Financial report

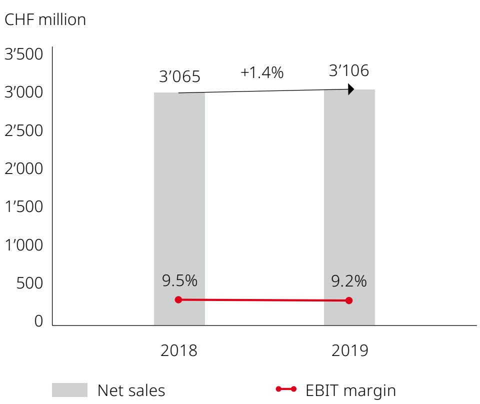
The financial report includes the financial review, the consolidated financial statements and the holding company financial statements of Bucher Industries AG. The consolidated financial statements were prepared for the first time in accordance with Swiss GAAP FER instead of IFRS. The prior-year figures have been restated to provide comparability. At the same time the whole financial report has been redesigned and given a new structure.

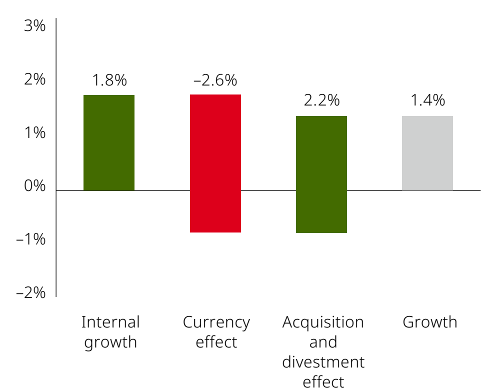
Financial review

Change to Swiss GAAP FER The consolidated financial statements were prepared for the first time in accordance with Swiss GAAP FER instead of IFRS. The change had no impact on order intake or sales. The largest impact on profitability and the balance sheet resulted from the offsetting of goodwill and other intangible assets with equity. The offsetting eliminated the amortisation of intangible assets from acquisitions, which led to an increase of up to 60 basis points in the operating profit margins of the divisions and the Group. As a percentage of sales, average net operating assets decreased by seven percentage points. The long-term target for the return on average net operating assets (RONOA) was revised accordingly and now stands at 20% (IFRS: 16%). The prior-year figures have been restated to provide comparability. At the same time the whole financial report has been redesigned and given a new structure.

Performance

Net sales and profitability





Record sales despite weaker demand In a challeging market environment the demand for Bucher Industries' products and services decreased. Thanks to the exceptionally high order book at the beginning of the year, net sales rose again slightly. Adjusted for the effects of currency, acquisitions and divestments the growth rate was 1.8%. The negative currency effects are mainly due to the weaker euro. The effect of acquisitions amounted to CHF 70.5 million. Further information about the exchange rates used and the acquisitions is to be found in notes 4.7 and 5.1 to the consolidated financial statements.

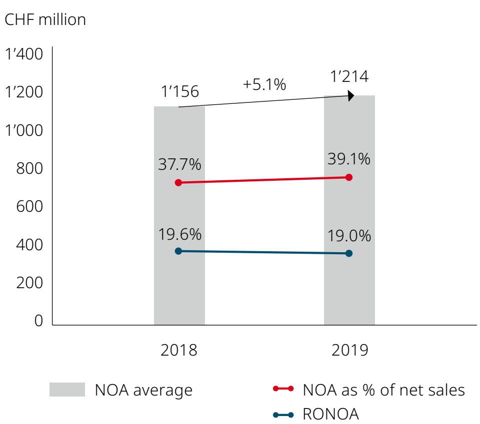
CHF million	2019	2018	Change in %
Net sales	3'106.0	3'064.5	1.4
Net sales adjusted for currencies	3'188.5	3'064.5	4.0
Net sales adjusted for acquisitions and divestments	3'035.5	3'061.6	–0.8
Net sales adjusted for currencies, acquisitions and divestments	3'116.2	3'061.6	1.8

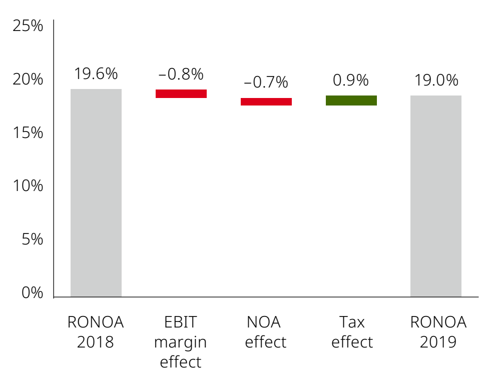
Operating performance The operating profit margin was 9.2%, 0.3 percentage points lower than the good prior-year value. In particular the low sales level of Kuhn Group's US production sites and higher costs for product development and capacity expansion had negative impacts. Furthermore, the operating profit margin was affected by costs from the integration of the acquired companies. The operating profit also includes the negative effects of changes in the values of pension benefit obligations amounting to CHF –5.1 million in the holding, finance and management companies and CHF –3.1 million at Bucher Emhart Glass. These additional costs could be almost compensated for by the one-time gain of CHF 7.6 million on the divestment of Bucher Emhart Glass's refractory business.

