Interim report 2019

Contents

First half of 2019: pleasing sales growth despite drop in demand

Dear Shareholders

Bucher Industries' market environment was positive overall in the first half of 2019, but with declining demand, albeit from a high level. As a result, the Group's order intake was slightly lower than in the very good prior-year period. Thanks to an extraordinarily strong order book at the beginning of the year and a good delivery capacity, sales increased further in the reporting period. All five divisions contributed to this sales growth, in particular Bucher Emhart Glass with double-digit percentage increase. The sales growth and the acquisitions made in the previous year led to an increase in the number of employees. Negative currency effects offset the positive acquisition effects in both order intake and sales. The operating profit margin fell slightly short of the strong margin achieved in the prior-year period. Both operating profit and profit for the period were up again.

This interim report was prepared for the first time in accordance with the accounting standards of Swiss GAAP FER instead of IFRS. For the purpose of comparability, the prior-year figures were restated accordingly.

CHF million	January – June		change in			Full year
	2019	**2018**	**%**	**%[1]**	**%[2]**	**2018**
Order intake	1 449.1	1 523.7	−4.9	−2.4	−5.3	3 205.9
Net sales	1 661.0	1 560.0	6.5	9.2	6.5	3 064.5
Order book	907.8	952.4	−4.7	−2.2	−4.1	1 136.8
Operating profit before depreciation and amortisation (EBITDA)	196.1	190.5	2.9			374.1
as % of net sales	11.8%	12.2%				12.2%
Operating profit (EBIT)	154.7	150.1	3.1			292.2
as % of net sales	9.3%	9.6%				9.5%
Profit/(loss) for the period	121.6	117.1	3.8			225.9
as % of net sales	7.3%	7.5%				7.4%
Earnings per share in CHF	11.77	11.42	3.1			21.80
Operating free cash flow	−72.0	−119.3	39.6			100.7
Net cash/debt	1.8	−14.0	112.9			159.3
Total assets	2 517.3	2 424.4	3.8			2 543.2
Equity	1 314.8	1 244.2	5.7			1 296.0
Equity ratio	52.2%	51.3%				51.0%
Return on equity (ROE)	18.0%	17.2%				17.8%
Net operating assets (NOA) average	1 200.4	1 100.0	9.1			1 155.5
Return on net operating assets (RONOA) after tax	20.4%	21.6%				19.6%
Number of employees at closing date	13 281	12 640	5.1		1.9	13 054

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

Downturn in demand in four of five divisions Kuhn Group once again saw diverging trends in the first half of 2019. Demand for agricultural machinery for the dairy and livestock industry remained at a satisfactory level, whereas with grain prices falling again the arable sector was under pressure. In Western Europe, demand for Kuhn Group products remained stable, with France performing well. The already difficult conditions for agricultural producers in the USA were exacerbated by the very unfavourable weather the Midwest experienced in the spring. Consequently, demand for agricultural machinery in this important market dropped markedly. In Brazil, the division recorded a good first six months. Amid these mixed conditions, Kuhn Group's order intake was below the prior-year period, but sales increased slightly. The operating profit margin was almost unchanged. The challenging market situation for the division's activities in the USA offset the positive effects of the improvements in efficiency achieved at the European and Brazilian production sites and the price increases in Europe. Demand for municipal vehicles declined slightly in the reporting period. Consequently, Bucher Municipal's order intake was below the high level of the prior-year period. All product groups recorded a decline, with the exception of winter maintenance equipment. Sales, though, increased once again, thanks to the good order book. The operating profit margin remained almost in line with the good prior-year period despite the additional costs of preparing for Brexit and higher expenditure for research and development. Demand for hydraulic solutions and components flattened further in the first six months of the year. The order intake declined in practically all of Bucher Hydraulics' markets, but particularly so in North America. Thanks to a well-filled order book at the start of the year, sales increased significantly in the first half of 2019. Compared with the very high level recorded in the prior-year period, profitability dropped, due to higher material prices, greater expenditure for research and development, and the consolidation of Bucher Hydraulics Wuxi. Demand for glass containers remained strong worldwide and outstripped the manufacturers' capacities. Consequently, manufacturers continued to invest in equipment during the reporting period. Bucher Emhart Glass recorded strong growth again in order intake and sales in the first half of 2019, both of which were previously already at a high level. Profitability also rose thanks to the excellent sales performance. The improvements made in Sanjin also contributed to this pleasing increase. Developments in the markets of Bucher Specials were mixed in the first half of 2019. Demand for winemaking equipment was strong following a good grape harvest in Europe last year. The beverage technology business was again negatively impacted by uncertainty in Turkey and Eastern Europe. The Swiss distributorship for agricultural machinery put in a good performance thanks to its expanded product portfolio. On 17 July 2019, the Swiss Competition Commission (COMCO) announced that it had reached an amicable settlement with Bucher Landtechnik. The fine imposed has no impact on the profitability or the future business activities of Bucher Landtechnik. Demand for Jetter's control systems for automation technology remained positive.

Pleasing profitability The return on net operating assets after tax (RONOA) was 20.4%, exceeding the ambitious medium-term target of 20% and continuing to surpass the cost of capital significantly. As a percentage of net sales, average net operating assets remained almost unchanged compared with the good prior-year figure at 37.9%, despite higher investments. In the reporting period, the Group invested CHF 42 million in expanding production infrastructure and in modernising and automating the production equipment. The most significant individual projects include the expansion projects of Kuhn Group in France and Bucher Municipal in Latvia, and the expansion of production capacity in India and Italy by Bucher Hydraulics. The seasonal increase in net working capital, greater investment and payment of the dividend resulted in a negative free cash flow of CHF 179 million. Net liquidity stood at CHF 2 million and will increase markedly by the end of the year due to seasonal factors. With an equity ratio of 52% and high liquid assets, the financial flexibility of Bucher Industries and opportunities for further growth remain secure.

