BUCHER

Cover picture:
Peter Güntensperger is head of training for design engineers at Bucher Hydraulics in Frutigen, Switzerland. He mentored Reto Schneider through the training. After completing his apprenticeship, Reto Schneider took part in the 2018 SwissSkills championship, coming in third place in his field.

That we can look back on 2018 as a successful financial year is something we owe above all to our dedicated employees. It is they who, day in and day out, help to deliver the Bucher Industries success stories.

We actively develop our employees so that we as a company can grow and surpass ourselves and deliver to our global customers the high level of quality they have learned to expect from us. From apprenticeships to management training to cross-border cooperation – on the following pages we take a behind-the-scenes look with five stories that show the value of exchanging experience and expertise across borders. As part of our drive to continue offering innovative products and excellent service in the future.

Contents

Bucher Industries

Bucher at a glance

Our success is built on strong market positions, innovation and flexible, efficient structures. The consistent long-term orientation of our corporate strategy, coupled with decentralised responsibility for management and performance, ensures sustainable corporate development.

Our mission

We develop and manufacture economical, state-of-the-art and environmentally sustainable machinery and systems. We systematically align our activities with customer needs. Our machines combine durability with great efficiency and are wide-ranging in their application: harvesting, producing and packaging foods, keeping roads and public spaces clean and safe, or providing hydraulic drive systems for high-performance equipment. Our customers benefit from effective, innovative products with high quality standards underpinned by outstanding service. Our committed, highly skilled employees enjoy attractive jobs and training opportunities adapted to individual needs.

Our goals

We seek to achieve superior profitability and a sound balance sheet through technological leadership, a strong market position and strict cost management. We will continue to build the Group through organic growth and innovation, as well as by acquiring and integrating selected, complementary businesses.

Key figures

Group

CHF million				change in		
		2018	2017	%	%[1]	%[2]
Order intake		3 205.9	2 870.7	11.7	10.1	9.3
Net sales		3 064.5	2 647.4	15.8	14.2	13.4
Order book		1 136.8	960.3	18.4	15.9	14.2
Operating profit before depreciation and amortisation (EBITDA)		372.7	318.0	17.2		
as % of net sales		12.2%	12.0%			
Operating profit (EBIT)		277.5	226.4	22.6		
as % of net sales		9.1%	8.6%			
Net financial result		− 0.6	− 1.1	45.5		
Income tax expense		− 61.6	− 57.6	− 6.9		
as % of profit before tax		22.2%	25.6%			
Profit/(loss) for the year		215.3	167.7	28.4		
as % of net sales		7.0%	6.3%			
Earnings per share in CHF		20.77	16.81	23.6		
Capital expenditure		102.7	76.2	34.8		
Operating free cash flow		100.7	148.2	− 32.1		
Research and development costs		− 118.5	− 110.0	− 7.7		
Net cash/debt		159.3	214.2	− 25.6		
Total assets		2 773.5	2 719.8	2.0		
Equity		1 489.6	1 432.1	4.0		
Equity ratio		53.7%	52.7%			
Return on equity (ROE)		14.7%	12.6%			
Net operating assets (NOA) average		1 372.9	1 273.9	7.8		
Return on net operating assets (RONOA) after tax		15.7%	13.2%			
Number of employees at 31 December		13 054	12 108	7.8		4.6
Average number of employees during year		12 636	11 707	7.9		6.8
Net sales per employee	CHF 1 000	243	226	7.5	5.8	6.2

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

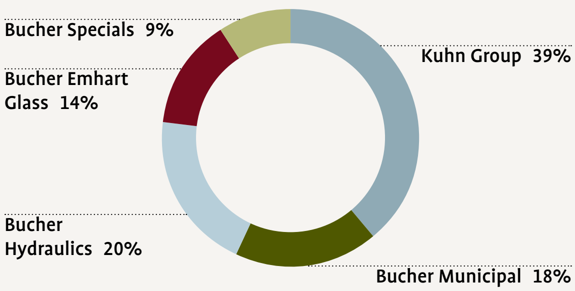
Divisions

CHF million	Order intake		Net sales		Order book		Operating profit (EBIT)		Number of employees at 31 December	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Kuhn Group	1 209.6	1 137.5	1 204.4	1 075.6	460.6	439.9	98.0	93.0	5 352	5 235
Bucher Municipal	555.8	486.1	539.1	425.7	183.2	164.7	48.5	26.1	2 215	2 014
Bucher Hydraulics	700.2	581.0	626.6	545.9	200.9	117.8	82.1	74.7	2 835	2 319
Bucher Emhart Glass	498.9	448.9	446.5	381.2	235.9	177.3	45.0	25.2	1 696	1 630
Bucher Specials	300.5	274.6	308.8	271.6	74.1	79.5	24.0	22.1	888	849
Other/consolidation	− 59.1	− 57.4	− 60.9	− 52.6	− 17.9	− 18.9	− 20.1	− 14.7	68	61
Group	**3 205.9**	**2 870.7**	**3 064.5**	**2 647.4**	**1 136.8**	**960.3**	**277.5**	**226.4**	**13 054**	**12 108**

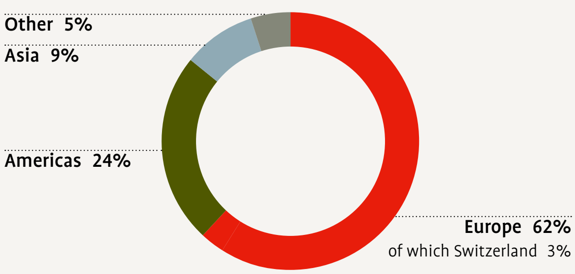
Key figures

Net sales

by division

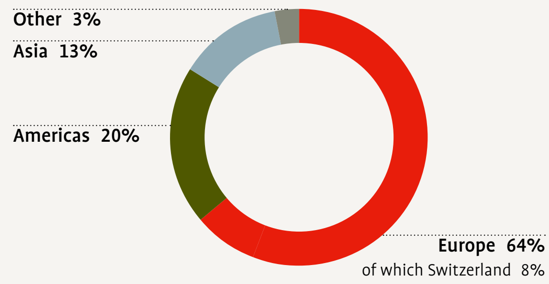


by region



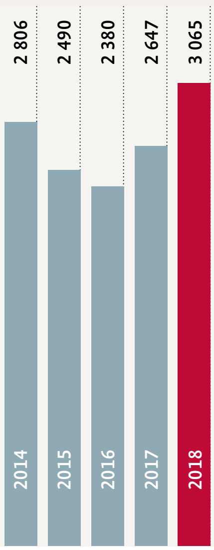
Number of employees

by region

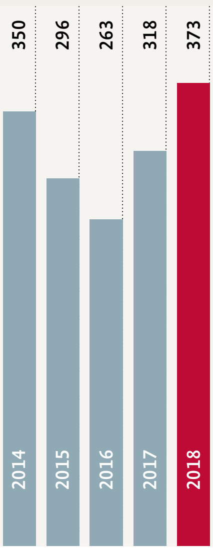


Five-year summary

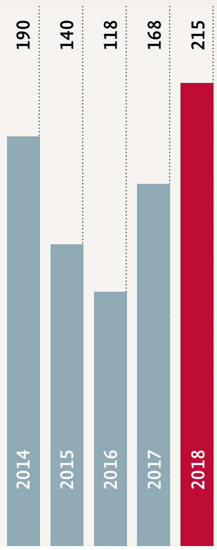
Net sales
CHF million



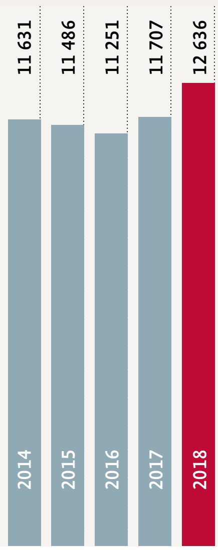
Operating profit (EBITDA)
CHF million



Net profit
CHF million



Average number of
employees during year



Report to shareholders

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

Dear Shareholders

2018 was a successful year for Bucher Industries. Sales grew by 16%, surpassing the CHF 3 billion mark for the first time, with all divisions contributing to this positive development. Markets were characterised by strong economic momentum, especially in the first half of the year, which eased somewhat towards the end of the reporting period. The Group's operating profit margin was 9.1%. Profit for the year amounted to CHF 215 million, and earnings per share was CHF 20.77.

Pleasing business performance Overall, the markets of Bucher Industries developed well in the reporting period and the Group was able to take advantage of this positive environment. Both order intake and sales exceeded CHF 3 billion for the first time, with order intake rising by 12% to CHF 3 206 million, and sales growing by 16% to CHF 3 065 million. All divisions increased sales in double-digit percentage terms and contributed to this pleasing growth. Bucher Municipal even grew its sales by a quarter. The Group posted an operating profit of CHF 278 million, with the operating profit margin rising to 9.1%. The profit for the year saw a marked increase of 28% to CHF 215 million, translating into earnings per share of CHF 20.77.

Solid financial position Bucher Industries invested CHF 103 million in the expansion of its production infrastructure as well as in the modernisation and automation of its production machinery, and significantly raised spending on the development of new products. An additional CHF 68 million was invested in external growth. Supported by the good economic environment, net operating assets decreased by 3 percentage points to 44.8% of sales, despite higher investments. This, combined with greater profitability, improved the return on net operating assets after taxes (RONOA) to 15.7%. The return was once again significantly higher than the cost of capital and only slightly below the long-term target of 16%. Higher capital expenditure, the volume-related increase in capital commitment and the payment of the dividend led to negative free cash flow of CHF 39 million. Due to brisk acquisition activity, net liquidity fell by CHF 55 million to CHF 159 million. With an equity ratio of 53.7% and a continued high level of liquid assets, the financial independence of Bucher Industries and opportunities for further growth remain intact.

Strengthening through acquisitions By taking over a majority interest in Wuxi Deli Fluid Technology, Bucher Hydraulics expanded its presence in China and its global product offering. This makes Bucher Hydraulics a globally leading manufacturer of hydraulic power packs. Following the complete takeover of the Sanjin joint venture in China, Bucher Emhart Glass is now driving forward its consistent and rapid development. The buyout of the minority shareholders fosters even stronger collaboration within the division and allows for the systematic and direct transfer of knowledge regarding technology, production efficiency and product development. Bucher Emhart Glass also took over the glass container laser marking business of Qualimarq, a pioneer in the field and the leading global provider of state-of-the-art technologies for the laser marking of hot glass containers. They are becoming an integral part of the end-to-end initiative for glass container manufacturing. Kuhn Group acquired the remaining 62% of the shares of Artec Pulvérisation, one of the leading providers of self-propelled agricultural sprayers in France. Bucher Landtechnik, a business unit of Bucher Specials, purchased the import business of Grunderco, Switzerland.

Kuhn Group The agricultural machinery market was very mixed in regional terms. In Europe, market performance was satisfactory, primarily due to robust demand in the European dairy and livestock sector at the beginning of the reporting period. The long drought in northern European regions was detrimental to the production of grain and grass. In North America, the market for agricultural machinery was challenging once again. This was due to the continued drop in net income for farmers because of lower dairy and grain prices, higher input costs and punitive Chinese tariffs on the import of US agricultural products. The Brazilian market recovered during the year, and the important French market experienced a pleasing upturn. Against this backdrop, Kuhn Group grew its sales a gratifying 12% and posted a 6% increase in order intake. As a result of challenges in the supply chain and in the expansion of the work force, the ongoing low sales in the USA and high steel costs, the operating profit margin was 8.1%, slightly below the previous year's level.

Bucher Municipal As in the previous year, public sector demand for municipal vehicles was strong, due to the good economic situation in the main markets of Europe and Australia. In the second half of the reporting period, growth for sweepers and refuse collection vehicles weakened at a high level, while demand for sewer cleaning vehicles remained strong for the entire year. The winter maintenance equipment business saw a significant upturn thanks to the plentiful snow throughout the long 2017/2018 winter season. Bucher Municipal benefited from the good market situation. Order intake increased by 14%, while sales rose by 27% to an exceptionally high level. All business units operated at close to full capacity and contributed to this positive development. The operating profit margin rose to a pleasing 9.0% thanks to the excellent sales development and the new organisational structure.

Bucher Hydraulics The markets of Bucher Hydraulics reported extremely dynamic growth in 2018, just as they had done in the previous year. Towards the end of the reporting period, the trend levelled off in Europe, especially in the key German market, as well as in China. In this strong market environment, order intake grew 21%. Sales were up 15%, with the first-time consolidation of the joint venture Bucher Hydraulics Wuxi making a contribution. Due to the very high capacity utilisation, the order book increased significantly. The operating profit margin of 13.1% was just below the high level of the previous year. The reasons for this were the consolidation of Bucher Hydraulics Wuxi, additional costs as a result of the very high capacity utilisation and higher material and personnel costs.

Bucher Emhart Glass Demand for glass containers continued to rise during the reporting period. The sound state of the global economy, which usually boosts demand for higher-quality glass containers, and the current trend in society away from plastic and towards greater use of recyclable glass contributed to the good development. This prompted glass container manufacturers to duly expand production capacity. Bucher Emhart Glass benefited from this exceptionally positive market environment, reporting an 11% increase in order intake and a 17% rise in sales. Sanjin, the good cooperation with O-I and the business with inspection machines also contributed to this development. Thanks to the very good capacity utilisation, the optimisation programmes launched in recent years and the improvement at Sanjin, Bucher Emhart Glass reached double-digit figures for the first time in a long time with a very pleasing operating profit margin of 10.1%.

Bucher Specials The markets of Bucher Specials' business units registered on the whole positive developments during the reporting period. Following a poor grape harvest due to the previous year's frosts, the European market for winemaking equipment was more positive than expected in some regions. Demand for beverage technologies was dampened by political developments and financing difficulties of customers in Eastern Europe and Turkey. In the Swiss market for agricultural machinery, farmers were reluctant to invest mainly due to the uncertainty in agricultural policy and the drought in the summer. The markets for mobile and industrial automation technology continued to develop well. The division's order intake grew by 9%, and sales were up a pleasing 14%, with all business units contributing. The operating profit margin of Bucher Specials was 7.8%, which was slightly lower than the previous year. This was due to the acquisition of the import business of Grunderco and the associated acquisition and integration costs.

Dividend The board of directors will propose a dividend of CHF 8.00 per share to the annual general meeting on 17 April 2019. The dividend paid in the previous year was CHF 6.50 per share. This proposal is in keeping with a consistent dividend policy and takes account of both the Group's profit for 2018 and the outlook for the current year.

Board of directors and group management On 18 April 2018, the annual general meeting elected Martin Hirzel, CEO of Autoneum Holding AG, to the board of directors. Martin Hirzel's election brings the number of board members to seven. Manuela Suter assumed the function of CFO on 1 January 2018 and became a member of group management.

Thanks to our employees Bucher Industries had a successful financial year in 2018, with record levels of both sales and group profit for the year. This is mainly due to our employees, who work with great commitment to the company year after year. Our goal is to strengthen this commitment and to share our knowledge and experience. To this end, we focus on the targeted development of our employees, with training sessions, individually tailored educational programmes, cross-border exchanges and additional tasks for on-the-job learning. We have included in this annual report five stories that illustrate the value of exchanging experience and knowledge beyond the confines of a single country. This exchange of expertise is crucial for continuing to provide innovative products and excellent service going forward and for continuing together on this path of success, which now spans more than 200 years. We would like to take this opportunity to thank our employees for their hard work and dedication last year, and we look forward to shaping the future together with them.

Outlook 2019 The Group is forecasting that the market environment will remain positive in the current year, with a slowdown in growth momentum at a high level. Kuhn Group expects that the overall market trend will be flat, and is therefore forecasting that sales for the current year will be in line with 2018. The operating profit margin is likely to increase slightly. At Bucher Municipal, there are uncertainties especially in the key European market, and with regard to Brexit in particular. The division anticipates that for 2019, there will be a modest decline in sales compared to the record high of 2018, which was characterised by exceptionally high capacity utilisation. As a result, the operating profit margin is likely to decline slightly. Bucher Hydraulics expects that demand will continue to flatten. Together with the acquisition of the joint venture Bucher Hydraulics Wuxi, the division is forecasting a modest increase in sales for the current year. The operating profit margin is likely to be somewhat lower than 2018 due to capacity expansions and the consolidation of Bucher Hydraulics Wuxi. Bucher Emhart Glass expects the good business performance to continue. For 2019, the division anticipates that sales and the operating profit margin will be in line with the levels seen in the last year. The market environment of Bucher Specials is likely to see a mixed development. Thanks to the acquisition of the import business of Grunderco and the continued positive development in mobile and industrial automation, the division is, however, expecting a slight increase in sales in the current year and an operating profit margin that is in line with 2018. Due to the high order book at the start of the current year and the expected economic environment, the Group's sales are likely to be in line with the sound 2018 financial year. The operating profit and the profit for the year should also be at a similar level to last year.

The accounting standards were changed from IFRS to Swiss GAAP FER with effect from 1 January 2019. The switch will not have any impact on order intake or sales. However, it will lead to an increase of up to half a percentage point in the operating profit margin of the divisions and the Group, and will improve Group profit for the year by a few per cent. The impact of the change in accounting standards is not reflected in the outlook of the divisions and the Group provided above.

Niederweningen, 6 March 2019

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

Information for investors

At 31 December		2018	2017	2016	2015	2014
Share capital						
Registered shares						
Par value	CHF	0.20	0.20	0.20	0.20	0.20
In issue and ranking for dividend	number	10 250 000	10 250 000	10 250 000	10 250 000	10 250 000
Authorised but unissued	number	1 184 100	1 184 100	1 184 100	1 184 100	1 184 100
Treasury shares	number	37 775	25 566	123 871	139 839	149 450
Issued share capital	CHF	2 050 000	2 050 000	2 050 000	2 050 000	2 050 000
Market capitalisation and dividends						
Market capitalisation	CHF million	2 710.1	4 059.0	2 570.2	2 319.6	2 551.2
as % of equity	%	184.8	290.3	216.4	207.9	220.0
Gross dividend per registered share	CHF	8.00[1)]	6.50	5.00	5.50	6.50
Total dividend	CHF million	82.0[1)]	66.6	51.3	56.4	66.6
Payout ratio	%	38.6[1)]	39.0	43.2	40.8	35.6
Per share data						
Profit/(loss) for the year						
Basic earnings per share	CHF	20.8	16.8	11.7	13.7	18.6
Diluted earnings per share	CHF	20.8	16.8	11.7	13.7	18.5
Net cash flow from operating activities	CHF	19.7	21.8	26.0	23.4	16.1
Equity	CHF	143.6	136.4	115.9	108.9	113.2
Year high	CHF	448.4	407.0	252.5	257.0	314.3
Year low	CHF	256.0	252.8	194.7	201.7	218.2
Year-end price	CHF	264.4	396.0	250.8	226.3	248.9
Average price	CHF	345.6	325.3	231.9	232.9	269.0
Average dividend yield	%	2.3[1)]	2.0	2.2	2.4	2.4
Average daily trading volume	number	28 763	19 727	12 793	16 931	17 676
Price/earnings ratio (year-end price)		12.7	23.6	21.4	16.5	13.4

1) Proposal by the board of directors

Stock exchange listing

The registered shares of CHF 0.20 each are listed on the main board of the SIX Swiss Exchange:

Security No.	243217
ISIN	CH0002432174
SIX Swiss Exchange	BUCN
Reuters	BUCN.S
Bloomberg	BUCN SW

The registered shares are also traded on the over-the-counter markets of the following stock exchanges: Frankfurt, Stuttgart, Berlin, Xetra.

Contact

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Financial calendar

Annual general meeting (Mövenpick Hotel, Regensdorf)	17 April 2019	3.30 p.m.
First trading date ex-dividend	23 April 2019	
Dividend payment	25 April 2019	
Release of first quarter 2019 group sales	25 April 2019	
Sustainability report 2018	27 June 2019	
Interim report 2019	30 July 2019	
Conference call on the interim results 2019	30 July 2019	
Release of third quarter 2019 group sales	24 October 2019	
Release of 2019 group sales	30 January 2020	
Annual report 2019	4 March 2020	
Annual press conference	4 March 2020	9.00 a.m.
Annual analyst conference	4 March 2020	3.00 p.m.
Annual general meeting (Mövenpick Hotel, Regensdorf)	24 April 2020	3.30 p.m.
First trading date ex-dividend	28 April 2020	
Release of first quarter 2020 group sales	28 April 2020	
Dividend payment	30 April 2020	
Interim report 2020	30 July 2020	
Conference call on the interim results 2020	30 July 2020	
Release of third quarter 2020 group sales	27 October 2020	

Share price performance CHF

Divisions

Activities of the divisions

Bucher Industries is made up of five specialised divisions in industrially related areas. The operations are geared towards fundamental human needs and have substantial worldwide growth and earnings potential. The Group's divisions are focused on specialised agricultural machinery, municipal vehicles, hydraulic components, manufacturing equipment for the glass container industry, equipment for the production of wine, fruit juice, beer and instant products, a Swiss distributorship for tractors and specialised agricultural machinery, as well as control systems for automation technology.

Kuhn Group is the world's leading manufacturer of specialised agricultural machinery for tillage, planting and seeding, crop protection and nutrition management, hay and forage harvesting, livestock bedding and feeding as well as landscape maintenance. The division's exceptionally broad range of products is geared to the needs of large farms and contractors, and all other types of agricultural operations across the world. The division has production facilities in France, the Netherlands, the USA and Brazil.

Bucher Municipal is the European and Australian market leader in municipal vehicles for cleaning and clearing snow from roads, for refuse collection and cleaning sewers. The division has production facilities in Switzerland, Germany, Great Britain, Italy, Denmark, Latvia, Russia, the USA, Australia and South Korea.

Bucher Hydraulics is a leading international manufacturer of hydraulic systems, which customers all over the world integrate into their products. The systems are designed to meet state-of-the-art standards of engineering, safety and quality. The wide range of products includes pumps, motors, valves, cylinders, power units, elevator drives and control systems with integrated electronics. With manufacturing facilities in Germany, Switzerland, Italy, the USA, Brazil, India and China, Bucher Hydraulics is close to its markets and customers around the world.

Bucher Emhart Glass is the world's leading supplier of advanced technologies for manufacturing and inspecting glass containers. Its portfolio consists of glass forming and inspection machinery, systems, components, parts as well as advice and services for the glass container industry. Bucher Emhart Glass has its headquarters in Switzerland, while its manufacturing facilities are located in Sweden, the USA, China and Malaysia. The division operates a research and development centre in the USA.

Bucher Specials comprises equipment for winemaking (Bucher Vaslin), technologies and equipment for processing fruit juice, beer and instant products (Bucher Unipektin), a Swiss distributorship for tractors and specialised agricultural machinery (Bucher Landtechnik), and control systems for automation technology (Jetter).

Kuhn Group

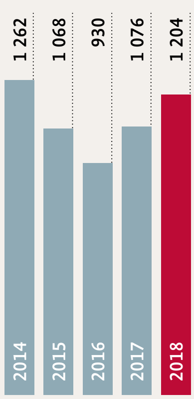
Key figures

CHF million	2018	2017	change in %	change in %[1]	change in %[2]
Order intake	1 209.6	1 137.5	6.3	5.3	4.8
Net sales	1 204.4	1 075.6	12.0	11.0	10.5
Order book	460.6	439.9	4.7	2.4	0.8
Operating profit (EBITDA)	140.5	133.0	5.6		
as % of net sales	11.7%	12.4%			
Operating profit (EBIT)	98.0	93.0	5.4		
as % of net sales	8.1%	8.6%			
Number of employees at 31 December	5 352	5 235	2.2		1.1
Average number of employees during year	5 334	5 075	5.1		4.9

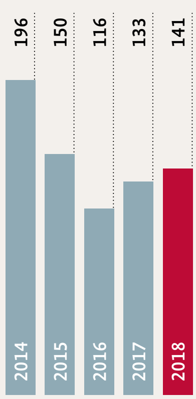
[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Five-year summary

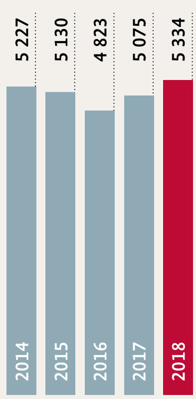
Net sales
CHF million



Operating profit (EBITDA)
CHF million

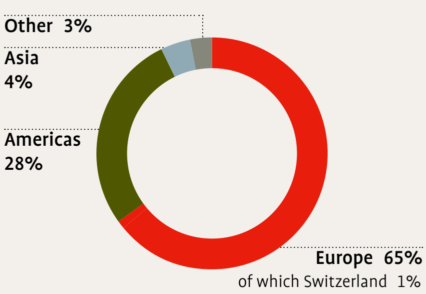


Average number of employees during year

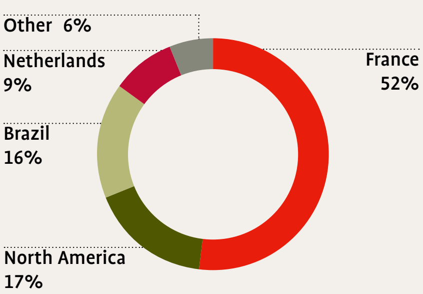


Geographical analysis

Net sales



Number of employees



Divisional report

The moderate recovery in the market for agricultural machinery continued in the first half of 2018. However, this positive development was felt primarily by the dairy and livestock sector in Europe. In contrast, the market environment for the arable sector and for the North American region in general continued to be difficult during the reporting period. Against this background, order intake at Kuhn Group rose 6% and sales were up a pleasing 12%. The operating profit margin of 8.1% was slightly below the level of the previous year. Kuhn Group accounted for 39% of group sales (2017: 40%).

Diverging markets The market for agricultural machinery was shaped by diverging developments in 2018. The moderate rebound that began in 2017 carried over to the middle of the year, driven primarily by the solid trend in the dairy and livestock sector in Europe. The robust state of the world economy boosted the consumption of dairy and meat. In contrast, the arable sector continued to suffer from the low cycle that has been under way since 2014. The North American market was challenging once again in the reporting period. This was caused by a variety of factors: the continued drop in net income for farmers because of lower milk and grain prices, higher input costs and Chinese tariffs on the import of US agricultural products. As a result, US farmers were hesitant to invest in new machinery. In Europe, on the contrary, the market development was satisfactory, primarily due to the robust demand in the dairy and livestock sector until the middle of the year. The long and serious drought in northern Europe was detrimental to the production of grain and grass. After a weak first half, the Brazilian market rebounded in the autumn. Higher prices for soy beans on the back of stronger demand from China, the ongoing government subsidy programme and the very good harvest were behind the willingness of Brazilian farmers to invest. Globally, the moderate recovery faltered in the second half of the year because of the drought in Europe and Australia, the trade dispute between the USA and China and the general economic slowdown at the end of the reporting period.

Solid business trend Although the market situation for Kuhn Group was quite varied regionally in 2018 and the global economy slowed in the second half of the year, the division increased order intake by 6% year-on-year. The increase was mainly due to the European dairy and livestock sector, which drove demand for machinery for hay and forage harvesting and feeding equipment. In conjunction with the pleasing upturn in the key market of France and the positive trend in Brazil, this led to a gratifying 12% increase in sales for Kuhn Group. In the first half of the year, the division was adversely impacted by challenges within its supply chain and with the expansion of its workforce due to the strong upturn in the industry. These developments, along with the continued low level of sales of the American production sites and higher prices for steel, weighed on the results. The operating profit margin of 8.1% was slightly below the level of 2017.

Ongoing investments Kuhn Group brought the new logistics centre in Saverne up to full operation in the spring of 2018. After a turbulent start partly due to the supply chain challenges, the new logistics centre is meanwhile meeting its operational objective: efficiency gains in the internal delivery processes by improving the flow of goods as well as shortening the delivery times to the production lines. In October, the division acquired the remaining 62% of the shares of the French family-run company Artec, one of the leading providers of self-propelled agricultural sprayers in France. The company, which employs approximately 60 people, will be gradually integrated. The products hold a leading position in the French market, and for the time being, they will continue to be sold under the current brand through specialised dealers. In the Russian agricultural region of Voronezh, Kuhn Group continued its planning for its new flagship location in Russia during the reporting period. The site will include a new assembly, distribution and service facility, with construction set to begin during the current year.

