Interim report 2018

Contents

Pleasing performance in the first half of 2018

Dear Shareholders

Order intake at Bucher Industries rose by 20% year on year in the first half of 2018. All divisions contributed to this positive development. Compared with the first half of 2017, Group sales increased by 19%. Of this increase, 5 percentage points were attributable to the currency translation effect, largely as a consequence of the stronger euro. At 9.1%, the operating profit margin also exceeded the previous year's level.

CHF million	January - June		change in		full year
	2018	**2017**	**%**	**%[1]**	**2017**
Order intake	1 523.7	1 267.0	20.3	16.1	2 870.7
Net sales	1 560.0	1 313.1	18.8	13.9	2 647.4
Order book	952.4	676.5	40.8	35.4	960.3
Operating profit before depreciation and amortisation (EBITDA)	189.1	159.7	18.4		318.0
as % of net sales	12.1%	12.2%			12.0%
Operating profit (EBIT)	142.0	114.6	23.9		226.4
as % of net sales	9.1%	8.7%			8.6%
Profit/(loss) for the period	110.7	86.8	27.5		167.7
as % of net sales	7.1%	6.6%			6.3%
Earnings per share in CHF	10.79	8.74	23.5		16.81
Operating free cash flow	– 119.3	– 30.1	– 296.3		148.2
Free cash flow	– 224.8	– 78.8	– 185.3		129.1
Net cash/debt	– 14.0	– 15.7	10.8		214.2
Total assets	2 626.7	2 405.3	9.2		2 719.8
Equity	1 425.7	1 250.8	14.0		1 432.1
Equity ratio	54.3%	52.0%			52.7%
Return on equity (ROE)	14.3%	11.0%			12.6%
Net operating assets (NOA) average	1 318.6	1 284.8	2.6		1 273.9
Return on net operating assets (RONOA) after tax	17.0%	13.6%			13.2%
Number of employees at closing date	12 640	11 615	8.8		12 108

[1] Adjusted for currency effects

Dynamic economic development The economic environment was mostly favourable during the first half of 2018. In Europe in particular, milk and meat prices remained at a good level. This had a positive effect on the hay and forage harvesting and feeding equipment markets. However, the milk price in the USA remained low, as did prices in the arable sector. During the first half of the year, political tensions between the USA and China and the announcement of punitive tariffs prompted uncertainties regarding the US farmers' future incomes, which were in any case already low. This hampered their willingness to invest. The municipal vehicles market picked up strongly in Europe, and especially in the major markets of the UK, France, Germany and Russia. Demand for sewer cleaning vehicles and winter maintenance equipment increased markedly, as did demand for refuse collection vehicles in Australia. Demand for hydraulic solutions, already unusually high, remained so into the first half of 2018. Glass forming machines were also very much in demand in Europe, North America and Asia. Overall, the markets of Bucher Specials were healthy, with a slight decline only in the agricultural equipment market in Switzerland.

Broad-based growth In the first half of 2018, Bucher Industries saw a considerable increase in its order intake. This was the case across all divisions. Group sales stood at CHF 1 560 million, with a good operating profit margin of 9.1% despite difficult market conditions for Kuhn Group in North America and higher material costs. The Group saw its profit for the period increase by a considerable 28%. Kuhn Group recorded a solid increase in both order intake and sales. The operating profit margin in the first half of the year was kept down by bottlenecks at the suppliers as well as higher prices for steel and aluminium. In Europe and Australia in particular, the municipal vehicles business did notably well. The concentration of sweeper production in the previous year and the good capacity utilisation at the production plants made Bucher Municipal much more profitable. Bucher Hydraulics posted a consistently impressive order intake worldwide in the materials handling, agricultural equipment and construction machine segments. The division again generated record figures for order intake and sales and maintained its operating profit margin at the same high level as in the previous year. Order intake at Bucher Emhart Glass was at the same very high level as in the previous year. The Chinese market continued to recover, helping to improve the margin. The division posted a gratifying increase in operating profit margin thanks to better utilisation of production capacity and optimised cost structures. Bucher Specials recorded a high order intake and a solid increase in sales. Despite last year's poor grape harvest, the winemaking equipment business remained stable. The beverage technology business performed well, with major orders won in Eastern Europe, Asia and Mexico. The Swiss agricultural machinery distributorship was adversely impacted by uncertainties regarding the Swiss agricultural policy and, while remaining at a high level, was down slightly. Demand for control systems remained high.

High profitability with solid financial situation Bucher Industries invested CHF 35 million in the expansion of its production infrastructure and in modernising and automating its production machinery. The group also invested more in the development of new products. Bucher Industries stepped up its operations in Asia by completely taking over the joint venture Shandong Sanjin Glass Machinery Co., Ltd. (Sanjin) in China, and is also planning to acquire an 80% stake in Wuxi Deli Fluid Technology Co., Ltd. (Wuxi Deli). Good economic conditions enabled Bucher Industries to reduce net operating assets by 7 percentage points to 45.6% of net sales. This, combined with greater profitability, improved the return on net operating assets after tax (RONOA) to 17.0%, significantly exceeding capital costs. The seasonal increase in net working capital, higher capital expenditure and the payment of the dividend combined to result in a negative free cash flow of CHF 225 million (compared with minus CHF 79 million over the same period in the previous year). Seasonal factors will push net liquidity, which stood at minus CHF 14 million, back into positive territory by the end of the year. With an equity ratio of 54% and high liquid assets, the financial flexibility of Bucher Industries and opportunities for further growth remain secure.