Strengthening the business Four relatively small but strategically important transactions were initiated in the first half of this year; they are set to be completed in the second half. Bucher Municipal acquired 100% of Zynkon, a Chinese manufacturer of sewer cleaning vehicles, in early July. The Chinese market for sewer cleaning vehicles is in the early stages of development. Given the increasing demand for better maintained sewage systems, the market is expected to grow and advance technologically. The acquisition of Zynkon gives Bucher Municipal a platform in China and access to this growth market as well as strengthening its presence in Asia. Bucher Emhart Glass will sell its refractory business to the Austrian RATH Group in the autumn so as to focus on its core business, the manufacture and inspection of glass containers as well as the automation of these processes. This "end-to-end" strategy will be pushed through further proprietary developments and the acquisition of the German company Symplex Vision Systems. Symplex specialises in inspection equipment and cameras for gob forming. In early July, Bucher Specials' business unit Jetter acquired Elan Systems, a manufacturer of automation solutions based in Hungary. The acquisition gives Jetter additional engineering competencies as well as access to a network of software and hardware specialists in Central Eastern Europe.

Sustainability report 2018 Published at the end of June 2019, the sustainability report for 2018 describes the initiatives and projects carried out to implement the sustainability strategy. This strategy focuses on four material topics: the impact of products on the environment, the health and safety of customers, diverse and highly qualified employees, and competition law and the prevention of corruption. The divisions launched new products in 2018, including an agricultural machine that works the soil without depleting it, a refuse collection vehicle with reduced noise emissions and fuel consumption, hydraulic components specially designed for electrified machines, an effective initiative to lower energy consumption, and a control solution that reduces the use of plastic in food packaging. Bucher Industries prepares its sustainability report in accordance with the GRI Standards. The sustainability report is available as a pdf at www.bucherindustries.com/en/media/publications/#sustainability-report.

Outlook 2019 The Group expects a challenging market environment for 2019, with a slowdown in demand at a high level. Kuhn Group expects the overall market trend to be flat. Global uncertainties and challenges remain high, especially in North America. The division anticipates sales for 2019 to be similar to the level of 2018. The operating profit margin should increase slightly thanks to efficiency and productivity improvements in Europe. Bucher Municipal continues to expect diverging developments. Overall, the division anticipates a modest decline in sales for the current financial year compared with the record high of 2018, which was characterised by exceptionally high capacity utilisation. The operating profit margin will likely be below last year's high level due to lower sales and the costs of integrating Zynkon. Bucher Hydraulics expects that demand for hydraulic solutions will decline in most markets. Thanks to the still well-filled order book and the full-year consolidation of Bucher Hydraulics Wuxi, the division is forecasting a modest increase in sales. The operating profit margin is likely to be lower than in 2018 due to costs relating to product development and capacity expansions as well as the consolidation of Bucher Hydraulics Wuxi. Bucher Emhart Glass continues to expect a pleasing development and is anticipating a rise in sales as well as a marked year-on-year improvement in the operating profit margin. The latter should be supported by an ongoing good capacity utilisation and the sale of the refractory business. The division expects the sale to result in a one-time gain in the high single-digit millions. The market environment of Bucher Specials is likely to see a mixed development. Thanks to the acquisition of the import business of Grunderco and of Elan Systems and the positive development in mobile and industrial automation, the division is expecting a slight increase in sales in the current year. Given the challenging environment for Bucher Unipektin, coupled with acquisition-related integration costs, the operating profit margin of the division is likely to be below the prior-year figure. The Group should achieve sales in line with the good previous year. The reasons for this are the well-filled order book at the beginning of 2019, the good delivery capacity and the consolidation of the acquisitions made in 2018. The operating profit and the profit for the year should also be at a similar level to last year. In addition, there is the one-time gain from the sale of the refractory business.

Niederweningen, 30 July 2019

Philip Mosimann	Jacques Sanche
Chairman of the Board of Directors	Chief Executive Officer

Kuhn Group

CHF million	January – June		change in			Full year
	2019	2018	%	%[1]	%[2]	2018
Order intake	440.2	471.1	–6.6	–3.7	–7.0	1 209.6
Net sales	679.1	675.5	0.5	3.5	1.6	1 204.4
Order book	213.9	248.7	–14.0	–11.8	–15.6	460.6
Operating profit (EBITDA)	80.5	79.3	1.5			140.5
as % of net sales	11.8%	11.7%				11.7%
Operating profit (EBIT)	62.3	61.2	1.8			104.4
as % of net sales	9.2%	9.1%				8.7%
Number of employees at closing date	5 354	5 455	–1.9		–3.0	5 352

1) Adjusted for currency effects
2) Adjusted for currency and acquisition effects

Challenging environment in North America The performance of Kuhn Group's markets was once again heterogeneous in the first half of 2019. Demand for agricultural machinery for the dairy and livestock industry in Europe remained satisfactory. Following a brief recovery at the start of the year, grain prices dropped again worldwide, weighing on the arable sector. In Western Europe, demand for Kuhn Group products remained stable, with France developing well. In Northern and Eastern Europe, demand continued to be negatively impacted by last year's drought and a general reluctance to invest. As in 2018, agricultural producers in the USA were faced with low net income and Chinese tariffs on US agricultural products. This difficult situation was exacerbated in the spring of 2019 by very unfavourable weather conditions in the Midwest, which delayed seeding. Consequently, demand for agricultural machinery in this important market dropped markedly. The division recorded a positive first six months of 2019 in Brazil thanks to the good harvest and high prices for Brazilian grain, which were driven by increased demand due to the trade dispute between the USA and China. In this mixed environment, Kuhn Group's order intake came in lower, but sales increased slightly. The operating profit margin remained stable. The challenging market situation for the division's activities in the USA offset the positive effects of the improvements in efficiency achieved at the European and Brazilian production sites as well as the higher prices in Europe.