In line with customer needs The size of farming operations continues to expand worldwide. As a result, farmers need larger and more productive agricultural machinery. Kuhn Group has made this growing customer segment a major priority. This greater focus can be seen by the fact that the division is setting up a new distribution centre in Brazil's grain-producing region of Mato Grosso. Farmers there need to have the largest agricultural machines in the world in order to till their huge fields efficiently, and they also need to have a good service available nearby. Kuhn Group offers them all this with its new centre, which includes a hall for machinery and parts, as well as a sales, service and training facility.

Further along the digital path The division launched its portal MyKUHN in additional countries in 2018. Through this portal, registered retail customers, meaning farmers and contractors, can access the latest manuals, spare parts diagrams, expert advice and special offers, which are tailored to their individual equipment and interests. Several thousand customers are already using the various services of MyKUHN. Kuhn Group gave the website in the USA a complete redesign in the reporting period. The websites in other countries will also be revamped in the coming months. In addition, further work was done with "Agrirouter", the web-based platform for the digital exchange of information, which was designed by a consortium of producers of agricultural machinery established in 2016. Based on this platform, the division developed various new digital apps in the reporting period which were presented in February 2019 at SIMA, the Salon International de la Machine Agricole, in Paris. With the apps "Instacare" and "Redvista", customers can receive instructions for the maintenance and configuration of their agricultural machinery. The "Instafleet" app is another example. It provides customers with an overview of how all their machinery is deployed.

"Kuhn 190 years of excellence" Kuhn Group celebrated its 190 years of existence during the reporting period. The division conducted various marketing campaigns and organised events at all production locations. The events were well attended by employees and their families.

Outlook 2019 Kuhn Group anticipates that the market development for the year will be flat overall. The dairy and livestock sector in Europe should continue to be satisfactory. In contrast, high inventory levels, low prices, tariffs and the consequences of the 2018 droughts will continue to weigh on the arable sector. The global uncertainties and challenges remain high: the slowing momentum of the world economy, lower income for farmers especially in North America, the trade dispute between the USA and China as well as Brexit. Kuhn Group therefore anticipates that farmers and distributors will remain hesitant to invest in the further course of 2019. France and Brazil appear to be an exception, as in those two countries there are signs of an improved business trend and a continued recovery. The consolidation of Artec will have a positive impact on sales, as will the price increases that were introduced in 2018. Against this background, the division expects that sales for 2019 will be in line with 2018. The operating profit margin should increase slightly year-on-year due to the price increases, but also thanks to improved efficiency and productivity measures.

Division management

At 6 March 2019

Thierry Krier,
Division president

Dominique Schneider,
Finance and controlling

Jean-Luc Collin,
Operations

Rolf Schneider,
Sales and marketing

Christophe Jeanroy,
Research and development

Hervé Arlot,
Kuhn-Huard SA

Didier Vallat,
Kuhn-Audureau SA

Dominique Devillers,
Kuhn Blanchard SAS

Thierry Leroueil,
Artec Pulvérisation SAS

Marc Peeters,
Kuhn-Geldrop B.V.

Greg Petras,
Kuhn North America, Inc.; Kuhn Krause, Inc.

Mario Wagner,
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Exchanges beyond borders

Whether the objective is to share existing knowledge or to learn something new, systematic exchange programmes are vital in enabling us to multiply internal knowledge and skills in our divisions. Although the company pursues the same business goals globally, there are often different paths for achieving them. The international exchange programmes enable Kuhn Group to develop the professional and personal skills of our employees and strengthen the sense of belonging within the company as a whole.

“Although the goals are the same everywhere, the ways in which tasks are handled usually vary. That’s exactly what helped me expand my horizon.”

Samuel Rhino, direct purchasing manager for materials and components at Kuhn Group in Saverne, worked for two years in Brazil on the integration of Kuhn-Montana into Kuhn Group.

“The greater the cultural difference, the greater your own development.”

Mila de Oliveira, industrial manager at Kuhn-Montana in Brazil, spent three months at Kuhn North America learning how to equip prototype machines with sensors to collect structured field data.

Bucher Municipal

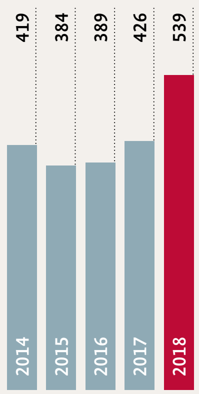
Key figures

CHF million			change in	
	2018	2017	%	%[1]
Order intake	555.8	486.1	14.3	13.2
Net sales	539.1	425.7	26.6	25.5
Order book	183.2	164.7	11.2	9.7
Operating profit (EBITDA)	59.8	37.2	60.8	
as % of net sales	11.1%	8.7%		
Operating profit (EBIT)	48.5	26.1	85.8	
as % of net sales	9.0%	6.1%		
Number of employees at 31 December	2 215	2 014	10.0	
Average number of employees during year	2 148	1 885	14.0	

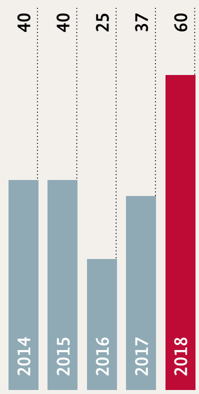
[1] Adjusted for currency effects

Five-year summary

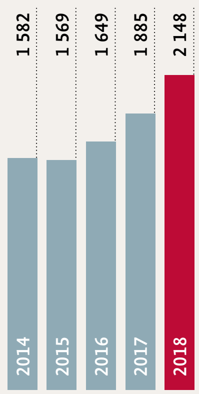
Net sales
CHF million



Operating profit (EBITDA)
CHF million

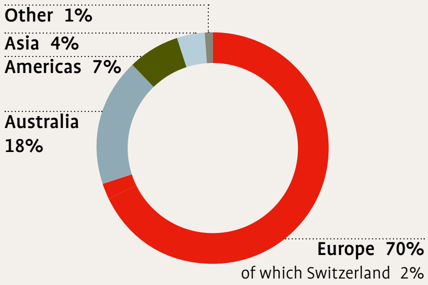


Average number of
employees during year

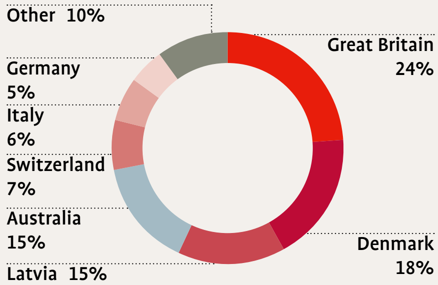


Geographical analysis

Net sales



Number of employees



Divisional report

The market for municipal vehicles recorded a very positive development in the reporting period. The good economic situation led to strong public sector demand in the principal markets, although the growth for sweepers and refuse collection vehicles flattened at a high level towards the end of the year. In this positive environment, Bucher Municipal increased sales by a very good 27% and posted a pleasing operating profit margin of 9.0%. The division accounted for 18% of group sales (2017: 16%).

Very positive market trend The market for municipal vehicles developed very well in the reporting period. As in the previous year, public sector demand was strong due to the good economic situation in the main markets of Europe and Australia. Demand for municipal vehicles in Russia was robust in the first half of 2018 due to the World Cup football championship that was held there in June. In the second half of the year, growth for sweepers and refuse collection vehicles weakened at a high level, while demand for sewer cleaning vehicles remained strong for the entire year. The winter maintenance equipment business saw a significant upturn thanks to the plentiful snow throughout the long 2017/2018 winter season.

Increase in operating profit margin Bucher Municipal benefited from the good market situation for municipal vehicles. Order intake rose in the reporting period by a pleasing 14%, with all business units contributing their share. The growth in order intake levelled off somewhat towards the end of the year, in line with the market development. Despite an exceptionally high increase of 27% in sales, the order book still remained 11% above the previous-year level. All business units operated at close to full capacity and contributed to this positive development. Thanks to the excellent sales trend and the new organisational structure, the operating profit margin increased significantly in 2018 compared to the previous year, reaching a pleasing 9.0%.

Expansion for the production of sweepers In Ventspils, Latvia, where all compact sweepers have been manufactured since the production of sweepers was concentrated, Bucher Municipal erected an additional building in the reporting period. This will give some relief to the existing assembly facility and will increase flexibility for using the assembly lines. In Niederweningen, the dismantling of the old production buildings was completed. The freed-up space is now used for logistical purposes for all Bucher Industries units located there. With the consolidation of the production of truck mounted sweepers, Bucher Municipal expanded the production facilities in Dorking, England, so that more than 1 000 vehicles could be produced in the reporting period.

New innovative products At the leading trade fair for environmental technologies (IFAT) in May 2018, Bucher Municipal presented the platform “Bucher Connect”, through which customers can obtain digital services. “Bucher Assist”, which optimises the deployment of winter maintenance equipment, is a digital product that is already in use. Developments in the area of vehicles with alternative drive systems and component parts for them were further advanced in the reporting period. The division launched Phoenix Elektra on the market, the first professional spreader that is 100% electric. In the USA, Bucher Municipal introduced the $4m^3$ compact sweeper and the American model of the RECycler sewer cleaning vehicle.

Concentration of resources In the reporting period, Bucher Municipal continued its efforts to boost the position of the Bucher brand. In North America, the division has been marketing and selling all products under a single Bucher Municipal organisation since January 2019. This concentration will enable the division to deploy its resources more directly to customer needs, thereby improving the service organisation and product innovation. Bucher Municipal will roll out this concentration of the sales organisation in other regions going forward. The Customer Relationship Management (CRM) system introduced in the previous year supports the division to better understand the needs of its customers. In the reporting period, the division also prepared for a new IT infrastructure that is scheduled to be implemented in 2019. Thereby, the IT systems will not only be overhauled and modernised completely, but will be integrated across the entire division.

Outlook 2019 Bucher Municipal expects developments for the current year to be mixed. In particular in the important European market there are uncertainties, especially relating to Brexit. The division sees opportunities for growth mainly in the American market and there in particular in the business with sewer cleaning vehicles. 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. As a result, the operating profit margin will probably decline slightly.

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At 6 March 2019

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Finance and controlling

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Jussi Iltanen,
Chief Marketing Officer

René Manser,
Chief Information Officer

Peter Rhodes,
Sweepers

Thomas Dubach,
Sewer cleaning vehicles, ad interim

David Waldron,
Refuse collection vehicles

Guido Giletta,
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Project “Spirit”: a relocation across three countries

Bucher Municipal has successfully steered a major lift and shift project over a three-year period: the production of compact sweepers was relocated from Niederweningen, Switzerland and from Dorking, England to Ventspils, Latvia, while the production of truck-mounted sweepers was moved from Ventspils to Dorking. Five assembly lines were relocated, 150 new employees were hired in Latvia, knowledge was shared and built up, and in particular the relationship and the interaction across three locations were strengthened.

“With this relocation job we at Bucher Municipal have taken knowledge exchange to the next level.”

Gary Ward, responsible for relocating a production line from Dorking to Ventspils.

“We all agree: It’s not easy to tackle such a major project. But by all pulling together, we succeeded.”

Thomas Emmenegger managed the relocation from Niederweningen to Ventspils, HR manager Vineta Priede hired new employees in Ventspils.

Bucher Hydraulics

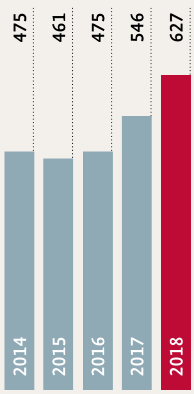
Key figures

CHF million			change in		
	2018	**2017**	**%**	**%[1]**	**%[2]**
Order intake	700.2	581.0	20.5	19.1	16.1
Net sales	626.6	545.9	14.8	13.4	10.2
Order book	200.9	117.8	70.5	68.2	62.3
Operating profit (EBITDA)	103.5	94.4	9.6		
as % of net sales	16.5%	17.3%			
Operating profit (EBIT)	82.1	74.7	9.9		
as % of net sales	13.1%	13.7%			
Number of employees at 31 December	2 835	2 319	22.3		9.0
Average number of employees during year	2 555	2 169	17.8		12.4

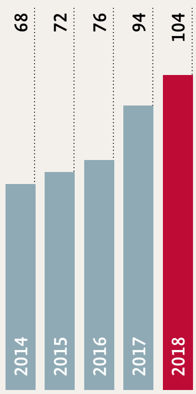
[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Five-year summary

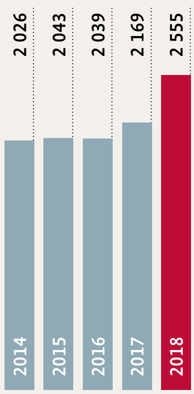
Net sales
CHF million



Operating profit (EBITDA)
CHF million

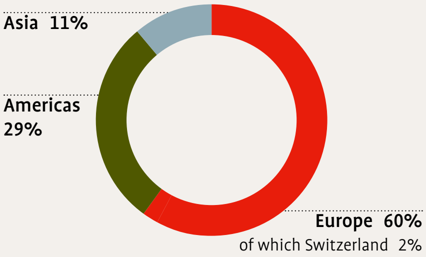


Average number of employees during year

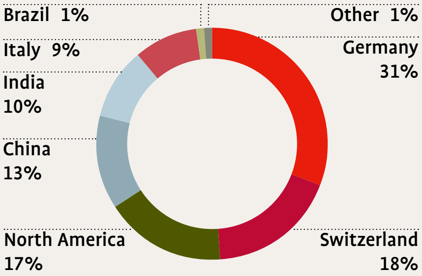


Geographical analysis

Net sales



Number of employees



Divisional report

The markets of Bucher Hydraulics were extraordinarily dynamic in the reporting period, although at the end of the year there was a tapering off from a very high level, primarily in the key market of Germany. Demand was very high in the construction machinery and materials handling segments as well as in other mobile applications. The division profited from the good market situation and increased order intake by a very pleasing 21% and sales by 15%. The operating profit margin of 13.1% was slightly below the high level of the previous year. The division accounted for 20% of group sales (2017: 21%).

Exceptionally high demand The markets of Bucher Hydraulics developed very well in 2018, just as they had done in the year before. The market momentum tapered off at the end of the year in Europe, especially in the key market of Germany, as well as in China, while demand in North America and India remained strong. The robust demand for hydraulic components came primarily from the construction machinery, materials handling and other mobile applications segments, while agricultural machinery and industrial hydraulics saw less growth towards the end of the reporting period.

Continuously high capacity utilisation rate Bucher Hydraulics benefited from the exceptionally good market situation in 2018. Order intake was up year-on-year by 21%, with all three core markets of Europe, North America and Asia contributing to this. Sales rose by 15%, with the consolidation of the new Chinese joint venture Bucher Hydraulics Wuxi contributing 3 percentage points. The order book increased significantly in the reporting period, which was primarily due to the very high capacity utilisation rate in most production plants. The operating profit margin of 13.1% was slightly below the high level of the previous year. The reasons for this were the consolidation of Bucher Hydraulics Wuxi, additional costs due to the very high capacity utilisation and higher material and personnel costs.

Acquisition in China At the end of July 2018, Bucher Hydraulics acquired a 70% majority interest in the Chinese company Wuxi Deli Fluid Technology, a leading provider of hydraulic pumps and hydraulic power packs in China with a successful export business. The joint venture now goes by the name of Bucher Hydraulics Wuxi. The acquisition helped the division to strengthen its presence in the important Chinese market and its global product offering. The integration into the organisation of Bucher Hydraulics is going according to plan and should be completed in the summer of 2019.

Expansion of capacity To handle the high level of capacity utilisation, the division began to expand its capacity at several locations in the reporting period by means of expansion and renovation work. In India, the division is increasing the size of its production area significantly, while the production area at the Reggio Emilia facility in Italy is being expanded for the first time since the location there was acquired in 1993. These two construction projects are scheduled to be completed in 2019. In addition to these two major expansions, the division has invested in the machine parks in practically all locations in order to match production capacity with customer demand.

Comprehensive product range Bucher Hydraulics has further increased its strong market position. With the joint venture Bucher Hydraulics Wuxi, the division has become the world-leading manufacturer of hydraulic power packs. Furthermore, the range of products manufactured at the Indian facility was expanded in the reporting period by adding an initial series of cartridge valves. The Indian products cover a quickly growing range of valves that complements the Bucher Hydraulics offering of price-sensitive and less demanding applications. In the area of digital information, the division now offers customers the opportunity to acquire additional information along with the product, including, for example, performance graphs that are produced with the final check of the product. With the product-specific performance graphs in digital form, customers receive additional information, enabling them to get their machine up and running within a shorter time and with less expense. The division plans to offer more of this type of information in the future as a digital product.

Identification of the employees with the company In the reporting period, Bucher Hydraulics was once again faced with the challenge of finding sufficient qualified personnel for expanding production. In 2018, the shortage of skilled workers that has existed for some time worsened. This is one reason for the division to place great emphasis on a corporate culture that promotes the identification of employees with the company. In the reporting period, Bucher Hydraulics and its employees further developed the brand book, a description of common values based on the motto “Smart Solutions – Superior Support”. The division contributes to the education of qualified employees through its commitment to professional training. Approximately 70 apprentices in more than 10 skilled trades were in training at Bucher Hydraulics in Switzerland and Germany in the reporting period.

Outlook 2019 Bucher Hydraulics anticipates that demand will continue to taper off at a high level. Thanks to the very well-filled order book and the full-year consolidation of Bucher Hydraulics Wuxi, the division is forecasting a modest increase in sales for the current year. The operating profit margin is likely to be somewhat lower than in 2018 due to capacity expansions and the consolidation of Bucher Hydraulics Wuxi.

Division management

At 6 March 2019

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Peter Minder,
Finance and controlling

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SwissSkills 2018: exchange of experiences for apprentices

Promoting the next generation is very important to us at Bucher Industries. In Switzerland alone, we train approximately 70 apprentices in more than 10 skilled trades. To bring young talents forward, we also support them in their participation at SwissSkills, the Swiss championships for young professionals from trade, industry and service. In the summer of 2018, Reto Schneider finished his apprenticeship as a design engineer at Bucher Hydraulics in Frutigen, Switzerland – and was recognised for his outstanding performance at SwissSkills shortly thereafter.

"The support and encouragement I received from my mentor were always very important to me."

Reto Schneider, who recently completed a design engineer apprenticeship, took third place at SwissSkills 2018.

"An apprenticeship is also a school for life – for the apprentices and for me. And that's the way it should be."

Hanspeter Güntensperger, head of training for design engineers at Bucher Hydraulics in Frutigen.

Bucher Emhart Glass

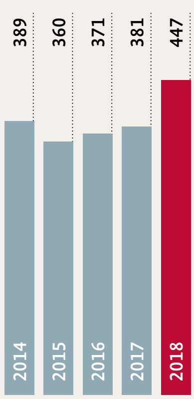
Key figures

CHF million			change in	
	2018	2017	%	%[1]
Order intake	498.9	448.9	11.1	7.6
Net sales	446.5	381.2	17.1	13.3
Order book	235.9	177.3	33.1	28.8
Operating profit (EBITDA)	55.8	36.4	53.3	
as % of net sales	12.5%	9.6%		
Operating profit (EBIT)	45.0	25.2	78.6	
as % of net sales	10.1%	6.6%		
Number of employees at 31 December	1 696	1 630	4.0	
Average number of employees during year	1 652	1 634	1.1	

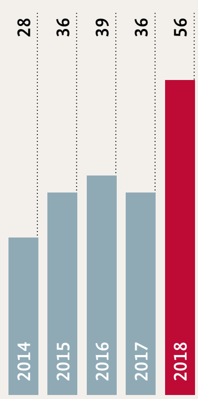
[1] Adjusted for currency effects

Five-year summary

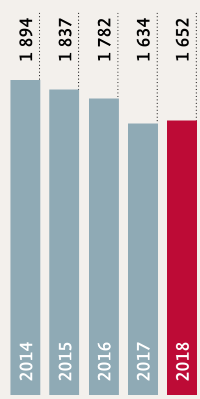
Net sales
CHF million



Operating profit (EBITDA)
CHF million

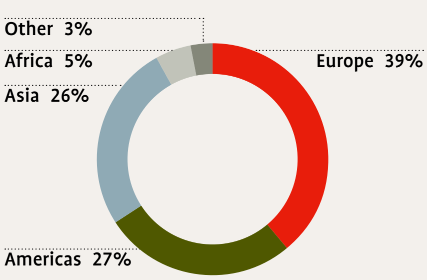


Average number of employees during year

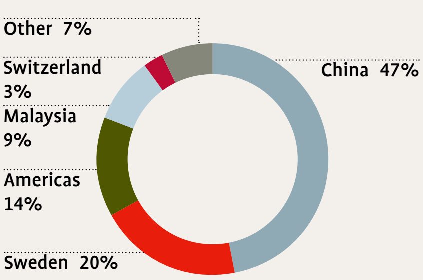


Geographical analysis

Net sales



Number of employees



Divisional report

Demand for glass containers was extremely high in 2018. The manufacturers of glass containers invested heavily in the expansion of their production capacities around the world. For that reason, the business trend for Bucher Emhart Glass in the reporting period was very positive. Order intake increased by 11% and sales rose by 17%. The division achieved a very pleasing operating profit margin of 10.1%. The division accounted for 14% of group sales (2017: 14%).

Glass containers in demand The demand for glass containers continued to rise during the reporting period. This was due in part to the good state of the global economy, which generally boosts interest in higher-value products such as glass containers. In addition, there is a trend in society towards a greater use of containers made of recyclable glass instead of plastic. The manufacturers of glass containers thus expanded their production capacities during the reporting period. The USA proved to be the exception, as capacities were reduced there, resulting in a further increase in imports of glass containers from Mexico, where producers have invested heavily in their production plants. The Chinese market for glass manufacturing facilities enjoyed further growth after the long and widespread decline that took place between 2011 and 2016. This increase was a contributing factor to the expansion and modernisation of manufacturing capacities by the producers of glass containers in China.

Record result Bucher Emhart Glass profited from this positive market environment. The division benefited from the fact that it offers the entire range of equipment for manufacturing glass containers as well as a comprehensive global service. The consolidation among glass container manufacturers is leading to more and more large customers that are looking for such a wide-ranging, high-quality offer. Order intake at Bucher Emhart Glass grew by 11%, building on an already strong order book at the start of the year, and sales increased significantly by 17%. The following developments contributed to this good performance: the upturn of the Chinese market, which helped Sanjin achieve above-average sales growth; the continued good collaboration with O-I; and the further recovery of the inspection machinery business. The production capacity of Bucher Emhart Glass was very heavily utilised throughout the reporting period. This, in conjunction with delivery bottlenecks at suppliers, led to an increase in costs, especially for transport. Thanks to the very good capacity utilisation, the optimisation programmes that were launched in recent years and the improvement at Sanjin, the division reached double-digit figures with a very pleasing operating profit margin of 10.1%.

Complete takeover of Sanjin In March 2018, Bucher Emhart Glass acquired the remaining 37% stake in the joint venture Sanjin in China. This helped the division to further accelerate the integration of Sanjin. The cooperation was intensified, communication improved, and the know-how in the areas of technology, product efficiency and product development systematically exchanged and expanded. Sanjin has been able to maintain its strong technological position and is the undisputed market leader in China. In conjunction with the recovery of the Chinese market, Sanjin achieved satisfactory results.

End-to-end automation Bucher Emhart Glass rolled out new products in October 2018 at Glasstec, the leading international trade fair for the glass industry. These products allow for further automation in the manufacture of glass containers and generated great interest among visitors to the trade fair. The division presented its new laser marking system, a business that it acquired from Qualimarq in May 2018. This system is one of the few systems in the world that can etch a code onto hot glass containers before they cool down. Each glass container is marked with a unique identifier during the manufacturing process, which contains all the information which is relevant for production as well as inspection results. Bucher Emhart Glass also introduced the Flex Control Center. This is an information platform that records and analyses glass containers' data and on this basis makes recommendations for production improvements. The division also gave a look at the support it offers to customers. In addition to machines, equipment and automation solutions, Bucher Emhart Glass has expanded its offering of various support services, training courses and other service packages for the producers of glass containers.

Investing in research and the environment The Research Center based in Windsor, Connecticut, USA, is Bucher Emhart Glass's global glass-forming research and development centre. It has a complete pilot production line, including a furnace, to continuously research, test and develop technologies and production processes. In 2018, work started on the planning for the renovation of the furnace, which will be completed in the current year. This will ensure that the division will be able to conduct important research under the best possible conditions also in the future. In Sanjin, a number of capital investments in facilities were made in the reporting period in order to ensure that Bucher Emhart Glass can continue to lead the way in the area of sustainability. With the investments, the division succeeded in fulfilling the stringent environmental protection requirements and achieved a marked improvement of the working environment, not least in the areas of safety at work and employee health.

Stronger Together – a shared corporate culture Bucher Emhart Glass moved ahead in 2018 with the continuing education in personnel management, communication, teamwork, conflict management and intercultural cooperation that it had started in the previous year. In addition, there were cross-functional training courses in finance, research and development and sales management. Selected employees from all global locations took part in these courses with the aim of promoting a corporate culture that extends across the division.

Outlook 2019 The large-scale investments made in the past year were not able to completely meet the global demand for glass containers, and this should support the demand for production equipment also in the current year. Bucher Emhart Glass therefore expects a continued good business performance in 2019. It anticipates that sales will remain at a similarly high level and that the operating profit margin will be in line with 2018.

Bucher Emhart Glass

Division management

At 6 March 2019

Martin Jetter,
Division president

Reto Semadeni,
Finance and controlling

Matthias Kümmerle,
Technology

Juan P. Montes,
Logistics and manufacturing

Werner Gessner,
Sales and marketing

Bucher Emhart Glass, manufacturing equipment for the glass container industry – www.bucheremhartglass.com

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Emhart Glass, Inc. Emhart Glass Research Center
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Shandong Sanjin Glass Machinery Co., Ltd.
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255300 Zibo Shandong China
Phone +86 533 618 17 17

Communication among cultures

Last year, we at Bucher Emhart Glass completed the 100% takeover of the joint venture Sanjin in China – and under the motto “Stronger Together” we jointly implemented a number of changes. First, we redefined processes and working methods. In addition, we expanded the offering at the company canteen and redesigned the premises with a more modern look, creating an atmosphere that both inspires and motivates our employees – and which allows them to look to the future with confidence.

Tao Xing, a long-serving employee and currently manager in the technical department in Sanjin.

“We employees find the changes very positive. And because of the changes we identify more closely with the company.”

“We have become more motivated and committed since the takeover. Not only that, we have also boosted the quality of our products.”

Jingyu Xu, a long-serving employee and currently manager in production planning in Sanjin.