Greater presence in Asia By acquiring an 80% stake in Wuxi Deli, Bucher Hydraulics plans to boost its presence in China and expand its range of products offered worldwide. Wuxi Deli is the leading manufacturer of hydraulic pumps and hydraulic power packs in China and has been successful in growing its export business in recent years. This majority holding will make Bucher Hydraulics a globally significant producer of hydraulic power packs. The takeover is dependent on conditions such as the approval by the Chinese authorities, and is expected to be completed in the second half of 2018. With the complete takeover of the Sanjin joint venture, Bucher Emhart Glass will continue the systematic development of its subsidiary. The buyout of minority shareholders will foster even stronger collaboration between the two companies as well as the systematic and direct transfer of knowledge regarding technology, production efficiency and product development. At the end of May, Bucher Emhart Glass also took over the glass container laser marking business of Qualimarq, a pioneer and worldwide leader in this field. Bucher Emhart Glass will now be offering state-of-the-art technologies for the laser marking of hot glass containers. These will not only become an integral part of the “End-to-End” initiative, but will also be marketed as a single system under the “ID Mark” product name.

Board of directors On 18 April 2018, the annual general meeting re-elected Philip Mosimann as chairman of the board of directors and confirmed all members of the board of directors and of the compensation committee standing for re-election. Martin Hirzel was elected to the board of directors, bringing the number of directors to seven.

Sustainability report 2017 Published at the end of June 2018, the sustainability report 2017 describes the initiatives and projects that helped to implement the sustainability strategy throughout the Group. This strategy has four defined priorities: compliance with competition law and the prevention of corruption, the health and safety of our customers, attracting and retaining diverse and highly skilled employees and reducing the impact on the environment of our machinery and equipment. The goals for 2018 and 2019 were derived from these key topics. During the reporting year, the Group also implemented a cybersecurity policy in order to counter potential risks associated with increased networking and automation. The sustainability report 2017 is available in electronic form and can be downloaded from www.bucherindustries.com/en/investor-relations/sustainability-report.

Outlook for 2018 The Group expects market trends to remain positive overall during the current year. Kuhn Group anticipates stable milk and meat prices in Europe, but continued volatility in crop prices, especially in North America. In addition, a lengthy period of drought brought crop failures to northern and north-eastern Europe. The Chinese punitive tariffs on US agricultural products such as soya beans will delay the recovery of agriculture in North America even further. The operating profit margin of Kuhn Group is likely to again be adversely impacted by low sales figures in the USA, the high cost of steel, and by its current challenges with the supply chain and human resources. Against this background, Kuhn Group expects an increase in sales with an operating profit margin similar to that of the previous year. With a well-filled order book and high order intake in the first half of the year, Bucher Municipal expects a continuing positive development of sales trend in sales. In addition, over the course of the year the division will be able to further benefit from the cost-saving potential of the concentration of sweeper production. The division therefore expects a sharp increase in sales and the operating profit margin for the year as a whole. Bucher Hydraulics anticipates continued high demand for hydraulic solutions and a significant increase in sales. The operating profit margin is likely to remain high, but is assumed to come in slightly lower than in the first six months due to seasonal characteristics and the expected consolidation of Wuxi Deli. The upbeat market sentiment in the glass container industry is likely to continue, and with it the high demand for the glass-forming machinery of Bucher Emhart Glass. The division started the year with a high order book and expects sales for the year to outstrip last year’s. Thanks to good capacity utilisation and the optimisation programmes launched in recent years, the long-term goal of an operating profit margin of 9% should be reached in 2018. Bucher Specials anticipates its business units to perform well overall and hence higher sales and an improvement in the operating profit margin. The Group expects both sales and the profit for the year to increase for 2018 as a whole.

Niederweningen, 25 July 2018

Philip Mosimann
Chairman of the Board of Directors

Jacques Sanche
Chief Executive Officer

Kuhn Group

CHF million	January – June		change in		full year
	2018	2017	%	% [1]	2017
Order intake	471.1	416.8	13.0	9.9	1 137.5
Net sales	675.5	592.0	14.1	9.2	1 075.6
Order book	248.7	194.9	27.6	24.3	439.9
Operating profit (EBITDA)	79.3	81.4	– 2.6		133.0
as % of net sales	11.7%	13.7%			12.4%
Operating profit (EBIT)	58.0	61.9	– 6.3		93.0
as % of net sales	8.6%	10.5%			8.6%
Number of employees at closing date	5 455	5 029	8.5		5 235

[1] Adjusted for currency effects

Challenging market environment At the end of 2017 and in early 2018, the market for agricultural machinery was positive. However, there was a noticeable decline in the willingness of farmers in the USA to invest, as the wet spring weather delayed the start of the season, milk prices fell abruptly and the USA and China became embroiled in a trade dispute. The arable sector in North America continued to suffer from the high grain inventories that recent good harvests have generated, which weighed down on grain prices. In Brazil, the forthcoming elections in October and uncertainties surrounding the subsidy programmes have held back the willingness of farmers to invest. In contrast, the good price level in the dairy and livestock sector in Western Europe generated positive farm incomes, boosting demand for hay and forage harvesting machinery and feeding equipment. Demand fell in Russia and Ukraine.

