
Number of employees at 30 June	886	874	1.4	

1) Adjusted for currency effects

High level of project activity In the first half of 2016 the main markets of Bucher Specials performed well. Demand for winemaking equipment was brisk in the main markets of Europe and North America. France benefited in particular from the Macron programme, which guarantees tax incentives on investments. The project business with beverage technologies for fruit juice and beer began the current year with a very low order book. Project activity developed correspondingly well, leading to a very high order intake. Good performance by the Swiss distributorship for tractors and agricultural machinery enabled it to maintain its level of the previous year in a challenging environment. 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 exceeded that of the previous year by a considerable margin. Sales, by contrast, remained below the previous year's level, largely because Bucher Unipektin began 2016 with a low order book and the majority of projects will only be ready for delivery in the second half of the year. Thanks to better capacity utilisation, measures to increase efficiency and a strict cost control policy, the division's operating profit margin was significantly above that of the weak previous year.

New organisational unit: Customer Centre In a move designed to increase efficiency, Bucher Unipektin merged similar processes in its project and service business into a single organisational unit, creating a Customer Centre in a dedicated building. Not only will the new structure slim down processes in sales and administration, it will also provide greater scope for delivering optimum customer care.

Outlook for 2016 Bucher Specials will focus on continued application of measures to increase efficiency and profitability. In comparison with the previous year the division therefore expects to see an increase in sales and a significantly higher operating profit margin.

Contents

Financial report

Consolidated financial statements

Consolidated balance sheet

CHF million

	30 June 2016	30 June 2015	31 December 2015
Cash and cash equivalents	225.1	222.0	346.2
Short-term investments	28.9	27.9	28.6
Trade receivables	453.3	509.8	428.5
Current income tax assets	23.0	22.6	21.5
Other receivables	65.3	70.1	48.6
Inventories	655.4	613.4	602.8
Current assets	**1 451.0**	**1 465.8**	**1 476.2**
Long-term receivables	2.9	5.0	2.8
Property, plant and equipment	581.6	574.0	588.9
Intangible assets	245.5	214.8	205.6
Other financial assets	12.0	28.0	12.9
Investments in associates	11.8	10.9	11.2
Deferred income tax assets	65.9	67.5	56.0
Non-current assets	**919.7**	**900.2**	**877.4**
Assets	**2 370.7**	**2 366.0**	**2 353.6**
Financial liabilities	70.9	154.6	26.0
Trade payables	230.5	244.9	220.7
Advances from customers	80.4	79.1	167.3
Provisions	53.0	57.1	50.5
Other liabilities	214.9	228.4	196.5
Current income tax liabilities	33.2	30.8	16.3
Current liabilities	**682.9**	**794.9**	**677.3**
Financial liabilities	331.7	334.7	359.2
Provisions	13.7	13.7	11.8
Other liabilities	19.7	16.6	18.7
Deferred income tax liabilities	58.4	50.0	51.7
Retirement benefit obligations	107.5	114.8	80.8
Non-current liabilities	**531.0**	**529.8**	**522.2**
Attributable to owners of Bucher Industries AG	1 121.2	1 003.6	1 116.0
Attributable to non-controlling interests	35.6	37.7	38.1
Equity	**1 156.8**	**1 041.3**	**1 154.1**
Liabilities and equity	**2 370.7**	**2 366.0**	**2 353.6**