Bucher Specials

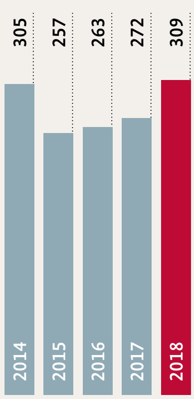
Key figures

CHF million	2018	2017	change in %	%[1]	%[2]
Order intake	300.5	274.6	9.4	7.8	7.5
Net sales	308.8	271.6	13.7	12.1	12.1
Order book	74.1	79.5	– 6.8	– 8.4	– 11.6
Operating profit (EBITDA)	30.5	27.9	9.3		
as % of net sales	9.9%	10.3%			
Operating profit (EBIT)	24.0	22.1	8.6		
as % of net sales	7.8%	8.1%			
Number of employees at 31 December	888	849	4.6		1.9
Average number of employees during year	884	882	0.2		–

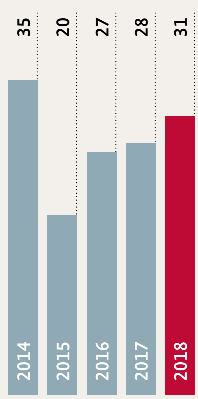
1) Adjusted for currency effects
2) Adjusted for currency and acquisition effects

Five-year summary

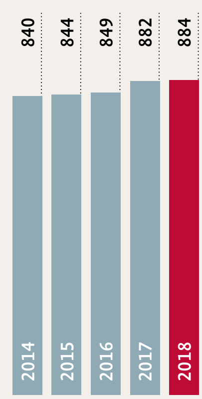
Net sales
CHF million



Operating profit (EBITDA)
CHF million

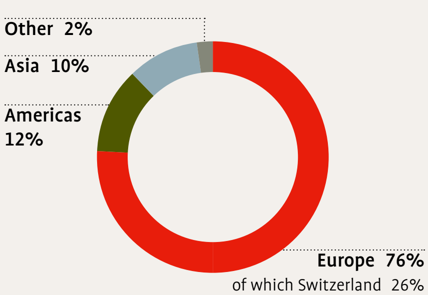


Average number of
employees during year

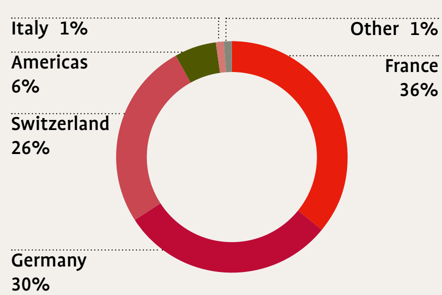


Geographical analysis

Net sales



Number of employees



Divisional report

Overall, Bucher Specials' markets performed positively in the reporting period, but were impacted by financing difficulties on the customer side and uncertainties surrounding agricultural policy. Order intake was up 9% year-on-year. All areas contributed to a substantial increase in sales of 14%. The operating profit margin was 7.8%. Bucher Specials accounted for 9% of group sales (2017: 9%).

Overall robust market developments The markets of Bucher Specials' business units developed positively overall during the reporting period. Following a poor grape harvest due to frost in the prior year, the European market for winemaking equipment was more positive than expected in some regions. The demand for beverage technologies was dampened by political developments and, on the customer side, financing difficulties in eastern Europe and Turkey. In the Swiss market for agricultural machinery, farmers were reluctant to invest due to the uncertainty in agricultural policy. In addition, the drought in the second half of the year had a negative impact on their income. The markets for mobile and industrial automation technology continued to develop well.

Positive business performance Bucher Specials was able to increase order intake by 9% and sales by a respectable 14% in the reporting period. All business units contributed to this pleasing increase in sales – despite the uncertainties that prevailed on some markets. The Bucher Vaslin winemaking equipment business developed well, primarily due to the hot summer. Despite difficult developments in its principal markets, Bucher Unipektin succeeded in recording a good financial year. Bucher Landtechnik reported a slight year-on-year increase in sales with agricultural machinery thanks primarily to new products. The demand for Jetter's mobile and industrial automation solutions rose in the reporting period, driven partly by orders from Bucher Emhart Glass. The operating profit margin of Bucher Specials was 7.8%, which was slightly lower than in the previous year. This was due to the acquisition of the import business of Grunderco, Switzerland, and the associated acquisition and integration costs.

Bucher Vaslin

Business performance gaining momentum Order intake at Bucher Vaslin developed very well, coming in higher year-on-year and defying expectations following the poor grape harvest in the previous year in northern Europe. From the midyear it became clear that thanks to the hot weather conditions, harvest volumes and grape quality were going to be extraordinarily high. This boosted sales for winemaking equipment, so that the order book at the end of 2018 was significantly above the previous-year level.

Awards for product development In the reporting period, Bucher Vaslin invested in the construction of the new development and test centre in western France. The business unit continued to focus on developing products, receiving two awards. The Delta Evolution 2 destemmer facilitates even gentler treatment of especially sensitive grape types, such as Pinot Noir. The Delta Densilys harvest sorter, which was launched on the market in 2018, is a new technology that separates good and thus heavy grapes from unripe, light ones, and from waste products such as leaves and stems, by transporting them through a water basin.

Bucher Unipektin

Political developments hold back orders The strong order book at the beginning of the year drove up sales in the first half of 2018. There were no new major projects for the rest of the year. Political developments and currency-related financing problems of potential customers in eastern Europe and Turkey continued to hold back order intake. Despite these complicating factors, Bucher Unipektin had a good financial year.

Further product innovations Bucher Unipektin continued to develop new products in 2018 as well. Owing to a new production process, alcohol will no longer be needed for extraction in the production of pectin. This innovative method of extracting pectin – a residual product of fruits which can be used for enhancing taste or for flavouring – benefits the customer both financially and in terms of application. Another innovation was achieved in the area of freeze-drying. Thanks to the current development of the equipment, an even wider range of foodstuffs can be placed in the pressure tanks.

Bucher Landtechnik

Cautious business trend Bucher Landtechnik was able to improve its order intake in 2018 over the previous year. The business unit felt the effects of the Swiss farmers' reluctance to invest, triggered by the unclear direction of agricultural policy and the upcoming free trade agreements. The sharp decline in the market for tractors and exchange rate developments also had an impact. In addition, the drought in the second half of the year had a negative impact on the farmers' income. Despite these challenges, Bucher Landtechnik posted a positive business performance mainly due to the takeover of the distribution of Merlo brand telescopic handlers.

Expansion of the product range In January 2018, Bucher Landtechnik expanded its product range with the addition of the telescopic handlers of the Italian manufacturer Merlo S.p.A. These popular products made a significant contribution to sales in the reporting period. In November, Bucher Landtechnik acquired from Grunderco the import and trading business for the harvesting technology of the "New Holland" brand and the associated services with contractors and of the "Pronar" brand, which specialises in agricultural logistics. The transaction helped Bucher Landtechnik to strengthen its presence in western Switzerland and consolidate its leading position in the Swiss agricultural technology market.

Jetter

Pleasing business performance In the reporting period, Jetter benefited once again from the good order situation in the markets in western Europe that it supplies. The business unit was again able to increase both order intake and sales. The control systems business for mobile automation grew more strongly than for industrial automation, but from a lower level. The good business performance was driven by external customers and other divisions of the Group, especially by Bucher Emhart Glass.

Headcount growth Jetter's business has been growing consistently, which is also increasing the need for human resources. The shortage of specialists has been an issue for several years, as it is a challenge to find qualified employees in the specialised areas of Jetter. Jetter was able to hire additional specialists in 2018, and, to this end, continues to support the dual training system.

Outlook 2019 Thanks to the excellent grape harvest in 2018, Bucher Vaslin is expecting good conditions in the main markets of Italy, France and Spain in the current year. The demand for services is also expected to continue growing. The fruit harvest in Europe was above average in the reporting period. The absence of major orders, political uncertainties and ongoing financing difficulties on the customer side in eastern Europe and Turkey are likely to continue to have negative implications for the business with beverage technologies. The expansion of the portfolio with the additional brands is likely to lead to a pleasing sales trend for products in the agricultural machinery business. At the same time, the current uncertainties in Swiss agricultural policy will have an adverse impact. Jetter is anticipating a positive market trend for both mobile and industrial automation. In combination with the acquisition of the import business from Grunderco, Bucher Specials expects a modest increase in sales for 2019 and an operating profit margin in line with that of 2018.

Division management

At 6 March 2019

Stefan Düring,
Division president

Bruno Estienne,
Bucher Vaslin

Hartmut Haverland,
Bucher Unipektin

Jürg Minger,
Bucher Landtechnik

Christian Benz,
Jetter

Bucher Specials – Individual businesses

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Phone +41 44 857 23 00
www.bucherunipektin.com

Bucher Landtechnik AG
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Phone +41 44 857 26 00
www.bucherlandtechnik.ch

Jetter AG
Gräterstrasse 2 71642 Ludwigsburg Germany
Phone +49 7141 2550 486
www.jetter.de

Management training in leadership

“Leadership is a skill to be learned” – that’s the motto of our divisions. That’s why Bucher Unipektin in Niederweningen, Switzerland, supported twelve members of management with a training course in leadership. The aim was to hone leadership skills such as communication, team dynamics and self-management, integrate them into the daily work routine and promote mutual understanding and thus grow closer together as a management team.

“Leadership also involves self-management. It means taking a critical look at yourself in order to be a role model.”

Ella Diem, CRM business administrator and responsible for contracts in Service and After Sales at Bucher Unipektin.


“The training programme brought us together as a management team. This put us in an even better position to harness our potential.”
Janine Kuchelmeister, head of applications technology at Bucher Unipektin.

Corporate governance

Corporate governance

This report complies with the SIX Swiss Exchange Corporate Governance Directive, which entered into force on 1 October 2014, in its current version as of 1 May 2018, where applicable to Bucher Industries. Unless otherwise stated, the information presented reflects the situation on 31 December 2018.

Group structure and shareholders

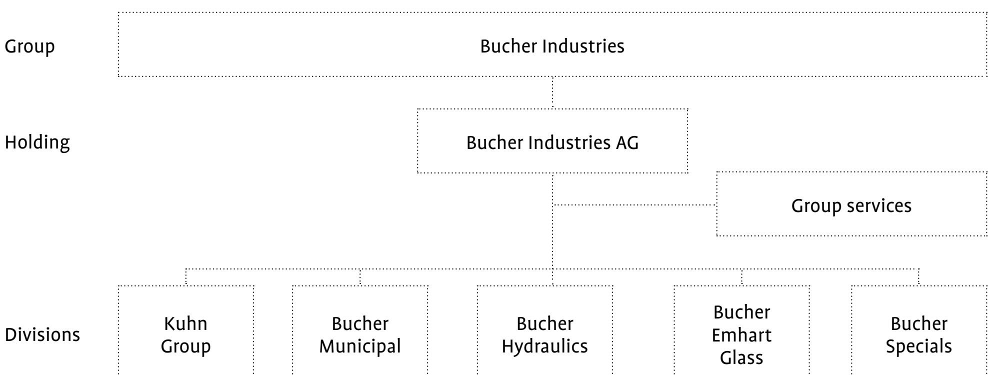
Operational group structure The Bucher Industries Group is organised in five divisions. The five divisions comprise: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), hydraulic components (Bucher Hydraulics), manufacturing equipment for the glass container industry (Bucher Emhart Glass), equipment for making wine, fruit juice, beer and instant products, a distributorship for tractors and specialised agricultural machinery in Switzerland and control systems for automation technology (Bucher Specials). At group level, the corporate centre provides finance, group development, legal and compliance, communications and cyber security functions to support the Group and its companies in their activities. The Group's operational structure is shown in the chart on page 50 and detailed segment information is presented in the notes to the consolidated financial statements on pages 92 to 94 of this annual report.

Group companies and consolidation Bucher Industries AG, incorporated in Niederweningen, Switzerland, is the Group's holding company. Its registered shares are listed on the main board of the SIX Swiss Exchange and also traded on the over-the-counter markets of the Frankfurt, Stuttgart, Berlin and Xetra exchanges. Details are given in the information for investors section on pages 14 and 15 of this annual report. The consolidation includes all group companies owned directly or indirectly by the holding company. The principal group companies are listed on pages 121 to 123 of this annual report. None of these companies are listed on a stock exchange.

Shareholders The registered shares are widely held by public shareholders. A group of shareholders organised under a shareholders' agreement, represented by Rudolf Hauser, Zurich, holds a total of 35.2% of the voting rights, as published in the latest Swiss Official Gazette of Commerce (SOGC) on 10 May 2005 and subsequent to the share capital reduction in June 2012. The essence of the shareholders' agreement and the number of shares held by individual group members have not been published. At the reporting date, the board of Bucher Industries AG is not aware of any other persons who hold more than 3% of the issued share capital of Bucher Industries AG and is not aware of any shareholders entered in the share register and with voting rights, or groups of shareholders subject to voting agreements, who hold more than 3% of the issued share capital. These notifications can be viewed via the SIX Swiss Exchange website. www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

There are no cross-shareholdings between Bucher Industries AG and other companies.

Operational group structure



Capital structure

Capital The issued share capital of Bucher Industries AG stands at CHF 2 050 000. It is composed of 10 250 000 registered shares at a par value of CHF 0.20 each. Bucher Industries AG has conditional, authorised but unissued capital up to a maximum of CHF 236 820. There is no additional authorised capital.

Conditional authorised but unissued capital The share capital of Bucher Industries AG may be increased by a maximum of CHF 236 820 through the issuance of up to 1 184 100 registered shares with a par value of CHF 0.20 each. The conditional authorised but unissued capital is reserved for the exercise of warrants or conversion rights attached to bonds and of rights issued to shareholders. Shareholders have no pre-emption rights. Holders of warrants, options or conversion rights are entitled to subscribe for new shares. No such rights are outstanding at present. Warrant or conversion terms are determined by the board of directors. The board is authorised to disapply shareholders' pre-emption rights for good cause, as provided in art. 653c par. 2 of the Swiss Code of Obligations. In such cases, the board is responsible for specifying the structure, life and amount of the issue as well as the warrant or conversion terms according to market conditions at the time of issue.

Changes in capital There were no changes in capital in the last three reporting periods.

Shares Bucher Industries AG has an issued share capital of CHF 2 050 000, divided into 10 250 000 registered shares with a par value of CHF 0.20 each. All shares are fully paid-up and rank for dividend. Each share carries one vote at general meetings of shareholders. Bucher Industries AG has not issued any participation or profit-sharing certificates.

Restrictions on transferability The company's registered shares are not subject to any restrictions on ownership or transferability. Pursuant to the articles of association of Bucher Industries, the board has established principles for the registration of nominees. Persons who do not expressly state in the application for registration that the shares are held for their own account (hereinafter "nominees") will be recorded in the share register as shareholders with voting rights up to a maximum of 2% of the share capital then outstanding, provided that such persons have previously entered into a nominee agreement with Bucher Industries AG. If the 2% threshold is exceeded, registered shares held by nominees will be entered with voting rights only if the nominee agrees in writing to disclose the names, addresses and shareholdings of the persons for whose account the nominee holds 0.5% or more of the share capital then outstanding. The 2% threshold also applies to nominees who are affiliated by capital or votes, through common management or otherwise.

Convertible bonds and share options Bucher Industries AG has no outstanding convertible bonds. The existing option rights from the share option plan are shown on page 113 of this annual report. No share options have been granted since the 2010 financial year. The members of group management exercised all their outstanding share options in the 2017 reporting period. The shares required to meet awards were purchased from the Bucher Beteiligungs-Stiftung share portfolio.

Board of directors

Members

Philip Mosimann **1954**, Swiss citizen, master's degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; since **2016** chairman of the board ▸ **2002 – 2016** CEO ▸ **1997** Sulzer AG, Winterthur, division president of Sulzer Textil ▸ **1993** Sulzer AG, Winterthur, head of division, Sulzer Thermtec ▸ **1980** Sulzer Innotec AG, Winterthur ▸ **Other appointments** chairman of the board of Uster Technologies AG, Uster, member of the board of Conzzeta AG, Zurich, of Bobst Group SA, Mex, of Ammann Group Holding AG, Langenthal, and Vanderlande Industries B.V., Veghel/NL, vice-chairman of Swissmem, the trade association of the Swiss mechanical, electrical and engineering industries, member of the executive committee of economiesuisse, Zurich

Anita Hauser **1969**, Swiss citizen, degree in public affairs (lic. rer. publ.) from HSG St. Gallen, MBA INSEAD, Fontainebleau; since **2007** member of the board, since **2011** deputy chairman of the board ▸ **2012 – 2017** Magenta Management AG, Zurich, managing director ▸ **2010** EF Education First AG, Lucerne, marketing director ▸ **2005** EF Education AG, Zurich, country manager ▸ **2000** Lindt & Sprüngli (International) AG, Kilchberg, international marketing manager ▸ **1993 – 1998** Unilever, Zug and Milan, European brand manager ▸ **Other appointments** member of the board AMAG Automobil- und Motoren AG, Zurich, and Roche Holding AG, Basel

Claude R. Cornaz **1961**, Swiss citizen, degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; since **2002** member of the board ▸ since **1998** member of the board of Vetropack Holding AG, Bülach, since **2018** chairman of the board ▸ **2000 – 2017** Vetropack Holding AG, Bülach, delegate of the board and CEO ▸ **1993** Vetropack Holding AG, Bülach ▸ **1989** Nestec SA, Vevey ▸ **1987** Contraves AG, Zurich ▸ **Other appointments** deputy chairman of the board of H. Goessler AG, Zurich, member of the board of Glas Trösch Holding AG, Bützberg, and Dätwyler Holding AG, Altdorf

Michael Hauser **1972**, Swiss citizen, degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich, MBA INSEAD, Fontainebleau/Singapore; since **2011** member of the board ▸ since **2015** notime AG, Zurich, member of the board and of the management ▸ **2013** biuco GmbH, Austria, managing director ▸ **2009 – 2011** Strabag Energietechnik, Austria, managing director ▸ **2006** hs energieanlagen, Germany, member of the management ▸ **1998** Alstom/ABB, commissioning of gas turbines ▸ No other appointments or commitments

Martin Hirzel **1970**, Swiss citizen, degree in business administration (HWV), GMP Harvard Business School; since **2018** member of the board ▸ since **2011** Autoneum Holding AG, Winterthur, CEO ▸ **2007 – 2011** Rieter Automotive Systems, São Paulo, member of the management ▸ **2000 – 2007** Rieter Holding AG, Shanghai, general manager China ▸ **1997 – 2000** Rieter Textile Systems, Winterthur, chief controller international ▸ **Other appointments** member of the executive committee of Swissmem, the trade association of the Swiss mechanical, electrical and engineering industries

Heinrich Spoerry **1951**, Swiss citizen, degree in economics (lic. oec.) from HSG University of St. Gallen; since **2006** member of the board ▸ since **2016** SFS Group AG, Heerbrugg, chairman of the board ▸ **1998 – 2015** SFS Group, Heerbrugg, chairman of the board and CEO ▸ **1987** Staefa Control System AG, Cerberus AG, Männedorf, member of the management ▸ **1981** SFS Group, Heerbrugg, head of management services ▸ **1979** Boston Consulting Group, Munich ▸ **Other appointments** chairman of the board of Mikron AG, Biel, and Frutiger AG, Thun

Valentin Vogt **1960**, Swiss citizen, degree in economics (lic. oec.) from HSG University of St. Gallen; since **2014** member of the board ‣ since **2011** Burckhardt Compression AG, Winterthur, chairman of the board ‣ **2000–2011** Burckhardt Compression AG, Winterthur, delegate of the board and CEO ‣ **1992** Sulzer Metco AG, Switzerland, managing director ‣ **1989** Sulzer Metco Division, Switzerland, CFO ‣ **1986** Alloy Metals, USA, CFO ‣ **1985** Sulzer AG, Switzerland, financial controller ‣ **Other appointments** member of the board of Kistler Holding AG, Switzerland, and Ernst Göhner Stiftung Beteiligungen AG, Switzerland, and chairman of the Swiss Employers Confederation

Independence All directors are non-executive and, with the exception of Philip Mosimann, independent, i.e. they do not perform any operational functions, have not been members of the management of Bucher Industries within the last three years and have no material business relationship with the Group. Philip Mosimann was CEO and group management member of Bucher Industries until the annual general meeting on 15 April 2016.

Elections and terms of office On 18 April 2018 of the reporting period, the directors, the board chairman and the members of the compensation committee were elected by the annual general meeting up until the close of the next annual general meeting. The re-election of members of the board of directors extends only to the date of the annual general meeting which follows the member's 70th birthday. The persons listed in the table on page 55 of this annual report were elected in the reporting period.

Number of admissible activities (external appointments) Members of the board of directors may exercise a maximum of four appointments in listed companies and no more than ten in unlisted legal entities as a member of the senior management or administrative body. Appointments in companies that are linked, but outside the Group, as well as appointments that are held in connection with the exercise of such a function, count as one appointment, as long as no more than 30 appointments in all are held with such linked companies. Pro bono appointments are not subject to the above-mentioned restrictions. However, no member of the board of directors may hold more than 20 such appointments. This regulation corresponds to art. 29 of Bucher Industries AG's articles of association.

Internal organisation The board determines the strategic direction and oversees the management of the company as provided in the Swiss Code of Obligations, in the articles of association and internal rules of organisation, an abridged version of which is available on the Bucher Industries website. It meets as often as business requires, holding at least six scheduled meetings each year, which generally take place every two months. The meetings are usually attended by the CEO, the CFO and by other members of group management, members of division and segment management or specialists, depending on the items on the agenda. The secretary to the board takes minutes of the proceedings and resolutions. The meetings generally last one day; the annual strategy meeting lasts two days. In the reporting period, there were seven meetings, one of which was a two-day strategy meeting and one a conference call. At two board meetings one member of the board was excused attendance. Otherwise, all the meetings were attended by all board members, the CEO and the CFO.
www.bucherindustries.com/en/investor-relations/corporate-governance

Committees To assist with its responsibilities, the board of directors has an audit committee and a compensation committee appointed from among its members. The roles and responsibilities of the audit committee are described below and are published in the abridged version of the rules of organisation on the website of Bucher Industries; those of the compensation committee are listed in the remuneration report on pages 63 to 70 of this annual report. The committees report to the board of directors on their activities, findings and proposals. Overall responsibility for the tasks assigned to the committees rests with the board of directors. The annual term of office for audit and compensation committee members begins with the annual general meeting and continues until the next annual general meeting. Proceedings and resolutions of committee meetings are recorded in minutes.
www.bucherindustries.com/en/investor-relations/corporate-governance

Audit committee On 18 April 2018, the composition of the audit committee was determined by the board of directors as follows: Heinrich Spoerry, chairman, Michael Hauser and Martin Hirzel. All of its members are non-executive and independent. The audit committee meets at least three times a year. A meeting generally lasts half a day. The chairman of the board, CEO and CFO attend the meetings in an advisory capacity. Depending on the items on the agenda, the internal or external auditors, members of group, division and segment management or specialists are consulted. Six meetings were held in the reporting period, one of which was a telephone conference. One member of the audit committee was excused attendance at one meeting. All members of the audit committee, the chairman of the board, the CEO and the CFO were otherwise present at all the meetings. In the reporting period, the meetings focused on process management, the change in accounting from IFRS to Swiss GAAP FER and the following scheduled duties. The audit committee prepares a comprehensive and efficient group audit concept, proposes it to the board of directors and then monitors its implementation. It determines key areas of the audit plan for the external and internal audits, receives reports from the auditors and appoints the head of the internal audit function, who reports to the chairman of the audit committee. For a preliminary decision, the audit committee evaluates the independence and performance of the external and internal auditors and finally determines the level of their remuneration. The audit committee's role also includes preparing the board's proposal for the appointment of the auditors, reviewing the organisation of the accounting system, ensuring the Group's financial controls and financial planning and reviewing the plans, budgets and financial statements of the Group and its group companies, including individual projects involving significant commitment of capital. The key areas of the audit plan for the external audit in the reporting period were the valuation of the intangible assets, revenue recognition and management controlling processes. The external auditors also conducted an in-depth assessment of the existence of internal controls in the areas of production and inventory. The external auditors attended two meetings of the audit committee. Internal audit carries out audits in the Group in accordance with the audit concept proposed by the audit committee and determined by the board. The chairman of the audit committee agrees the audit programme with the chairman of the board. The coordination and implementation of audits are delegated to the CFO. The internal audit work is contracted out externally. The head of the internal audit function reports to the chairman of the audit committee. The internal audit function reports the results of its audits to the audit committee at a minimum of one meeting each year. The internal audit plan focused on comprehensive verification and evaluation of the internal control system processes at several group companies. In the reporting period, four meetings took place with the internal auditors.

Compensation committee Information about the compensation committee is shown in the remuneration report on pages 63 to 70 of this annual report.

Authority and responsibility The board has delegated the Group's operational management to the CEO, the CFO and other group management members. Their authority and responsibilities are set out in the internal rules of organisation. A short version of the rules of organisation is available as a PDF document on the Bucher Industries website. The board oversees the operational management.
www.bucherindustries.com/en/investor-relations/corporate-governance

Information and control systems relating to group management As part of the management information system, the board receives monthly key figures, consolidated financial statements and management comments from group management, providing information on operational performance and performance indicators within the Group, divisions, segments and major group companies. At each meeting, the board is also informed about the course of business, important projects and risks. Once a year, it conducts an in-depth assessment of the Group's risk situation on the basis of a risk report prepared under the direction of the CEO, with the participation of members of group management and group services. Written proposals are prepared under the direction of the CEO for any major projects requiring a board decision. In addition to the chairman, one member of the board can attend each of the annual divisional strategy reviews, which are led by the CEO, in order to gain greater insight into the business. In the reporting period, the CEO, the chairman of the board and a member of the board of directors all took part in the strategy meetings. The board of directors is also supported in its supervisory and control function by internal audit and the external auditors.

Members of the board of directors

Name	Born	Position	Appointed	Committees	
Board of directors				Audit	Compensation
Philip Mosimann	1954	chairman	2016		
Anita Hauser	1969	deputy chairman	2007		x
Claude R. Cornaz	1961		2002		x
Michael Hauser	1972		2011	x	
Martin Hirzel	1970		2018	x	
Heinrich Spoerry	1951		2006	C	
Valentin Vogt	1960		2014		C

All directors are non-executive and, with the exception of Philip Mosimann, independent (C = chairman).

Daniel Waller, Thierry Krier, Aurelio Lemos, Jacques Sanche, Manuela Suter, Stefan Düring, Martin Jetter (from left)

Group management

Members

Jacques Sanche **1965**, Swiss and Canadian citizen; doctorate in economics (Dr. oec.) from HSG University of St. Gallen; since **2016** CEO and since **2015** designated CEO ▸ **2007** Belimo Holding AG, Hinwil, CEO ▸ **2004** WMH Walter Meier Holding, Stäfa, member of the group management; WMH Tool Group, Chicago, USA, CEO ▸ **1997** WMH Walter Meier Holding, various management positions ▸ **1990** various positions as consultant ▸ **Other appointments** member of the board of Schweiter Technologies, Horgen.

Manuela Suter **1974**, Swiss citizen, degree in business economics (lic. oec. publ.) from the University of Zurich, Swiss certified public accountant; since **2018** CFO ▸ **2014** Bucher Industries, Zurich, head of group controlling ▸ **2011** Bucher Industries, Zurich, group controller ▸ **2010** SIX Exchange Regulation, Zurich, senior financial reporting specialist ▸ **2007** Holcim, Zurich, head financial holdings ▸ **2001** Ernst&Young, Zurich, auditor ▸ No other appointments or commitments.

Stefan Düring 1972, Swiss citizen, degree in economics (lic. oec.) from HSG University of St. Gallen, certified public accountant Board of Accountancy, New Hampshire, chartered financial analyst Association for Investment Management and Research, Charlottesville; since 2014 division president of Bucher Specials ▸ since 2006 head of group development and since 2010 responsible for Bucher Unipektin and Bucher Landtechnik ▸ 1998 PricewaterhouseCoopers, Zurich ▸ No other appointments or commitments.

Martin Jetter 1956, German citizen, degree in engineering (dipl. Ing.) from University of Cooperative Education Stuttgart; since 2006 division president of Bucher Emhart Glass ▸ 2005 Emhart Glass SA ▸ 1980–2013 Jetter AG, Ludwigsburg, CEO ▸ 1978 Robert Bosch GmbH, Schwieberdingen ▸ No other appointments or commitments.

Thierry Krier 1967, US and French citizen, master's degree in international business marketing, ESIDEC in Metz, bachelor's degree in agronomy, Dijon College of Agriculture; since 2014 division president of Kuhn Group ▸ 2008 Kuhn North America Inc., president and CEO ▸ 2002 Kuhn Knight Inc., president and managing director ▸ 1994 Kuhn Farm Machinery Inc., head of sales and marketing ▸ 1990 Kuhn SA, Saverne ▸ No other appointments or commitments.