Growth despite regional challenges Kuhn Group suffered under the difficult market conditions in North and South America. Thanks to the stable dairy and livestock sector in Europe, the division posted solid growth in order intake in the first half of 2018. Sales were also markedly higher year on year. Kuhn Group was affected by further rising prices for material, parts and logistics, as well as by the lack of qualified staff at the production locations. In addition, the devaluation of foreign currencies against a stronger euro weighed on the division. All these factors had a negative impact on the operating profit margin.

Outlook for 2018 Grain prices are likely to stay low and volatile in North America. The impact of the long dry period in the first half of the year in Northern and North-Eastern Europe will be felt in the second half of the year. Chinese punitive tariffs on US agricultural products such as soya beans will delay the recovery of agriculture in North America even further. On the other hand, Kuhn Group is anticipating stable milk and meat prices in Europe and a continued moderate recovery in the dairy and livestock sector. This should result in continued robust demand for hay and forage harvesting machinery and feeding equipment, which could already be seen in the high order book in the first half of the year. Against this background, the division is forecasting higher sales for 2018. Kuhn Group expects the uncertainties in North and South America as well as the current challenges in the supply chain and labour market to weigh on the operating profit margin, which will come in at the same level as last year.

Bucher Municipal

CHF million	January – June		change in		full year
	2018	2017	%	%[1]	2017
Order intake	291.1	219.8	32.4	27.7	486.1
Net sales	246.3	181.0	36.1	31.4	425.7
Order book	213.3	141.2	51.1	45.1	164.7
Operating profit (EBITDA)	25.9	9.8	164.3		37.2
as % of net sales	10.5%	5.4%			8.7%
Operating profit (EBIT)	20.2	4.4	359.1		26.1
as % of net sales	8.2%	2.4%			6.1%
Number of employees at closing date	2 128	1 840	15.7		2 014

[1] Adjusted for currency effects

Positive economic development The good economic situation in Europe and Australia further boosted demand for municipal vehicles. The increase in spending on infrastructure and street maintenance resulted in rising demand for sweepers, especially in France, Germany, Russia and the UK. Demand for sewer cleaning vehicles rose sharply, as did demand for refuse collection vehicles in Australia, where several large orders were won. The market for winter maintenance equipment also experienced a strong upturn due to the long and snowy winter.

High order intake The municipal vehicles business was extremely positive in the first half of 2018, especially in Europe and Australia. The broad-based increase in demand helped Bucher Municipal post a sharp increase in order intake. The concentration of sweeper production in the UK and Latvia was completed in 2017. It raised the production capacity utilisation rate and also improved the cost structure, thereby boosting the division's profitability. Along with the high order intake, this significant optimisation of operations helped contribute to the gratifying development of sales and the operating profit margin.

Outlook for 2018 With a well-filled order book and high order intake in all business units, Bucher Municipal anticipates a continuation of the upward trend. In the second half of the year, the division will continue to benefit from the cost-cutting potential due to the concentration of sweeper production. As a result, Bucher Municipal is forecasting a sharp increase in sales and in the operating profit margin for 2018.

Bucher Hydraulics

CHF million	January – June		change in		full year
	2018	2017	%	% [1]	2017
Order intake	374.9	288.9	29.8	26.9	581.0
Net sales	316.0	272.9	15.8	12.5	545.9
Order book	179.0	97.7	83.2	79.8	117.8
Operating profit (EBITDA)	55.1	48.9	12.7		94.4
as % of net sales	17.4%	17.9%			17.3%
Operating profit (EBIT)	45.1	39.1	15.3		74.7
as % of net sales	14.3%	14.3%			13.7%
Number of employees at closing date	2 450	2 159	13.5		2 319

[1] Adjusted for currency effects

Dynamic market situation In the first half of 2018, the demand for hydraulic system solutions and components was extraordinarily high in the main markets of Europe, North America and Asia. Hydraulic solutions both for mobile and industrial applications were in strong demand in the German market in particular. The development of the Chinese market for construction equipment was very dynamic. As a result, the most important segments materials handling, agricultural machinery and construction machines again reported high growth rates.

Record high number of orders The business success of Bucher Hydraulics in 2017 carried over into the first half of 2018. Germany, one of the division’s key markets, contributed significantly to the very high order intake and to the record order book and sales. The largest segments materials handling, agricultural machinery and construction machines were responsible for the sharp upturn in growth compared to the first half of 2017. The continued growth led to a very high capacity utilisation. However, the division handled the challenges arising in the supply chain and production well, enabling the operating profit margin to be maintained at the high level of the previous year.

Outlook for 2018 Bucher Hydraulics anticipates that demand for hydraulic solutions will continue to be high for the current year and forecasts a significant increase in sales. The division is investing in research and development and is expanding capacities at several locations. At plants in India and Italy in particular, construction work has begun on long-planned expansions of facilities. The operating profit margin is likely to be high, but due to seasonal characteristics and the expected consolidation of Wuxi Deli Fluid Technology Co., Ltd. it is estimated to come in slightly lower than in the first six months.