Profit for the year The profit for the year was CHF 228.0 million, an increase of 0.9% compared with the prior year. This included both a lower operating profit and lower income taxes. The reduction of the effective tax rate to 19.0% is due in particular to one-time effects from the tax reform in Switzerland, as well as the capitalisation of additional tax losses. The financial result was CHF –3.1 million, an increase of CHF 2.5 million compared with the prior year, which was impacted by a positive one-time revaluation gain.

Invested capital

Net operating assets (NOA) and return on net operating assets (RONOA) after tax





Sound profitability The return on net operating assets (RONOA) after tax was 19.0%, again clearly exceeding the cost of capital and only slightly lower than the ambitious long-term target of 20%. The 1.4-percentage-point increase in net operating assets as a percentage of sales is mainly due to acquisitions and capital expenditure on property, plant and equipment. Adjusted for acquisition and currency effects, the net working capital as a percentage of sales remained constant.

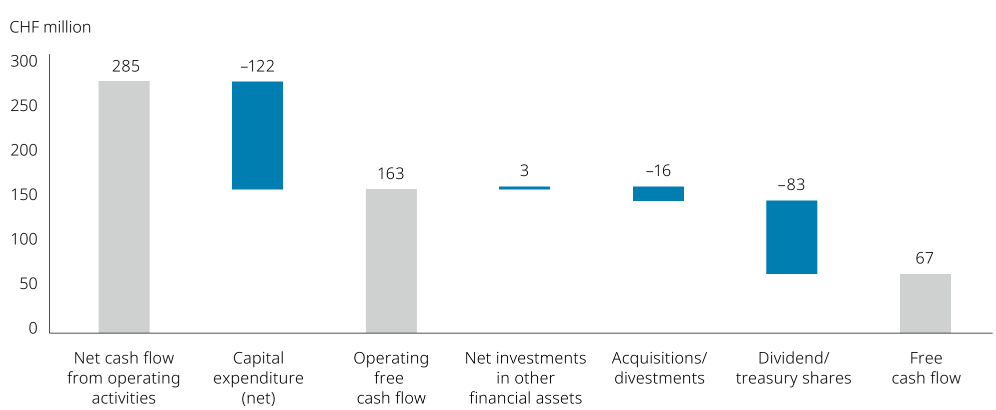
Brisk investment activity During the reporting period, Bucher Industries increased its capital expenditure on the expansion of the production infrastructure and the modernisation and automation of its production machinery to CHF 125.2 million. The most important individual projects were the extension projects of Kuhn Group in France and Bucher Municipal in Latvia, as well as the expansion of Bucher Hydraulics' production capacity in India and Italy.

Return on net operating assets (RONOA) after tax

CHF million	2019	2018
Trade receivables	461.5	520.0
Inventories	790.8	770.5
Other operating receivables, prepayments and accrued income	79.1	86.0
Trade payables	–252.8	–296.3
Advances from customers	–247.4	–252.7
Provisions	–56.7	–55.1
Other operating liabilities, accruals and deferred income	–250.6	–261.7
Net working capital	**523.9**	**510.7**
Property, plant and equipment	638.3	625.8
Intangible assets	20.9	14.2
Other non-current operating receivables	8.1	10.5
Provisions	–11.1	–12.7
Other non-current operating liabilities	–13.8	–18.1
Net operating assets (NOA)	**1'166.3**	**1'130.4**
Net operating assets (NOA) average	1'214.1	1'155.5
Operating profit (EBIT)	284.6	292.2
Effective tax rate	19.0%	22.5%
Return on net operating assets (RONOA) after tax	**19.0%**	**19.6%**

Financing and risk management

Positive free cash flow The net cash flow from operating activities rose by CHF 83.7 million compared with the good prior-year value, which had been impacted by an increase in net working capital. In spite of brisk investment activity and the higher dividend payment compared to the previous year the free cash flow was positive.