Aurelio Lemos 1962, Spanish citizen, machine designer with Swiss business diploma (VSH Handelsdiplom); since 2016 division president of Bucher Municipal ▸ 2012 Bucher Hydraulics Switzerland, managing director ▸ 2003 Bucher Hydraulics AG Frutigen, managing director ▸ 1994 Bürkert Fluid Control Systems, Hünenberg, head of marketing and sales ▸ 1992 Weber Protection AG, Emmenbrücke, head of development and technology ▸ 1990 Weber AG, Emmenbrücke, business engineer ▸ 1989 BOA AG, Rothenburg ▸ 1988 Kent Moor AG, Baar ▸ 1980 Viscosuisse AG, Emmenbrücke ▸ No other appointments or commitments.

Daniel Waller 1960, Swiss citizen, master's degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; since 2004 division president of Bucher Hydraulics ▸ 1999 Bucher Hydraulics AG, Frutigen, managing director ▸ 1996 Carlo Gavazzi AG, Steinhausen ▸ 1987 Rittmeyer AG, Zug ▸ No other appointments or commitments.

Number of admissible external activities Members of the group management may exercise a maximum of two appointments in listed companies and no more than two in unlisted legal entities as a member of the senior management or administrative body. Appointments in companies that are linked, but outside the Group, as well as appointments that are held in connection with the exercise of such a function, count as one appointment, as long as no more than 30 appointments in all are held with such linked companies. Pro bono appointments are not subject to the above-mentioned restrictions. However, no member of the group management may hold more than 20 such appointments. This regulation corresponds to art. 29 of Bucher Industries AG's articles of association.

Management contracts Bucher Industries AG has not entered into any management contracts with third parties.

Shareholders' participation rights

Shareholders' rights with regard to remuneration are detailed in the remuneration report on pages 63 to 70 of this annual report.

Voting rights and representation restrictions There are no restrictions on voting rights or proxy voting.

Independent proxy holder The independent proxy holder is elected on an annual basis by the annual general meeting. In the reporting period, the annual general meeting of 18 April 2018 elected Mathé & Partner, Attorneys-at-Law, Riesbachstrasse 57, 8034 Zurich, Switzerland, to the office of independent proxy holder, which the firm will hold until the next annual general meeting. Art. 8 of the company's articles of association stipulates that every shareholder with voting rights can issue written or electronic proxy to arrange representation at the annual general meeting by the independent proxy holder.

Instructions to the independent proxy holder Bucher Industries AG's articles of association have no provision regarding the procedure for issuing instructions to the independent proxy holder. The board of directors determines, within the scope of legal provisions, the requirements relevant to proxies and instructions and can stipulate specific regulations. Details of such stipulations are provided with the invitation to the annual general meeting.

In the reporting period, every shareholder received, along with the invitation to the annual general meeting, a form for the purpose of issuing proxy, in writing or online, arranging representation at the annual general meeting by the independent proxy holder.

Instructions were restricted to approval, rejection or abstention on each of the proposals. For additional proposals or amendments shareholders were able to issue a global instruction to approve, reject or abstain from the respective proposal of the board of directors. In the reporting period, shareholders were given a deadline until 16 April 2018 at 3.30 p.m. for the issue of proxies and instructions online. Shareholders who issued proxy online were not permitted to attend the annual general meeting personally as well.

Electronic participation in the annual general meeting The articles of association of Bucher Industries AG contain no provision regarding electronic participation of shareholders in the annual general meeting. Likewise, no such provision was planned in the reporting period.

Required quorums Resolutions at general meetings of shareholders are passed by an absolute majority of the votes of the shares represented. At least two-thirds of the votes represented and an absolute majority of the par value of the shares represented are required for special resolutions as prescribed in art. 704 par. 1 of the Swiss Code of Obligations.

Convocation of the general meeting of shareholders There are no rules that differ from the law for the convocation of general meetings of shareholders. As provided in the articles of association, notice of a meeting is given to shareholders at least 20 days before the meeting. The notice convening the meeting sets out the agenda and resolutions to be proposed by the board and by shareholders who have requested an item to be added to the agenda. According to the articles of association, the board of directors determines the date for registration of shareholders in the share register and announces the date in the invitation. As a rule, it is stipulated that shareholders must be registered three working days before the date of the meeting. Extraordinary general meetings are called as and when required, in particular in the cases provided by law. Shareholders representing at least one tenth of the share capital may at any time request that a meeting be convened stating the business to be transacted and resolutions proposed.

Requests for additions to the agenda Shareholders representing shares with a combined par value of CHF 20 000 may request that an item be added to the agenda. Requests for additions to the agenda must be submitted at least six weeks before a general meeting of shareholders.

Obligation to make an offer and clauses on changes of control The annual general meeting of shareholders held on 26 April 2005 adopted an opting-up clause in the articles of association, requiring a purchaser of shares to make a public tender offer when reaching or crossing the threshold of 40% of the voting rights in accordance with the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. There are no change of control clauses benefiting directors or group management members.

Auditors

Duration of the engagement and lead audit partner's tenure PricewaterhouseCoopers AG, Zurich, or its predecessor companies, has served as statutory auditors of Bucher Industries AG since 1984. The lead audit partner, Christian Kessler, has been responsible for the audit engagement since 2013.

Audit fees and non-audit fees For the reporting period, Bucher Industries was charged CHF 1 677 000 by PricewaterhouseCoopers and CHF 937 000 by other auditors for services rendered in connection with the audit of the financial statements of Bucher Industries AG and its group companies, and the audit of the consolidated financial statements of Bucher Industries and the remuneration report. In addition, PricewaterhouseCoopers charged Bucher Industries a fee of CHF 574 000 for non-audit services, comprising financial, tax and due diligence services.

Supervisory and control instruments pertaining to the audit The audit committee reviews the audit programme, key audit areas and audit plan every year and discusses the interim and closing audit findings and respective reports with the auditors. Every year, the audit committee subsequently assesses the performance, fees and independence of the auditors.

Information policy

Bucher Industries publishes the results of operations in an annual report (including a corporate governance, remuneration and financial report) and an interim report. On 28 June of the reporting period, the Group published a sustainability report in accordance with GRI-G4 guidelines. These publications and the invitation to the annual general meeting of shareholders are made available at the appropriate time on the Bucher Industries website.
www.bucherindustries.com/en/investor-relations/publications
www.bucherindustries.com/en/investor-relations/annual-general-meeting

Annual sales including order intake, order book and number of employees at the end of the first and third quarters of a financial year are published in press releases. The company holds an annual press conference and an annual analyst conference to present full-year results. A conference call is also held at the end of the first half of the year on the day the interim results are published. Significant events are announced in compliance with the directive on ad hoc publicity issued by the SIX Swiss Exchange. A calendar of forthcoming release dates scheduled for the current and next financial year is set out in the information for investors section on page 15 of this annual report. All news releases published over the past two years as well as the contact address can be found on the website of Bucher Industries. The company's website at www.bucherindustries.com also provides a facility to subscribe free of charge to an e-mail service to receive press releases published by Bucher Industries.
www.bucherindustries.com/en/media
www.bucherindustries.com/en

Remuneration report

Remuneration report

The remuneration report describes the remuneration policy and remuneration system of Bucher Industries and provides information about the annual remuneration of the members of the board of directors and group management. The 2018 remuneration report is based on the Ordinance against Excessive Compensation in Listed Corporations (VegüV) as well as the Directive on Information relating to Corporate Governance (RLCG) published by the SIX Swiss Exchange valid on 31 December 2018 and Bucher Industries AG's articles of association.

Remuneration policy Bucher Industries provides a remuneration system designed to align the interests of the board of directors and management with those of the Group, shareholders and other stakeholders. The basic principles of the remuneration system are set out in art. 23 to 28 of the articles of association of Bucher Industries AG. Since 2015, the overall remuneration of the board of directors has been subject to approval by the annual general meeting of shareholders. The individual components of the remuneration system take account of the Group's sustainable short- and long-term business development. Directors are remunerated on a non-performance-related basis. Members of group management and top management receive, in addition to their non-performance-related base salary, performance-related remuneration in recognition of their performance-oriented approach. All performance-related components of remuneration are subject to an upper limit. The objective of the remuneration system is to attract and retain highly qualified managers and specialists. The focus is on providing competitive remuneration with a fixed base salary and performance-related components paid in cash and in the form of shares in the company.At the request of the compensation committee, the board of directors issues rules and regulations relevant to the remuneration system, which are additionally benchmarked against publicly available information about similar listed companies within the European mechanical engineering industry every three to five years and revised by the board if necessary, also at the request of the compensation committee.
www.bucherindustries.com/en/investor-relations/corporate-governance

Annual general meeting In accordance with art. 26 of the articles of association of Bucher Industries AG, the annual general meeting approves the total remuneration to be awarded to the board of directors for the period of office following the annual general meeting, the total amount of fixed remuneration for group management for the financial year following the annual general meeting and the total amount of variable remuneration for group management for the previous financial year. Additionally, the annual general meeting of shareholders takes note of the remuneration report on a non-binding and consultative basis.

Compensation committee

Responsibility The compensation committee comprises three to five members of the board of directors who are individually elected by the annual general meeting. The duties and responsibilities of the compensation committee are described in art. 20 and following of the company's articles of association, as well as in the summary of the internal rules of organisation that is publicly available. The compensation committee reports to the board of directors on its activities, findings and proposals. Overall responsibility for the tasks assigned to the compensation committee rests with the board of directors.
www.bucherindustries.com/en/investor-relations/corporate-governance

Election and term of office The annual general meeting of 18 April 2018 elected Claude Cornaz, Anita Hauser and Valentin Vogt to the compensation committee until the next annual general meeting. The board of directors nominated Valentin Vogt as chairman of the committee.

Tasks and responsibilities The compensation committee develops the remuneration policy and sets before the board of directors a proposal for a remuneration system, together with the appropriate corporate rules and regulations, for the directors, group management and senior management. It makes recommendations to the board for the annual remuneration of the board of directors and group management, the participants in the Bucher Share Plan, and takes note of the total remuneration for senior management. The compensation committee also sets before the board of directors proposals to be presented to the annual general meeting for the prospective approval of the total fixed remuneration for the board of directors and group management, as well as the retrospective approval of the total variable remuneration for group management, in accordance with art. 26 of the articles of association of Bucher Industries AG. It is also charged with the preparation of the remuneration report to be submitted to the board of directors. The compensation committee also reviews proposals to take on external directorships submitted by members of group management, in accordance with art. 29 of the articles of association of Bucher Industries AG. If agreement is unanimous, the committee recommends to the board of directors approval of the external mandates. The compensation committee also presents the board of directors with proposals for medium- and long-term remuneration planning for the board of directors and group management. The committee provides the board of directors with proposals regarding the basic principles of the process for selecting candidates for the board of directors and group management and prepares selections based on these criteria.

Meetings and activities in the reporting period The compensation committee meets at least twice a year. The meetings usually last for several hours. The chairman of the board of directors and the CEO attend the meetings in an advisory capacity, except when their own remuneration is being determined. The compensation committee held four meetings in the reporting period. The committee's focus was on succession planning, the promotion of new talent and the supplemental pension provision for group management. The compensation committee also examined the remuneration of the board of directors and of the members of group management and dealt with the regular duties described above.

Remuneration system

Board of directors The members of the board of directors receive non-performance-related remuneration, which is proposed by the compensation committee and submitted for approval to the annual general meeting by the board of directors every year. Their remuneration consists of a base fee and cash allowances for service on committees and for expenses. Half of the base fee is paid in cash and half in shares. All cash components of the remuneration are paid out to the board of directors on a monthly basis. The allocation of shares takes place on the day after the annual general meeting for the previous period of office. The number and valuation of the shares is calculated using the year-end price for the reporting period. The shares awarded are subject to a three-year vesting period.

Group management Group management members receive a fixed remuneration amount in the form of a base salary commensurate with their responsibilities and experience, and performance-related remuneration paid out as a cash bonus and shares under the Bucher Share Plan. Other benefits comprise a representation expense allowance and contributions to a voluntary pension plan. In addition, the members of group management are provided with a mid-range company car. The fixed and variable components of remuneration specified in the employment contracts of the members of group management are conditional on the approval of the annual general meeting. The annual financial targets for the variable, performance-related components of remuneration are determined at the start of the financial year by the board of directors. These targets take into account the Group's long-term targets, the results for the previous year, the budget for the current year and the general economic environment. Variable remuneration is paid following the retrospective approval by the annual general meeting in the following spring.

Fixed remuneration The fixed base salary of group management members is determined by reference to market benchmarks for the specific position in the country concerned, based on the level of individual responsibility and experience of the person concerned.

Variable remuneration The performance-related components of the variable remuneration sum comprise a cash bonus and the Bucher Share Plan to remunerate group management members and senior management. The variable remuneration depends on their base salary, the achievement of the annual financial targets set for the Group and divisions by the board of directors and the achievement of individual non-financial annual targets. The level of target achievement ranges from 0 to a maximum of 1.5 times the value for full target achievement.

The remuneration system for members of group management is structured as follows:

	Fixed remuneration	Variable remuneration			
	Base salary	Cash bonus		Bucher Share Plan	
		Target[1]	Range	Target[1]	Range
CEO	100%	50%	0–75%	50%	0–75%
Other members	100%	30%	0–45%	20%	0–30%

[1] 100% target achievement, all percentage numbers are based on base salary.

Cash bonus The remuneration system for the cash bonus for members of group management is structured as follows: The financial targets are weighted at 80% and individual targets at 20%. The individual annual targets are agreed between the chairman of the board of directors and the CEO and between the CEO and each group management member. The cash bonus for full target achievement is 50% of base salary for the CEO and 30% of base salary for all other members of group management. The range of the cash bonus varies, depending on target achievement, from 0 to a maximum of 1.5 times the value for full target achievement. The financial criteria used to determine the cash bonus for the CEO and CFO are the Group's "profit for the year" and its "net operating assets as a percentage of sales". For the other members of group management, the financial criteria are "operating profit (EBIT)" and "net operating assets as a percentage of sales" for their respective divisions.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, senior management and selected specialists. The financial target for awarding shares is "earnings per share" and is set by the board of directors at the beginning of each financial year. The target takes into account the Group's long-term targets, the results for the previous year, the budget for the current year and the general economic environment. Awards of shares are based on a percentage of base salary and depend on the achievement of the "earnings per share" financial target. The number and valuation of shares to be awarded are calculated using the year-end share price for the reporting period. Upon full target achievement, the applicable percentage is 50% of base salary for the CEO, 20% for the other group management members and 10% for other Bucher Share Plan participants. The shares awarded are restricted for three years.

Termination of employment If employment is terminated for any reason other than termination by the employee or employer, the variable annual remuneration and awards under the Bucher Share Plan will be paid on a pro-rata basis after the retrospective approval of the annual general meeting in the following spring. If employment is terminated by the employee or employer, all rights under the Bucher Share Plan will lapse. The period of notice for members of group management is twelve months.

Termination benefits There are no systems for termination benefits either for the board of directors or group management, and none were paid during the reporting period.

Remuneration in 2018

The remuneration of the board of directors and group management is reported here on an accrual basis.

Board of directors The overall remuneration awarded to the board of directors rose to CHF 1.191 million (2017: CHF 1.055 million) and was within the total amount of CHF 1.400 million approved by the 2018 annual general meeting for the period of office. The remuneration paid out and the shares held at the end of the reporting period are set out in tables on pages 68 and 70 of this annual report. The remuneration for the chairman of the board of directors remained unchanged, while for other board members the base compensation was increased by CHF 20 000. All other components of the remuneration remained unchanged. The base compensation for the chairman remained unchanged at CHF 340 000, for the deputy chairman it increased to CHF 125 000 (CHF 105 000) and for the other members of the board of directors it increased to CHF 110 000 (CHF 90 000). The flat-rate expenses remuneration for the chairman was unchanged at CHF 12 000 and for the other members at CHF 6 000. For work in committees, committee members were awarded CHF 10 000, while chairmen received an additional payment of CHF 5 000. The respective share awards were granted and valued at the year-end share price of CHF 264.40 for the reporting period.

Group management The total remuneration of group management was 11% over that of the previous year and amounted to CHF 7.603 million (2017: CHF 6.837 million). The total variable remuneration paid out and proposed in the reporting period, the shares held by the CEO and other group management members, and the total for group management at the end of 2018 are set out in tables on pages 69 and 70 of this annual report.

Fixed remuneration The fixed remuneration awarded to group management totalled CHF 5.111 million (2017: CHF 4.351 million), an increase of 17%. This is mainly attributable to the change of CFO. The total amount of fixed remuneration was 6% above the total amount of CHF 4.800 million approved by the 2017 annual general meeting, but well within the maximum range of an additional 40% that is available to the board of directors on the basis of art. 28 of the articles of association in the case of new appointments to group management.

Variable remuneration The variable remuneration of group management was in line with the previous year and amounted to CHF 2.492 million (2017: CHF 2.485 million). In the first few years of the Bucher Share Plan, the percentage allocated to the CEO has been below the target value of 50%, amounting to 40% of base salary in the reporting period. The variable remuneration of CHF 2.519 million paid out to group management in the reporting period for the 2017 financial year is below the overall amount of CHF 2.700 million retrospectively approved by the 2018 annual general meeting. In 2018, the level of target achievement for the performance-related cash bonus was between 96% and 130% and the level of target achievement for the Bucher Share Plan was 113% (122%). The level of target achievement in percentage terms was similar to the previous year. The number and value of shares granted under the Bucher Share Plan was calculated using the year-end share price of CHF 264.40. The number of shares granted under the Bucher Share Plan to the CEO and the other members of the group management was 42% above the number for the previous year due to the lower share price. The cash value of all the shares awarded under the Bucher Share Plan was 5% lower than the previous year due to the lower target achievement.

Additional remuneration, fees and loans to members of governing bodies No current or former members of the board of directors, group management members or persons connected with them received any additional remuneration, fees or loans during the year.

The following pages 68 to 70 are subject to audit by the statutory auditors.

Remuneration of the board of directors

CHF 1 000	Base compensation in cash	Share awards		Other remuneration	Total remuneration
		Number	Value		
					2018
Philip Mosimann, chairman	170.0	643	170.0	59.5	**399.5**
Anita Hauser, deputy chairman	59.2	224	59.2	33.0	**151.4**
Claude R. Cornaz	51.7	196	51.7	31.0	**134.4**
Michael Hauser	51.7	196	51.7	31.0	**134.4**
Martin Hirzel [1]	36.7	139	36.7	21.3	**94.7**
Heinrich Spoerry	51.7	196	51.7	32.1	**135.5**
Valentin Vogt	54.7	207	54.7	31.5	**140.9**
Board of directors	**475.7**	**1 801**	**475.7**	**239.4**	**1 190.8**
Approval by the annual general meeting 2018					**1 400.0**
					2017
Philip Mosimann, chairman	170.0	430	170.0	59.5	**399.5**
Anita Hauser, deputy chairman	52.5	133	52.5	31.3	**136.3**
Ernst Bärtschi [2]	15.0	38	15.0	8.9	**38.9**
Claude R. Cornaz	45.0	114	45.0	29.3	**119.3**
Michael Hauser	45.0	114	45.0	24.9	**114.9**
Heinrich Spoerry	45.0	114	45.0	30.6	**120.6**
Valentin Vogt	48.0	122	48.0	29.7	**125.7**
Board of directors	**420.5**	**1 065**	**420.5**	**214.2**	**1 055.2**
Approval by the annual general meeting 2017					**1 150.0**

1) From 18 April 2018
2) Until 19 April 2017

The board of directors' share awards are part of the board of directors' fees. Share awards and their valuation were calculated using the year-end share price of CHF 264.40 (2017: CHF 396.00). Other remuneration included social security contributions, expenses and fees for service on the board committees.

Remuneration of group management

CHF 1 000	Base salary	Other remu-neration	Fixed remu-neration	Cash bonus	Share awards under share plan		Other remu-neration	Variable remu-neration	Total remu-neration
					Number	Value			
									2018
Jacques Sanche, CEO	800.0	227.5	**1 027.5**	436.0	1 368	361.7	65.2	**862.9**	**1 890.4**
Other members	3 063.3	1 019.9	**4 083.2**	868.6	2 241	592.5	168.4	**1 629.5**	**5 712.7**
Group management	**3 863.3**	**1 247.4**	**5 110.7**	**1 304.6**	**3 609**	**954.2**	**233.6**	**2 492.4**	**7 603.1**
Approval/proposal by the annual general meeting 2017/2019			**4 800.0** [1]					**2 800.0**	
									2017
Jacques Sanche, CEO	750.0	203.8	**953.8**	431.3	925	366.3	65.5	**863.1**	**1 816.9**
Other members	2 555.6	842.0	**3 397.6**	800.0	1 610	637.6	184.4	**1 622.0**	**5 019.6**
Group management	**3 305.6**	**1 045.8**	**4 351.4**	**1 231.3**	**2 535**	**1 003.9**	**249.9**	**2 485.1**	**6 836.5**
Approval by the annual general meeting 2016/2018			**5 000.0**					**2 700.0**	

[1] Taking into account art. 28 of the articles of association the maximum range amounts to CHF 6.720 million.

The shares awarded to group management members for the reporting period are based on the Bucher Share Plan. The shares awarded represent a fixed percentage of base salary and the level of target achievement during the reporting period. The number of shares awarded was calculated and valued using the year-end share price of CHF 264.40 (2017: CHF 396.00). Other remuneration included social security contributions as well as expenses.

Loans and credits As at 31 December 2018, there were no outstanding loans or credits to current or former members of the board of directors or group management nor to persons connected with them.

Board of directors' interests in shares

	Number of shares	
	2018	**2017**
Philip Mosimann, chairman	47 355	50 425[1)]
Anita Hauser, deputy chairman	440 086	439 953
Claude R. Cornaz	3 759	3 645
Michael Hauser	605 129	605 015
Martin Hirzel	–	n.a.
Heinrich Spoerry	3 747	3 633
Valentin Vogt	4 647	3 525
Board of directors	**1 104 723**	**1 106 196**

1) Of which 3 500 shares were reserved for written call options

Group management's interests in shares

		Number of shares	
		2018	**2017**
Jacques Sanche	CEO	2 328	1 403
Manuela Suter	CFO	356	n.a.
Stefan Düring	Bucher Specials	1 100	880
Martin Jetter	Bucher Emhart Glass	5 384	5 106
Thierry Krier	Kuhn Group	2 333	1 255
Aurelio Lemos	Bucher Municipal	621	401
Daniel Waller	Bucher Hydraulics	10 170	9 881
Group management		**22 292**	**18 926**

Report of the statutory auditor

to the annual general meeting of Bucher Industries AG

Niederweningen

We have audited the remuneration report of Bucher Industries AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 68 to 70 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Bucher Industries AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Christian Kessler	Oliver Illa
Audit expert Auditor in charge	Audit expert

Zurich, 25 February 2019

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Financial report

Financial report

Group financial review

Gratifying business development The demand for the specialised products of Bucher Industries saw another sharp increase in the reporting period. The economic momentum was particularly strong in the first half of the year and diminished somewhat towards the end of the year. The Group posted an increase of 11.7% in order intake and 15.8% in sales. Adjusted for currency and acquisition effects, the growth rates were 9.3% and 13.4% respectively. Because the European dairy and livestock industry reported solid growth particularly at the start of the year, the development of the agricultural machinery market was generally satisfactory despite the challenges. These good market conditions had a positive impact on the order intake and sales of Kuhn Group. Bucher Municipal benefited from the good economic situation and the resulting public-sector demand for municipal vehicles. Bucher Hydraulics recorded order intake and sales at exceptionally high levels thanks to strong demand for hydraulic system solutions and components, primarily from the construction equipment, materials handling and other mobile applications segments. Demand for glass containers rose thanks to the good state of the global economy and the trend in society towards the greater use of containers made of recyclable glass instead of plastic. Bucher Emhart Glass used its excellent market position to expand further. The markets of Bucher Specials' business units experienced a positive development overall during the reporting period, with the division seeing an increase in sales as a result. The Group's order book remained good, standing at CHF 1 136.8 million, an 18.4% increase over the high level of the previous year. Adjusted for currency and acquisition effects, the increase was 14.2%. The order backlog at the end of the reporting period was around 4.5 months of full-year sales for 2018 (2017: 4.4 months). Compared with the previous year, the changes in the average exchange rates against the Swiss franc were as follows: EUR +3.7%, USD -0.8%, GBP +2.6%, SEK -2.4%, BRL -12.4% and AUD -3.2%.

Net sales

CHF million	2018	2017	change in %
Net sales	3 064.5	2 647.4	15.8%
Net sales adjusted for currencies	3 024.2	2 647.4	14.2%
Net sales adjusted for acquisitions	3 042.0	2 647.4	14.9%
Net sales adjusted for currencies and acquisitions	3 002.0	2 647.4	13.4%

Boosting market position through acquisitions The complete takeover of Sanjin enabled Bucher Emhart Glass to continue the systematic development of the company. With the purchase of the laser marking business of glass containers from Qualimarq, Bucher Emhart Glass now offers state-of-the-art technologies for the laser marking of hot glass containers. The majority holding in Wuxi Deli Fluid Technology enabled Bucher Hydraulics to strengthen its presence in China and to become a leading global provider of hydraulic power packs. The two divisions of Bucher Industries active in the agricultural machinery market expanded their business by taking over leading suppliers: Kuhn Group acquired the remaining 62% shares in Artec, one of the most successful manufacturers of self-propelled agricultural sprayers in France, while Bucher Specials with its Bucher Landtechnik business unit bought the import business of Grunderco. The purchase price of the acquisitions including liabilities acquired was CHF 43.9 million. The net cash outflow for acquisitions was CHF 31.3 million. The acquisition of the non-controlling interest in Sanjin led to an additional outflow of CHF 36.9 million. Since the acquisition date, the acquired companies have generated sales of CHF 22.5 million and profit for the year of CHF 0.9 million.

Increase in profitability The group EBIT margin was 9.1%, an increase of 0.5 percentage points on the previous year. The very gratifying increases in profitability of the Bucher Municipal and Bucher Emhart Glass divisions were able to more than offset the downturn in other divisions. Profitability rose thanks to higher sales and optimised structures. A negative impact came in particular from the continued low level of sales in the American agricultural machinery market and rising costs for material, personnel and logistical services. In addition, the acquisition and integration costs of the businesses acquired weighed on the EBIT margin. The EBITDA of the Group rose by 17.2% to CHF 372.7 million, resulting in an EBITDA margin of 12.2% (2017: 12.0%). Other operating income and expenses came to 11.2% (11.8%) of sales. Employment costs were adjusted as far as possible in line with capacity utilisation by way of flexible deployment of temporary staff. The ratio of employment costs to sales was 25.8% (26.8%).

Net financial result Net financial result improved by CHF 0.5 million compared with the previous year. Net interest expense was at the same level as the previous year while the net gain on financial instruments was CHF 2.9 million lower. The previous year also included a profit on the sale of bonds. The financial foreign exchange gains and losses are mainly due to currency losses related to internal group financing. The Group's share of profit/(loss) of associates and joint ventures increased and also included the gain from the revaluation of the shares in Artec that were already held.

CHF million

	2018	2017
Interest expense on financial liabilities	−4.7	−5.5
Interest income on financial assets	1.8	2.6
Net interest expense	**−2.9**	**−2.9**
Net gain on financial instruments	1.7	4.6
Financial foreign exchange gains and losses	−2.1	−2.2
Share of profit/(loss) of associates and joint ventures	3.6	0.4
Other financial items	−0.9	−1.0
Net financial result	**−0.6**	**−1.1**

Tax rate and profit for the year Income tax expense increased to CHF 61.6 million (2017: CHF 57.6 million) because of the higher profits from group entities. The effective tax rate was 22.2%, below the previous-year level (25.6%). The decrease is due primarily to changes in local income tax rates and lower results in countries with higher tax rates. Group profit for the year amounted CHF 215.3 million, a significant increase of 28.4% over the previous year. The return on sales was 7.0% (6.3%). As a result of the higher profit for the year, earnings per share rose by 23.6% to CHF 20.77 (CHF 16.81).