Consolidated income statement

CHF million

January – June	2016	%	2015	%
Net sales	**1 245.3**	**100.0**	**1 341.3**	**100.0**
Changes in inventories of finished goods and work in progress	28.2		10.1	
Raw materials and consumables used	– 616.9		– 683.4	
Employment costs	– 346.5		– 345.4	
Other operating income	8.3		8.2	
Other operating expenses	– 164.5		– 168.7	
Operating profit before depreciation and amortisation (EBITDA)	**153.9**	**12.4**	**162.1**	**12.1**
Depreciation	– 36.3		– 34.3	
Amortisation	– 10.2		– 10.0	
Operating profit (EBIT)	**107.4**	**8.6**	**117.8**	**8.8**
Share of profit/(loss) of associates	0.7		0.6	
Finance costs	– 7.8		– 8.9	
Finance income	1.3		1.8	
Profit before tax	**101.6**	**8.2**	**111.3**	**8.3**
Income tax expense	– 28.6		– 31.8	
Profit/(loss) for the period	**73.0**	**5.9**	**79.5**	**5.9**
Attributable to owners of Bucher Industries AG	74.2		79.3	
Attributable to non-controlling interests	– 1.2		0.2	
Basic earnings per share in CHF	7.33		7.85	
Diluted earnings per share in CHF	7.32		7.82	

Consolidated statement of comprehensive income

CHF million

January – June	2016	2015
Profit/(loss) for the period	**73.0**	**79.5**
Change in actuarial gains/(losses) on defined benefit pension plans	– 24.0	– 36.5
Income tax	5.5	8.0
Change in actuarial gains/(losses) on defined benefit pension plans net of tax	**– 18.5**	**– 28.5**
Items that will not be transferred subsequently to income statement	**– 18.5**	**– 28.5**
Change in cash flow hedge reserve	0.9	– 6.9
Transfer to income statement	– 0.3	1.7
Income tax	– 1.0	2.1
Change in cash flow hedge reserve net of tax	**– 0.4**	**– 3.1**
Change in currency translation reserve	5.7	– 141.9
Transfer to income statement	–	–
Change in currency translation reserve	**5.7**	**– 141.9**
Items that may be transferred subsequently to income statement	**5.3**	**– 145.0**
Other comprehensive income	**– 13.2**	**– 173.5**
Comprehensive income	**59.8**	**– 94.0**
Attributable to owners of Bucher Industries AG	62.0	– 90.6
Attributable to non-controlling interests	– 2.2	– 3.4

Consolidated cash flow statement

CHF million

January – June	2016	2015
Profit/(loss) for the period	**73.0**	**79.5**
Income tax expense	28.6	31.8
Net interest expense	3.9	7.0
Share of profit/(loss) of associates	– 0.7	– 0.6
Depreciation and amortisation	46.5	44.3
Other operating cash flow items	0.8	1.5
Gain on sale of non-current assets	– 0.6	– 0.1
Interest received	0.6	0.7
Interest paid	– 2.5	– 4.2
Income tax paid	– 13.6	– 17.5
Change in provisions and retirement benefit obligations	5.4	4.6
Change in receivables	– 28.0	– 96.6
Change in inventories	– 39.1	– 4.8
Change in advances from customers	– 92.1	– 97.3
Change in payables	19.0	31.8
Other changes in working capital	– 6.7	– 4.0
Net cash flow from operating activities	**– 5.5**	**– 23.9**
Purchases of property, plant and equipment	– 25.8	– 38.3
Proceeds from sale of property, plant and equipment	1.6	1.3
Purchases of intangible assets	– 1.2	– 1.7
Purchases of short-term investments and financial assets	– 0.3	– 1.0
Proceeds from sale of short-term investments and financial assets	1.0	1.1
Acquisition	– 41.9	– 3.0
Dividend received	0.1	0.3
Net cash flow from investing activities	**– 66.5**	**– 41.3**
Purchases of treasury shares	– 3.4	– 3.2
Proceeds from sale of treasury shares	1.4	1.9
Proceeds from non-current financial liabilities	5.4	1.3
Repayment of non-current financial liabilities	– 13.1	– 1.6
Proceeds from current financial liabilities	26.0	58.8
Repayment of current financial liabilities	– 9.5	– 5.4
Dividend paid	– 56.1	– 66.4
Net cash flow from financing activities	**– 49.3**	**– 14.6**
Effect of exchange rate changes	0.2	– 36.0
Net change in cash and cash equivalents	**– 121.1**	**– 115.8**
Cash and cash equivalents at 1 January	346.2	337.8
Cash and cash equivalents at 30 June	**225.1**	**222.0**