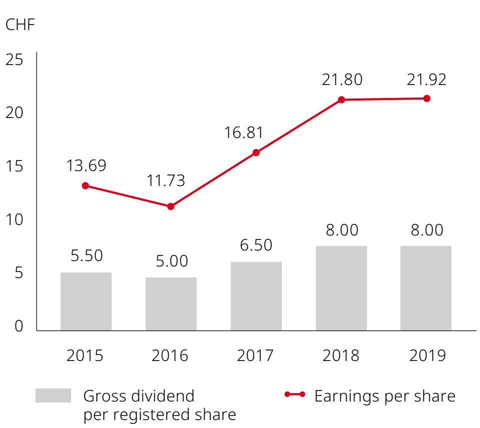
Free cash flow

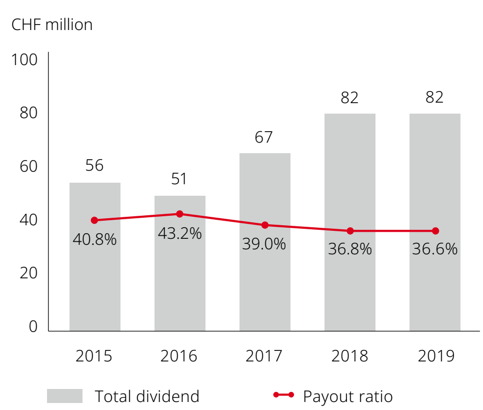
CHF million	2019	2018
Net cash flow from operating activities	**284.7**	**201.0**
Purchases of property, plant and equipment and intangible assets	–125.2	–102.7
Sale of property, plant and equipment	3.2	2.4
Operating free cash flow	**162.7**	**100.7**
Changes in other non-current financial assets	2.9	0.7
Acquisitions	–26.8	–31.3
Divestments	14.9	–
Acquisition of minority interests	–4.3	–36.9
(Purchase)/sale of treasury shares	0.6	–5.9
Dividend paid/received	–83.5	–66.8
Free cash flow	**66.5**	**–39.5**

Solid financial situation with brisk investment activity Thanks to the positive free cash flow, net cash/debt increased by 34.7% and amounted to CHF 214.6 million at the year end. It comprised cash and liquid assets of CHF 461.9 million and financial liabilities of CHF 247.3 million. In addition, a total of CHF 160.0 million was available in unused committed credit facilities. This continues to secure the financial flexibility of Bucher Industries and to lay the foundation for further internal and external growth.

Shareholder value

Dividend and payout ratio[1)]





1) 2015–2017 IFRS

Consistent dividend policy In keeping with a consistent dividend policy and taking account of the profit reported for the year, the board of directors proposes a dividend of CHF 8.00 per registered share to the annual general meeting on 24 April 2020. Based on the average share price for 2019 of CHF 316.00 the proposal of the board of directors is equivalent to a dividend yield of 2.5% (2018: 2.3%). The year-end market capitalisation of CHF 3.5 billion was equivalent to a price/book ratio of 2.5 (2.1). The earnings per share were CHF 21.92 (CHF 21.80).

Group

Content

Consolidated income statement

CHF million	Note	2019	%	2018	%
Net sales	**2.1**	**3’106.0**	**100.0**	**3’064.5**	**100.0**
Changes in inventories of finished goods and work in progress		10.2		27.1	
Raw materials and consumables used		– 1’588.2		– 1’585.6	
Employment costs	2.2	– 817.8		– 789.6	
Other operating income	2.3	34.4		25.5	
Other operating expenses	2.4	– 376.3		– 367.8	
Operating profit before depreciation and amortisation (EBITDA)		**368.3**	**11.9**	**374.1**	**12.2**
Depreciation	3.3	– 79.8		– 77.7	
Amortisation	3.4	– 3.9		– 4.2	
Operating profit (EBIT)		**284.6**	**9.2**	**292.2**	**9.5**
Share of profit/(loss) of associates	2.5	0.3		3.6	
Finance costs	2.5	– 6.8		– 7.7	
Finance income	2.5	3.4		3.5	
Profit before tax		**281.5**	**9.1**	**291.6**	**9.5**
Income taxes	2.6	– 53.5		– 65.7	
Profit for the year		**228.0**	**7.3**	**225.9**	**7.4**
Attributable to owners of Bucher Industries AG		224.1		223.0	
Attributable to minority interests		3.9		2.9	
Basic earnings per share in CHF	4.6	21.92		21.80	
Diluted earnings per share in CHF	4.6	21.92		21.79	

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

Consolidated balance sheet

CHF million	Note	31 December 2019	31 December 2018
Cash and cash equivalents	4.1	425.7	415.5
Other financial assets	4.2	36.2	26.0
Trade receivables	3.1	461.5	520.0
Other receivables, prepayments and accrued income	3.1	83.4	90.6
Inventories	3.2	790.8	770.5
Current assets		**1'797.6**	**1'822.6**
Receivables	3.1	10.3	13.3
Property, plant and equipment	3.3	638.3	625.8
Intangible assets	3.4	20.9	14.2
Other financial assets	4.2	4.4	7.9
Investments in associates		10.6	10.4
Deferred income tax assets	2.6	63.0	49.0
Non-current assets		**747.5**	**720.6**
Assets		**2'545.1**	**2'543.2**
Financial liabilities	4.3	114.4	46.8
Trade payables		252.8	296.3
Advances from customers		247.4	252.7
Provisions	3.5	56.7	55.1
Other liabilities, accruals and deferred income	3.7	253.0	263.4
Current liabilities		**924.3**	**914.3**
Financial liabilities	4.3	132.9	235.4
Provisions	3.5	11.1	12.7
Other liabilities	3.7	13.8	18.1
Deferred income tax liabilities	2.6	29.3	29.5
Pension benefit obligations	6.1	40.8	37.2
Non-current liabilities		**227.9**	**332.9**
Total liabilities		**1'152.2**	**1'247.2**
Share capital	4.6	2.1	2.1
Treasury shares	4.6	–6.5	–8.9
Retained earnings		1'378.5	1'284.4
Attributable to owners of Bucher Industries AG		**1'374.1**	**1'277.6**
Attributable to minority interests		18.8	18.4
Equity		**1'392.9**	**1'296.0**
Liabilities and equity		**2'545.1**	**2'543.2**