Solid financial situation Net operating assets at the end of 2018 amounted to CHF 1 361.0 million. Adjusted for currency and acquisition effects, the increase was 8.6% and is primarily due to the volume-related increase in receivables and inventories. As a percentage of sales, the net operating assets decreased from 48.1% to 44.8%. Due to the increased profitability, the return on net operating assets after tax (RONOA) improved to 15.7%. This was once again significantly higher than the cost of capital and only slightly below the long-term target of 16%. In the reporting period, the Group invested CHF 102.7 million in expanding production infrastructure and in modernising and automating the production equipment. The most important individual projects concerned Kuhn Group's logistics centre in France, the further expansion of the production sites of Bucher Municipal in Latvia and Bucher Hydraulics in Italy and India.

Return on net operating assets (RONOA) after tax

CHF million	2018	2017
Trade receivables	520.0	457.2
Inventories	770.5	694.0
Property, plant and equipment	625.8	614.7
Intangible assets	244.3	234.9
Other operating receivables	96.9	97.9
Trade payables	– 296.3	– 269.8
Advances from customers	– 252.7	– 234.5
Provisions	– 67.8	– 74.4
Other operating liabilities	– 279.7	– 265.2
Net operating assets (NOA)	**1 361.0**	**1 254.8**
Net operating assets (NOA) average	1 372.9	1 273.9
Operating profit (EBIT)	277.5	226.4
Effective tax rate	22.2%	25.6%
Return on net operating assets (RONOA) after tax	**15.7%**	**13.2%**

Intangible assets increased to CHF 244.3 million because of acquisitions. Goodwill amounted to CHF 152.7 million (2017: CHF 136.9 million). As in the previous year, the impairment test did not indicate any need for an impairment charge. The ratio of intangible assets to equity was 16.4% as in the previous year, while that of goodwill to equity was 10.3% (9.6%). Equity increased by CHF 57.5 million to CHF 1 489.6 million at 31 December 2018. The increase in group profit for the year of CHF 215.3 million was offset by the acquisition of non-controlling interests, dividend payments and negative effects from other comprehensive income of CHF 45.1 million. Other comprehensive income was affected primarily by negative currency effects of CHF 55.9 million. The equity ratio rose by 1.0 percentage point to 53.7% and the return on equity was 14.7% (12.6%). At the end of the year, the Group had cash and liquid assets of CHF 441.5 million and financial liabilities of CHF 282.2 million, resulting in a net liquidity of CHF 159.3 million (CHF 214.2 million). A total of CHF 185.0 million was available in unused committed credit facilities. The financial covenants are reviewed every six months. All credit terms were complied with on the reporting date of 31 December 2018.

Cash flow/free cash flow

CHF million

	2018	2017
Net cash flow from operating activities	**201.0**	**222.4**
Purchases of property, plant and equipment	−98.2	−71.8
Proceeds from sale of property, plant and equipment	2.4	2.0
Purchases of intangible assets	−4.5	−4.4
Operating free cash flow	**100.7**	**148.2**
Purchases of other financial assets	−2.4	−1.9
Proceeds from sale of other financial assets	3.7	6.4
Acquisitions	−31.3	−0.4
Acquisition of associates and joint ventures	–	−0.3
Acquisition of non-controlling interests	−36.9	–
Purchases of treasury shares	−6.9	–
Proceeds from sale of treasury shares	1.0	27.7
Dividend received	0.2	0.1
Dividend paid	−67.0	−50.7
Free cash flow	**−38.9**	**129.1**

The decrease in operating free cash flow is primarily due to a higher capital commitment in net working capital and higher capital expenditure. After deduction of cash flows for acquisitions and the dividend and taking into account purchases and sales of treasury shares, there was a negative free cash flow of CHF 38.9 million.

Number of employees Bucher Industries adjusted the number of employees as far as possible on the basis of seasonal influences and local economic developments. As a result of higher demand, the number of employees rose by 7.8% to 13 054 full-time equivalents. On average for the year, the increase was 7.9%, while adjusted for acquisition effects it was 6.8%. Sales per employee increased by 7.5% to CHF 243 000 (2017: CHF 226 000). Adjusted for currency and acquisition effects, the increase was 6.2%.

Shareholder value In a highly volatile stock market, the share price of Bucher initially advanced very strongly before moving into a persistent downturn, closing the year at CHF 264.40, below the previous year's share price of CHF 396.00 (a decline of 33.2%). The high for the year was CHF 448.40 and the low was CHF 256.00. The company's market capitalisation reached CHF 2.7 billion at year-end, representing a price/book ratio of 1.8. Earnings per share amounted to CHF 20.77, compared with CHF 16.81 for the previous year.

Dividend In keeping with a consistent dividend policy and in consideration of the group profits achieved, the Board of Directors proposes that the annual general meeting on 17 April 2019 approve payment of a dividend of CHF 8.00 per registered share. Based on the average share price of CHF 345.60 for 2018, the board's proposal represents a dividend yield of 2.3% (2017: 2.0%).

Consolidated balance sheet as at 31 December 2018

CHF million	Note	31 December 2018	31 December 2017
Cash and cash equivalents		415.5	513.2
Other financial assets	7	26.0	27.3
Trade receivables	3	520.0	457.2
Current income tax assets		22.6	26.0
Other receivables	3	68.6	67.4
Inventories	4	770.5	694.0
Current assets		**1 823.2**	**1 785.1**
Long-term receivables	3	10.5	7.7
Property, plant and equipment	5	625.8	614.7
Intangible assets	6	244.3	234.9
Other financial assets	7	9.2	10.4
Investments in associates and joint ventures	8	12.3	13.3
Deferred income tax assets	17	48.2	53.7
Non-current assets		**950.3**	**934.7**
Assets		**2 773.5**	**2 719.8**
Financial liabilities	9	46.8	60.6
Trade payables		296.3	269.8
Advances from customers		252.7	234.5
Provisions	10	55.1	61.6
Other liabilities	12	231.4	219.0
Current income tax liabilities		36.4	33.1
Current liabilities		**918.7**	**878.6**
Financial liabilities	9	235.4	265.7
Provisions	10	12.7	12.8
Other liabilities	12	24.1	18.7
Deferred income tax liabilities	17	49.8	54.6
Retirement benefit obligations	18	43.2	57.3
Non-current liabilities		**365.2**	**409.1**
Total liabilities		**1 283.9**	**1 287.7**
Attributable to owners of Bucher Industries AG		1 466.4	1 398.1
Attributable to non-controlling interests		23.2	34.0
Equity		**1 489.6**	**1 432.1**
Liabilities and equity		**2 773.5**	**2 719.8**

Consolidated income statement for the year ended 31 December 2018

CHF million	Note	2018	%	2017	%
Net sales	1	**3 064.5**	**100.0**	**2 647.4**	**100.0**
Changes in inventories of finished goods and work in progress		27.1		32.1	
Raw materials and consumables used		−1 585.6		−1 339.4	
Employment costs	14	−791.0		−708.4	
Other operating income	15	25.5		20.9	
Other operating expenses	15	−367.8		−334.6	
Operating profit before depreciation and amortisation (EBITDA)		**372.7**	**12.2**	**318.0**	**12.0**
Depreciation	5	−77.7		−74.5	
Amortisation	6	−17.5		−17.1	
Operating profit (EBIT)		**277.5**	**9.1**	**226.4**	**8.6**
Share of profit/(loss) of associates and joint ventures	16	3.6		0.4	
Finance costs	16	−7.7		−8.8	
Finance income	16	3.5		7.3	
Profit before tax		**276.9**	**9.0**	**225.3**	**8.5**
Income tax expense	17	−61.6		−57.6	
Profit/(loss) for the year		**215.3**	**7.0**	**167.7**	**6.3**
Attributable to owners of Bucher Industries AG		212.4		170.9	
Attributable to non-controlling interests		2.9		−3.2	
Basic earnings per share in CHF	13	20.77		16.81	
Diluted earnings per share in CHF	13	20.76		16.79	

Consolidated statement of comprehensive income for the year ended 31 December 2018

CHF million

	2018	2017
Profit/(loss) for the year	**215.3**	**167.7**
Change in actuarial gains/(losses) on defined benefit pension plans	12.7	39.7
Income tax	−2.7	−10.2
Change in actuarial gains/(losses) on defined benefit pension plans net of tax	**10.0**	**29.5**
Items that will not be transferred subsequently to income statement	**10.0**	**29.5**
Change in fair value reserve	–	0.5
Transfer to income statement	–	−3.2
Income tax	–	0.9
Change in fair value reserve net of tax	**–**	**−1.8**
Change in cash flow hedge reserve	−3.7	3.4
Transfer to income statement	4.3	−2.7
Income tax	0.2	−0.9
Change in cash flow hedge reserve net of tax	**0.8**	**−0.2**
Change in currency translation reserve	−56.0	35.3
Transfer to income statement	0.1	–
Change in currency translation reserve	**−55.9**	**35.3**
Items that may be transferred subsequently to income statement	**−55.1**	**33.3**
Other comprehensive income	**−45.1**	**62.8**
Comprehensive income	**170.2**	**230.5**
Attributable to owners of Bucher Industries AG	167.5	232.2
Attributable to non-controlling interests	2.7	−1.7

Consolidated cash flow statement for the year ended 31 December 2018

CHF million	Note	2018	2017
Profit/(loss) for the year		**215.3**	**167.7**
Income tax expense	17	61.6	57.6
Net interest expense	16	2.9	2.9
Share of profit/(loss) of associates and joint ventures	8	−3.6	−0.4
Depreciation and amortisation	5, 6	95.2	91.6
Other operating cash flow items		2.3	−0.2
Gain on sale of non-current assets	15	−1.0	−0.1
Gain on sale of short-term investments and financial assets		−0.3	−3.2
Interest received		1.7	2.0
Interest paid		−3.7	−4.0
Income tax paid		−47.0	−41.6
Change in provisions and retirement benefit obligations		−5.6	−3.3
Change in receivables		−69.6	−66.1
Change in inventories		−88.3	−73.7
Change in advances from customers		27.3	54.4
Change in payables		34.4	58.5
Other changes in working capital		−20.6	−19.7
Net cash flow from operating activities		**201.0**	**222.4**
Purchases of property, plant and equipment		−98.2	−71.8
Proceeds from sale of property, plant and equipment		2.4	2.0
Purchases of intangible assets	6	−4.5	−4.4
Purchases of other financial assets		−2.4	−1.9
Proceeds from sale of other financial assets		3.7	6.4
Acquisitions	2	−31.3	−0.4
Acquisition of associates and joint ventures	8	–	−0.3
Dividend received	8	0.2	0.1
Net cash flow from investing activities		**−130.1**	**−70.3**
Purchases of treasury shares	13	−6.9	–
Proceeds from sale of treasury shares	13	1.0	27.7
Proceeds from non-current financial liabilities		5.6	4.6
Repayment of non-current financial liabilities		−2.9	−4.5
Proceeds from current financial liabilities		45.7	43.2
Repayment of current financial liabilities		−92.9	−76.9
Acquisition of non-controlling interests	2	−36.9	–
Dividend paid		−67.0	−50.7
Net cash flow from financing activities		**−154.3**	**−56.6**
Effect of exchange rate changes		−14.3	27.1
Net change in cash and cash equivalents		**−97.7**	**122.6**
Cash and cash equivalents at 1 January		513.2	390.6
Cash and cash equivalents at 31 December		**415.5**	**513.2**

Consolidated statement of changes in equity for the year ended 31 December 2018

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 year		170.9					170.9	– 3.2	**167.7**
Other comprehensive income		29.5		33.8	– 1.8	– 0.2	61.3	1.5	**62.8**
Comprehensive income		**200.4**		**33.8**	**– 1.8**	**– 0.2**	**232.2**	**– 1.7**	**230.5**
Change in treasury shares		9.8	12.7				22.5		**22.5**
Share-based payments		4.9	1.3				6.2		**6.2**
Dividend		– 50.7					– 50.7	–	**– 50.7**
Balance at 31 December 2017	**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 year		212.4					212.4	2.9	**215.3**
Other comprehensive income		10.0		– 55.7		0.8	– 44.9	– 0.2	**– 45.1**
Comprehensive income		**222.4**		**– 55.7**	**–**	**0.8**	**167.5**	**2.7**	**170.2**
Change in treasury shares		–	– 6.9				– 6.9		**– 6.9**
Share-based payments		1.5	1.7				3.2		**3.2**
Change in non-controlling interests		– 29.0					– 29.0	– 13.0	**– 42.0**
Dividend		– 66.5					– 66.5	– 0.5	**– 67.0**
Balance at 31 December 2018	**2.1**	**1 833.6**	**– 8.9**	**– 360.4**	**–**	**–**	**1 466.4**	**23.2**	**1 489.6**

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss law under the historical cost convention, except for certain assets and liabilities which are measured at fair value. The consolidated financial statements are prepared in Swiss francs (CHF) and are based on the group entities' separate financial statements made up to 31 December using uniform classification and measurement criteria (IFRS). All amounts are stated in millions of Swiss francs (CHF million), unless otherwise indicated. The policies set out below have been consistently applied to all the periods presented, unless otherwise stated. Where necessary, prior-year comparative information has been reclassified or extended from the previously reported consolidated financial statements to take into account any presentational changes.

Changes in accounting policies 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 new or revised standards and interpretations published by the International Accounting Standards Board (IASB) and implemented on 1 January 2018 had no significant impact on the consolidated financial statements presented here. Published standards or interpretations that will only come into effect for the financial years from 1 January 2019 and beyond will not be applied at an earlier date.

IFRS 9 — Financial instruments IFRS 9 replaces IAS 39 and introduces changes to the classification and measurement of financial assets, the recognition of impairments of financial assets and 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 change had no material impact on the consolidated financial statements.

IFRS 15 — Revenue from contracts with customers IFRS 15 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.

Future standards not yet adopted The board of directors has decided to switch from IFRS to Swiss GAAP FER as of 1 January 2019. With the changeover, goodwill and other intangible assets from acquisitions will be offset against equity. The offsetting eliminates amortisation from acquisitions, which will have a positive impact on the income statement. Bucher Industries will continue to guarantee transparent reporting that gives a true and fair view of the financial situation. The decision to change accounting standards as of 1 January 2019 means that future new and revised IFRS standards and interpretations will have no impact on the Group. Consequently the new standards are not listed here.

Management's assumptions and estimates The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. All estimates and judgements are reviewed regularly. They are based on historical experience and expectations of future events. Actual outcomes may differ from these estimates. The consolidated financial statements will be modified as appropriate in the reporting period in which the circumstances change. Assumptions and estimates in the following areas have a significant influence on the consolidated financial statements.

- Impairment of non-financial assets, in particular in the assessment of the carrying value of goodwill
- Recognition of long-term provisions
- Determination of the amount of current and deferred income tax assets and liabilities
- Actuarial calculations of defined benefit obligations

More information is given in the following group accounting policies and in the notes.

Basis of consolidation The consolidated financial statements incorporate the financial statements of Bucher Industries AG and all its Swiss and foreign group entities (subsidiaries) where the company exercises control by directly or indirectly holding more than 50% of the voting rights or has acquired control through contractual arrangements. Using the full consolidation method, all assets, liabilities, income and expenses of the consolidated entities are included in the consolidated financial statements. Subsidiaries acquired during the year are consolidated from the date on which control is transferred to the Group and those disposed of are deconsolidated from the date that control ceases. Equity and profit or loss attributable to non-controlling interests are presented as separate line items in the consolidated balance sheet and income statement. All intercompany balances, transactions, cash flows and realised and unrealised profits are eliminated in the consolidated financial statements. The acquisition method is used to account for business combinations. Under this method, the acquiree's assets, liabilities and contingent liabilities are measured at their fair values using uniform group accounting policies. Any excess of the cost of acquisition over the fair value of the net assets acquired is recorded as goodwill. Any negative difference is recognised directly in the income statement in the reporting period. For each business combination, the non-controlling interests are either carried at fair value or according to the proportion of net assets. Upon acquisition of non-controlling interests in a fully consolidated entity, any difference between the purchase price and the carrying amount of such non-controlling interests is recognised directly in retained earnings. Transaction costs are booked as expenses in the income statement. Any reduction in ownership interest that does not result in a loss of control is also recognised in equity.

Associated companies and joint ventures Associates are those entities in which Bucher Industries has significant influence, but not control, over the financial and operating policy decisions. Significant influence can generally be assumed with voting rights of 20% to 50%. Joint ventures are companies over whose activities the Group has joint control with one or more parties and where financial and operational decisions require the unanimous consent of the parties to joint control. Associated companies and joint ventures are initially recognised at cost. Subsequently the equity method is used to adjust the carrying amount of the investment for the Group's share of the profit or loss less the Group's share of profit distributions.

Foreign currency translation The individual financial statements of each of the Group's foreign entities are reported in the currency of the primary economic environment in which the entity operates (its functional currency). Within Bucher Industries, the functional currency is generally the local currency of the respective country. The consolidated financial statements are presented in Swiss francs, which is both the functional and presentation currency of Bucher Industries AG. For group entities that have a functional currency different from the Group's presentation currency, assets and liabilities are translated into Swiss francs at year-end closing exchange rates (mid rates) at the reporting date, while items in the income statement and cash flow statement are translated at average exchange rates for the year (average of the twelve month-end mid exchange rates). Translation differences arising on consolidation are reported in other comprehensive income and are transferred to the income statement as profit or loss when a foreign operation is sold or liquidated. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Realised and unrealised foreign currency translation gains and losses relating to operating activities are presented within operating profit, while those relating to financing transactions are presented within net financial result. Derivative financial instruments used to hedge foreign currency risk exposures associated with assets and liabilities and with expected future cash flows are measured at fair value, with changes in the fair value recognised in the income statement. Exceptions are transactions designated for hedge accounting where gains and losses are recognised in other comprehensive income.

Segment reporting Segments are defined using the management approach. Although they are technologically related, the segments are quite distinct from each other in terms of products and sales markets. Responsibility for the management and performance of the segments is therefore decentralised. Assets, liabilities, income and expenses can be clearly allocated to the segments. Sales between segments are at arm's length prices.

Financial assets Financial assets are classified into the categories "held at fair value through profit or loss" and "loans and receivables at amortised cost". In addition, the previous year included the category "available for sale" as defined by IAS 39. The classification depends on the purpose for which the financial assets were acquired. All financial assets are initially recognised at fair value, plus transaction costs in the case of financial instruments not held at fair value through profit or loss. Purchases and sales are recognised on the date of payment and delivery (settlement date). Management assesses at each reporting date whether there is any indication that an asset may be permanently impaired. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

"Held at fair value through profit or loss" Subsequent to initial recognition, money market instruments and derivative financial assets are measured at fair value, with changes in fair value recognised in the income statement.

"Loans and receivables at amortised cost" These include non-derivative financial assets such as loans and receivables with fixed or determinable payments. These financial assets are not listed on an active market and are carried at amortised cost using the effective interest method. If they become impaired or uncollectable, they are provided for in the income statement.

Additional category in previous year "Available for sale" as defined by IAS 39 Available-for-sale financial assets were non-derivatives that were either designated as such or could not be classified in any of the other categories. These assets were generally carried at fair value. If their fair value could not be reliably determined, they were recognised at cost. Unrealised gains or losses were recognised in other comprehensive income as the "net change in fair value reserve" until they were realised. Interest was calculated using the effective interest method and recognised in the income statement. When an asset was disposed of or determined to be permanently impaired, the cumulative gains or losses recognised in other comprehensive income were taken to the income statement for the period.

Cash and cash equivalents Cash and cash equivalents are defined as short-term, liquid financial investments that are readily convertible to defined cash amounts within a three-month period and subject to insignificant risk of changes in value. These include cash on hand, post office and bank balances as well as short-term time deposits. There are no restrictions on cash and cash equivalents.

Other financial assets Marketable short-term investments (assets, bonds, money market investments) are classified as “held at fair value through profit or loss”. in the previous year there was also the category “available for sale” as defined by IAS 39. Fair value is determined by reference to quoted market prices. These assets include long-term investments (with participating interests of less than 20%), long-term loans and other miscellaneous financial assets and are classified as “loans and receivables at amortised cost”. Charges and credits to the income statement are recorded in finance income.

Receivables Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, net of specific provisions for known credit and country transfer risks. Allowances are made, based on the expected credit losses using the simplified impairment model, to cover risks inherent in receivables for which no specific allowances have been made. This takes into account historical customer default rates as well as current customer attributes such as geographic region, customer rating and collateral. Provisions for impairment are included in other operating expenses.

Derivative financial instruments and hedging activities Derivative financial instruments, such as forward contracts and options, are used to hedge exposure to interest rate and foreign currency fluctuations. The first-time accounting and the subsequent valuation are made at the respective fair value. This is based on the market prices quoted on the reporting date. Changes in fair value are recognised in the income statement. Unrealised gains and losses on contracts to hedge operating cash flows are taken to operating profit, while those on contracts to hedge financing activities are taken to finance income and finance costs. Derivative financial instruments are recorded as other receivables or other liabilities as applicable.

Hedge accounting The Group uses hedge accounting to hedge selected transactions. Future cash flows with a high probability of occurrence are hedged using cash flow hedges. Fair value hedges and net investment hedges were not used. At the inception of the hedge, group treasury identifies and documents transactions which are designated as a hedged item for hedge accounting purposes. The effectiveness of a hedge instrument in terms of the cash flow hedged is checked and documented both on the date it is concluded and also during the entire term of the hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The non-effective portion is recorded in the income statement. Amounts accumulated in other comprehensive income are transferred to the income statement when the underlying transaction has been booked or the conditions for hedge accounting no longer apply.

Inventories Inventories are stated at the lower of cost and net realisable value. Cost is determined using either the weighted average or first-in, first-out method. The same method is used for inventories having a similar nature and use to the company. Where necessary, provision is made for all foreseeable losses on work in progress, other goods and slow-moving items, with write-downs recognised in changes in inventories of finished goods and work in progress.

Property, plant and equipment Property, plant and equipment are stated at historical cost less accumulated depreciation. The different components are accounted for as separate items. Expenditure on improvements is capitalised. The costs of repairs, maintenance and replacements as well as low-value assets are charged to the income statement as they are incurred. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. Land is stated at cost and is not depreciated. The residual useful lives of property, plant and equipment are reviewed periodically. The Group has determined the following useful lives:

	Years
Buildings and Infrastructure	10 – 50
Plant and machinery	5 – 12
Furniture, fixtures and equipment	2 – 15

Intangible assets Goodwill, licences, patents, trademarks, customer lists, supplier relationships, software and similar rights are recognised as acquired intangible assets. Intangible assets are capitalised only if they will generate sustainable economic benefits. They are generally measured using the cost model. Intangible assets with finite useful lives are amortised on a straight-line basis over their expected residual lives, ranging from five to twenty years depending on the asset. Goodwill from acquisitions is not amortised, but is capitalised and tested for impairment annually or whenever there are indications of possible impairment. Expenditure on research activities is recorded as an expense in the period in which it is incurred. Development costs are capitalised and amortised over their useful lives only if the future economic benefits will be sufficient to recover the development costs and if the other criteria required by IAS 38 are met. Development costs that do not meet these criteria are expensed directly through the income statement.

Impairment of non-financial assets For goodwill, impairment is tested at least annually, while other assets are reviewed for impairment whenever there is an indication that they may be impaired. When there are indications of permanent impairment, the asset's recoverable amount is determined and compared with its current carrying amount. If the carrying amount exceeds the recoverable amount, the carrying amount is written down accordingly. Such impairment losses are recognised in the income statement. To enable impairment tests to be carried out on non-financial assets, these are grouped into cash-generating units. The definition of and differentiation between cash-generating units vary from division to division. Goodwill is allocated to the cash-generating units or group of cash-generating units that are expected to benefit from the respective business combination. The recoverable amount of the cash-generating unit is determined on the basis of the value in use, which is influenced essentially by the cash flow projections, the discount rate before taxes (WACC) and the long-term growth rate. These calculations are based on the expected market trends and require the application of various assumptions and estimates. Actual cash flows may differ from those expected. Write-ups are performed if, in subsequent periods, the recoverable amount is higher than the book value. Assets are written up at most to the amount that would have resulted if the impairment had not been booked. Impairment losses on goodwill are not reversed.

Borrowing costs Borrowing costs for assets that require a substantial period of preparation until they are ready for their intended use are capitalised from the start of the construction phase until commissioning. The amount of borrowing costs to be capitalised depends on the actual costs incurred in connection with the borrowing of funds for the specific asset. All other borrowing costs are expensed on an accrual basis directly in the period in which they occur.

Discontinued operations and non-current assets held for sale Non-current assets or groups of non-current assets are reclassified as being held for sale if the associated carrying amount is mostly to be realised by the sale and not from continued use. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and any impairment losses are recognised in the income statement.

Financial liabilities Financial liabilities include short-term and long-term borrowings, trade payables and other liabilities. Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation underlying this liability has been fulfilled or terminated or has expired.

Provisions A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required in the future to settle the obligation, and the amount can be reliably estimated. However, actual cash outflows and their timing may differ significantly depending on the outcome of events. Restructuring provisions are recognised only when the Group has a detailed formal plan for restructuring and has announced or already started to implement the restructuring plan. Future losses are not provided for. Provisions are valued at the present value of the anticipated costs.

Equity/treasury shares Retained earnings include amounts paid in by shareholders in excess of the par value of shares (share premium). Treasury shares are recorded as a deduction from equity. Realised gains or losses on the sale of treasury shares are also recognised in equity as a component of retained earnings. The same applies to the cost of share-based payments (share plans). Dividends are charged to equity in the period in which they are approved by the general meeting of shareholders.

Net sales/revenue recognition Sales equate to all amounts collected and still to be collected from third parties for goods, products and services. Sales are measured at the expected fair value of the consideration received, net of value-added tax and sales deductions such as sales incentives, rebates and trade discounts. The estimated amounts recognised are based on past experience and the contractual terms and conditions. The sale of goods and services is recognised when the performance obligation has been satisfied or when control is transferred to the customer. The timing of the transfer depends on specific contract criteria or the agreed international commercial terms (Incoterms), among other things. Payment is usually due within 30 to 90 days from delivery. In some contracts, short-term advance payments are required before the goods or products are delivered. Some contracts may include expanded guarantees, service or maintenance as well as installation services. These are accounted for as separate performance obligations and part of the transaction price is allocated on the basis of the individual selling prices. The rendering of services such as installation is based on agreements with the customer. Sales from services are recognised over the period in which the service is rendered. Payment is usually made after completion of the services and acceptance by the customer. In some contracts, short-term advance payments are required before the services are provided.

Interest income/dividends Interest income is recorded over the anticipated term, so that it reflects the effective income on an asset. Dividends are recorded if shareholders are able to assert a legal claim.

Income tax The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except where it relates to items recognised directly in other comprehensive income or in equity. In this case, the tax is also recognised in the corresponding account.

Current income tax Current income tax is calculated on the basis of the local tax laws enacted at the reporting date in the countries where the group entities operate and generate taxable income. Provision is made for all current tax liabilities. Taxes that are not based on taxable profit are charged to other operating expenses.

Deferred income tax In measuring deferred income tax assets and liabilities, the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements are determined at individual group entity level (balance sheet liability method). Deferred income tax assets and liabilities are measured and recognised using tax rates and laws that have been enacted or substantially enacted in the respective countries by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Potential tax benefits arising from tax losses carried forward and temporary differences are reviewed annually and recognised only to the extent that it is probable that they will be realised through future taxable profits against which the losses can be utilised. Assessing the probability of realising potential tax savings is based on planning data and requires assumptions and estimates to be made. Deferred tax liabilities in connection with undistributed profits for group companies, associated companies and joint ventures are taken into account unless the Group can fully control the distribution policy for the corresponding companies and if no dividend payments are to be expected in the foreseeable future. Deferred taxes are also not recognised upon the initial recognition of goodwill or of assets and liabilities that do not affect taxable profit.