Bucher Emhart Glass

CHF million	January – June		change in		full year
	2018	2017	%	%[1]	2017
Order intake	249.2	235.3	5.9	−1.6	448.9
Net sales	216.8	165.9	30.7	21.2	381.2
Order book	218.2	175.8	24.1	15.2	177.3
Operating profit (EBITDA)	25.2	13.6	85.3		36.4
as % of net sales	11.6%	8.2%			9.6%
Operating profit (EBIT)	19.9	8.0	148.8		25.2
as % of net sales	9.2%	4.8%			6.6%
Number of employees at closing date	1 649	1 625	1.5		1 630

[1] Adjusted for currency effects

Persistently high market volumes The upturn in demand for glass containers worldwide led to high capacity utilisation of the glass container manufacturers, especially in Europe, where many reached their production limit. Demand in North America was also noticeably higher, and the rebound in the Chinese market continued. In the first six months of 2018, glass container manufacturers in almost all markets therefore invested in modernising their production lines or in completely new facilities.

Gratifying increase of operating profit margin In the first half of 2018, order intake at Bucher Emhart Glass was up modestly over the previous year's good level. Demand in North America for glass-forming machinery and the spare parts business contributed to this good performance. The cooperation with O-I continued to develop well. Order intake was also higher in the rebounding Chinese market. The glass-forming machinery business also saw a sharp rise in sales and order books. The division posted a much higher operating profit margin year on year thanks to optimisations undertaken in recent years and good capacity utilisation.

Outlook for 2018 Bucher Emhart Glass started the current year with a robust order book and expects sales to rise significantly for 2018. In the Chinese market, the division will continue to push ahead with developing its subsidiary Sanjin. Thanks to good capacity utilisation at locations in Sweden and Malaysia, the long-term goal of an operating profit margin of 9% should be reached in 2018.

Bucher Specials

CHF million	January – June		change in		full year
	2018	**2017**	**%**	**%[1]**	**2017**
Order intake	163.1	127.7	27.7	23.7	274.6
Net sales	139.5	128.5	8.6	5.4	271.6
Order book	104.5	75.0	39.3	35.0	79.5
Operating profit (EBITDA)	12.3	9.9	24.2		27.9
as % of net sales	8.8%	7.7%			10.3%
Operating profit (EBIT)	9.3	7.1	31.0		22.1
as % of net sales	6.6%	5.5%			8.1%
Number of employees at closing date	895	900	−0.6		849

[1] Adjusted for currency effects

Revival in market for beverage technology The markets of the four business units of Bucher Specials developed mostly positively. Wine production in 2017 fell in the main markets of France, Spain and Italy due to bad weather conditions. Nevertheless, the demand for winemaking equipment was stable in the first six months of 2018. The market for beverage technology continued to develop positively after a gratifying start to the reporting year. The Swiss market for agricultural machinery was subdued at a high level because of the controversial direction of the Swiss agricultural policy. There was a strong demand for control systems for automation technology.

Strong order intake Order intake at Bucher Specials saw a gratifying development in the first half of the year. Both sales and the operating profit margin were higher year on year. Order intake at Bucher Vaslin was unchanged year on year, while sales were slightly higher. The need for services and grape reception lines increased in particular. Bucher Unipektin was able to win significant orders in Eastern Europe and Asia and posted a gratifying order intake. The demand for fruit juice presses, spare parts and beer filtration systems increased, with the latter benefiting from capital spending by Mexican beer producers. The uncertainties surrounding Agricultural Policy 2022 and upcoming free trade agreements weighed on the Swiss market for agricultural machinery. In addition, higher prices due to foreign exchange movements had a negative impact on the investment activities of farmers. At the beginning of the reporting year, Bucher Landtechnik added vehicles of the Merlo brand to its product range. They were well received in the first half of the year. A favourable economic environment in Germany and a greater need for control systems for glass-forming machinery boosted demand at Jetter.

Outlook for 2018 Bucher Specials expects its business units to perform well overall and anticipates higher sales and an improvement in the operating profit margin.

Consolidated financial statements

Consolidated balance sheet

CHF million

	30 June 2018	30 June 2017	31 December 2017
Cash and cash equivalents	298.8	310.0	513.2
Other financial assets	26.0	28.7	27.3
Trade receivables	547.9	445.9	457.2
Current income tax assets	23.2	22.6	26.0
Other receivables	72.4	67.6	67.4
Inventories	747.0	631.5	694.0
Current assets	**1 715.3**	**1 506.3**	**1 785.1**
Long-term receivables	8.6	7.1	7.7
Property, plant and equipment	601.4	577.1	614.7
Intangible assets	222.0	232.1	234.9
Other financial assets	12.5	10.7	10.4
Investments in associates and joint ventures	14.1	12.5	13.3
Deferred income tax assets	52.8	59.5	53.7
Non-current assets	**911.4**	**899.0**	**934.7**
Assets	**2 626.7**	**2 405.3**	**2 719.8**
Financial liabilities	86.6	67.8	60.6
Trade payables	289.6	239.8	269.8
Advances from customers	100.4	84.5	234.5
Provisions	59.4	57.0	61.6
Other liabilities	244.5	220.9	219.0
Current income tax liabilities	42.9	35.3	33.1
Current liabilities	**823.4**	**705.3**	**878.6**
Financial liabilities	252.2	286.6	265.7
Provisions	12.2	14.2	12.8
Other liabilities	18.4	19.6	18.7
Deferred income tax liabilities	47.9	50.3	54.6
Retirement benefit obligations	46.9	78.5	57.3
Non-current liabilities	**377.6**	**449.2**	**409.1**
Attributable to owners of Bucher Industries AG	1 409.6	1 217.4	1 398.1
Attributable to non-controlling interests	16.1	33.4	34.0
Equity	**1 425.7**	**1 250.8**	**1 432.1**
Liabilities and equity	**2 626.7**	**2 405.3**	**2 719.8**