Consolidated statement of changes in equity

CHF million	Share capital	Retained earnings	Treasury shares	Currency translation reserve	Fair value reserve	Cash flow hedge reserve	Attributable to owners of Bucher Industries AG	Non-controlling interests	Total equity
Balance at 1 January 2015	**2.1**	**1 414.0**	**−9.2**	**−247.0**	**3.7**	**−3.8**	**1 159.8**	**41.8**	**1 201.6**
Profit/(loss) for the period		79.3					79.3	0.2	**79.5**
Other comprehensive income		−28.5		−138.3	–	−3.1	−169.9	−3.6	**−173.5**
Comprehensive income		**50.8**		**−138.3**	**–**	**−3.1**	**−90.6**	**−3.4**	**−94.0**
Change in treasury shares		0.6	−3.1				−2.5		**−2.5**
Share-based payments		1.9	0.7				2.6		**2.6**
Dividend		−65.7					−65.7	−0.7	**−66.4**
Balance at 30 June 2015	**2.1**	**1 401.6**	**−11.6**	**−385.3**	**3.7**	**−6.9**	**1 003.6**	**37.7**	**1 041.3**
Balance at 1 January 2016	**2.1**	**1 477.9**	**−12.4**	**−353.8**	**4.2**	**−2.0**	**1 116.0**	**38.1**	**1 154.1**
Profit/(loss) for the period		74.2					74.2	−1.2	**73.0**
Other comprehensive income		−18.5		6.7	–	−0.4	−12.2	−1.0	**−13.2**
Comprehensive income		**55.7**		**6.7**	**–**	**−0.4**	**62.0**	**−2.2**	**59.8**
Change in treasury shares		–	−3.4				−3.4		**−3.4**
Share-based payments		1.3	1.1				2.4		**2.4**
Dividend		−55.7					−55.7	−0.4	**−56.1**
Balance at 30 June 2016	**2.1**	**1 479.2**	**−14.7**	**−347.1**	**4.2**	**−2.4**	**1 121.3**	**35.5**	**1 156.8**

Notes to the consolidated financial statements

Financial position and results of operations In a generally subdued market environment, the Group benefited from the diverse performance of its divisions. The continuing decline in demand for agricultural equipment was partly offset by the pleasing performance in hydraulic systems, machinery for the glass container industry and the specialist businesses. Group order intake fell by 5.8% to CHF 1 088.1 million. Adjusted for currency and acquisition effects the decrease was 7.2%. The positive currency effect was 0.3% and the acquisition effect 1.1%. Net sales came in at CHF 1 245.3 million, 7.2% lower than the same period of last year. The impact of the currency and acquisition effects on net sales was positive, amounting to 0.8% and 1.4% respectively. Compared with the previous year, the changes in average exchange rates of the relevant currencies against the Swiss franc were as follows: EUR up 2.5%, USD up 4.0%, GBP down 3.0%, SEK up 3.0% and BRL down 17.1%.

The EBIT margin was 8.6%, 0.2 percentage points lower year on year. Adjusted for acquisition and integration effects of the sewer-cleaning vehicles business and the one-off relocation cost of sweeper production, the EBIT margin was 8.9%. Increases in profitability at Bucher Hydraulics, Bucher Emhart Glass and Bucher Specials and strict cost management offset the downturn in the other divisions. EBITDA fell by 5.1% to CHF 153.9 million (first half 2015: CHF 162.1 million), which resulted in an EBITDA margin of 12.4% (12.1%). The financial result was negative CHF 5.8 million compared with negative CHF 6.5 million in the same period of 2015. The improvement is essentially attributable to the repayment of high-interest financial liabilities. Income tax expense was accrued using the average effective tax rates for the current financial year and amounted to CHF 28.6 million for the first half of 2016 (CHF 31.8 million). Income tax paid in the reporting period amounted to CHF 13.6 million (CHF 17.5 million). The tax rate was 28.1% (28.6%). Group profit for the period of CHF 73.0 million (CHF 79.5 million) represented 5.9% of net sales as in the first half of 2015.