Retirement benefits Bucher Industries operates a number of defined benefit and defined contribution pension plans. In the case of defined contribution plans, contributions are paid in on the basis of a statutory or contractual obligation, or on a voluntary basis. Apart from these contributions, there are no other payment obligations. Defined benefit obligations are calculated by independent actuaries using the projected unit credit method every one to three years, depending on the materiality of the pension plan. Actuarial calculations of defined benefit obligations are based on statistical and actuarial assumptions, such as expected inflation rates, future salary increases, probable turnover rates and life expectancies of plan members, as well as discount rates, which may deviate from actual future developments. Actuarial gains and losses are recognised at the full amount in other comprehensive income in the period in which they occur. Current and past service costs, interest expense or income and benefit entitlements arising from changes in the pension schemes are charged to the income statement. Surpluses in pension schemes are only recognised when they are actually available to the Group in the form of future contributions or reductions in future contributions to the plan.

Share-based payment schemes These comprise the Bucher Share Plan and the options awarded in previous years.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, senior management in the divisions and selected specialists. The annual financial targets for the award of shares are set by the board of directors at the beginning of each financial year, taking into account the Group's long-term targets, the results for the previous year, the budget for the current year and the general economic environment. Awards are based on a percentage of basic salary as well as the achievement of the Group's annual financial "earnings per share" target. The shares awarded are calculated using the share price on the reporting date. The number of shares to be awarded to the members of group management is subject to the approval of the annual general meeting. This is granted retrospectively. The share price on the reporting date is taken as the best estimate for valuation of the plans. The costs are recognised in the income statement on an accrual basis. In the following year, the estimate is adjusted to take account of the share price at the date of approval through the income statement. The offsetting entry is made in equity. The shares required for awards under the Bucher Share Plan are purchased in the open market and held by Bucher Beteiligungs-Stiftung, a consolidated employee share ownership trust, and by Bucher Industries AG.

Share option plans No share options have been granted since the 2010 financial year. Share options granted in respect of previous reporting periods remain valid as originally provided and may be exercised at any time. One option entitles the holder to purchase one registered share of Bucher Industries AG. The options cannot be traded.

Leases A finance lease is defined as a lease that transfers substantially all the risks and rewards of ownership of an asset. Ownership may or may not eventually be transferred. An operating lease is a lease other than a finance lease. Bucher Industries enters into contracts both as lessor and lessee.

Group as lessee Assets held under finance leases in which Bucher Industries acts as lessee are, on initial recognition, capitalised at the lower of their fair value and the present value of the future minimum lease payments and are then depreciated over the shorter of their estimated useful lives and the lease term. The corresponding obligations are carried as liabilities. In the case of operating leases, payments are charged to the income statement on a straight-line basis over the lease term.

Group as lessor Assets held under finance leases in which Bucher Industries acts as lessor are recorded as receivables with a value equivalent to the amount of the net investment. Leasing income from finance leases is recognised in accordance with the effective interest method over the lease term.

Government grants Grants from the government are recognised only where there is a reasonable assurance that all attached conditions will be complied with and the grant will be received. They are recognised at their fair value. The grants are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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, fruit juice, beer and instant products, 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		Depreciation		Amortisation		Operating profit (EBIT)	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Kuhn Group	1 204.4	1 075.6	– 35.6	– 32.9	– 6.9	– 7.1	98.0	93.0
Bucher Municipal	539.1	425.7	– 8.3	– 8.1	– 3.0	– 3.0	48.5	26.1
Bucher Hydraulics	626.6	545.9	– 18.8	– 17.1	– 2.6	– 2.6	82.1	74.7
Bucher Emhart Glass	446.5	381.2	– 8.7	– 9.3	– 2.1	– 1.9	45.0	25.2
Bucher Specials	308.8	271.6	– 3.6	– 3.3	– 2.9	– 2.5	24.0	22.1
Reportable segments	**3 125.4**	**2 700.0**	**– 75.0**	**– 70.7**	**– 17.5**	**– 17.1**	**297.6**	**241.1**
Other/consolidation	– 60.9	– 52.6	– 2.7	– 3.8	–	–	– 20.1	– 14.7
Group	**3 064.5**	**2 647.4**	**– 77.7**	**– 74.5**	**– 17.5**	**– 17.1**	**277.5**	**226.4**

The performance of each of the divisions is evaluated on the basis of operating profit or loss, which is measured consistently for management reporting. 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-time effect in the amount of CHF 4.9 million from the lowering of the conversion rate of the Angestellten-Pensionskasse Bucher Schweiz (Bucher Switzerland employee pension fund). Intersegment sales amounted to CHF 12.8 million (2017: CHF 13.1 million) for Kuhn Group, CHF 4.5 million (CHF 3.8 million) for Bucher Hydraulics and CHF 43.4 million (CHF 35.6 million) for Bucher Specials. The other divisions had only marginal intersegment sales.

CHF million	Net sales Europe		Net sales Americas		Net sales Asia		Net sales Other	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Kuhn Group	780.0	665.2	343.1	327.6	50.2	41.7	31.1	41.1
Bucher Municipal	376.0	289.7	41.3	31.9	20.2	16.4	101.6	87.7
Bucher Hydraulics	377.4	337.0	181.3	160.3	65.7	46.5	2.2	2.1
Bucher Emhart Glass	176.9	129.5	119.5	119.4	115.0	118.4	35.1	13.9
Bucher Specials	233.2	205.1	36.6	27.3	32.4	23.8	6.6	15.4
Reportable segments	**1 943.5**	**1 626.5**	**721.8**	**666.5**	**283.5**	**246.8**	**176.6**	**160.2**
Other/consolidation	– 48.4	– 43.3	– 1.6	– 1.0	– 10.8	– 8.3	– 0.1	–
Group	**1 895.1**	**1 583.2**	**720.2**	**665.5**	**272.7**	**238.5**	**176.5**	**160.2**

Net sales have been allocated to the countries of destination.

CHF million	Capital expenditure		Goodwill		Operating assets		Operating liabilities	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Kuhn Group	32.3	33.7	65.6	67.3	905.5	887.8	– 447.0	– 453.5
Bucher Municipal	11.9	6.5	21.7	22.6	368.2	335.7	– 133.5	– 117.6
Bucher Hydraulics	39.3	21.0	20.8	3.5	439.1	349.8	– 105.5	– 84.5
Bucher Emhart Glass	10.8	7.8	22.1	21.9	345.6	341.0	– 148.3	– 134.6
Bucher Specials	5.4	4.1	4.8	4.2	175.1	156.3	– 74.3	– 67.4
Reportable segments	**99.7**	**73.1**	**135.0**	**119.5**	**2 233.5**	**2 070.6**	**– 908.6**	**– 857.6**
Other/consolidation	3.0	3.1	17.7	17.4	24.0	28.1	12.1	13.7
Group	**102.7**	**76.2**	**152.7**	**136.9**	**2 257.5**	**2 098.7**	**– 896.5**	**– 843.9**

Operating assets include current and non-current receivables, inventories, property, plant and equipment and intangible assets (incl. goodwill). Operating liabilities comprise trade payables, advances from customers, other liabilities and provisions.

Reconciliation of segment results

CHF million	**2018**	**2017**
Segment operating profit (EBIT)	297.6	241.1
Other/consolidation	– 20.1	– 14.7
Operating profit (EBIT)	**277.5**	**226.4**
Share of profit/(loss) of associates and joint ventures	3.6	0.4
Finance costs	– 7.7	– 8.8
Finance income	3.5	7.3
Profit before tax	**276.9**	**225.3**

Reconciliation of segment assets

CHF million	**2018**	**2017**
Segment operating assets	**2 233.5**	**2 070.6**
Other/consolidation	24.0	28.1
Operating assets	**2 257.5**	**2 098.7**
Cash and cash equivalents and other financial assets - current	441.5	540.5
Other financial assets – non-current	9.2	10.4
Other assets	4.8	3.2
Investments in associates and joint ventures	12.3	13.3
Deferred income tax assets	48.2	53.7
Assets	**2 773.5**	**2 719.8**

Reconciliation of segment liabilities

CHF million

	2018	2017
Segment operating liabilities	**– 908.6**	**– 857.6**
Other/consolidation	12.1	13.7
Operating liabilities	**– 896.5**	**– 843.9**
Financial liabilities – current	– 46.8	– 60.6
Financial liabilities – non-current	– 235.4	– 265.7
Other liabilities	– 12.2	– 5.6
Deferred income tax liabilities	– 49.8	– 54.6
Retirement benefit obligations	– 43.2	– 57.3
Total liabilities	**– 1 283.9**	**– 1 287.7**

Property, plant and equipment and intangible assets by region

CHF million

	2018	2017
Europe	522.4	522.3
Americas	216.8	228.1
Asia	108.9	75.8
Other	22.0	23.4
Total	**870.1**	**849.6**

2 Acquisitions

Acquisition of Wuxi Deli Fluid Technology Co., Ltd. (Bucher Hydraulics Wuxi) At the end of July 2018, Bucher Industries acquired 70.0% of the shares of Wuxi Deli Fluid Technology Co., Ltd. for the Bucher Hydraulics division. The company 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. The majority stake enabled Bucher Hydraulics to expand its presence in China and to become a globally leading provider of hydraulic power packs. The company has changed its name to Bucher Hydraulics (Wuxi) Co., Ltd. For the remaining 30% there are contracts that can be exercised at various times. The first 10% will be exercised within nine months after the acquisition. The put option of the non-controlling interests for the remaining 20% can be exercised from the fourth year after the acquisition, while Bucher Industries' call option can only be exercised after the sixth year. The obligations to acquire the shares amount to CHF 10.2 million and are reported in other liabilities. CHF 4.2 million are shown as current liabilities. The exercise prices are derived from the profits of the three years prior to exercise. The liabilities were calculated by discounting at the reporting date the earliest possible payments, based on plan data reported by the management. The non-controlling interests retain full dividend and voting rights until the possible exercise of the options.

Other acquisitions At the end of June Bucher Industries acquired for the Bucher Emhart Glass division the laser marking business for hot glass containers from Qualimarq Sàrl (Qualimarq), a pioneer and the world's leading provider in this area. As a result, Bucher Emhart Glass now offers state-of-the-art technologies for the laser marking of hot glass containers. At the end of October 2018, Kuhn Group acquired the remaining 62.0% of the shares of Artec Pulvérisation SA (Artec). Together with the existing interest of 38.0%, Bucher Industries now holds 100% of the French company. Artec develops and manufactures self-propelled agricultural sprayers geared towards the needs of large farming operations. The acquisition enables Kuhn Group to offer a wide range of plant protection sprayers in Europe and to become a leading market player in France for self-propelled sprayers. The products of Artec will continue to be sold under their current brand in a specialised distribution network. At the end of November 2018, Bucher Industries took over the import business of Grunderco S.A. The transaction enabled Bucher Landtechnik, a business unit of Bucher Specials, to expand its product range in harvesting technology, strengthen its presence in western Switzerland and consolidate its leading position in the Swiss agricultural machinery market.

Acquired net assets

CHF million	Bucher Hydraulics Wuxi	Other	Total
			2018
Cash and cash equivalents	2.1	1.0	3.1
Trade receivables	8.3	4.0	12.3
Inventories	4.4	11.5	15.9
Property, plant and equipment	12.3	0.4	12.7
Intangible assets	8.3	2.9	11.2
Deferred income tax assets	0.5	0.1	0.6
Current financial liabilities	−1.2	−0.9	−2.1
Trade payables	−13.7	−2.3	−16.0
Current provisions	−0.3	−1.7	−2.0
Current other liabilities	−1.0	−1.1	−2.1
Deferred income tax liabilities	−2.7	−0.7	−3.4
Retirement benefit obligations	–	−0.9	−0.9
Other net assets	0.1	–	0.1
Net assets	**17.1**	**12.3**	**29.4**

Net cash flow for acquisitions

CHF million	Bucher Hydraulics Wuxi	Other	Total	Total
			2018	**2017**
Net assets	17.1	12.3	29.4	–
Shares previously held	–	– 4.0	– 4.0	–
Non-controlling interests	– 5.1	–	– 5.1	–
Goodwill	18.0	5.6	23.6	–
Total purchase consideration	**30.0**	**13.9**	**43.9**	**–**
Cash and cash equivalents acquired	– 2.1	– 1.0	– 3.1	–
Contingent consideration	–	– 0.7	– 0.7	–
Deferred consideration	– 7.2	– 2.0	– 9.2	–
Deferred consideration relating to previous years	–	0.4	0.4	0.4
Net cash outflow for acquisitions	**20.7**	**10.6**	**31.3**	**0.4**

The purchase price of the acquisitions including liabilities acquired was CHF 43.9 million. This includes deferred payments of CHF 9.2 million. The purchase price less deferred and contingent payments was paid in full from cash and cash equivalents. From the acquisition of the business of Qualimarq, CHF 0.7 million was recorded in other liabilities as contingent consideration. The contingent payments totalling a maximum of CHF 0.9 million depend on the annual sales targets over the next five years. The value of the acquired trade receivables corresponded to the fair value. On the reporting date, the process to determine the fair values of identifiable assets, goodwill, liabilities and contingent liabilities was not yet completed. Based on the preliminary purchase price allocations, the goodwill from the acquisitions was CHF 23.6 million, which represents the entry into the markets and the synergy potential from the business combinations as well as the employees' expertise. The acquired companies have generated sales of CHF 22.5 million (Bucher Hydraulics Wuxi CHF 17.8 million) and profit for the year of CHF 0.9 million (CHF 0.7 million) since the acquisition dates. If all the acquisitions had been completed on 1 January 2018, the adjusted sales of the acquisitions would have totalled CHF 83.8 million (CHF 42.6 million) and profit for the year CHF 3.5 million (CHF 1.8 million). The acquisition costs totalling CHF 0.8 million were recognised in 2018, the period in which they were incurred, under other operating expenses and they related mostly to Bucher Hydraulics Wuxi.

Acquisition of non-controlling interests in Shandong Sanjin Glass Machinery Co., Ltd. (Sanjin) Bucher Industries increased its interest in Sanjin by 37.0% to 100% by the purchase of the remaining 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.

3 Receivables

CHF million	Current	Non-current	Total	Current	Non-current	Total
			2018			**2017**
Trade receivables	501.4	6.4	507.8	445.5	3.3	448.8
Notes receivable	18.6	–	18.6	11.7	–	11.7
Trade receivables, net	**520.0**	**6.4**	**526.4**	**457.2**	**3.3**	**460.5**
Other receivables	47.8	4.1	51.9	48.1	4.3	52.4
Prepayments to suppliers	6.7	–	6.7	6.5	–	6.5
Derivative financial instruments	4.8	–	4.8	3.1	0.1	3.2
Accrued income	9.3	–	9.3	9.7	–	9.7
Other receivables	**68.6**	**4.1**	**72.7**	**67.4**	**4.4**	**71.8**
Receivables	**588.6**	**10.5**	**599.1**	**524.6**	**7.7**	**532.3**

Ageing analysis of trade receivables

CHF million	2018	2017
Trade receivables, gross	556.5	491.5
Amount provided for	−30.1	−31.0
Receivables, net	**526.4**	**460.5**
Not due	446.9	380.5
Not due, amount provided for	−5.8	−5.6
Past due, within 30 days	56.7	57.1
Past due, from 31 to 90 days	20.3	21.7
Past due, more than 90 days	32.6	32.2
Past due, amount provided for	−24.3	−25.4

The due dates of trade receivables are constantly monitored. The past due amounts relate to trade receivables for which the agreed payment deadline has been exceeded.

Movements in the provision for impairment of trade receivables

CHF million	2018	2017
Balance at 1 January	31.0	28.5
Exchange differences	−1.9	1.5
Acquisition/disposal of subsidiaries	0.5	–
Provision for receivables impairment	5.3	4.1
Unused amounts reversed	−3.5	−2.6
Receivables written-off during the year as uncollectable	−1.3	−0.5
Balance at 31 December	**30.1**	**31.0**

4 Inventories

CHF million	2018	2017
Raw materials and consumables	213.6	182.3
Work in progress	183.9	170.3
Finished goods and goods for resale	373.0	341.4
Inventories	**770.5**	**694.0**
Change of write-downs	11.0	6.5

In the reporting period, CHF 0.8 million was written off directly to the income statement (2017: CHF 8.2 million). The prior-year figures include inventory adjustments of CHF 7.8 million at Sanjin.

5 Property, plant and equipment

CHF million	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Prepayments and assets under construction	Total
					2018
Cost at 1 January	661.6	551.0	232.4	44.1	1 489.1
Exchange differences	−21.5	−19.0	−8.0	−1.4	−49.9
Acquisition/disposal of subsidiaries	9.7	8.5	1.2	–	19.4
Additions	12.1	29.7	18.5	39.2	99.5
Disposals	−5.4	−9.7	−10.7	−0.5	−26.3
Transfers	20.8	23.5	2.1	−46.4	–
Cost at 31 December	**677.3**	**584.0**	**235.5**	**35.0**	**1 531.8**
Accumulated depreciation at 1 January	−293.3	−407.4	−173.7	–	−874.4
Exchange differences	8.3	13.8	5.8	–	27.9
Acquisition/disposal of subsidiaries	−1.9	−4.0	−0.8	–	−6.7
Disposals	5.2	9.4	10.3	–	24.9
Depreciation for the year	−24.7	−34.3	−18.7	–	−77.7
Accumulated depreciation at 31 December	**−306.4**	**−422.5**	**−177.1**	**–**	**−906.0**
Net book value at 31 December	**370.9**	**161.5**	**58.4**	**35.0**	**625.8**
					2017
Cost at 1 January	625.4	511.4	214.2	28.6	1 379.6
Exchange differences	27.3	24.7	10.2	2.2	64.4
Additions	8.0	18.4	15.4	30.0	71.8
Disposals	−1.9	−12.7	−11.6	−0.5	−26.7
Transfers	2.8	9.2	4.2	−16.2	–
Cost at 31 December	**661.6**	**551.0**	**232.4**	**44.1**	**1 489.1**
Accumulated depreciation at 1 January	−258.2	−366.9	−159.4	–	−784.5
Exchange differences	−12.7	−19.4	−8.1	–	−40.2
Disposals	1.9	11.9	11.0	–	24.8
Depreciation for the year	−24.3	−33.0	−17.2	–	−74.5
Accumulated depreciation at 31 December	**−293.3**	**−407.4**	**−173.7**	**–**	**−874.4**
Net book value at 31 December	**368.3**	**143.6**	**58.7**	**44.1**	**614.7**

The net book value of assets under finance leases amounted to CHF 11.1 million in the reporting period (2017: CHF 15.5 million).

6 Intangible assets

CHF million	Goodwill	Trademarks	Customer lists	Licences/ Patents	Other	Total
						2018
Cost at 1 January	228.9	50.8	85.8	187.3	25.5	578.3
Exchange differences	−10.2	−2.6	−3.7	−7.1	−1.0	−24.6
Acquisition/disposal of subsidiaries	23.6	1.1	9.8	–	0.5	35.0
Additions	–	–	–	2.9	1.6	4.5
Disposals	–	–	–	−0.7	−0.1	−0.8
Cost at 31 December	**242.3**	**49.3**	**91.9**	**182.4**	**26.5**	**592.4**
Accumulated amortisation at 1 January	−92.0	−29.4	−31.3	−168.8	−21.9	−343.4
Exchange differences	2.4	1.1	1.1	6.8	0.8	12.2
Acquisition/disposal of subsidiaries	–	–	–	–	−0.2	−0.2
Disposals	–	–	–	0.7	0.1	0.8
Amortisation for the year	–	−3.8	−6.0	−6.8	−0.9	−17.5
Accumulated amortisation at 31 December	**−89.6**	**−32.1**	**−36.2**	**−168.1**	**−22.1**	**−348.1**
Net book value at 31 December	**152.7**	**17.2**	**55.7**	**14.3**	**4.4**	**244.3**
						2017
Cost at 1 January	229.1	50.7	85.4	172.7	22.1	560.0
Exchange differences	−0.2	0.1	0.4	12.4	1.5	14.2
Additions	–	–	–	2.3	2.1	4.4
Disposals	–	–	–	−0.1	−0.2	−0.3
Cost at 31 December	**228.9**	**50.8**	**85.8**	**187.3**	**25.5**	**578.3**
Accumulated amortisation at 1 January	−91.3	−25.4	−25.9	−151.3	−19.7	−313.6
Exchange differences	−0.7	–	0.4	−11.3	−1.4	−13.0
Disposals	–	–	–	0.1	0.2	0.3
Amortisation for the year	–	−4.0	−5.8	−6.3	−1.0	−17.1
Accumulated amortisation at 31 December	**−92.0**	**−29.4**	**−31.3**	**−168.8**	**−21.9**	**−343.4**
Net book value at 31 December	**136.9**	**21.4**	**54.5**	**18.5**	**3.6**	**234.9**

In the reporting period, as in the previous year, no research and development costs were capitalised. Research and development costs mainly comprise expenditure to update and extend the divisions' ranges of products and services and are included in raw materials and consumables used, employment costs, other operating expenses and depreciation of property, plant and equipment. Research and development costs of CHF 118.5 million (2017: CHF 110.0 million) were charged to the income statement.

Goodwill impairment testing The management of Bucher Industries monitors the recoverability of goodwill at divisional level for Kuhn Group, Bucher Municipal, Bucher Hydraulics and Bucher Emhart Glass as well as for the individual business units of Bucher Specials. Consequently the cash-generating units were grouped at the divisional or business unit level as applicable. Bucher Industries uses the discounted cash flow (DCF) method to assess the recoverable amount of goodwill, based on value in use. The calculations were based on the financial budgets for the next three years (2019 to 2021). These budgets take account of the latest management estimates regarding sales and prices as well as operating costs and are based on the assumption that there will be no significant organisational changes. Cash flows beyond the budget period were estimated on the basis of prudently calculated growth rate projections. The growth rates and capital costs take account of specific weighted country and currency risks. The cost of equity was determined using the capital asset pricing model.

Allocation of goodwill to cash-generating units

CHF million	Growth rates	WACC [1]	Goodwill	Growth rates	WACC [1]	Goodwill
	%	%	2018	%	%	2017
Kuhn Group	1.9	8.1	65.6	1.7	7.8	67.3
Bucher Municipal	1.5	7.3	21.7	1.5	7.3	22.6
Bucher Hydraulics [2]	1.1	7.2	38.5	0.9	7.1	20.9
Bucher Emhart Glass	1.3	6.9	22.1	1.1	6.7	21.9
Bucher Specials	0.1 – 0.5	5.9 – 6.7	4.8	0.1 – 0.5	5.9 – 6.6	4.2
Goodwill			**152.7**			**136.9**

1) Before tax
2) The goodwill recognised in the Bucher Industries US holding company was allocated in its entirety to the Bucher Hydraulics division for impairment testing purposes.

Sensitivity analysis The sensitivity analysis conducted by management shows that in all cash-generating units neither a reduction of growth rates in the residual value to 0%, nor an increase in the weighted average cost of capital by 0.5 percentage points would affect the result of the impairment test.

7 Other financial assets

CHF million	2018	2017
Money market investment	2.3	3.0
Bonds	23.7	24.4
Pension asset	1.3	1.3
Long-term loans	6.4	7.2
Other	1.5	1.8
Other financial assets	**35.2**	**37.7**
Current portion	26.0	27.3
Non-current portion	9.2	10.4

Starting in 2018, changes in bond values are recognised in the income statement. In the previous year, the changes in bond values were recognised in other comprehensive income and amounted to CHF 0.5 million.

8 Investments in associates and joint ventures

CHF million	2018	2017
Balance at 1 January	13.3	11.6
Exchange differences	−0.4	1.1
Additions	–	0.3
Disposals	−4.0	–
Share of profit/(loss)	1.2	0.4
Share of other comprehensive income	–	–
Revaluation	2.4	–
Dividend received	−0.2	−0.1
Balance at 31 December	**12.3**	**13.3**

At the end of October 2018, Kuhn Group acquired the remaining 62.0% of the shares of Artec. Together with the existing interest of 38.0%, Bucher Industries now holds 100% of the share capital of Artec. Until 31 October 2018, Artec was classified as an associated company and was valued using the equity method. Artec has been fully consolidated since 1 November 2018. The revaluation resulted in a gain of CHF 2.4 million, which was recognised in the share of profit/(loss) of associates. Further information is provided in note 2.

Aggregated financial information of associates and joint ventures

CHF million	Associates	Joint ventures	Associates	Joint ventures
		2018		2017
Profit/(loss) for the year	4.9	– 0.3	2.2	– 0.2
Other comprehensive income	–	–	–	–
Comprehensive income	**4.9**	**– 0.3**	**2.2**	**– 0.2**

9 Financial liabilities

CHF million	2018	2017
Bonds	199.8	199.7
Other bank borrowings	50.8	94.5
Finance lease liabilities	7.8	11.2
Loans and other financial liabilities	23.8	20.9
Financial liabilities	**282.2**	**326.3**
Current portion	46.8	60.6
Non-current portion	235.4	265.7

The decrease in financial liabilities is primarily due to cash changes, see the consolidated cash flow statement. CHF 2.1 million of the increase in loans and other financial liabilities is related to acquisitions (see note 2) and is mostly compensated for by foreign exchange effects.

Bonds

CHF million	Company	Term	Currency	Nominal value	Effective interest rate	Total 2018	Total 2017
Bond, Switzerland 0.625%	Bucher Industries AG	2014 – 2020	CHF	100.0	1.3%[1]	99.8	99.7
Bond, Switzerland 1.375%	Bucher Industries AG	2014 – 2024	CHF	100.0	1.4%	100.0	100.0
Bonds						**199.8**	**199.7**

[1] Additionally includes 0.6 percentage points from interest rate forward contracts

Other bank borrowings These include CHF 30.0 million (2017: CHF 55.0 million) in bilateral loans from committed credit facilities as well as CHF 20.8 million (CHF 39.5 million) from uncommitted credit facilities. The bilateral loans bear interest at rates of between 0.75% and 1.15% and are due for repayment from 2019 to 2022. The undrawn committed credit facilities on 31 December totalled CHF 185.0 million (CHF 210.0 million). The financial covenants are reviewed every six months. All credit terms were complied with on the reporting date of 31 December 2018.

10 Provisions

CHF million	Warranties	Legal claims	Other	Total 2018	Total 2017
Balance at 1 January	44.3	19.7	10.4	74.4	72.9
Exchange differences	−1.7	−1.5	−0.2	−3.4	3.1
Acquisition/disposal of subsidiaries	1.9	0.1	–	2.0	–
Additional provisions	31.1	3.7	2.8	37.6	37.9
Unused amounts reversed	−4.1	−3.1	−1.4	−8.6	−6.5
Used during year	−29.7	−2.0	−2.5	−34.2	−33.0
Balance at 31 December	**41.8**	**16.9**	**9.1**	**67.8**	**74.4**
Current portion	40.3	11.9	2.9	55.1	61.6
Non-current portion	1.5	5.0	6.2	12.7	12.8

Provisions for warranty claims are recognised when the products are sold and are measured on the basis of historical data for the last two years. The timing of cash outflows depends on the dates when warranty claims are filed and/or the relevant cases settled. Warranty costs incurred are offset against the provisions when paid.

The provisions for legal claims cover risks associated with accidents, distribution rights and patents or other legal disputes. The resources required and timing of any cash outflows are difficult to predict and are usually recognised as short term if a decision can be expected within the next year. However, depending on the course of the proceedings, it may be several years before an outflow of resources actually occurs.

Other provisions relate to risks associated with the Group's industrial operations as well as costs from restructuring. The amounts of other provisions used during the year are primarily due to the dismantling of buildings in Niederweningen and the restructuring measures that were implemented at Bucher Emhart Glass in China.

11 Contingent liabilities and other commitments

Contingent liabilities CHF 0.8 million in contingent liabilities (2017: CHF 0.8 million) consist of guarantees given in respect of goods sold and services provided. The amount represents the maximum amount of the obligations assumed. These contingent liabilities are not expected to give rise to any outflows of funds. Following the filing of a complaint, the Swiss Competition Commission (COMCO) opened an investigation into Bucher Landtechnik AG on 14 March 2017. The Group is co-operating with COMCO and assisting in every way to help resolve the matter.