Outlook 2019 Kuhn Group anticipates that the market development for the year will be flat overall. The dairy and livestock industry should continue to perform satisfactorily in Europe and improve from a low level in the USA. The arable sector, on the other hand, looks set to suffer from high inventories, low prices, tariffs and unfavourable weather conditions, especially in the Midwest of the USA. Global uncertainties and challenges remain high, especially in North America. Kuhn Group therefore anticipates that farmers and distributors will remain hesitant to invest in the further course of 2019. The exception seems to be France, where the business trend is positive. The consolidation of Artec will have a beneficial effect. Against this backdrop, the division anticipates sales for 2019 remaining in line with 2018. The operating profit margin should increase slightly thanks to efficiency and productivity improvements in Europe.

Bucher Municipal

CHF million	January – June		change in		Full year
	2019	**2018**	**%**	**%[1]**	**2018**
Order intake	263.0	291.1	−9.7	−7.0	555.8
Net sales	260.3	246.3	5.7	8.7	539.1
Order book	182.7	213.3	−14.3	−11.8	183.2
Operating profit (EBITDA)	26.4	26.0	1.5		59.9
as % of net sales	10.2%	10.6%			11.1%
Operating profit (EBIT)	22.0	21.5	2.3		51.0
as % of net sales	8.5%	8.7%			9.5%
Number of employees at closing date	2 271	2 128	6.7		2 215

[1] Adjusted for currency effects

Sales increase while demand declines Demand for municipal vehicles continued to weaken in the first half of 2019. Consequently, Bucher Municipal's order intake was down on the good prior-year period, with all product groups except winter maintenance equipment recording a decline. The winter maintenance equipment business saw a significant upturn thanks to the plentiful snow throughout the long winter season. Having started the year with a well-filled order book, the division succeeded in increasing sales again in the reporting period. Capacities were well utilised, especially at the sites in England and Latvia, where several major projects were successfully completed. The operating profit margin remained nearly on a par with the good prior-year period despite the division incurring additional costs in connection with its preparations for Brexit and higher expenditure for research and development. Bucher Municipal is focusing on developing innovative products, such as electrified sweepers and winter maintenance equipment, where demand from customers is growing.

Strengthening of presence in Asia In early July 2019, Bucher Municipal completed the acquisition of Zynkon, a Chinese manufacturer of sewer cleaning vehicles. The acquisition gives the division a platform in China and access to this growth market as well as strengthening its presence in Asia. It was well received by the employees and the customers of Zynkon. The managing director remains in his post, ensuring continuity within the business. The integration of Zynkon into Bucher Municipal's organisation was initiated immediately after the acquisition was completed and is going according to plan.

Outlook 2019 Bucher Municipal expects developments for the current year to remain mixed. In particular, in the important European market there are uncertainties, especially relating to Brexit. Overall, the division anticipates a modest decline in sales for the current financial year compared to the record high of 2018, which was characterised by an exceptionally high capacity utilisation. The operating profit margin will likely fall short of last year's high level due to lower sales and the costs of integrating Zynkon.

Bucher Hydraulics

CHF million	January – June		change in			Full year
	2019	2018	%	%[1]	%[2]	2018
Order intake	300.6	374.9	−19.8	−18.6	−24.4	700.2
Net sales	351.7	316.0	11.3	12.5	6.0	626.6
Order book	148.9	179.0	−16.8	−15.6	−20.2	200.9
Operating profit (EBITDA)	56.0	55.6	0.7			103.9
as % of net sales	15.9%	17.6%				16.6%
Operating profit (EBIT)	45.2	46.3	−2.4			84.3
as % of net sales	12.8%	14.7%				13.4%
Number of employees at closing date	2 864	2 450	16.9		4.3	2 835

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

Normalising demand The flattening of demand for hydraulic system solutions and components that set in at a high level at the end of 2018 continued in the first half of 2019. As a result, order intake declined in practically all of Bucher Hydraulics' markets. This was especially significant in North America, as many customers had placed orders for 2019 already last year to make sure they would receive their products on time despite delivery bottlenecks. The drop in demand was noticeable in the important segments of construction equipment and agricultural machinery and, in recent months, also in materials handling. Thanks to a well-filled order book at the start of the year, sales again rose significantly at Bucher Hydraulics in the first half of 2019. By expanding its capacity, the division was able to increase production continuously. This enabled it to steadily reduce the order backlog and delays in delivery. The sales increase was in part also due to the consolidation of the Bucher Hydraulics Wuxi joint venture since August 2018. The operating profit margin narrowed compared with the very high level recorded in the first half of 2018, due to higher material prices, greater expenditure for research and development, and the consolidation of Bucher Hydraulics Wuxi.

Outlook 2019 Bucher Hydraulics expects demand for hydraulic solutions to drop in most markets this year. The building extensions started last year at the locations in India and Italy will be completed and the new facilities put into operation in the coming months. Thanks to the still well-filled order book and the full-year consolidation of Bucher Hydraulics Wuxi, the division is forecasting a modest increase in sales. The operating profit margin is likely to be lower than in 2018 due to the costs relating to product development and capacity expansions as well as the consolidation of Bucher Hydraulics Wuxi.