Net operating assets as of 30 June 2016 were CHF 1 375.8 million, CHF 43.7 million higher than for the same period of 2015 owing to acquisition and currency effects. After adjustments, the Group reported a decrease of CHF 39.2 million. Compared with the year-end figures for 2015, net operating assets increased by CHF 158.6 million. The main contributors to this development were the seasonal increase in receivables and stocks as well as the reduction in advances from customers and the acquisition of the sewer-cleaning vehicles business in the spring of this year. The negative impact of acquisition effects resulted in a return on net operating assets (RONOA) after tax of 12.1% (first half 2015: 12.7%), still significantly higher than the cost of capital, but below the long-range target of 16%.

The higher net working capital and increase in investments of CHF 27.0 million resulted in a negative operating free cash flow of CHF 30.9 million (first half 2015: negative CHF 62.6 million). The most important individual projects were the expansion of Kuhn Group in Saverne, the renovation of the Bucher Hydraulics buildings in Klettgau and expansion in India. Largely influenced by the acquisition amounting to CHF 41.9 million and the dividend of CHF 56.1 million, free cash flow amounted to negative CHF 130.1 million (negative CHF 132.9 million).

Cash flow/free cash flow

CHF million

January – June	2016	2015
Net cash flow from operating activities	**–5.5**	**–23.9**
Purchases of property, plant and equipment	–25.8	–38.3
Proceeds from sale of property, plant and equipment	1.6	1.3
Purchases of intangible assets	–1.2	–1.7
Operating free cash flow	**–30.9**	**–62.6**
Purchases of short-term investments and financial assets	–0.3	–1.0
Proceeds from sale of short-term investments and financial assets	1.0	1.1
Acquisition	–41.9	–3.0
Purchases of treasury shares	–3.4	–3.2
Proceeds from sale of treasury shares	1.4	1.9
Dividend received	0.1	0.3
Dividend paid	–56.1	–66.4
Free cash flow	**–130.1**	**–132.9**

At the end of the first half, the Group had cash and liquid assets of CHF 254.0 million to financial liabilities of CHF 402.6 million. As a result of the very high free cash flow in the second half of 2015, net debt as of 30 June 2016 fell by CHF 90.8 million to CHF 148.6 million. This will fall again significantly in the second half of the year due to seasonal influences. In addition, the undrawn committed credit facilities amounted CHF 80.0 million (30 June 2015: CHF 280.0 million). The syndicated loan in the amount of CHF 200.0 million fell due on 30 June 2016. The Group took advantage of the generally positive financial situation to reduce the syndicated loan as of 8 July 2016 to CHF 150.0 million. The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 30 June 2016. In equity, the Group's profit of CHF 73.0 million for the period is offset by dividend payments and negative effects from the valuation of pension funds. As a result, equity increased by only CHF 2.7 million to CHF 1 156.8 million. The equity ratio was 48.8%, a decrease of 0.2 percentage points compared with the end of 2015. Due to acquisition effects, intangible assets rose to CH 245.5 million (31 December 2015: CHF 205.6 million). Goodwill accounted for CHF 135.2 million (CHF 113.5 million); the ratio of goodwill to equity was 11.7% (9.8%).