Consolidated income statement

CHF million

January – June	2018	%	2017	%
Net sales	**1 560.0**	**100.0**	**1 313.1**	**100.0**
Changes in inventories of finished goods and work in progress	25.8		24.3	
Raw materials and consumables used	−806.7		−666.2	
Employment costs	−410.9		−355.3	
Other operating income	10.5		8.5	
Other operating expenses	−189.6		−164.7	
Operating profit before depreciation and amortisation (EBITDA)	**189.1**	**12.1**	**159.7**	**12.2**
Depreciation	−38.4		−36.7	
Amortisation	−8.7		−8.4	
Operating profit (EBIT)	**142.0**	**9.1**	**114.6**	**8.7**
Share of profit/(loss) of associates and joint ventures	1.0		0.7	
Finance costs	−4.4		−3.3	
Finance income	1.5		2.0	
Profit before tax	**140.1**	**9.0**	**114.0**	**8.7**
Income tax expense	−29.4		−27.2	
Profit/(loss) for the period	**110.7**	**7.1**	**86.8**	**6.6**
Attributable to owners of Bucher Industries AG	110.4		88.5	
Attributable to non-controlling interests	0.3		−1.7	
Basic earnings per share in CHF	10.79		8.74	
Diluted earnings per share in CHF	10.79		8.73	

Consolidated statement of comprehensive income

CHF million

January – June	2018	2017
Profit/(loss) for the period	**110.7**	**86.8**
Change in actuarial gains/(losses) on defined benefit pension plans	11.0	14.9
Income tax	−2.3	−3.3
Change in actuarial gains/(losses) on defined benefit pension plans net of tax	**8.7**	**11.6**
Items that will not be transferred subsequently to income statement	**8.7**	**11.6**
Change in cash flow hedge reserve	−4.7	1.0
Transfer to income statement	2.1	0.7
Income tax	0.5	−1.0
Change in cash flow hedge reserve net of tax	**−2.1**	**0.7**
Change in currency translation reserve	−21.3	−24.3
Transfer to income statement	0.4	–
Change in currency translation reserve	**−20.9**	**−24.3**
Items that may be transferred subsequently to income statement	**−23.0**	**−23.6**
Other comprehensive income	**−14.3**	**−12.0**
Comprehensive income	**96.4**	**74.8**
Attributable to owners of Bucher Industries AG	95.7	77.1
Attributable to non-controlling interests	0.7	−2.3

Consolidated cash flow statement

CHF million

January – June	2018	2017
Profit/(loss) for the period	**110.7**	**86.8**
Income tax expense	29.4	27.2
Net interest expense	1.5	1.2
Share of profit/(loss) of associates and joint ventures	– 1.0	– 0.7
Depreciation and amortisation	47.1	45.1
Other operating cash flow items	0.7	1.4
Gain on sale of non-current assets	– 0.5	– 0.1
Interest received	0.7	1.2
Interest paid	– 0.8	– 1.0
Income tax paid	– 20.3	– 18.2
Change in provisions and retirement benefit obligations	– 0.1	– 4.1
Change in receivables	– 100.5	– 75.1
Change in inventories	– 63.5	– 40.2
Change in advances from customers	– 129.9	– 80.9
Change in payables	49.4	56.5
Other changes in working capital	– 7.9	– 5.1
Net cash flow from operating activities	**– 85.0**	**– 6.0**
Purchases of property, plant and equipment	– 33.3	– 23.5
Proceeds from sale of property, plant and equipment	1.0	1.0
Purchases of intangible assets	– 2.0	– 1.6
Purchases of other financial assets	– 4.0	– 1.3
Proceeds from sale of other financial assets	2.6	1.2
Acquisition	– 0.5	–
Dividend received	0.1	–
Net cash flow from investing activities	**– 36.1**	**– 24.2**
Proceeds from sale of treasury shares	0.2	2.1
Proceeds from non-current financial liabilities	4.1	0.7
Repayment of non-current financial liabilities	– 0.9	– 3.7
Proceeds from current financial liabilities	46.0	31.3
Repayment of current financial liabilities	– 35.7	– 31.4
Acquisition of non-controlling interests	– 36.9	–
Dividend paid	– 67.0	– 50.7
Net cash flow from financing activities	**– 90.2**	**– 51.7**
Effect of exchange rate changes	– 3.1	1.3
Net change in cash and cash equivalents	**– 214.4**	**– 80.6**
Cash and cash equivalents at 1 January	513.2	390.6
Cash and cash equivalents at 30 June	**298.8**	**310.0**