Bucher Emhart Glass

CHF million	January – June		change in		Full year
	2019	2018	%	%[1]	2018
Order intake	310.7	249.2	24.7	29.0	498.9
Net sales	257.8	216.8	18.9	23.1	446.5
Order book	283.9	218.2	30.1	34.6	235.9
Operating profit (EBITDA)	36.8	25.3	45.5		56.0
as % of net sales	14.3%	11.7%			12.5%
Operating profit (EBIT)	32.3	20.7	56.0		46.6
as % of net sales	12.5%	9.5%			10.4%
Number of employees at closing date	1 753	1 649	6.3		1 696

[1] Adjusted for currency effects

Global boom in demand Demand for glass containers has been strong around the world and increased further in the first half of 2019. The demand currently outstrips manufacturers' capacities, leading them to invest in expanding and modernising their production lines. Bucher Emhart Glass once again benefited from this very positive market environment in the reporting period. The division's order intake grew markedly again. Both glass-forming and inspection machines were in high demand. Sales also increased significantly in the first six months of 2019, from an already high level. Contributing factors were the continued good collaboration with O-I and the sales growth in Sanjin. In order to deal with the high production volumes, the division optimised its production processes and thus expanded capacities. Nevertheless, the already strong order book continued to grow in the reporting period and is now well above the high level of the prior-year period. The operating profit margin is significantly higher than the prior-year level thanks to the excellent sales growth and the fully utilised production capacities. The improvements made in Sanjin also contributed to this strong result.

Strengthening the core business In May 2019, Bucher Emhart Glass announced it was planning to sell the US-based refractory business to the Austrian RATH Group in the autumn so as to focus on its core business, the manufacture and inspection of glass containers. The division is systematically advancing the automation of this core business as part of its "end-to-end" strategy, as well as expanding its hardware and software solutions through the acquisition of Symplex Vision Systems, Germany. The company specialises in inspection equipment and cameras for gob forming.

Outlook 2019 On a global scale, the strong investment activity in recent months was not enough to fully satisfy the demand for glass containers. Bucher Emhart Glass therefore expects continued good business performance in 2019. It anticipates that sales will rise and that the operating profit margin will be significantly higher year-on-year. The latter should be supported by an ongoing good capacity utilisation and the sale of the refractory business. The division expects the sale to result in a one-time gain in the high single-digit millions.

Bucher Specials

CHF million	January – June		change in			Full year
	2019	2018	%	%[1]	%[2]	2018
Order intake	163.5	163.1	0.2	1.9	−2.1	300.5
Net sales	145.4	139.5	4.2	6.0	–	308.8
Order book	91.4	104.5	−12.5	−11.0	−11.7	74.1
Operating profit (EBITDA)	8.2	12.5	−34.4			30.7
as % of net sales	5.6%	8.9%				10.0%
Operating profit (EBIT)	6.0	10.2	−41.2			25.7
as % of net sales	4.1%	7.3%				8.3%
Number of employees at closing date	971	895	8.5		5.9	888

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

Heterogeneous market developments Developments in the four markets of Bucher Specials were mixed in the first half of 2019. Demand for Bucher Vaslin winemaking equipment was strong as the result of a very good grape harvest, both in terms of quantity and quality, in Europe last year. The beverage technology business remained challenging in the first half of 2019. Political developments and customers' financing difficulties weighed on the Turkish and Eastern European markets, which are both important for Bucher Unipektin. Bucher Landtechnik put in a good performance in the reporting period despite ongoing uncertainties regarding Switzerland's agricultural policy. The good performance was in part due to the acquisition of Grunderco in 2018 with the New Holland harvesting machinery and Pronar products. On 17 July 2019, the Swiss Competition Commission (COMCO) announced that it had reached an amicable settlement with Bucher Landtechnik. The fine imposed has no impact on the profitability or the future business activities of Bucher Landtechnik. Demand for solutions for automation technology by Jetter continued to grow, with the high demand for control solutions for glass-forming machinery as a key factor. In this mixed environment, order intake in the first six months of 2019 remained practically in line with the prior-year period, but sales were higher. The operating profit margin, on the other hand, fell, mainly due to the challenging beverage technology business.

Jetter acquires Elan Systems In July 2019, Jetter acquired Elan Systems, a manufacturer of automation solutions in Hungary, following many years of collaboration. The acquisition of the company gives Jetter additional engineering competencies as well as access to a network of software and hardware specialists in Central Eastern Europe.

Outlook 2019 The market environment of Bucher Specials is likely to see a mixed development. Thanks to the acquisition of the import business of Grunderco and of Elan Systems, and the continued positive development in mobile and industrial automation, the division is expecting a slight increase in sales in the current year. Given the ongoing challenging environment for Bucher Unipektin, coupled with acquisition-related integration costs, the division is likely to post a lower operating profit margin compared with the prior-year period.

Group financial review

Change to Swiss GAAP FER This interim report was prepared for the first time in accordance with the accounting standards of Swiss GAAP FER instead of IFRS. The change had no impact on order intake or sales. The largest impact on profitability and the balance sheet resulted from the offsetting of goodwill and other intangible assets with equity. The offsetting eliminated amortisation from acquisitions, which led to an increase of up to half a percentage point in the operating profit margins of the divisions and the Group. As a percentage of sales, average net assets improved by seven percentage points. The medium-term target for the return on average net assets was revised accordingly and now stands at 20% (IFRS 16%). For the purpose of comparability, the values for the previous year have been restated in this report.