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

Consolidated cash flow statement

CHF million	Note	2019	2018
Profit for the year		**228.0**	**225.9**
Income tax expense	2.6	53.5	65.7
Share of (profit)/loss of associates	2.5	–0.3	–3.6
Other net financial result	2.5	3.4	4.2
Depreciation and amortisation	3.3, 3.4	83.7	81.9
Other operating cash flow items		0.2	–0.2
Gain on divestment	2.3	–7.6	–
Gain on sale of property, plant and equipment	2.3	–1.7	–1.0
Gain on sale of short-term investments and financial assets		–	–0.3
Interest received		2.8	2.7
Interest paid		–3.0	–3.7
Income tax paid		–52.2	–47.0
Change in provisions and pension benefit obligations		7.0	–6.8
Change in receivables		51.4	–69.6
Change in inventories		–35.6	–88.3
Change in advances from customers		1.9	27.3
Change in payables		–37.8	34.4
Other changes in net working capital		–9.0	–20.6
Net cash flow from operating activities		**284.7**	**201.0**
Purchases of property, plant and equipment		–113.9	–98.2
Sale of property, plant and equipment		3.2	2.4
Purchases of intangible assets	3.4	–11.3	–4.5
Purchases of other financial assets		–35.0	–2.4
Sale of other financial assets		26.8	3.7
Acquisitions	5.1	–26.8	–31.3
Divestments	5.1	14.9	–
Dividend received		0.2	0.2
Net cash flow from investing activities		**–141.9**	**–130.1**
Purchases of treasury shares	4.6	–	–6.9
Sale of treasury shares	4.6	0.6	1.0
Proceeds from/(repayment of) non-current financial liabilities		1.0	2.7
Proceeds from/(repayment of) current financial liabilities		–37.3	–47.2
Acquisition of minority interests	5.1	–4.3	–36.9
Dividend paid		–83.7	–67.0
Net cash flow from financing activities		**–123.7**	**–154.3**
Effect of exchange rate changes		–8.9	–14.3
Net change in cash and cash equivalents		**10.2**	**–97.7**
Cash and cash equivalents at 1 January		415.5	513.2
Cash and cash equivalents at 31 December		**425.7**	**415.5**

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

Consolidated statement of changes in equity

CHF million	Share capital	Treasury shares	Retained earnings				Attributable to owners of Bucher Industries AG	Minority interests	Total equity
			Offset goodwill	Currency translation reserve	Cash flow hedge reserve	Other retained earnings			
Balance at 31 December 2017 (IFRS)	**2.1**	**–3.7**	**–**	**–304.7**	**–0.8**	**1'705.2**	**1'398.1**	**34.0**	**1'432.1**
Adjustments for Swiss GAAP FER			–196.5	304.7	–	–287.1	**–178.9**	–6.2	**–185.1**
Balance at 1 January 2018	**2.1**	**–3.7**	**–196.5**	**–**	**–0.8**	**1'418.1**	**1'219.2**	**27.8**	**1'247.0**
Profit for the year						223.0	**223.0**	2.9	**225.9**
Change in currency translation reserve				–44.1			**–44.1**	0.1	**–44.0**
Change in cash flow hedge reserve					0.8		**0.8**	–	**0.8**
Change in treasury shares		–6.9					**–6.9**		**–6.9**
Share-based payments		1.7				1.5	**3.2**		**3.2**
Goodwill offset			–29.3				**–29.3**		**–29.3**
Change in minority interests						–21.8	**–21.8**	–11.9	**–33.7**
Dividend						–66.5	**–66.5**	–0.5	**–67.0**
Balance at 31 December 2018	**2.1**	**–8.9**	**–225.8**	**–44.1**	**–**	**1'554.3**	**1'277.6**	**18.4**	**1'296.0**
Balance at 1 January 2019	**2.1**	**–8.9**	**–225.8**	**–44.1**	**–**	**1'554.3**	**1'277.6**	**18.4**	**1'296.0**
Profit for the year						224.1	**224.1**	3.9	**228.0**
Change in currency translation reserve				–34.9			**–34.9**	–0.4	**–35.3**
Change in cash flow hedge reserve					1.0		**1.0**	–	**1.0**
Share-based payments		2.4				0.6	**3.0**		**3.0**
Goodwill offset			–11.8				**–11.8**		**–11.8**
Change in minority interests						–3.1	**–3.1**	–1.2	**–4.3**
Dividend						–81.8	**–81.8**	–1.9	**–83.7**
Balance at 31 December 2019	**2.1**	**–6.5**	**–237.6**	**–79.0**	**1.0**	**1'694.1**	**1'374.1**	**18.8**	**1'392.9**