CHF million

	30 June 2016	30 June 2015
Net tangible worth (equity less goodwill)	1 021.6	924.5
Gearing ratio (net debt to equity)	12.8%	23.0%
Return on equity (ROE)[1]	12.2%	16.1%
Interest coverage ratio (EBITDA to net interest expense)[1]	31.3	21.9
Debt payback period (net debt to EBITDA)[1]	0.5	0.7

[1] Rolling calculation from 1 July to 30 June

Group accounting policies The unaudited financial statements as of 30 June 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) in general and IAS 34, Interim Financial Reporting, in particular. This interim report should be read in conjunction with the annual report 2015. The present interim report was prepared in accordance with the Group accounting policies set out in the annual report 2015 and the new accounting policies applied as of 1 January 2016. The revised standards and interpretations had no significant impact on the interim report. Published standards or interpretations that will only come into effect for the financial years from 1 January 2017 and beyond will not be applied at an earlier date.

Management's assumptions and estimates The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. If in the future such estimates and assumptions deviate from the actual circumstances, reported amounts will be restated as appropriate in the year in which the circumstances change. The actuarial assumptions underlying actuarial calculations of defined benefit obligations, including discount rates, were reassessed. Income tax expense is accrued using the average effective tax rates for the current financial year. Furthermore, management made no new assumptions and estimates in the consolidated interim report compared with the consolidated financial statements for the year ended 31 December 2015.

Fair value disclosures of financial assets and liabilities Apart from financial liabilities with a fair value of CHF 418.4 million (31 December 2015: CHF 396.9 million), the book values approximate to the fair values. With the exception of contingent considerations from acquisitions, which were valued at zero, the same as at year-end, the fair values are based on observable market data at the end of the reporting period (level 2). There is no observable market data available regarding the contingent considerations classified as other liabilities (level 3). The valuation is based primarily on specific data from the companies acquired: Bucher Hidráulica, Brazil, and Kuhn-Montana Indústria de Máquinas, Brazil. During the reporting period, no reclassifications were undertaken between the different hierarchical levels and there were no changes to the valuation methods.

Segment reporting The Group comprises five divisions: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), hydraulic components (Bucher Hydraulics), manufacturing equipment for the glass container industry (Bucher Emhart Glass), equipment for making wine, fruit juice, beer and instant products, and for dewatering sewage sludge, a Swiss distributorship for tractors and agricultural machinery, and control systems for automation technology (Bucher Specials).

Segment information

CHF million	Net sales		Operating profit (EBIT)		Operating assets		Operating liabilities	
	January – June		January – June		30 June	31 December	30 June	31 December
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Kuhn Group	559.2	645.0	62.7	75.4	862.8	817.5	312.8	387.9
Bucher Municipal	174.9	183.6	4.2	11.5	288.4	227.3	90.0	86.0
Bucher Hydraulics	254.1	241.2	32.9	29.5	328.0	312.2	66.2	58.8
Bucher Emhart Glass	158.3	162.2	10.0	9.9	341.4	362.4	107.5	106.6
Bucher Specials	124.5	132.5	9.5	4.7	168.1	146.0	73.9	51.3
Reportable segments	**1 271.0**	**1 364.5**	**119.3**	**131.0**	**1 988.7**	**1 865.4**	**650.4**	**690.6**
Other/consolidation	– 25.7	– 23.2	– 11.9	– 13.2	29.6	28.5	– 7.9	– 13.9
Group	**1 245.3**	**1 341.3**	**107.4**	**117.8**	**2 018.3**	**1 893.9**	**642.5**	**676.7**

The performance of each of the divisions is evaluated on the basis of operating profit or loss which is measured consistently for management reporting and for the consolidated financial statement. The figures reported as "Other/consolidation" comprise the results of the holding, finance and management companies, as well as consolidation adjustments for intersegment transactions. Intersegment sales amounted to CHF 8.6 million for Kuhn Group, CHF 1.6 million for Bucher Hydraulics and CHF 15.4 million for Bucher Specials. Intersegment sales in the other divisions were only marginal.