Pleasing sales growth with a decline in demand Bucher Industries' market environment was positive overall in the first half of 2019, but with declining demand, albeit from a high level, particularly in the area of hydraulic components and system solutions. The increasing demand for Bucher Emhart Glass's machinery for the manufacture and inspection of glass containers partially compensated for the decline in the other divisions. Order intake totalled CHF 1 449.1 million, which, adjusted for currency and acquisition effects, represents a 5.3% decrease on the high level of the previous year. Thanks to the extraordinarily strong order book at the beginning of the current year and the good delivery capacity, net sales increased by 6.5%. Positive acquisition effects offset negative currency effects. The order book remained strong with an order backlog at the end of the reporting period of around 3.4 months of the rolling annual sales. Compared with the prior-year period, the changes in the average exchange rates against the Swiss franc were as follows: EUR −3.5%, USD +3.1%, GBP −3.0%, SEK −6.7% and BRL −8.8%.

Differing operating profit margin trends in the divisions While Kuhn Group was able to maintain its operating profit margin despite facing a difficult environment and a marked decline in sales in North America, Bucher Municipal, Bucher Hydraulics and Bucher Specials reported decreases. These were caused by increases in material costs, higher expenditure for product development and integration costs for the acquisitions made in the previous year. In contrast, Bucher Emhart Glass significantly increased its operating profit margin by three percentage points thanks to higher volumes, more efficient processes and an improvement at Sanjin. The Group's operating profit margin was 9.3% (prior-year period: 9.6%). The costs incurred by the holding, finance and management companies increased by CHF 3.3 million, mainly due to adjustments in the values of pension benefit obligations. The financial result totalled CHF −1.4 million compared with CHF −1.9 million in the prior-year period. The income tax expense was accrued on the basis of the expected effective tax rates for the current financial year and amounted to CHF 31.7 million. The effective tax rate was 20.7%, which is marginally lower than in the prior-year period (21.0%). The profit for the period improved by CHF 4.5 million to CHF 121.6 million, which equates to 7.3% of net sales (7.5%).

Pleasing profitability The return on net operating assets after tax (RONOA) was 20.4% (prior-year period: 21.6%), exceeding the ambitious medium-term target of 20% and continuing to surpass the cost of capital significantly. Compared with the prior-year period, the net operating assets on 30 June 2019 increased by 4.7% to CHF 1 307.4 million as a result of the higher business volumes. The increase compared with year-end 2018 was 15.7% and was mainly due to the seasonal increase in trade receivables and inventories, as well as the decrease in advances from customers. Average net operating assets as a percentage of net sales were 37.9%, almost unchanged compared with the good previous year's ratio of 38.0%.

Cash flow/free cash flow

CHF million

January – June	2019	2018
Net cash flow from operating activities	**–30.8**	**–85.0**
Purchases of property, plant and equipment	–39.5	–33.3
Proceeds from sale of property, plant and equipment	1.0	1.0
Purchases of intangible assets	–2.7	–2.0
Operating free cash flow	**–72.0**	**–119.3**
Purchases of other financial assets	–34.6	–4.0
Proceeds from sale of other financial assets	14.3	2.6
Acquisitions	–4.3	–0.5
Capital increase in associates and joint ventures	–0.4	–
Acquisition of minority interests	–	–36.9
Proceeds from sale of treasury shares	0.2	0.2
Dividend received	0.2	0.1
Dividend paid	–82.1	–67.0
Free cash flow	**–178.7**	**–224.8**

Increase in investment activity The Group invested CHF 42.2 million in non-current assets in the reporting period. The focus was on the expansion of production infrastructure and on the modernisation and automation of the production equipment. The most significant individual projects included the expansion projects of Kuhn Group in France and Bucher Municipal in Latvia, as well as the expansion of the production capacity in India and Italy by Bucher Hydraulics. The seasonal increase in net working capital resulted in a negative free cash flow of CHF 72.0 million. The improvement on the prior-year period is mainly due to the lower capital employed. After deducting the purchases of other financial assets and the dividend, there was a negative free cash flow of CHF 178.7 million. The purchases and proceeds from the sale of other financial assets consisted mainly of money market investments with a maximum term of six months.

Solid financial position At mid-year, the Group held cash and liquid assets of CHF 332.9 million compared with financial liabilities of CHF 331.1 million. Net liquidity thus amounted to CHF 1.8 million and was slightly higher than 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 credit terms were complied with on the reporting date of 30 June 2019. In equity, the profit for the period totalled CHF 121.6 million and was offset in particular by dividend payments and negative effects from the currency translation reserve. Consequently, equity increased by CHF 18.8 million from year-end 2018 to CHF 1 314.8 million. The equity ratio rose to 52.2%. The solid financial position continues to secure the financial flexibility of Bucher Industries and to lay the foundation for further internal and external growth.

Consolidated financial statements

Consolidated income statement

CHF million

January – June	2019	%	2018	%
Net sales	**1 661.0**	**100.0**	**1 560.0**	**100.0**
Changes in inventories of finished goods and work in progress	19.4		25.8	
Raw materials and consumables used	−869.4		−806.7	
Employment costs	−431.6		−409.5	
Other operating income	10.8		10.5	
Other operating expenses	−194.1		−189.6	
Operating profit before depreciation and amortisation (EBITDA)	**196.1**	**11.8**	**190.5**	**12.2**
Depreciation	−39.8		−38.4	
Amortisation	−1.6		−2.0	
Operating profit (EBIT)	**154.7**	**9.3**	**150.1**	**9.6**
Share of profit/(loss) of associates and joint ventures	1.1		1.0	
Finance costs	−3.8		−4.4	
Finance income	1.3		1.5	
Profit before tax	**153.3**	**9.2**	**148.2**	**9.5**
Income tax expense	−31.7		−31.1	
Profit/(loss) for the period	**121.6**	**7.3**	**117.1**	**7.5**
Attributable to owners of Bucher Industries AG	120.3		116.8	
Attributable to minority interests	1.3		0.3	
Basic earnings per share in CHF	11.77		11.42	
Diluted earnings per share in CHF	11.76		11.41	

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since 1 January 2019. The prior-year figures have been restated accordingly.