Other commitments As in the previous year, the Group did not enter into any commitments to purchase plant and equipment. Commitments relating to operational leases are disclosed in note 22.

12 Other liabilities

CHF million

	2018	2017
Accruals and deferred income	152.1	142.0
Social security and pensions	24.0	25.7
Sales and capital tax liabilities	35.9	38.5
Derivative financial instruments	1.6	5.4
Other	41.9	26.1
Other liabilities	**255.5**	**237.7**
Current portion	231.4	219.0
Non-current portion	24.1	18.7

Accruals and deferred income mainly include accruals for employment costs such as accrued holiday and overtime pay and variable remuneration, as well as accruals for commissions and contract-related liabilities.

Liabilities from contracts with customers These liabilities, in the amount of CHF 287.1 million (2017: CHF 267.0 million), include advance payments from customers, discounts and rebates not yet refunded, and the portion of the transaction prices related to unfinished installation work and services to be provided in the future. Bucher Industries assumes that all portions of the transaction prices for contracts that have not been fulfilled as of 31 December 2018 will be recognised as sales in the following year. Sales of CHF 263.6 million (CHF 201.8 million) were recorded in the reporting period that were included under liabilities from contracts with customers at the beginning of the period.

13 Earnings per share

	2018	2017
Profit/(loss) attributable to owners of Bucher Industries (CHF million)	212.4	170.9
Average number of shares outstanding (undiluted)	10 227 835	10 171 322
Average number of shares outstanding (diluted)	10 234 105	10 183 429
Basic earnings per share (CHF)	20.77	16.81
Diluted earnings per share (CHF)	20.76	16.79
Dividend per registered share (CHF) [1)]	8.00	6.50
Total dividend (CHF million) [1)]	82.0	66.6

1) 2018: Proposed by the board of directors

The average number of shares outstanding is calculated on the basis of the number of shares issued, less the weighted average number of treasury shares held.

Share capital

		2018	2017
Par value	CHF	0.20	0.20
Outstanding registered shares	number	10 212 225	10 224 434
Treasury registered shares	number	37 775	25 566
In issue and ranking for dividend	**number**	**10 250 000**	**10 250 000**
Authorised but unissued	number	1 184 100	1 184 100
Issued share capital	CHF million	2.1	2.1

The share capital of Bucher Industries AG consists of one class of voting rights.

Treasury shares

CHF million	Number of shares	2018	Number of shares	2017
Balance at 1 January	25 566	3.7	123 871	17.7
Purchases of treasury shares	25 000	6.9	–	–
Sales of treasury shares	–	–	– 68 777	– 12.7
Reissued for share-based payment schemes	– 12 791	– 1.7	– 29 528	– 1.3
Balance at 31 December	**37 775**	**8.9**	**25 566**	**3.7**

14 Employment costs

CHF million	2018	2017
Wages and salaries	– 552.5	– 504.8
Share awards	– 2.4	– 2.8
Social security costs	– 98.0	– 85.3
Defined contribution costs	– 31.2	– 29.5
Defined benefit costs	– 12.9	– 9.5
Other employment costs	– 94.0	– 76.5
Employment costs	**– 791.0**	**– 708.4**

Other employment costs comprise incidental costs of staff recruitment, training and development as well as external staff costs.

15 Other operating income and expenses

CHF million	2018	2017
Own work capitalised	1.5	0.6
Gain on sale of non-current assets	1.0	0.1
Other income	23.0	20.2
Other operating income	**25.5**	**20.9**
Energy, maintenance and repairs	−114.9	−99.4
Charges, levies, taxes and consulting fees	−38.4	−42.3
Marketing and distribution costs	−123.7	−110.8
Insurance expenses	−5.7	−6.7
Operating lease expenses	−12.8	−11.9
Miscellaneous operating expenses	−72.3	−63.5
Other operating expenses	**−367.8**	**−334.6**

Other operating income comprises revenue from sales of goods and services that are outside the normal course of the Group's business. Miscellaneous operating expenses include operating foreign exchange losses and changes in operating provisions that cannot be charged to an appropriate expense account.

16 Net financial result

CHF million	2018	2017
Interest expense on financial liabilities	−4.7	−5.5
Financial foreign exchange gains and losses	−2.1	−2.2
Other finance costs	−0.9	−1.1
Finance costs	**−7.7**	**−8.8**
Interest income on financial assets	1.8	2.6
Net gain on financial instruments	1.7	4.6
Other finance income	–	0.1
Finance income	**3.5**	**7.3**
Share of profit/(loss) of associates and joint ventures	3.6	0.4
Net financial result	**−0.6**	**−1.1**
Of which financial items relating to:		
Financial instruments; at amortised cost	−8.1	−9.0
Financial instruments; fair value through profit or loss	3.9	4.3
Financial instruments; available-for-sale	–	3.2

As in the previous year, no borrowing costs were capitalised. In the previous year, the net gain on financial instruments included CHF 3.2 million transferred from other comprehensive income in connection with the sale of available-for-sale securities.

17 Income tax

The reconciliation shown below is based on the tax rates applicable in the respective tax jurisdictions. The applicable tax rate represents the weighted average of the tax rates. As the Group operates in various countries, the weighted average tax rate may vary from period to period to reflect the profits in the respective countries and the impact of any changes in the tax rates.

Effective income tax expense

CHF million	2018	2017
Current income tax	− 66.9	− 56.9
Deferred income tax	5.3	− 0.7
Income tax expense	**− 61.6**	**− 57.6**
Reconciliation:		
Profit before tax	276.9	225.3
Weighted average tax rate	22.5%	26.9%
Theoretical income tax charge	**− 62.3**	**− 60.6**
Utilisation of unrecognised tax loss carryforwards	0.7	2.4
Reassessment of tax loss carryforwards with tax asset adjustment	0.6	1.3
Changes in valuation allowances on losses and on deferred tax assets	− 2.9	− 2.3
Expenses not deductible for tax purposes/income not subject to tax	− 1.0	− 0.6
(Under)/over provided in prior years	− 0.9	2.0
Changes in deferred taxes due to changes in tax rates	0.6	3.1
Other differences	3.6	− 2.9
Effective income tax expense	**− 61.6**	**− 57.6**
Effective tax rate	22.2%	25.6%

Deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2018		**2017**
Property, plant and equipment	0.6	− 22.5	0.6	− 22.1
Other non-current assets	2.6	− 32.5	2.8	− 38.7
Inventories	35.8	− 4.3	33.5	− 3.7
Other current assets	4.8	− 7.8	5.7	− 8.3
Provisions	5.7	− 3.1	6.5	− 3.2
Other liabilities	21.6	− 5.9	25.2	− 5.8
Tax loss carryforwards	3.4	–	6.6	–
Deferred income tax	**74.5**	**− 76.1**	**80.9**	**− 81.8**
Offset amounts	− 26.3	26.3	− 27.2	27.2
Deferred income tax assets/liabilities	**48.2**	**− 49.8**	**53.7**	**− 54.6**

Movements in deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2018		2017
Balance at 1 January	53.7	− 54.6	60.8	− 51.4
Exchange differences	− 2.4	1.7	1.5	− 0.9
Acquisition/disposal of subsidiaries	0.6	− 3.4	–	–
Transfer from income tax liabilities	–	–	0.2	− 0.2
Charged/credited to income statement	− 1.5	6.8	0.8	− 1.5
Charged/credited to other comprehensive income	− 2.2	− 0.3	− 9.6	− 0.6
Balance at 31 December	**48.2**	**− 49.8**	**53.7**	**− 54.6**

In the reporting period, current income tax of CHF 0.2 million (2017: CHF 1.7 million) arising from the sale of treasury shares was recognised directly in equity. The tax expenses in other comprehensive income amounted to CHF 2.5 million (CHF 10.2 million) and were allocated to “Change in actuarial gains/(losses) on defined benefit pension plans”, “Change in fair value reserve” and “Change in cash flow hedge reserve”. Deferred tax liabilities exclude withholding taxes and other taxes on potential future dividends of subsidiaries when the funds have been reinvested on a long-term basis and no dividend is planned.

Tax loss carryforwards

CHF million	2018	2017
Tax loss carryforwards	63.1	99.2
Of which recognised in deferred income tax	− 27.3	− 50.3
Unrecognised tax loss carryforwards	**35.8**	**48.9**
Expiration:		
Within 1 year	–	5.9
In 1 to 5 years	4.3	7.4
In more than 5 years	–	–
No expiration	31.5	35.6
Tax effect on unrecognised tax loss carryforwards	11.5	14.1

18 Retirement benefits

Most employees are covered by pension plans in accordance with the relevant national regulations. Most of these pension plans are defined contribution plans. The Group also operates a number of defined benefit plans. The largest pension plan is in Switzerland, covering 81% of the retirement benefit obligations and 89% of the plan assets. The "international plans" category mainly comprises the plans in North America (6% of the retirement benefit obligations, 5% of the plan assets) and in France (6% of the retirement benefit obligations, 6% of the plan assets).

Swiss plan The Angestellten-Pensionskasse Bucher Schweiz (Bucher Switzerland employee pension fund, APK) has the legal form of a semi-autonomous foundation and is subject to the minimum legal requirements for pension plans, which are governed by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The supreme governing body is the board of trustees, which comprises equal numbers of employee and employer representatives. The foundation covers all underwriting risks except death before retirement and invalidity, which are separately reinsured. Contributions to the pension plan are funded by both employees and the employer, the latter paying at least 50% of the necessary contributions. In the event of a deficit, additional contributions can be levied from both employer and employees to make up the shortfall. The risks are mainly demographic (life expectancy) and financial (discount rate, future salary increases and rates of return on plan assets). These risks are regularly reassessed by the board of trustees.

International plans – North America The pension plan is governed by the regulations of the Employee Retirement Income Security Act of 1974 (ERISA), which sets minimum standards. These regulations were updated by the Pension Protection Act of 2006. This requires that the annual contributions ensure plan assets are sufficient to meet the expected obligations. Plan members are insured against the economic consequences of old age, invalidity and death. Contributions are funded entirely by the employer. The plan was closed to new members as of 31 July 2004. Employee pension entitlements were frozen as of 31 July 2005. In addition, there is a defined benefit plan for healthcare provision during retirement for employees who are at least 55 years old and have been employed by the company for more than ten years when they reach the age of 65. Funding is provided principally by the employer. The part of the premium paid by employees is based on their length of service with the company.

International plans – France The occupational pension plan is based on various regulations and company agreements. The plan provides a basic entitlement to benefit payments at the onset of the insured event, old age. The plans are funded internally by the employer. The Group also has schemes for employee anniversaries, which qualify as other long-term employee benefits.

Funding of defined benefit plans

CHF million	Swiss	International	Total	Swiss	International	Total
			2018			**2017**
Fair value of plan assets	360.2	46.6	406.8	339.2	45.3	384.5
Present value of funded obligations	−366.2	−58.2	−424.4	−354.9	−60.9	−415.8
Funding surplus/(deficit)	**−6.0**	**−11.6**	**−17.6**	**−15.7**	**−15.6**	**−31.3**
Present value of unfunded obligations	–	−25.6	−25.6	–	−26.0	−26.0
Surplus/(deficit)	**−6.0**	**−37.2**	**−43.2**	**−15.7**	**−41.6**	**−57.3**

Movements in defined benefit obligations and plan assets

CHF million	Fair value of plan assets	Present value of retirement obligation	Impact of minimum funding requirement/ asset ceiling	Total	Total
				2018	**2017**
Balance at 1 January	**384.5**	**−441.8**	**–**	**−57.3**	**−96.6**
Current service cost		−11.3		−11.3	−12.7
Past service cost		–		–	4.9
Interest income/(expense)	3.3	−4.3	–	−1.0	−1.3
Administration expenses, taxes and premium paid	−0.6			−0.6	−0.4
Defined benefit expense recognised in profit or loss	**2.7**	**−15.6**	**–**	**−12.9**	**−9.5**
Return on plan assets (excluding interest based on discount rate)	7.6			7.6	23.7
Actuarial gains/(losses) arising from changes					
– in demographic assumptions	–	0.1		0.1	0.2
– in financial assumptions	–	19.5		19.5	4.0
Experience gains/(losses)	–	−14.5		−14.5	11.8
Change in actuarial gains/(losses) on defined benefit pension plans in other comprehensive income	**7.6**	**5.1**	**–**	**12.7**	**39.7**
Exchange differences	−0.7	1.5		0.8	−1.7
Acquisition/disposal of subsidiaries	2.9	−3.8		−0.9	–
Employer contributions	13.7			13.7	9.9
Employee contributions	4.8	−4.8		–	–
Benefits paid	−8.7	9.4		0.7	0.9
Plan curtailments/settlements	–	–		–	–
Balance at 31 December	**406.8**	**−450.0**	**–**	**−43.2**	**−57.3**

Categories of plan assets

CHF million	Swiss	International	Total	%	Swiss	International	Total	%
				2018				2017
Equities	113.8	9.9	123.7	30.4	119.2	9.4	128.6	33.4
Bonds	116.3	5.8	122.1	30.0	121.8	5.1	126.9	33.0
Assurances	7.2	27.6	34.8	8.6	3.9	27.8	31.7	8.3
Property	98.7	–	98.7	24.3	73.6	–	73.6	19.1
Cash	1.5	0.3	1.8	0.4	1.4	0.5	1.9	0.5
Other assets	22.7	3.0	25.7	6.3	19.3	2.5	21.8	5.7
Plan assets	**360.2**	**46.6**	**406.8**	**100.0**	**339.2**	**45.3**	**384.5**	**100.0**

The equities and bonds are mainly listed investments.

Breakdown of defined benefit obligations by category

CHF million	Swiss	International	Total	Swiss	International	Total
			2018			2017
Obligation active insured members	227.4	47.9	275.3	223.7	50.5	274.2
Obligation former members with vested benefits	–	15.6	15.6	–	23.5	23.5
Obligation members receiving pensions	138.8	20.3	159.1	131.2	12.9	144.1
Defined benefit obligations	**366.2**	**83.8**	**450.0**	**354.9**	**86.9**	**441.8**
Term of obligations in years (duration)	15.5	13.3	15.1	15.9	14.2	15.5

Actuarial assumptions

Weighted averages in %	Swiss	International		Swiss	International	
			2018			2017
Discount rate	0.9	2.5	1.2	0.7	2.3	1.0
Future salary increases	1.0	2.0	1.1	1.0	1.8	1.1
Future pension increases	–	1.6	0.1	–	1.6	0.1
Inflation rate	1.0	2.1	1.2	1.0	2.1	1.2

For the 2019 financial year, contributions to defined benefit pension plans are expected to total CHF 13.2 million (2017: CHF 12.2 million).

Sensitivity analysis A change in the parameters, under otherwise identical conditions, would result in the following increases/(decreases) in pension liabilities.

CHF million		Swiss	International	Total	Swiss	International	Total
				2018			**2017**
Discount rate:	+ 25 basis points	− 13.4	− 2.6	− 16.0	− 13.4	− 2.8	− 16.2
Discount rate:	− 25 basis points	14.3	2.7	17.0	14.3	2.9	17.2
Future salary increases:	+ 100 basis points	0.8	0.9	1.7	0.8	1.0	1.8
Future salary increases:	− 100 basis points	− 0.8	− 1.0	− 1.8	− 0.8	− 1.0	− 1.8
Life expectancy:	+ 1 year	3.2	0.9	4.1	3.6	1.7	5.3

19 Share-based payments/share option plans

Bucher Share Plan Eligible employees were awarded a total of 7 003 shares for the reporting period (2017: 4 979 shares). The number and value of shares were calculated using the year-end share price of CHF 264.40 (CHF 396.00). The valuation totalled CHF 1.9 million (CHF 2.0 million).

Share option plans Share options granted in respect of previous years may be exercised at any time. One option entitles the holder to purchase one registered share of Bucher Industries AG. The average share price for options exercised was CHF 337.42 (2017: CHF 325.30).

Movements in the number of share options outstanding

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
		2018		**2017**
Outstanding options at 1 January	12 500	133.0	34 400	164.5
Exercised	− 6 900	147.5	− 21 900	182.5
Expired	–	–	–	–
Outstanding options at 31 December	**5 600**	**115.0**	**12 500**	**133.0**
Option expiry date:				
2018	–	–	6 600	149.0
2019	5 600	115.0	5 900	115.0

20 Related parties and companies

Remuneration of directors and members of group management

CHF million	2018	2017
Salaries	−5.5	−5.8
Post-employment benefits	−1.3	−1.3
Share awards	−1.4	−1.4
Key management remuneration	**−8.2**	**−8.5**

Salaries include variable remuneration, fees and expense allowances paid in cash. For the reporting period, group management members were awarded 3 609 shares (2017: 2 535 shares) with a par value of CHF 0.20 in Bucher Industries AG under the share plans. As part of their fees, the board of directors were allocated 1 801 shares (1 065 shares). No directors or group management members or persons connected with them received any additional remuneration, fees or loans during the year. At year-end, there were no loans outstanding to the company's governing bodies. Directors' fees were paid in the form of cash and shares.

Year-end balances and transactions with related parties

CHF million	2018	2017
Receivables from pension funds	1.3	1.3
Receivables from associates and joint ventures	4.3	0.4
Payables to pension funds	−4.3	−0.1
Payables to associates and joint ventures	−2.4	−1.1

In the reporting period, products worth CHF 37.1 million (2017: CHF 35.3 million) were purchased from associates and joint ventures. The sales generated with associates and joint ventures amounted to CHF 3.2 million (CHF 0.9 million), and other expenditure with associated companies CHF 0.7 million (CHF 0.4 million).

21 Pledged assets

The book value of assets pledged or assigned to secure the Group's obligations was CHF 19.2 million (2017: CHF 7.8 million).

22 Leases

Finance leases, lessee

CHF million	Minimum lease payments	Finance lease liabilities	Minimum lease payments	Finance lease liabilities
		2018		2017
Within 1 year	3.0	2.8	3.4	3.1
From 1 to 5 years	4.1	3.9	6.4	6.1
More than 5 years	1.2	1.1	2.1	2.0
Balance at 31 December	**8.3**	**7.8**	**11.9**	**11.2**
Finance charge	−0.5	–	−0.7	–
Finance lease liabilities	**7.8**	**7.8**	**11.2**	**11.2**

Operating leases, lessor

CHF million	2018	2017
Within 1 year	1.6	1.2
From 1 to 5 years	1.8	1.7
More than 5 years	–	–
Minimum lease payments	**3.4**	**2.9**

Minimum lease payments from non-cancellable operating lease contracts relate to lease contracts for equipment to customers of Bucher Municipal in Australia.

Operating leases, lessee

CHF million	2018	2017
Within 1 year	9.2	8.3
From 1 to 5 years	15.0	13.5
More than 5 years	9.9	10.0
Minimum lease payments	**34.1**	**31.8**

The Group has entered into operating leases for the use of buildings, machinery and vehicles.

23 Financial risk management

The Group's international operations expose it to a variety of financial risks, such as credit, liquidity, price and market risks. Group financial risk management is based on internally formulated guidelines and responsibilities. These include criteria for general financial risk management as well as for specific areas such as management of interest, exchange rate and counterparty risks, as well as the use of derivative financial instruments. With the exception of the management of credit risks, financial risk management is the responsibility of the central treasury function. Group treasury identifies and assesses financial risks and hedges these in close collaboration with the Group's operational units. The risk management process as implemented also includes regular reporting on the development of financial risks.

Credit risk Credit risk arises from the possibility of partial or total default on contractual payments and/or performance obligations. It also includes exposure to losses in the value of financial items due to deterioration in credit quality or counterparty risks under financial contracts. Each of the individual businesses is responsible for operational credit risk as part of their receivables management. They determine the credit terms and monitor payment from customers, taking into account their past payment history (for existing customers) and an analysis of their credit rating (for new and existing customers). In the reporting period, the credit risk on trade receivables was limited due to the Group's diversified customer base. Its customers operate in different industries spread across diverse geographical areas worldwide, as shown in the segment reporting in note 1. As a result, the Group had no cluster risk. In addition, credit risk was minimised by security in the form of credit insurance, advance payment schemes, letters of credit and bank guarantees. Further details of receivables and of the calculation of the provision for impairment and changes to it are set out in note 3. Bucher Industries invested its free cash in short-term money market investments with banking institutions that have a very good international risk rating, as well as in top-rated money market funds. The Group had no concentration of credit risk associated with receivables from banks. Its banking relationships included relationships with local banks so they were widely spread geographically. It also made short-term financial investments in marketable securities with high credit ratings. The maximum credit risk is equal to the carrying amounts of the financial assets reported in the consolidated balance sheet.

Liquidity risk Bucher Industries defines liquidity risk as the risk that the Group and/or any of its subsidiaries may not have sufficient financial resources available to meet all of the payment obligations at any given time. In order to anticipate and manage liquidity requirements, group treasury conducts short- to medium-term liquidity planning in coordination with the businesses' finance departments to forecast future cash flows and financial commitments in each currency. The calculated liquidity requirements are always matched with existing credit facilities so that appropriate measures can be taken in good time to ensure the ability to meet current and future financial obligation. The necessary funds are raised as and when required in the money and capital markets.

Liquidity analysis The maturity analysis shows the contractual cash flows, including interest and repayments. The contractual payments are measured from the earliest possible date on which Bucher Industries could be required to pay. Future variable interest payments are calculated at the rates valid on 31 December.

CHF million	Within 1 year	From 1 to 5 years	More than 5 years	Total	Carrying amount
					2018
Trade payables	− 296.3	–	–	**− 296.3**	− 296.3
Other liabilities	− 29.5	− 8.3	− 4.4	**− 42.2**	− 41.9
Financial liabilities	− 49.6	− 140.6	− 103.1	**− 293.3**	− 282.2
Non-derivative financial instruments	**− 375.4**	**− 148.9**	**− 107.5**	**− 631.8**	**− 620.4**
Currency contracts – assets	537.5	19.1	–	**556.6**	
Currency contracts – liabilities	− 534.3	− 19.1	–	**− 553.4**	
Derivative financial instruments	**3.2**	**–**	**–**	**3.2**	**3.2**
					2017
Trade payables	− 269.8	–	–	**− 269.8**	− 269.8
Other liabilities	− 19.2	− 2.4	− 4.5	**− 26.1**	− 26.1
Financial liabilities	− 64.2	− 171.0	− 105.8	**− 341.0**	− 326.3
Non-derivative financial instruments	**− 353.2**	**− 173.4**	**− 110.3**	**− 636.9**	**− 622.2**
Currency contracts – assets	512.2	37.9	–	**550.1**	
Currency contracts – liabilities	− 514.1	− 38.2	–	**− 552.3**	
Derivative financial instruments	**− 1.9**	**− 0.3**	**–**	**− 2.2**	**− 2.2**

Market risk Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk. Market risk may change the valuation of assets and liabilities and/or profit and loss items because of changes in risk factors, such as foreign exchange rates and interest rates. These are analysed by means of risk simulations and reported to group management. Interest rate and exchange rate risk exposures are regularly quantified using a value-at-risk and a net-asset-value-at-risk approach.

Foreign currency risk As the Group operates internationally, Bucher Industries is mainly exposed to the risk of changes in the exchange rates of the euro, US dollar, British pound and Swedish krona in its most important sales and procurement markets. Individual subsidiaries' cash inflows and outflows denominated in foreign currencies are hedged by group treasury using appropriate financial instruments based on the respective underlying transactions in accordance with the risk policy. Hedging transactions are entered into only with financial institutions that have solid credit ratings. In the reporting period, foreign exchange losses of CHF 3.7 million (2017: foreign exchange gains of CHF 3.3 million) were transferred from other comprehensive income to the income statement. The Group has investments in foreign operations, whose assets and liabilities are exposed to foreign currency translation risk arising on translation into the Group's presentation currency (Swiss francs). The following exchange rates were used to translate the principal currencies in the Group into Swiss francs:

1 CHF	Income statement annual average rates		Balance sheet closing rates	
	2018	**2017**	**2018**	**2017**
1 EUR	1.1545	1.1131	1.1272	1.1701
1 GBP	1.3041	1.2706	1.2597	1.3184
1 USD	0.9759	0.9835	0.9841	0.9756
1 BRL	0.2696	0.3076	0.2536	0.2945
1 AUD	0.7298	0.7538	0.6948	0.7624
1 CNY	0.1476	0.1456	0.1431	0.1499
1 SEK	0.1127	0.1155	0.1101	0.1189
1 RUB	0.0157	0.0169	0.0141	0.0169

Interest and price risk Interest risks result from changes in market interest rates which have an impact on the profit or loss for the year and the market values of the financial instruments. The risk of a change in interest rates is constantly monitored and managed. Where necessary, interest rate forwards are used to hedge specific interest risks. As in the previous year, interest expense of CHF 0.6 million was transferred from other comprehensive income to the income statement as part of hedge accounting.

Sensitivity analysis Value at risk (VaR) and net asset value at risk (NAVaR) are measures used to quantify the impact of likely future changes in the value of financial items on profit or loss for the year (transaction risk) and consolidated equity (translation risk) respectively. VaR and NAVaR show the maximum loss in value of a portfolio that could arise with a given probability (confidence level) over a specific holding period. The portfolio comprises defined risk positions on financial items. The potential loss reported is assessed and analysed in the context of the Group's defined risk capacity. Based on this analysis, financial items are either restructured or hedged using financial derivatives where necessary. The following VaR and NAVaR figures are based on a confidence level of 90% and a holding period of 30 days (VaR) and one year respectively (NAVaR).

CHF million

	2018	2017
Currency risk	–11.5	–8.6
Interest risk	–1.2	–1.4
Correlation effect	5.6	5.3
VaR–transaction risk	**–7.1**	**–4.7**
NAVaR–translation risk	**–83.9**	**–85.3**

Foreign currency risk increased significantly due to greater volatility. The slight decrease in interest rate risk was primarily due to the shortening of the residual terms of the fixed-interest financial liabilities. The transaction risk increased sharply year on year due to the continued reduction of the correlation effect to 44% (2017: 53%). The reduction of the translation risk year on year is primarily due to a higher correlation effect.

Capital management The Group can manage its capital structure either by adjusting the amount of dividends or by initiating share buy-back programmes, issuing new shares and raising or repaying debt. With the continuous monitoring of the indicators listed below, Bucher Industries ensures that the appropriate and necessary equity measures are taken in a timely manner if required.

	2018	2017
Interest coverage ratio (EBITDA to net interest expense)	128.5	109.7
Debt payback period (net debt to EBITDA)	–0.4	–0.7
Gearing ratio (net debt to equity)	–10.7%	–15.0%
Equity ratio (equity to total assets)	53.7%	52.7%
Quick ratio (current assets less inventory to current liabilities)	114.6%	124.2%

Carrying amounts/financial assets and liabilities by category

CHF million	At fair value through profit or loss	At amortised cost	Held for hedge accounting	Carrying amount	Carrying amount
				2018	**2017 [1)]**
Cash and cash equivalents	415.5	–		415.5	513.2
Other financial assets	26.2	7.7		33.9	36.4
Trade receivables	–	526.4		526.4	460.5
Other receivables	–	51.9		51.9	52.4
Trade payables	–	– 296.3		– 296.3	– 269.8
Other liabilities	–	– 41.9		– 41.9	– 26.1
Financial liabilities	–	– 282.2		– 282.2	– 326.3
Non-derivative financial instruments	**441.7**	**– 34.4**		**407.3**	**440.3**
Currency contracts – assets	3.7		1.1	4.8	3.2
Currency contracts – liabilities	– 1.2		– 0.4	– 1.6	– 5.4
Derivative financial instruments	**2.5**		**0.7**	**3.2**	**– 2.2**

[1)] With the exception of the category "available for sale" the values for the previous year were allocated to the various categories in the same order of magnitude as in the current reporting period. Other financial assets of CHF 24.6 million were classified as "available for sale" and CHF 1.1 million of currency contracts were designated as "held for hedge accounting".