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 2017	**2.1**	**1 537.9**	**–17.7**	**–338.5**	**4.7**	**–0.6**	**1 187.9**	**35.7**	**1 223.6**
Profit/(loss) for the period		88.5					88.5	–1.7	**86.8**
Other comprehensive income		11.6		–23.7	–	0.7	–11.4	–0.6	**–12.0**
Comprehensive income		**100.1**		**–23.7**	**–**	**0.7**	**77.1**	**–2.3**	**74.8**
Share-based payments		2.3	0.8				3.1		**3.1**
Dividend		–50.7					–50.7	–	**–50.7**
Balance at 30 June 2017	**2.1**	**1 589.6**	**–16.9**	**–362.2**	**4.7**	**0.1**	**1 217.4**	**33.4**	**1 250.8**
Balance at 1 January 2018	**2.1**	**1 702.3**	**–3.7**	**–304.7**	**2.9**	**–0.8**	**1 398.1**	**34.0**	**1 432.1**
Impact of first application of IFRS 9 and IFRS 15		2.9		–	–2.9		–	–	**–**
Restated balance at 1 January 2018	**2.1**	**1 705.2**	**–3.7**	**–304.7**	**–**	**–0.8**	**1 398.1**	**34.0**	**1 432.1**
Profit/(loss) for the period		110.4					110.4	0.3	**110.7**
Other comprehensive income		8.7		–21.3	–	–2.1	–14.7	0.4	**–14.3**
Comprehensive income		**119.1**		**–21.3**	**–**	**–2.1**	**95.7**	**0.7**	**96.4**
Share-based payments		–0.4	1.5				1.1		**1.1**
Change in non-controlling interests		–18.8					–18.8	–18.1	**–36.9**
Dividend		–66.5					–66.5	–0.5	**–67.0**
Balance at 30 June 2018	**2.1**	**1 738.6**	**–2.2**	**–326.0**	**–**	**–2.9**	**1 409.6**	**16.1**	**1 425.7**

Notes to the consolidated financial statements

Broad-based growth Bucher Industries benefited in the first half of 2018 from the favourable economic situation and increased its order intake by 20.3% to CHF 1 523.7 million. At 4 percentage points, the currency translation effect made a contribution, thanks above all to the regained strength of the euro. On a currency-adjusted basis, the increase was 16.1%. The strong order intake together with the high order book at the start of the year led to better capacity utilisation. Net sales of CHF 1 560.0 million were up 18.8% on the same period in the previous year. The largely positive market development led to a repeated very high order book and an order backlog at the end of the reporting period of around 3.9 months of the rolling full-year sales (first half 2017: 3.3 months). Compared with the previous year, the changes in average exchange rates relative to the Swiss franc were as follows: EUR plus 8.4%, USD minus 2.5%, GBP plus 6.1%, SEK plus 2.5% and BRL minus 9.0%.

Encouraging increase in profitability The EBIT margin was 9.1% (first half 2017: 8.7%). The encouraging increase in profitability in the Bucher Municipal and Bucher Emhart Glass divisions, and the persistently high profitability at Bucher Hydraulics, more than offset the decline in the Kuhn Group division. The costs incurred by the holding, finance and management companies came to CHF 10.5 million (CHF 5.9 million). The previous year also included the one-off positive effect of CHF 4.9 million from the reduction of the conversion rate of the Swiss pension fund. The financial result came to minus CHF 1.9 million compared with minus CHF 0.6 million in the first half 2017. The increase is largely attributable to unrealised currency losses from measurement of financial investments and hedging. Income tax expense was accrued on the basis of the effective tax rates of the current financial year and amounted to CHF 29.4 million for the first half of 2018 (CHF 27.2 million). At 21.0%, the effective tax rate was down on the previous year's figure of 23.8%. The reduction is attributable above all to changes in local income tax rates and lower earnings in countries with higher tax rates. Group profit for the period of CHF 110.7 million (CHF 86.8 million) equates to 7.1% of net sales (6.6%).

Higher returns Net operating assets of CHF 1 457.6 million as of 30 June 2018 increased by 11.1% over the same period in 2017 due to volume-related factors. The increase compared with year-end 2017 was 16.2% and mainly due to the seasonal increase in trade receivables and inventory, as well as the decline in advances from customers. Supported by the favourable economic environment and thanks to strict management of the net working capital, average net operating assets could be reduced by 7 percentage points to 45.6% of net sales. This, combined with greater profitability, improved the return on net operating assets after tax (RONOA), taking it to 17.0% (first half 2017: 13.6%).