Consolidated balance sheet

CHF million

	30 June 2019	30 June 2018	31 December 2018
Cash and cash equivalents	285.1	298.8	415.5
Other financial assets	47.8	26.0	26.0
Trade receivables	564.2	547.9	520.0
Other receivables	105.0	98.4	90.6
Inventories	796.9	747.0	770.5
Current assets	**1 799.0**	**1 718.1**	**1 822.6**
Receivables	11.3	8.6	10.5
Property, plant and equipment	618.6	601.4	625.8
Intangible assets	15.1	13.9	14.2
Other financial assets	8.2	14.6	10.7
Investments in associates and joint ventures	11.6	12.2	10.4
Deferred income tax assets	53.5	55.6	49.0
Non-current assets	**718.3**	**706.3**	**720.6**
Assets	**2 517.3**	**2 424.4**	**2 543.2**
Financial liabilities	97.3	86.6	46.8
Trade payables	293.3	289.6	296.3
Advances from customers	121.3	100.4	252.7
Provisions	56.2	59.4	55.1
Other liabilities and accruals	307.3	290.6	263.4
Current liabilities	**875.4**	**826.6**	**914.3**
Financial liabilities	233.8	252.2	235.4
Provisions	12.3	12.2	12.7
Other liabilities	14.6	18.4	18.1
Deferred income tax liabilities	28.3	30.0	29.5
Pension benefit obligations	38.1	40.8	37.2
Non-current liabilities	**327.1**	**353.6**	**332.9**
Total liabilities	**1 202.5**	**1 180.2**	**1 247.2**
Share capital	2.1	2.1	2.1
Treasury shares	– 6.7	– 2.2	– 8.9
Retained earnings	1 301.3	1 231.3	1 284.4
Attributable to owners of Bucher Industries AG	**1 296.7**	**1 231.2**	**1 277.6**
Attributable to minority interests	18.1	13.0	18.4
Equity	**1 314.8**	**1 244.2**	**1 296.0**
Liabilities and equity	**2 517.3**	**2 424.4**	**2 543.2**

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since 1 January 2019. The prior-year figures have been restated accordingly.

Consolidated cash flow statement

CHF million

January – June	2019	2018
Profit/(loss) for the period	**121.6**	**117.1**
Income tax expense	31.7	31.1
Share of profit/(loss) of associates and joint ventures	–1.1	–1.0
Other net financial result	2.5	2.9
Depreciation and amortisation	41.4	40.4
Other operating cash flow items	0.4	–0.7
Gain on sale of non-current assets	–0.3	–0.5
Interest received	0.7	0.7
Interest paid	–0.6	–0.8
Income tax paid	–25.8	–20.3
Change in provisions and pension benefit obligations	2.8	–1.5
Change in receivables	–66.1	–100.5
Change in inventories	–35.5	–63.5
Change in advances from customers	–130.0	–129.9
Change in payables	33.9	49.4
Other changes in working capital	–6.4	–7.9
Net cash flow from operating activities	**–30.8**	**–85.0**
Purchases of property, plant and equipment	–39.5	–33.3
Proceeds from sale of property, plant and equipment	1.0	1.0
Purchases of intangible assets	–2.7	–2.0
Purchases of other financial assets	–34.6	–4.0
Proceeds from sale of other financial assets	14.3	2.6
Acquisitions	–4.3	–0.5
Capital increase in associates and joint ventures	–0.4	–
Dividend received	0.2	0.1
Net cash flow from investing activities	**–66.0**	**–36.1**
Proceeds from sale of treasury shares	0.2	0.2
Proceeds from/(repayment of) non-current financial liabilities	2.8	3.2
Proceeds from/(repayment of) current financial liabilities	47.4	10.3
Acquisition of minority interests	–	–36.9
Dividend paid	–82.1	–67.0
Net cash flow from financing activities	**–31.7**	**–90.2**
Effect of exchange rate changes	–1.9	–3.1
Net change in cash and cash equivalents	**–130.4**	**–214.4**
Cash and cash equivalents at 1 January	415.5	513.2
Cash and cash equivalents at 30 June	**285.1**	**298.8**

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since 1 January 2019. The prior-year figures have been restated accordingly.

Consolidated statement of changes in equity

CHF million	Share capital	Treasury shares	Retained earnings				Attributable to owners of Bucher Industries AG	Minority interests	Total equity
			Offset goodwill	Currency translation reserve	Cash flow hedge reserve	Other retained earnings			
Balance at 31 December 2017 (IFRS)	**2.1**	**−3.7**	**–**	**−304.7**	**−0.8**	**1 705.2**	**1 398.1**	**34.0**	**1 432.1**
Adjustments Swiss GAAP FER			−196.5	304.7	–	−287.1	**−178.9**	−6.2	**−185.1**
Balance at 1 January 2018	**2.1**	**−3.7**	**−196.5**	**–**	**−0.8**	**1 418.1**	**1 219.2**	**27.8**	**1 247.0**
Profit/(loss) for the period						116.8	**116.8**	0.3	**117.1**
Change in currency translation reserve				−14.4			**−14.4**	0.5	**−13.9**
Change in cash flow hedge reserve					−2.1		**−2.1**	–	**−2.1**
Share-based payments		1.5				−0.4	**1.1**		**1.1**
Goodwill offset			−1.1				**−1.1**		**−1.1**
Change in minority interests						−21.8	**−21.8**	−15.1	**−36.9**
Dividend						−66.5	**−66.5**	−0.5	**−67.0**
Balance at 30 June 2018	**2.1**	**−2.2**	**−197.6**	**−14.4**	**−2.9**	**1 446.2**	**1 231.2**	**13.0**	**1 244.2**
Balance at 1 January 2019	**2.1**	**−8.9**	**−225.8**	**−44.1**	**–**	**1 554.3**	**1 277.6**	**18.4**	**1 296.0**
Profit/(loss) for the period						120.3	**120.3**	1.3	**121.6**
Change in currency translation reserve				−16.1			**−16.1**	−0.1	**−16.2**
Change in cash flow hedge reserve					−1.8		**−1.8**	–	**−1.8**
Share-based payments		2.2				−0.6	**1.6**		**1.6**
Change in minority interests						−3.1	**−3.1**	−1.2	**−4.3**
Dividend						−81.8	**−81.8**	−0.3	**−82.1**
Balance at 30 June 2019	**2.1**	**−6.7**	**−225.8**	**−60.2**	**−1.8**	**1 589.1**	**1 296.7**	**18.1**	**1 314.8**