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

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1. Information on this report

1.1 General information

Bucher Industries AG is a public limited company incorporated in Switzerland whose shares are publicly traded on 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. The Group seeks to achieve superior profitability and a sound balance sheet through technological leadership, a strong market position and strict cost management.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with the entire Swiss GAAP FER accounting and reporting recommendations and the requirements of the Listing Rules of SIX Swiss Exchange, and they comply with Swiss law. They are prepared in Swiss francs (CHF) and are based on the group companies' separate financial statements as at 31 December using uniform classification and measurement criteria. Unless stated otherwise, the consolidated financial statements have been prepared in accordance with the historical cost convention and the going concern principle.

1.3 General principles

Consolidated financial statements The consolidated financial statements include Bucher Industries AG and all group companies that the company controls by holding directly or indirectly more than 50% of the voting rights or by means of contractual agreements (subsidiaries). Using the full consolidation method, 100% of the assets and liabilities as well as income and expenses of the consolidated companies are included in the consolidation. Companies are consolidated from the date when control is acquired and deconsolidated from the date when control is transferred. The minority interests in shareholders' equity and net result are disclosed separately in the consolidated balance sheet and income statement. Intercompany receivables and payables as well as income and expenses are offset and intercompany profits are eliminated. Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired company are valued at fair values using uniform accounting policies. The differences between the cost of acquisition and the fair value of the net assets acquired are recognised as goodwill and offset with equity. When a company is divested, the original cost of the goodwill is included in the gain or loss on disposal. Transaction costs in connection with acquisitions and divestments are recognised directly in the income statement. Upon acquisition of minority interests in a fully consolidated company the difference between the purchase price and the carrying value of the minority interests is recognised directly in retained earnings. A reduction in the ownership interest without the loss of control is also recognised in equity.

Associated companies Companies in which the Group can exercise a decisive influence are included in the consolidation using the equity method. The investment is valued at the Group's share of the equity, and the Group's share of the net result is included in the consolidated income statement. A decisive influence is assumed if the Group holds at least 20% but less than 50% of the voting rights. Goodwill arising from the acquisition of an associated company is offset with equity.

Foreign currency translation The financial statements of foreign subsidiaries are maintained in the currency of the primary economic environment in which the company operates (functional currency). Within Bucher Industries the functional currency is generally the local currency. Transactions in foreign currencies in the subsidiaries are converted to the functional currency using the applicable exchange rate on the day of the transaction. Foreign exchange gains and losses from such transactions and from the conversion of monetary assets and liabilities in foreign currencies are recognised in the income statement. The consolidated financial statements are presented in Swiss francs. The balance sheets of companies with a different functional currency are translated into Swiss francs using the closing exchange rates at the balance sheet date, and the income statements and cash flow statements are translated using average exchange rates. The resulting translation differences are recognised directly in equity. Foreign exchange differences on non-current intercompany loans of an equity nature are also recognised directly in equity. Upon loss of control over a company, the related cumulative translation differences are reclassified to the income statement.

1.4 Significant management 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, liabilities and contingent assets and liabilities. All estimates and judgements are reviewed regularly. They are based on historical experience and assumptions about future events. Actual outcomes may differ from these estimates. The consolidated financial statements are adjusted 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:
- Determination of the amount of current and deferred income tax assets and liabilities, see note 2.6
- Write-down of inventories, see note 3.2
- Recognition of non-current provisions, see note 3.5
- Actuarial calculations of foreign pension benefit obligations, see note 6.1

1.5 Performance measures not defined by Swiss GAAP FER

Internally and externally the Group uses additional performance measures that are not defined by Swiss GAAP FER. The composition and calculation of the individual performance measures are set out in this report and also on the following website:
www.bucherindustries.com/en/additional-performance-measures

- Operating profit before depreciation and amortisation (EBITDA), see consolidated income statement
- Operating profit (EBIT), see consolidated income statement
- Net operating assets (NOA), see financial review
- Return on net operating assets (RONOA) after tax, see financial review
- Cash and liquid assets, and net cash/debt, see financial review
- Free cash flow, see financial review

1.6 Change to Swiss GAAP FER

The consolidated financial statements as at 31 December 2019 were prepared for the first time in accordance with the entire Swiss GAAP FER accounting and reporting recommendations instead of the International Financial Reporting Standards (IFRS). With the exception of the accounting policies set out below, the accounting policies used to prepare these consolidated financial statements are in line with the policies that formed the basis for the 31 December 2018 consolidated financial statements. The prior-year figures have been restated accordingly for the purposes of comparability.

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

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

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

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

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

Translation adjustments As part of the change to Swiss GAAP FER, the cumulative currency translation adjustments were offset with the other retained earnings as at 1 January 2018.