Reconciliation of segment results

CHF million		
January – June	**2016**	**2015**
Segment operating profit (EBIT)	119.3	131.0
Other/consolidation	– 11.9	– 13.2
Group operating profit (EBIT)	**107.4**	**117.8**
Share of profit/(loss) of associates	0.7	0.6
Finance costs	– 7.8	– 8.9
Finance income	1.3	1.8
Profit before tax	**101.6**	**111.3**

Acquisition/disposal of subsidiaries As of 4 March 2016, Bucher Industries acquired a 100% equity holding in J. Hvidtved Larsen A/S (JHL) on behalf of the Bucher Municipal division. The company, established in 1915 and headquartered in Silkeborg, Denmark, is a technology leader in sewer-cleaning and holds strong market positions in Scandinavia and Great Britain. For Bucher Municipal, the takeover of JHL represents the acquisition of highly specialised engineering know-how and technology in the area of sewer-cleaning equipment. The acquisition price was CHF 43.9 million, which was paid in its entirety from liquid funds. The value of the acquired trade receivables corresponded to the fair value. On the balance sheet date, the process to determine the fair values of identifiable assets, goodwill, liabilities and contingent liabilities was not yet completed. Based on the preliminary purchase price allocations, the goodwill from the acquisition was CHF 15.9 million, which represents the entry into the markets and the synergy potential from the merger as well as the employees' expertise. Since the date of acquisition, JHL has generated revenues of CHF 19.7 million, an EBITDA margin of 4.6% and a company result of negative CHF 0.1 million. This is largely due to the negative impact of acquisition and integration costs. If the acquisition had been completed on 1 January 2016, the additional sales would have totalled CHF 27.8 million and the share of profit/(loss) for the period negative CHF 0.5 million. The acquisition costs totalling CHF 0.5 million were recognised in 2016 in the period they occur under other operating expenses.

CHF million	Fair value
	2015
Cash and cash equivalents	2.0
Trade receivables	6.2
Inventories	16.6
Property, plant and equipment	5.0
Intangible assets	24.1
Current financial liabilities	− 2.4
Trade payables	− 4.6
Advances from customers	− 4.5
Current other liabilities	− 6.3
Current income tax liabilities	− 0.8
Non-current financial liabilities	− 2.5
Deferred income tax liabilities	− 5.9
Other net assets	1.1
Net assets	**28.0**
Goodwill	15.9
Total purchase consideration	**43.9**
Cash and cash equivalents	− 2.0
Net cash flow on acquisitions	**41.9**

Events after the reporting date The consolidated interim financial statements were authorised for issue by the board of directors on 21 July 2016. When the consolidated financial statements were finalised on 21 July 2016, neither the board of directors nor group management was aware of any events that would have a material impact on the consolidated financial statements presented.

Financial calendar

Release of third-quarter 2016 group sales	27 October 2016	
Release of 2016 group sales	2 February 2017	
Annual press conference	7 March 2017	09.00 h
Annual analyst conference	7 March 2017	14.00 h
Publication of annual report 2016	7 March 2017	
Annual general meeting (Mövenpick Hotel, Regensdorf)	19 April 2017	15.30 h
First trading date ex-dividend	21 April 2017	
Dividend payment	25 April 2017	
Release of first-quarter 2017 group sales	27 April 2017	
Publication of sustainability report 2016	29 June 2017	
Conference call on interim results 2017	3 August 2017	
Publication of interim report 2017	3 August 2017	

Contact

Jacques Sanche, CEO
Roger Baillod, CFO

Bucher Industries AG
Murzlenstrasse 80
CH-8166 Niederweningen

Phone +41 43 815 80 80
Fax +41 43 815 80 81
info@bucherindustries.com
www.bucherindustries.com

Interim report 2016 Bucher Industries AG CH-8166 Niederweningen www.bucherindustries.com

Cover picture: CityCat 5006: highly efficient and manoeuvrable $4m^3$ sweeper from Bucher Municipal
27 July 2016 Publisher: Bucher Industries AG Design: MetaDesign, Zurich
This interim report is also published in German. In case of any discrepancy, the German version shall prevail.