Notes to the consolidated financial statements

Group accounting policies

Organisation Bucher Industries AG is a public limited company incorporated in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. Its registered office is in Niederweningen, Switzerland. The Group comprises five specialised divisions in industrially related areas of mechanical and vehicle engineering.

Basis of preparation The unaudited financial statements for the six months ended 30 June 2019 have been prepared for the first time in accordance with the entire Swiss GAAP FER accounting and reporting recommendations in general and Swiss GAAP FER 31 "Complementary recommendation for listed companies" in particular. This interim report should be read in conjunction with the annual report for 2018. Bucher Industries prepared its annual and interim reports until 31 December 2018 in accordance with the International Financial Reporting Standards (IFRS). With the exception of the accounting policies set out below, the accounting policies used to prepare the interim financial statements agree with the policies that formed the basis for the 31 December 2018 consolidated financial statements. The figures for prior periods have been restated accordingly for the purposes of comparability.

Goodwill and intangible assets from acquisitions Goodwill from acquisitions is offset with profit reserves in equity at the date of the acquisition in accordance with the option allowed by Swiss GAAP FER. Under IFRS, goodwill was capitalised and tested for impairment on an annual basis. Furthermore, under IFRS all separately identifiable intangible assets (such as trademarks and customer lists) were capitalised at their fair values as of the date of the acquisition and amortised over their expected useful lives. Under Swiss GAAP FER, Bucher Industries has decided not to capitalise separately any intangible assets that were not already capitalised before the acquisition. Consequently they are allocated to goodwill.

Goodwill in share of associated companies The goodwill from the acquisition of shares in associated companies was included in the carrying value of the associated companies under IFRS. Under Swiss GAAP FER, Bucher Industries has decided to offset this goodwill with the equity as of the date of the acquisition.

Pension benefit obligations and provisions In accordance with Swiss GAAP FER, the economic benefits or economic obligations of Swiss pension plans are determined on the basis of the financial statements of the pension plans prepared in accordance with Swiss GAAP FER. The economic impact of the pension plans of foreign subsidiaries is calculated using generally accepted valuation principles. In accordance with IFRS, defined benefit obligations were calculated using the projected unit credit method and recognised in accordance with IFRS. Further provisions calculated in accordance with IFRS that are not strictly speaking pension plans are recognised as provisions in accordance with Swiss GAAP FER.

Liabilities from put options for acquisitions In accordance with IFRS, the obligations to take over shares in connection with acquisitions were recognised as other liabilities. In accordance with Swiss GAAP FER, the put options of the minority shareholders are disclosed in the notes to the consolidated financial statements as off-balance-sheet transactions.

Deferred income tax The adjustments to the accounting policies and valuation rules mentioned above resulted in adjustments to the deferred taxes in the balance sheet and income statement.

Translation adjustments As part of the change to Swiss GAAP FER, the cumulative translation adjustments were offset with the other profit reserves as of 1 January 2018.

Effects of the adjustments on consolidated equity

CHF million

	1 January 2019	30 June 2018	1 January 2018
Equity according to IFRS	**1 489.6**	**1 425.7**	**1 432.1**
Offset goodwill from acquisitions	– 152.7	– 133.2	– 136.9
Offset intangible assets from acquisitions	– 77.4	– 74.9	– 84.0
Offset goodwill from associated companies	– 1.9	– 1.9	– 1.9
Adjustment to pension benefit obligations	7.1	7.8	17.5
Adjustment to put-option liability	10.2	–	–
Adjustment to deferred income taxes	21.1	20.7	20.2
Adjustments	**– 193.6**	**– 181.5**	**– 185.1**
Equity according to Swiss GAAP FER	**1 296.0**	**1 244.2**	**1 247.0**

Effects of the adjustments on consolidated profit/(loss) for the period

CHF million

January – June	**2018**
Profit/(loss) according to IFRS	**110.7**
Adjustment to amortisation of intangible assets from acquisitions	6.7
Adjustment to pension benefit obligations	1.4
Adjustment to deferred income taxes	– 1.7
Adjustments	**6.4**
Profit/(loss) according to Swiss GAAP FER	**117.1**

Management's assumptions and estimates The preparation of the 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 liabilties 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 assumptions underlying the evaluation of the economic benefits or economic obligations of the pension plans were reassessed. Income tax is accrued using the expected average effective tax rates for the current financial year. Furthermore, management made no new assumptions or estimates in the consolidated interim report compared with the consolidated financial statements for the year ended 31 December 2018.