Cash flow/free cash flow

CHF million

January – June	2018	2017
Net cash flow from operating activities	**– 85.0**	**– 6.0**
Purchases of property, plant and equipment	– 33.3	– 23.5
Proceeds from sale of property, plant and equipment	1.0	1.0
Purchases of intangible assets	– 2.0	– 1.6
Operating free cash flow	**– 119.3**	**– 30.1**
Purchases of other financial assets	– 4.0	– 1.3
Proceeds from sale of other financial assets	2.6	1.2
Acquisition	– 0.5	–
Acquisition of non-controlling interests	– 36.9	–
Proceeds from sale of treasury shares	0.2	2.1
Dividend received	0.1	–
Dividend paid	– 67.0	– 50.7
Free cash flow	**– 224.8**	**– 78.8**

Increase in investment activity The Group invested CHF 35.3 million (first half 2017: CHF 25.1 million) in fixed assets in the reporting period. The focus was on the expansion of the production infrastructure and the modernisation and automation of the production machinery. The most important individual projects concerned Kuhn Group's expansion project in France and the expansion of the production sites of Bucher Hydraulics in India and Bucher Emhart Glass in Sweden. The seasonal increase in the net working capital as well as higher capital expenditure led to a negative operating free cash flow of CHF 119.3 million (minus CHF 30.1 million). Bucher Industries further strengthened its activities in Asia with the full acquisition of the Sanjin joint venture. After deducting the acquisition of the non-controlling interests in Sanjin and the dividend, the negative free cash flow amounted to CHF 224.8 million (minus CHF 78.8 million).

Solid financial position The Group held cash and liquid assets of CHF 324.8 million compared with financial liabilities of CHF 338.8 million. Net liquidity of minus CHF 14.0 million thus remained on the same level as the previous year. Net liquidity will rise again substantially in the second half of the year due to seasonal influences. A total of CHF 185.0 million in undrawn committed credit facilities was also available. The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 30 June 2018. In equity the Group's profit for the period of CHF 110.7 million is offset by the acquisition of non-controlling interests, dividend payments and negative effects from the other comprehensive income. Consequently, equity fell by CHF 6.4 million from year-end 2017 to CHF 1 425.7 million. The equity ratio was 54.3%, an increase of 1.6 percentage points compared with the end of 2017. Intangible fixed assets declined to CHF 222.0 million as a result of amortisation and currency effects (31 December 2017: CHF 234.9 million). The ratio of intangible assets to equity was 15.6% (16.4%), while that of goodwill to equity was 9.3% (9.6%). The solid financial position continues to secure the financial flexibility of Bucher Industries and to lay the foundations for further growth.

Group accounting policies The unaudited financial statements for the six months ended 30 June 2018 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 2017. These interim financial statements were prepared in accordance with the Group accounting policies set out in the annual report 2017 and the new accounting policies applicable from 1 January 2018. Bucher Industries has applied the new standards "IFRS 9 – Financial instruments" and "IFRS 15 – Revenue from contracts with customers" since 1 January 2018. The cumulative effects from the initial application were recognised directly in equity. In accordance with the standards, the comparative figures from prior periods were not adjusted. The revised standards and interpretations did not have a material impact on the interim report 2018. The Group did not apply published standards or interpretations that will come into effect only for the financial years from 1 January 2019 and beyond.

IFRS 9 – Financial Instruments replaces IAS 39 and introduces changes to the classification and measurement of financial assets, the recognition of impairments of financial assets as well as hedge accounting. Financial assets are classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. As a result of applying IFRS 9, other financial assets with a value of CHF 24.6 million were reclassified as of 1 January 2018 to the category "fair value through profit or loss (FVTPL)" (previously "available for sale"). The corresponding effects from the increase in fair value in the amount of CHF 2.9 million were reclassified from the fair value reserve to retained earnings as of 1 January 2018. The expected credit loss model is now used to calculate the impairments of financial assets. The application of this model did not have any material impact at Bucher Industries due to the nature of the financial assets, including trade receivables.

IFRS 15 – Revenue from contracts with customers replaces revenue recognition in accordance with IAS 18 and IAS 11 and calls for a standardised five-step model for recognising revenue from the transfer of promised goods and services. The new standard also sets out disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The application of IFRS 15 has no material impact on the timing or amount of revenue recognition for Bucher Industries. The initial application of the modified retroactive approach as of 1 January 2018 did not have any significant impact.

Management's assumptions and estimates The preparation of consolidated interim 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 2017.

Fair value disclosures of financial assets and liabilities Apart from financial liabilities with a fair value of CHF 348.6 million (31 December 2017: CHF 336.0 million), the book values approximate the fair values. With the exception of contingent consideration from acquisitions, 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 consideration classified as other liabilities (level 3). The contingent consideration amounted to CHF 0.7 million (CHF 0.0 million) and is due to acquisitions: Qualimarq business (see Acquisitions) and Bucher Hydráulica, Brazil. The valuation is based primarily on specific data from the companies acquired. During the reporting period, no reclassifications were undertaken between the different hierarchical levels and there were no changes to the valuation methods.

Contingent liabilities On 14 March 2017, the Swiss Competition Commission (COMCO), acting on the basis of an allegation, conducted an inspection on the premises of Bucher Landtechnik AG. The Group is co-operating with COMCO and assisting in every way to help resolve the matter.

Acquisitions

Acquisition of Qualimarq business At the end of May, Bucher Industries acquired the laser marking business for hot glass containers from Qualimarq for the Bucher Emhart Glass division. The purchase price was CHF 1.2 million and comprised a cash component of CHF 0.5 million and expected contingent consideration of CHF 0.7 million. The payments totalling a maximum of CHF 1.4 million depend on the annual sales targets over the next five years. The fair value of the acquired net assets amounted to CHF 1.2 million and consisted primarily of goodwill.