Fair values With the exception of the financial liabilities with a fair value of CHF 290.3 million (2017: CHF 336.0 million), the book values are roughly equivalent to the fair values. With the exception of contingent consideration resulting from acquisitions and the put options on the shares of non-controlling interests, 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 and options that are included in other liabilities. The valuation is based primarily on specific data from the acquired companies (level 3) and is made using contractually agreed formulas.

Contingent consideration and options on the shares of non-controlling interests (level 3) To determine the fair values, future payments are discounted at the reporting date, using projections based on financial budgets approved by management. Dependent on the achievement of targets until the end of 2018, maximum payments of CHF 0.4 million were foreseen for Bucher Hidráulica. As in the previous year, the liability was valued at zero. From the acquisition of the Qualimarq business CHF 0.7 million was recorded in other liabilities as contingent consideration. The contingent consideration totalling a maximum of CHF 0.9 million depends on the annual sales targets over the next five years. In connection with the acquisition of Bucher Hydraulics Wuxi there are liabilities amounting to a total of CHF 10.2 million from the potential purchase of shares from the non-controlling interests. The exercise prices are derived from the profits of the three years prior to exercise. The liabilities were calculated by discounting at the reporting date the earliest possible payments, based on plan data reported by the management.

24 Events after the reporting date

The consolidated financial statements were approved for publication by the board of directors on 25 February 2019. They are subject to formal approval by the annual general meeting on 17 April 2019.

25 Group companies

Company, place of incorporation	Country	Currency	Share capital	Division	Activities		Group interest in %	
							2018	2017
Bucher Industries AG, Niederweningen	CH	CHF	2 050 000	O		S		
Bucher Sudamerica Participações Ltda., São Paulo	BR	BRL	1 000	O		S	100	100
Bucher Beteiligungs-Stiftung, Niederweningen	CH	CHF	250 000	O		S	100	100
Bucher BG Finanz AG, Steinhausen	CH	EUR	21 591 000	O		S	100	100
Bucher-Guyer AG, Niederweningen	CH	CHF	10 000 000	O		S	100	100
Bucher Management AG, Kloten	CH	CHF	6 600 000	O		S	100	100
Bucher (China) Investment Pty Ltd., Beijing	CN	CNY	6 769 000	O		S	100	100
Bucher Beteiligungen GmbH, Klettgau	DE	EUR	4 500 000	O		S	100	100
Bucher Beteiligungsverwaltung AG, Munich	DE	EUR	50 000	O		S	100	100
Kuhn Germany GmbH, Freiburg	DE	EUR	4 000 000	O		S	100	100
Bucher Industries Danmark ApS, Them	DK	DKK	51 000	O		S	100	100
Bucher Industries France SAS, Entzheim	FR	EUR	225 072 400	O		S	100	100
Kuhn Group SAS, Saverne	FR	EUR	200 100 000	O		S	100	100
Bucher Industries Italia S.p.A., Reggio Emilia	IT	EUR	3 380 000	O		S	100	100
Bucher Industries US, Inc., Enfield CT	US	USD	3	O		S	100	100
Kuhn Argentina, Buenos Aires	AR	ARS	500 000	KG	D		100	100
Kuhn-Montana Argentina S/A, Casilda	AR	ARS	3 412 326	KG	D		100	100
Kuhn Farm Machinery Pty Ltd, Warragul VIC	AU	AUD	100 000	KG	D		100	100
Kuhn do Brasil S/A, Passo Fundo	BR	BRL	320 077 812	KG	P D		100	100
Kuhn-Montana Indústria de Máquinas S/A, São José	BR	BRL	250 000 000	KG	P D		100	100
Kuhn Farm Machinery Inc., Sainte Madeleine	CA	CAD	150 100	KG	D		100	100
Kuhn Tianjin Farm Machinery Ltd., Tianjin	CN	CNY	5 045 167	KG	D		100	100
Kuhn Maschinen-Vertrieb GmbH, Schopsdorf	DE	EUR	300 000	KG	D		100	100
Kuhn Ibérica SA, Huesca	ES	EUR	100 000	KG	D		100	100
Artec Pulvérisation SAS, Corpe	FR	EUR	2 000 000	KG	P D		100	38
Contifonte SA, Saverne	FR	EUR	48 000	KG	P D		100	100
Kuhn-Audureau SA, La Copechagnière	FR	EUR	4 070 000	KG	P D		100	100
Kuhn Blanchard SAS, Chéméré	FR	EUR	2 000 000	KG	P D		100	100
Kuhn-Huard SA, Châteaubriant	FR	EUR	4 800 000	KG	P D		100	100
Kuhn MGM SAS, Monswiller	FR	EUR	2 000 000	KG	P D		100	100
Kuhn Parts SAS, Monswiller	FR	EUR	5 000 000	KG	D		100	100
Kuhn SA, Saverne	FR	EUR	19 488 000	KG	P D		100	100
Kuhn Farm Machinery Ltd., Telford	GB	GBP	100 000	KG	D		100	100
Kuhn Italia Srl., Melegnano	IT	EUR	520 000	KG	D		100	100
Kuhn-Geldrop B.V., Geldrop	NL	EUR	15 000 000	KG	P D		100	100
Kuhn Maszyny Rolnicze Sp.z.o.o., Suchy Las	PL	PLN	10 000 000	KG	D		100	100
Kuhn Vostok LLC, Moscow	RU	RUB	10 000 000	KG	D		100	100
Kuhn Ukraine Sarl, Kiev	UA	UAH	650 000	KG	D		100	100
Kuhn Krause, Inc., Hutchinson KS	US	USD	4 462 050	KG	P D		100	100
Kuhn North America, Inc., Brodhead WI	US	USD	60 110 000	KG	P D		100	100

Divisions: KG Kuhn Group, BM Bucher Municipal, BH Bucher Hydraulics, BEG Bucher Emhart Glass, BSp Bucher Specials, O Other
Activities: P Production, D Distribution, S Services

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2018	**2017**
Bucher Municipal Pty Ltd., Clayton North VIC	AU	AUD	5 901 000	BM	P	D		100	100
Bucher Municipal AG, Niederweningen	CH	CHF	10 000 000	BM		D	S	100	100
Bucher Municipal GmbH, Hanover	DE	EUR	3 000 000	BM		D		100	100
Gmeiner GmbH, Wernberg-Köblitz	DE	EUR	25 565	BM	P	D		60	60
Beam A/S, Them	DK	DKK	5 000 000	BM	P	D		100	100
J. Hvidtved Larsen A/S, Silkeborg	DK	DKK	6 500 000	BM	P	D	S	100	100
Maquiasfalt SL, Madrid	ES	EUR	30 051	BM		D		60	60
Arvel Industries Sàrl, Coudes	FR	EUR	200 000	BM	P	D		60	60
Tecvia Eurl, Lyon	FR	EUR	38 112	BM		D		60	60
J. Hvidtved Larsen UK Ltd, Coalville	GB	GBP	1	BM		D		100	100
Johnston Sweepers Ltd., Dorking	GB	GBP	8 000	BM	P	D		100	100
J. Hvidtved Larsen Ireland Ltd, Thurles	IE	EUR	1	BM		D		100	100
Giletta S.p.A., Revello	IT	EUR	1 250 000	BM	P	D	S	60	60
Bucher Municipal Ltd., Seoul	KR	KRW	350 000 000	BM	P	D		100	100
Bucher Municipal SIA, Ventspils	LV	EUR	3 630 400	BM	P	D		100	100
Bucher Municipal LLC, Kaluga	RU	RUB	420 000	BM	P	D		60	60
J. Hvidtved Larsen AB, Eslöv	SE	SEK	500 000	BM		D		–	100
J. Hvidtved Larsen US, Inc., Chicago IL	US	USD	10 000	BM		D		100	100
Bucher Municipal North America, Inc., Mooresville NC	US	USD	500 000	BM	P	D		100	100
Bucher Hidráulica Ltda., Porto Alegre	BR	BRL	12 313 570	BH	P	D		100	100
Bucher Hydraulics Corp., London	CA	CAD	75 000	BH	P	D		100	100
Bucher Hydraulics AG Frutigen, Frutigen	CH	CHF	300 000	BH	P	D		100	100
Bucher Hydraulics AG, Neuheim	CH	CHF	1 200 000	BH	P	D		100	100
Bucher Hydraulics Suzhou Co., Ltd., Wujiang	CN	CNY	13 640 071	BH	P	D		100	100
Bucher Hydraulics (Wuxi) Co., Ltd., Wuxi	CN	CNY	25 000 000	BH	P	D		70	–
Bucher Hydraulics Dachau GmbH, Dachau	DE	EUR	30 000	BH	P	D		100	100
Bucher Hydraulics Erding GmbH, Erding	DE	EUR	25 000	BH	P	D		100	100
Bucher Hydraulics GmbH, Klettgau	DE	EUR	4 000 000	BH	P	D		100	100
Bucher Hydraulics Remscheid GmbH, Remscheid	DE	EUR	25 000	BH	P	D		100	100
Bucher Hydraulics SAS, Rixheim	FR	EUR	200 000	BH		D		100	100
Bucher Hydraulics Ltd., Nuneaton	GB	GBP	10 000	BH		D		100	100
Bucher Hydraulics Pvt Ltd., Gurgaon	IN	INR	39 666 680	BH	P	D		100	100
Bucher Hydraulics S.p.A., Reggio Emilia	IT	EUR	1 500 000	BH	P	D		100	100
Bucher Hydraulics KK, Tokyo	JP	JPY	10 000 000	BH		D		85	85
Bucher Hidrolik Sistemleri Tic. Ltd. Sti., Istanbul	TR	TRY	3 000 000	BH		D		100	100
Bucher Hydraulics, Inc., Grand Rapids MI	US	USD	12 473 000	BH	P	D		100	100

Divisions: KG Kuhn Group, BM Bucher Municipal, BH Bucher Hydraulics, BEG Bucher Emhart Glass, BSp Bucher Specials, O Other
Activities: P Production, D Distribution, S Services

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2018	**2017**
Emhart Glass International SA, Steinhausen	CH	CHF	100 000	BEG			S	100	100
Emhart Glass SA, Steinhausen	CH	CHF	10 000 000	BEG		D	S	100	100
Shandong Sanjin Glass Machinery Co., Ltd., Zibo	CN	CNY	72 000 000	BEG	P	D		100	63
Emhart Glass GmbH, Leipzig	DE	EUR	50 000	BEG			S	100	100
Emhart Glass Ltd., Manchester	GB	GBP	1 838 000	BEG			S	–	100
Emhart Glass S.r.l., Savona	IT	EUR	320 000	BEG			S	100	100
Emhart Glass Japan Co Ltd., Kawasaki	JP	JPY	10 000 000	BEG			S	100	100
Emhart Glass Sdn Bhd., Ulu Tiram Johor	MY	MYR	500 000	BEG	P			100	100
Emhart Glass Sweden AB, Sundsvall	SE	SEK	30 000 000	BEG	P			100	100
Emhart Glass Pte. Ltd., Singapore	SG	SGD	2	BEG			S	100	100
Emhart Glass, Inc., Windsor CT	US	USD	2	BEG			S	100	100
Emhart Glass Manufacturing, Inc., Horseheads, NY	US	USD	1 000	BEG	P			100	100
Bucher Vaslin Argentina S.A., Mendoza	AR	ARS	7 341 800	BSp		D		100	100
Bucher Vaslin Sudamérica, Santiago de Chile	CL	CLP	3 449 571 856	BSp	P	D		100	100
Bucher Vaslin SA, Chalonnes-sur-Loire	FR	EUR	2 400 000	BSp	P	D		100	100
Bucher Vaslin S.r.l., Romans d'Isonzo	IT	EUR	100 000	BSp		D		100	100
Bucher Vaslin North America, Inc., Sebastopol CA	US	USD	87 500	BSp		D		100	100
Bucher Engineering Ges.m.b.H., Vösendorf	AT	EUR	36 336	BSp		D		100	100
Bucher Unipektin AG, Niederweningen	CH	CHF	600 000	BSp	P	D		100	100
Beijing Bucher Unipektin Equipment Co., Ltd., Beijing	CN	CNY	3 098 895	BSp		D		100	100
Bucher-Alimentech Ltd., Auckland	NZ	NZD	3 000	BSp		D		100	100
Bucher Landtechnik AG, Niederweningen	CH	CHF	4 000 000	BSp		D		100	100
Jetter Automation Technology (Shanghai) Co., Ltd., Shanghai	CN	CNY	12 820 627	BSp		D	S	100	100
futronic GmbH, Tettnang	DE	EUR	260 000	BSp	P	D		100	100
Jetter AG, Ludwigsburg	DE	EUR	3 241 061	BSp	P	D		100	100

Divisions: KG Kuhn Group, BM Bucher Municipal, BH Bucher Hydraulics, BEG Bucher Emhart Glass, BSp Bucher Specials, O Other
Activities: P Production, D Distribution, S Services

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Report of the statutory auditor

to the annual general meeting of Bucher Industries AG

Niederweningen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bucher Industries AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 78 to 123) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 13.8 million

We concluded full-scope audit work at 32 reporting units in various countries.

These audits account for 84% of net sales or 80% of the Group's assets.

Additionally, individually defined audit procedures and reviews were concluded at other reporting units in various countries, which account for further 2% of net sales and 7% of the total assets of the Group.

As key audit matter the following area of focus has been identified:

Impairment testing of goodwill

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Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 13.8 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.69 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The significant subsidiaries, with two exceptions, were audited by PwC. We are in continuous contact with the audit teams. With regard to the significant subsidiaries that are not audited by PwC, we review the audit documentation of the other auditor and evaluate its work. As auditor of the consolidated financial statements, we ensure that we participate every year in selected meetings of specific significant companies and discuss the risks of a material misrepresentation of the local results as well as the focus points and scope of the audits.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment testing of goodwill

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of goodwill was deemed a key audit matter for the following reasons: Goodwill of CHF 152.7 million represents a significant amount on the balance sheet. Significant judgement is required to determine the assumptions relating to future business results and to determine the discount rate to be applied to forecasted cash flows. Please refer to pages 84 and 88 (notes to the consolidated financial statements, accounting principles for the consolidated financial statements) and pages 100 and 101 (notes to the consolidated financial statements, explanations of the consolidated financial statements).	Impairment testing is based on a process defined by the board of directors that makes use of the budgets approved by the board of directors and the Group's medium-term plans. As part of the process, Management estimates the cash flows for the cash-generating units concerned. Based on the evidence obtained from our audit, we did not note any deviations from the process defined by the board of directors and from the requirements relating to the impairment testing of goodwill and the disclosure of impairment in the financial statements. In addition, we compared the consistency of the assumptions presented on pages 100 and 101 of the consolidated financial statements with the revenue and cost forecasts of Management. We compared the discount rate with the cost of capital of the Group, taking into account currency-specific aspects. Further, we tested the sensitivity analyses for the key assumptions. We noted no inconsistencies with regard to the assumptions used, which were in line with our expectations.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Bucher Industries AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Christian Kessler	Oliver Illa
Audit expert Auditor in charge	Audit expert

Zurich, 25 February 2019

Balance sheet of Bucher Industries AG as at 31 December 2018

CHF million	Note	31 December 2018	31 December 2017
Cash and cash equivalents		126.1	140.5
Other receivables		25.9	88.5
Accrued income		14.9	13.7
Current assets		**166.9**	**242.7**
Financial assets			
Loans		644.4	594.4
Investments		854.1	811.2
Intangible assets		0.3	0.3
Non-current assets		**1 498.8**	**1 405.9**
Assets		**1 665.7**	**1 648.6**
Interest-bearing liabilities			
Loans and other bank borrowings	2	25.0	45.0
Other interest-bearing liabilities	2	131.9	130.5
Other liabilities		6.6	14.4
Accruals and deferred income		9.9	8.3
Current liabilities		**173.4**	**198.2**
Interest-bearing liabilities			
Bonds	2	200.0	200.0
Loans and other bank borrowings	2	338.9	320.3
Other liabilities		0.1	0.4
Provisions		5.7	2.4
Non-current liabilities		**544.7**	**523.1**
Total liabilities		**718.1**	**721.3**
Share capital	5	2.1	2.1
Statutory reserve		70.6	70.6
Distributable reserve		721.8	651.8
Retained earnings		66.2	82.9
Profit/(loss) for the year		93.8	119.9
Treasury shares	6	– 6.9	–
Equity		**947.6**	**927.3**
Liabilities and equity		**1 665.7**	**1 648.6**

Income statement of Bucher Industries AG for the year ended 31 December 2018

CHF million

	2018	2017
Income from investments	91.3	96.2
Royalty income	17.3	15.1
Administrative expenses	− 6.5	− 5.5
Impairment charges	–	− 0.7
Operating profit (EBIT)	**102.1**	**105.1**
Finance costs	− 67.3	− 77.4
Finance income	66.4	95.5
Profit before tax	**101.2**	**123.2**
Income tax expense	− 7.4	− 3.3
Profit/(loss) for the year	**93.8**	**119.9**

Notes to the financial statements of Bucher Industries AG

General These financial statements of Bucher Industries AG, incorporated in Niederweningen, have been prepared in accordance with the provisions of Swiss accounting law (title 32 of the Swiss Code of Obligations). The main valuation principles applied, other than those prescribed by law, are described below. In accordance with art. 961d, paragraph 1 of the Swiss Code of Obligations, Bucher Industries AG did not present additional data in the notes or a cash flow statement, referring instead to the consolidated financial statements of Bucher Industries AG for the relevant information. The company does not have any employees.

Cash pooling To ensure group-wide financial balance, group companies are integrated into Bucher Industries AG's cash pooling. The cash pool accounts are recognised at par value and recorded in other receivables and other interest-bearing liabilities.

Derivative financial instruments These instruments are shown in other receivables and other liabilities and are used to hedge exposure to interest rate and foreign currency fluctuations. The first-time accounting and the subsequent valuations are made at the respective fair value. This is based on observable market information at the end of the reporting period. Changes in fair value are recognised in the income statement.

Investments Investments are recognised at amortised cost, net of write-downs in the case of impairment. To evaluate an impairment the carrying amount is compared with the recoverable amount. Investments which are considered an economic unit within the company, in the management and in the assessment of the business, were treated as a valuation unit. Information on the investments held, directly and indirectly, by Bucher Industries AG is given in the list of group companies on pages 121 to 123 of the annual report.

Treasury shares Treasury shares are deducted from equity at cost. When resold, the gain or loss is recognised directly in equity (retained earnings).

Interest income/dividends Interest income is recorded over the anticipated term, so that it reflects the effective income on an asset. Dividends are recognised in income from investments at the time when the company is legally entitled to them.

Royalty income Royalty income consists of fees charged to group companies for the use of brand names.

1 Balances with group companies

CHF million

	2018	2017
Other receivables	20.1	84.2
Accrued income	14.9	13.7
Financial assets	644.4	594.4
Interest-bearing liabilities	−131.9	−130.5
Other liabilities	−2.8	−5.7
Accruals and deferred income	−4.4	−3.4
Loans	−324.1	−280.6

2 Interest-bearing liabilities

Interest-bearing liabilities essentially include significant bonds, bank borrowings and loans and cash pool accounts with group companies. Further information on bonds is given on page 103 of the annual report.

3 Assets and liabilities based on observable market data

CHF million

	2018	2017
Derivative financial instruments – assets	9.0	10.4
Derivative financial instruments – liabilities	– 6.6	– 14.8
Assets and liabilities based on observable market data	**2.4**	**– 4.4**

4 Contingent liabilities

The contingent liabilities have been incurred by the company mainly to cover group companies' obligations to banks in respect of credit and cash pool agreements. The maximum exposure was CHF 196.8 million (2017: CHF 191.2 million). The amount used at the reporting date was CHF 49.9 million (CHF 49.8 million). Bucher Industries AG is jointly liable for the VAT group of Bucher-Guyer AG as part of group taxation arrangements.

5 Share capital

Bucher Industries AG has authorised but unissued capital representing a maximum of 1 184 100 registered shares of CHF 0.20 each, which is reserved for the exercise of warrants or conversion rights attached to bonds or the exercise of options under rights issued to shareholders. The registered shares are widely held by public shareholders.

Significant shareholders and their investments A group of shareholders organised under a shareholders' agreement, represented by Rudolf Hauser, Zurich, holds a total of 35.2% of the voting rights, as published in the Swiss Official Gazette of Commerce (SOGC) on 10 May 2005 and subsequent to the share capital reduction in June 2012. The essence of the shareholders' agreement and the number of shares held by individual group members have not been published. At the reporting date, the Bucher Beteiligungs-Stiftung held 0.1% of the issued share capital, the voting rights attached to such shares being suspended in accordance with art. 659a paragraph 1 of the Swiss Code of Obligations. At the reporting date, the board of Bucher Industries AG is not aware of any other persons who hold more than 3% of the issued share capital of Bucher Industries AG and is not aware of any shareholders entered in the share register and with voting rights, or groups of shareholders subject to voting agreements, who hold more than 3% of the issued share capital.

Directors' interests in shares

	Number of shares	
	2018	2017
Philip Mosimann, chairman	47 355	50 425 [1)]
Anita Hauser, deputy chairman	440 086	439 953
Claude R. Cornaz	3 759	3 645
Michael Hauser	605 129	605 015
Martin Hirzel	–	n.a.
Heinrich Spoerry	3 747	3 633
Valentin Vogt	4 647	3 525
Board of directors	**1 104 723**	**1 106 196**

1) Of which 3 500 shares were reserved for written call options

As part of their fees, the board of directors was allocated 1 801 shares (2017: 1 065 shares) worth CHF 0.5 million (CHF 0.4 million). Further information is given in the remuneration report on pages 68 to 70.

Group management's interests in shares and share options

		Number of shares	
		2018	2017
Jacques Sanche	CEO	2 328	1 403
Manuela Suter	CFO	356	n.a.
Stefan Düring	Bucher Specials	1 100	880
Martin Jetter	Bucher Emhart Glass	5 384	5 106
Thierry Krier	Kuhn Group	2 333	1 255
Aurelio Lemos	Bucher Municipal	621	401
Daniel Waller	Bucher Hydraulics	10 170	9 881
Group management		**22 292**	**18 926**

No share options have been granted since the 2010 financial year. The ten-year options granted from previous reporting periods were fully exercised in the previous year. Further information is given in the remuneration report on pages 68 to 70.

6 Treasury shares

As at 31 December 2018, Bucher Industries AG held 25 000 treasury shares. These shares were acquired on the stock exchange in the reporting period at an average price of CHF 274.20 per share. The voting rights for treasury shares are suspended in accordance with art. 659a paragraph 1 of the Swiss Code of Obligations.

Proposal of the board of directors

Appropriation of retained earnings

CHF

	2018	2017
Retained profit carried forward as at 1 January	202 786 703	174 142 145
Transfer to distributable reserve	– 70 000 000	– 40 000 000
Dividend	– 66 625 000	– 51 250 000
Profit/(loss) for the year	93 822 686	119 894 558
Retained earnings available for distribution	**159 984 389**	**202 786 703**

Proposal of the board of directors

CHF

	2018	2017
Retained earnings available for distribution	159 984 389	202 786 703
Transfer to distributable reserve	– 25 000 000	– 70 000 000
Dividend [1)]	– 82 000 000	– 66 625 000
Balance to be carried forward	**52 984 389**	**66 161 703**

1) The dividend is based on the issued share capital as at 31 December. No dividends will be distributed for treasury shares held by Bucher Industries AG.

Report of the statutory auditor

to the annual general meeting of Bucher Industries AG

Niederweningen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bucher Industries AG, which comprise the balance sheet as at 31 December 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 128 to 133) as at 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 13.8 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Impairment of equity investments

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Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 13.8 million
How we determined it	0.83% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark for a holding company, and it is a generally accepted benchmark for holding companies. In addition, total assets represent a generally accepted benchmark for materiality considerations of holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.69 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment of equity investments

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of equity investments was deemed a key audit matter. Equity investments recognised on the balance sheet at CHF 854.1 million or 51.3% of the balance sheet total represent a significant portion of the assets. The valuations of the companies are calculated using the intrinsic value respectively the capitalisation of earnings or discounted cash flow (DCF) methods, which require significant judgement in determining the parameters such as the capitalisation rate. Please refer to page 130 (notes to the financial statements) and to pages 121 to 123 of the annual report.	In identifying the potential need for impairment of equity investments, Management follows a predefined impairment testing process. We compared the carrying amount of the investments in the year under review with the respective pro-rata share of the investee's equity respectively with the investee's enterprise value calculated using the capitalisation of earnings or discounted cash flow (DCF) methods. We performed plausibility checks on the assumptions used by Management concerning the long-term growth rates and margins. We compared the discount rate with the cost of capital of the Group, taking into account the currency-specific particularities. Our audit results support the assumptions made by Management in assessing the impairment of equity investments.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Christian Kessler	Oliver Illa
Audit expert Auditor in charge	Audit expert

Zurich, 25 February 2019

Five-year summary

Group

CHF million		2018	2017	2016	2015	2014
Order intake		3 205.9	2 870.7	2 386.1	2 439.5	2 742.1
Net sales		3 064.5	2 647.4	2 380.4	2 490.4	2 805.6
Order book		1 136.8	960.3	727.7	688.4	788.9
Operating profit before depreciation and amortisation (EBITDA)		372.7	318.0	262.5	296.2	349.8
as % of net sales		12.2%	12.0%	11.0%	11.9%	12.5%
Operating profit (EBIT)		277.5	226.4	169.3	207.1	257.2
as % of net sales		9.1%	8.6%	7.1%	8.3%	9.2%
Net financial result		– 0.6	– 1.1	– 8.7	– 13.3	– 13.2
Income tax expense		– 61.6	– 57.6	– 42.2	– 53.8	– 54.3
as % of profit before tax		22.2%	25.6%	26.3%	27.8%	22.3%
Profit/(loss) for the year		215.3	167.7	118.4	140.0	189.7
as % of net sales		7.0%	6.3%	5.0%	5.6%	6.8%
Capital expenditure		102.7	76.2	78.2	81.9	116.3
Operating free cash flow		100.7	148.2	189.5	157.8	53.7
Research and development costs		– 118.5	– 110.0	– 99.4	– 96.1	– 102.4
Total assets		2 773.5	2 719.8	2 419.6	2 353.6	2 604.5
Cash and liquid assets		441.5	540.5	417.9	374.8	369.2
Receivables		611.2	550.6	467.8	498.6	565.8
Inventories		770.5	694.0	600.1	602.8	668.7
Investments and other financial assets – non-current		21.5	23.7	23.1	24.1	43.7
Property, plant and equipment		625.8	614.7	595.1	588.9	634.8
Intangible assets		244.3	234.9	246.4	205.6	252.9
Current liabilities		918.7	878.6	697.7	677.3	873.9
Non-current liabilities		365.2	409.1	498.3	522.2	529.0
Total liabilities		1 283.9	1 287.7	1 196.0	1 199.5	1 402.9
of which interest-bearing		282.2	326.3	356.5	385.2	454.2
Net cash/debt		159.3	214.2	61.4	– 10.4	– 85.0
Equity		1 489.6	1 432.1	1 223.6	1 154.1	1 201.6
Equity ratio		53.7%	52.7%	50.6%	49.0%	46.1%
Return on equity (ROE)		14.7%	12.6%	10.0%	11.9%	16.7%
Net working capital		511.0	428.6	413.0	450.3	472.6
Net operating assets (NOA) average		1 372.9	1 273.9	1 293.1	1 295.7	1 268.0
Return on net operating assets (RONOA) after tax		15.7%	13.2%	9.7%	11.5%	15.8%
Number of employees at 31 December [1]		13 054	12 108	11 175	11 072	11 554
Average number of employees during year [1]		12 636	11 707	11 251	11 486	11 631
Net sales per employee	CHF 1 000	243	226	212	217	241

[1] Expressed as full-time equivalents

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The German version of this annual report is decisive in case of doubt.
6 March 2019