Notes to the consolidated financial statements

1 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 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)		Net operating assets	
	January – June		January – June		30 June	31 December
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Kuhn Group	679.1	675.5	62.3	61.2	510.5	375.6
Bucher Municipal	260.3	246.3	22.0	21.5	201.6	191.2
Bucher Hydraulics	351.7	316.0	45.2	46.3	313.1	291.8
Bucher Emhart Glass	257.8	216.8	32.3	20.7	177.3	167.2
Bucher Specials	145.4	139.5	6.0	10.2	86.6	90.4
Reportable segments	**1 694.3**	**1 594.1**	**167.8**	**159.9**	**1 289.1**	**1 116.2**
Other/consolidation	– 33.3	– 34.1	– 13.1	– 9.8	18.3	14.2
Group	**1 661.0**	**1 560.0**	**154.7**	**150.1**	**1 307.4**	**1 130.4**

The performance of each of the divisions is evaluated on the basis of the operating profit 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, the economic effects of the pension benefit obligations of international subsidiaries as well as consolidation adjustments for intersegment transactions. Intersegment sales of the divisions were not significant.

Reconciliation of segment results

CHF million		
January – June	**2019**	**2018**
Segment operating profit (EBIT)	167.8	159.9
Other/consolidation	– 13.1	– 9.8
Operating profit (EBIT)	**154.7**	**150.1**
Share of profit/(loss) of associates and joint ventures	1.1	1.0
Finance costs	– 3.8	– 4.4
Finance income	1.3	1.5
Profit before tax	**153.3**	**148.2**

2 Changes in the scope of consolidation

Acquisition of minority interests in Bucher Hydraulics (Wuxi) Co., Ltd. (Bucher Hydraulics Wuxi) Bucher Industries acquired a further 10% of the shares in Bucher Hydraulics Wuxi, increasing its shareholding to 80%. The payment of the purchase price of CHF 4.3 million is expected in the second half of the year and was recognised as a liability. The increase led to a change in the minority interests in the consolidated statement of changes in equity in the amount of CHF 1.2 million. The difference of CHF 3.1 million between the purchase price and the carrying value of the minority interests was recognised in retained earnings. In the current period, a part of the deferred payments from the 70% acquisition was paid. The payment of CHF 4.3 million was shown under acquisitions in the net cash flow from investing activities.

3 Contingent liabilities

Put option for Bucher Hydraulics Wuxi At the end of July 2018, Bucher Industries acquired 70% of the shares of Bucher Hydraulics Wuxi for the Bucher Hydraulics division. As of 31 December 2018, there were contracts for the remaining 30% that could be exercised at various times. The first 10% were exercised in the first half of 2019. The put option of the minority interests for the remaining 20% can be exercised from the fourth year after the acquisition, while Bucher Industries' call option can only be exercised from the sixth year. The put and call options do not meet the recognition criteria for assets and liabilities and are therefore not recognised in the balance sheet.

4 Events after the reporting date

Changes in the scope of consolidation At the beginning of July 2019, Bucher Municipal completed the acquisition of Zynkon Special Purpose Vehicle Manufacturing Co., Ltd. (Zynkon), a Chinese manufacturer of sewer cleaning vehicles. In 2018, Zynkon posted sales of CHF 14 million, with approximately 110 employees. In May 2019, Bucher Emhart Glass announced the sale of its refractory business. The business generated sales of CHF 9 million in 2018. The sale is planned for the autumn. The division expects the sale to result in a gain in the high single-digit millions. To strengthen its core business Bucher Emhart Glass signed a purchase agreement with Symplex Vision Systems GmbH, Germany (Symplex), with the acquisition occurring at the beginning of August 2019. Symplex is specialised in inspection equipment and cameras for gob forming and posted sales of CHF 8 million in 2018. At the beginning of July 2019, Bucher Specials acquired Elan Systems Müszaki Fejlesztési Kft, Hungary. The company generated sales of CHF 3 million in 2018.

Swiss Competition Commission (COMCO) On 17 July 2019, the Swiss Competition Commission (COMCO) announced that it had reached an amicable settlement with Bucher Landtechnik. The fine imposed has no impact on the profitability or the future business activities of Bucher Industries.

Publication of the consolidated interim financial statements The consolidated interim financial statements were authorised for issue by the board of directors on 24 July 2019. When the consolidated financial statements were finalised on 24 July 2019, neither the board of directors nor the group management were aware of any events that would have a material impact on the financial statements presented.

Financial calendar

Release of third-quarter 2019 group sales	24 October 2019	06.00 h
Release of 2019 group sales	30 January 2020	06.00 h
Annual report 2019	4 March 2020	06.00 h
Annual press conference	4 March 2020	09.00 h
Annual analyst conference	4 March 2020	15.00 h
Annual general meeting (Mövenpick Hotel, Regensdorf)	24 April 2020	15.30 h
First trading date ex-dividend	28 April 2020	
Release of first-quarter 2020 group sales	28 April 2020	06.00 h
Dividend payment	30 April 2020	
Sustainability report 2019	25 June 2020	06.00 h
Interim report 2020	30 July 2020	06.00 h
Release of third-quarter 2020 group sales	27 October 2020	06.00 h

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Design
MetaDesign Zurich Switzerland

Production
NeidhartSchön AG Zurich Switzerland

Printing and finishing
Druckmanufaktur.com AG Urdorf Switzerland

Interim report 2019 Bucher Industries AG CH-8166 Niederweningen www.bucherindustries.com

Cover picture: The triple mower "FC Triple" from Kuhn Group mows large fields in a clean and efficient way.

30 July 2019 Publisher: Bucher Industries AG
This interim report is also published in German. In case of any discrepancy, the German version shall prevail.