Effects of the adjustments on equity

CHF million

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

Effects of the adjustments on profit for the year

CHF million

	2018
Profit for the year according to IFRS	**215.3**
Adjustment to amortisation of intangible assets from acquisitions	13.3
Adjustment to pension benefit obligations	1.4
Adjustment to deferred income taxes	– 4.1
Adjustments	**10.6**
Profit for the year according to Swiss GAAP FER	**225.9**

2. Performance

2.1 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 dealership for tractors and specialised agricultural machinery, as well as control systems for automation technology (Bucher Specials).

Segment information

CHF million	Net sales		Operating profit (EBIT)		Net operating assets (NOA)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Kuhn Group	1'177.3	1'204.4	98.2	104.4	373.6	375.6
Bucher Municipal	541.2	539.1	45.7	51.0	216.5	191.2
Bucher Hydraulics	648.5	626.6	80.8	84.3	294.3	291.8
Bucher Emhart Glass	487.2	446.5	65.5	46.6	174.9	167.2
Bucher Specials	316.0	308.8	19.5	25.7	81.8	90.4
Reportable segments	**3'170.2**	**3'125.4**	**309.7**	**312.0**	**1'141.1**	**1'116.2**
Other/consolidation	–64.2	–60.9	–25.1	–19.8	25.2	14.2
Group	**3'106.0**	**3'064.5**	**284.6**	**292.2**	**1'166.3**	**1'130.4**

The performance of each of the divisions is evaluated on the basis of operating profit, which is measured the same way for management reporting as in the consolidated financial statements. The figures reported in "Other/consolidation" comprise the results of the holding, finance and management companies, the economic effects of the pension plans of foreign subsidiaries as well as consolidation adjustments for intersegment transactions. Intersegment sales amounted to CHF 12.3 million (2018: CHF 12.8 million) for Kuhn Group, CHF 4.7 million (CHF 4.5 million) for Bucher Hydraulics and CHF 47.2 million (CHF 43.4 million) for Bucher Specials. The other divisions had only marginal intersegment sales.

CHF million	Capital expenditure				Research and development costs			
	2019	**in %[1]**	**2018**	**in %[1]**	**2019**	**in %[1]**	**2018**	**in %[1]**
Kuhn Group	49.7	4.2	32.3	2.7	–49.6	4.2	–49.6	4.1
Bucher Municipal	14.5	2.7	11.9	2.2	–18.1	3.3	–16.8	3.1
Bucher Hydraulics	34.8	5.4	39.3	6.3	–24.7	3.8	–21.6	3.4
Bucher Emhart Glass	16.0	3.3	10.8	2.4	–19.3	4.0	–16.6	3.7
Bucher Specials	6.4	2.0	5.4	1.7	–15.8	5.0	–13.9	4.5
Reportable segments	**121.4**	**3.8**	**99.7**	**3.2**	**–127.5**	**4.0**	**–118.5**	**3.8**
Other/consolidation	3.8	–	3.0	–	–	–	–	–
Group	**125.2**	**4.0**	**102.7**	**3.4**	**–127.5**	**4.1**	**–118.5**	**3.9**

[1] Of net sales

Net sales by region

CHF million	2019	in %	2018	in %
Switzerland	122.9	4.0	105.7	3.5
Germany	448.0	14.4	439.3	14.3
France	388.9	12.5	375.2	12.2
Rest of Europe	977.9	31.5	974.9	31.8
Europe	**1'937.7**	**62.4**	**1'895.1**	**61.8**
USA	482.1	15.5	515.6	16.8
Canada	43.1	1.4	54.7	1.8
Rest of Americas	177.9	5.7	149.9	4.9
Americas	**703.1**	**22.6**	**720.2**	**23.5**
China	151.5	4.9	128.0	4.2
India	23.1	0.7	18.1	0.6
Rest of Asia	113.6	3.7	126.6	4.1
Asia	**288.2**	**9.3**	**272.7**	**8.9**
Other	177.0	5.7	176.5	5.8
Net sales	**3'106.0**	**100.0**	**3'064.5**	**100.0**

Net sales have been allocated to the countries of destination.

Reconciliation of segment results

CHF million	2019	2018
Segment operating profit (EBIT)	309.7	312.0
Other/consolidation	–25.1	–19.8
Operating profit (EBIT)	**284.6**	**292.2**
Share of profit/(loss) of associates	0.3	3.6
Finance costs	–6.8	–7.7
Finance income	3.4	3.5
Profit before tax	**281.5**	**291.6**

Accounting policies

Revenue recognition Net sales of goods and products are 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 terms or the agreed international commercial terms ("Incoterms"). Sales from services are recognised over the period in which the service is rendered. Sales are 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.

Research and development costs Internally generated research and development costs are charged directly to the income statement.