Acquisition of non-controlling interests in Shandong Sanjin Glass Machinery Co., Ltd. Bucher Industries increased its interest in Sanjin by 37% to 100% by the purchase of additional shares. The purchase price of CHF 36.9 million was recognised as an acquisition of non-controlling interests in the cash flow from financing activities. The increase led to a change in the non-controlling interests in the consolidated statement of equity in the amount of CHF 18.1 million. The difference of CHF 18.8 million between the purchase price and the carrying value of the non-controlling interests was recognised in retained earnings.

Planned acquisition Wuxi Deli Fluid Technology Co., Ltd. The announced acquisition of an 80% stake in Wuxi Deli Fluid Technology Co., Ltd. is dependent on conditions such as the approval by the Chinese authorities. The deal is expected to be completed in the second half of 2018 and the company will be consolidated from then. In 2017, Wuxi Deli, with approximately 320 employees, posted sales of about CHF 40 million.

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), machinery and equipment for the production of wine and fruit juice, a Swiss distributorship for tractors and specialised agricultural machinery, as well as 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
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Kuhn Group	675.5	592.0	58.0	61.9	939.2	887.8	− 350.0	− 453.5
Bucher Municipal	246.3	181.0	20.2	4.4	349.9	335.7	− 114.6	− 117.6
Bucher Hydraulics	316.0	272.9	45.1	39.1	374.5	349.8	− 90.5	− 84.5
Bucher Emhart Glass	216.8	165.9	19.9	8.0	352.1	341.0	− 132.4	− 134.6
Bucher Specials	139.5	128.5	9.3	7.1	180.8	156.3	− 88.9	− 67.4
Reportable segments	**1 594.1**	**1 340.3**	**152.5**	**120.5**	**2 196.5**	**2 070.6**	**− 776.4**	**− 857.6**
Other/consolidation	− 34.1	− 27.2	− 10.5	− 5.9	22.9	28.1	14.6	13.7
Group	**1 560.0**	**1 313.1**	**142.0**	**114.6**	**2 219.4**	**2 098.7**	**− 761.8**	**− 843.9**

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 the consolidated financial statements. The figures reported as “other/consolidation” comprise the results of the holding, finance and management companies, as well as consolidation adjustments for intersegment transactions. The previous year also included the one-off effect in the amount of CHF 4.9 million from the reduction in the conversion rate of the Swiss pension fund. Intersegment sales amounted to CHF 9.3 million for Kuhn Group, CHF 2.2 million for Bucher Hydraulics and CHF 22.6 million for Bucher Specials. Intersegment sales in the other divisions were only marginal.

Division net sales by region

CHF million	Europe		Americas		Asia		Other	
January - June	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Kuhn Group	464.4	384.5	171.9	165.5	26.5	24.0	12.7	18.0
Bucher Municipal	172.8	125.8	18.6	14.3	9.2	6.9	45.7	34.0
Bucher Hydraulics	198.9	168.5	89.9	80.7	26.1	22.8	1.1	0.9
Bucher Emhart Glass	80.0	63.1	58.9	56.2	53.0	40.7	24.9	5.9
Bucher Specials	113.5	104.5	11.0	9.2	13.5	8.8	1.5	6.0
Reportable segments	**1 029.6**	**846.4**	**350.3**	**325.9**	**128.3**	**103.2**	**85.9**	**64.8**
Other/consolidation	− 28.0	− 22.6	− 0.6	− 0.5	− 5.5	− 4.1	–	–
Group	**1 001.6**	**823.8**	**349.7**	**325.4**	**122.8**	**99.1**	**85.9**	**64.8**

Reconciliation of segment results

CHF million

January – June	2018	2017
Segment operating profit (EBIT)	152.5	120.5
Other/consolidation	−10.5	−5.9
Operating profit (EBIT)	**142.0**	**114.6**
Share of profit/(loss) of associates and joint ventures	1.0	0.7
Finance costs	−4.4	−3.3
Finance income	1.5	2.0
Profit before tax	**140.1**	**114.0**

Events after the reporting date The consolidated interim financial statements were authorised for issue by the board of directors on 19 July 2018. When the consolidated financial statements were finalised on 19 July 2018, neither the board of directors nor the group management were aware of any events that would have a material impact on the consolidated financial statements presented.

Financial calendar

Release of third-quarter 2018 group sales	25 October 2018	
Release of 2018 group sales	31 January 2019	
Annual press conference	6 March 2019	09.00 h
Annual analyst conference	6 March 2019	14.00 h
Publication of the annual report 2018	6 March 2019	
Annual general meeting (Mövenpick Hotel, Regensdorf)	17 April 2019	15.30 h
First trading date ex-dividend	23 April 2019	
Dividend payment	25 April 2019	
Release of first-quarter 2019 group sales	25 April 2019	
Publication of sustainability report 2018	27 June 2019	
Publication of interim report 2019	30 July 2019	
Release of third-quarter 2019 group sales	24 October 2019	

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Cover picture: The seven-step evaporator plant that Bucher Unipektin developed and installed in Chile is highly energy efficient. With an evaporation capacity of 120 000 litres of apple juice per hour, it replaces several, smaller plants. The customer is able to make massive savings on the costs of fossil fuel energy, while also helping to protect the environment.

25 July 2018 Publisher: Bucher Industries AG
This interim report is also published in German. In case of any discrepancy, the German version shall prevail.