2.2 Employment costs

CHF million

	2019	2018
Wages and salaries	– 575.9	– 552.5
Share-based payments	– 2.5	– 2.4
Social security costs	– 101.3	– 98.0
Pension benefit expense	– 52.0	– 42.7
Other employment costs	– 86.1	– 94.0
Employment costs	**– 817.8**	**– 789.6**

Share-based payments include the Bucher Participation Plan as well as remuneration of the board of directors. In the reporting period, 8’471 shares (2018: 5’891) in total were issued. Furthermore, in the reporting period all of the options issued in previous years and still outstanding were exercised. The average share price of the 5’600 options exercised (6’900) was CHF 313.20 (CHF 337.40). Other employment costs include incidental costs of staff recruitment, training and development as well as external staff costs.

Accounting policies

Bucher Participation Plan The Bucher Participation Plan is a share-based, performance-related component of remuneration for the members of group and division management and selected specialists. The allocation is based on a percentage of the base salary and the achievement of the annual financial “earnings per share” target. The relevant expense is reported under employment costs with an offsetting entry in equity. From 2019 onwards the number of shares allocated is calculated based on the share price on the date of the annual general meeting of the following year (2018: year-end price).

2.3 Other operating income

CHF million

	2019	2018
Own work capitalised	2.1	1.5
Gain on sale of property, plant and equipment	1.7	1.0
Gain on divestment	7.6	–
Miscellaneous income	23.0	23.0
Other operating income	**34.4**	**25.5**

Miscellaneous income includes rental income and other revenue which is outside the normal course of the Group’s business.

2.4 Other operating expenses

CHF million

	2019	2018
Energy, maintenance and repairs	– 112.5	– 114.9
Charges, levies, taxes and consulting fees	– 44.2	– 38.4
Marketing and distribution costs	– 120.2	– 123.7
Insurance expenses	– 6.2	– 5.7
Operating lease expenses	– 14.7	– 12.8
Miscellaneous operating expenses	– 78.5	– 72.3
Other operating expenses	**– 376.3**	**– 367.8**

Miscellaneous operating expenses include services for research and development, IT costs, operating foreign exchange effects and changes in operating provisions that cannot be charged to an appropriate expense account.

2.5 Financial result

CHF million

	2019	2018
Share of profit/(loss) of associates	**0.3**	**3.6**
Interest expense	– 3.7	– 4.7
Financial foreign exchange gains and losses	– 2.1	– 2.1
Other finance costs	– 1.0	– 0.9
Finance costs	**– 6.8**	**– 7.7**
Interest income	2.9	2.8
Net gain on financial assets	0.5	0.7
Finance income	**3.4**	**3.5**
Financial result	**– 3.1**	**– 0.6**

In the prior year, the result from associated companies included a revaluation gain of CHF 2.4 million in connection with the first-time consolidation of Artec Pulvérisation SAS, which was held as an associated company until October 2018.

2.6 Income taxes

Effective income taxes

CHF million	2019	2018
Current income taxes	–68.9	–66.9
Deferred income taxes	15.4	1.2
Income taxes	**–53.5**	**–65.7**
Reconciliation:		
Profit before tax	281.5	291.6
Weighted average tax rate	22.2%	22.6%
Theoretical income tax charge	**–62.5**	**–65.9**
Utilisation of unrecognised tax loss carryforwards	1.5	0.7
Reappraisal of tax loss carryforwards	4.2	–1.1
Reappraisal of other deferred tax assets	0.7	–1.5
Expenses not deductible for tax purposes/income not subject to tax	–1.7	–1.0
(Under)/over provided in prior years	0.4	–0.9
Changes in deferred taxes due to changes in tax rates	–5.6	0.6
Other differences	9.5	3.4
Effective income taxes	**–53.5**	**–65.7**
Effective tax rate	19.0%	22.5%

The reduction in the effective tax rate is mainly due to one-time effects from the tax reform in Switzerland, as well as the capitalisation of additional tax losses.

Movements in deferred income taxes

CHF million	Assets	Liabilities	Assets	Liabilities
		2019		2018
Balance at 1 January	49.0	–29.5	53.4	–34.0
Exchange differences	–1.6	0.4	–2.8	1.9
Acquisition of subsidiaries	–	–0.1	0.6	–1.0
(Charged)/credited to income statement	15.5	–0.1	–2.0	3.2
(Charged)/credited to equity	0.1	–	–0.2	0.4
Balance at 31 December	**63.0**	**–29.3**	**49.0**	**–29.5**

Tax loss carryforwards

CHF million	2019	2018
Tax loss carryforwards	66.1	63.1
Of which recognised in deferred income taxes	–37.4	–27.3
Unrecognised tax loss carryforwards	**28.7**	**35.8**
Expiration:		
Within 1 year	–	–
In 1 to 5 years	1.0	4.3
In more than 5 years	–	–
No expiration	27.7	31.5
Tax effect on unrecognised tax loss carryforwards	9.1	11.5

Accounting policies

Income taxes The tax expense for the period comprises current and deferred income taxes. Current income taxes are calculated on the basis of the local tax laws, and deferred income taxes are calculated based on the temporary differences between the tax bases of assets and liabilities of the individual subsidiaries and their carrying amounts in the consolidated balance sheet. The deferred income taxes are calculated using the expected local tax rates. Potential tax savings arising from tax loss carryforwards and temporary differences are only recognised when it is highly probable that they can be offset with future profits. Deferred tax liabilities in connection with undistributed profits of subsidiaries and associated companies are recognised unless the Group can fully control the distribution policy of these companies and no dividend payments are expected in the foreseeable future. Taxes are recognised in the income statement unless they relate to items recognised directly in equity. In this case the taxes are also recognised in equity.

Significant management assumptions and estimates

Current and deferred income tax assets and liabilities The measurement of the current tax liabilities depends on the interpretation of the tax laws in the relevant countries; the reasonableness of these interpretations is determined in connection with the final tax assessment or with tax audits conducted by the tax authorities. As a result, significant adjustments to the tax expense may be necessary. Furthermore, evaluating whether tax loss carryforwards can be recognised as assets requires a critical assessment of the probability that they can be offset with future profits, and this depends on various factors and developments.

3. Invested capital

3.1 Receivables, prepayments and accrued income

CHF million	Current	Non-current	Total	Current	Non-current	Total
			2019			2018
Trade receivables	445.8	2.2	448.0	501.4	6.4	507.8
Notes receivable	15.7	–	15.7	18.6	–	18.6
Trade receivables, net	**461.5**	**2.2**	**463.7**	**520.0**	**6.4**	**526.4**
Tax receivables	16.2	–	16.2	22.6	–	22.6
Prepayments to suppliers	9.1	–	9.1	6.7	–	6.7
Derivative financial instruments	4.3	–	4.3	4.8	–	4.8
Prepayments and accrued income	11.9	–	11.9	8.7	–	8.7
Other receivables	41.9	8.1	50.0	47.8	6.9	54.7
Other receivables, prepayments and accrued income	**83.4**	**8.1**	**91.5**	**90.6**	**6.9**	**97.5**
Receivables, prepayments and accrued income	**544.9**	**10.3**	**555.2**	**610.6**	**13.3**	**623.9**

Ageing analysis of trade receivables

CHF million	2019	2018
Trade receivables, gross	490.2	556.5
Value adjustments	–26.5	–30.1
Trade receivables, net	**463.7**	**526.4**
Not due	391.3	446.9
Not due, value adjustments	–5.7	–5.8
Past due, within 30 days	47.6	56.7
Past due, from 31 to 90 days	23.1	20.3
Past due, more than 90 days	28.2	32.6
Past due, value adjustments	–20.8	–24.3

Accounting policies

Receivables Receivables are valued at nominal value net of adjustments for credit risks.

3.2 Inventories

CHF million

	2019	2018
Raw materials and consumables	272.2	258.6
Work in progress	182.6	197.9
Finished goods and goods for resale	447.0	425.0
Inventories, gross	**901.8**	**881.5**
Write-downs	– 111.0	– 111.0
Inventories, net	**790.8**	**770.5**

Accounting policies

Inventories Inventories are valued at the lower of cost and net realisable value. Depending on the division, 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. Provision is made for all foreseeable losses from obsolete or slow-moving inventories, with write-downs recognised in changes in inventories of finished goods and work in progress.

Significant management assumptions and estimates

Write-down of inventories The assessment of the recoverable value of inventories is based on estimates of the future consumption and price development (net realisable value). These estimates are constantly reviewed and adjusted if necessary. Changes in sales figures or other influences such as technological advances can lead to an adjustment of the book value.

3.3 Property, plant and equipment

CHF million	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Prepayments and assets under construction	Total
					2019
Cost at 1 January	677.3	584.0	235.5	35.0	1'531.8
Exchange differences	–17.9	–18.7	–6.0	–1.5	–44.1
Acquisition/divestment of subsidiaries/business	–2.8	–4.7	–	–1.0	–8.5
Additions	10.9	29.6	23.0	51.6	115.1
Disposals	–5.7	–17.4	–11.0	–0.2	–34.3
Transfers	20.2	17.3	3.2	–40.7	–
Cost at 31 December	**682.0**	**590.1**	**244.7**	**43.2**	**1'560.0**
Accumulated depreciation at 1 January	–306.4	–422.5	–177.1	–	–906.0
Exchange differences	8.1	14.4	3.9	–	26.4
Divestment of subsidiaries/business	1.5	3.2	0.2	–	4.9
Disposals	5.5	17.0	10.3	–	32.8
Depreciation for the year	–24.4	–36.0	–19.4	–	–79.8
Accumulated depreciation at 31 December	**–315.7**	**–423.9**	**–182.1**	**–**	**–921.7**
Net book value at 31 December	**366.3**	**166.2**	**62.6**	**43.2**	**638.3**
					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 of subsidiaries	7.8	4.5	0.4	–	12.7
Additions	12.1	29.7	18.5	39.2	99.5
Disposals	–3.5	–5.7	–9.9	–0.5	–19.6
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
Disposals	3.3	5.4	9.5	–	18.2
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**

The net book value of assets under finance leases amounted to CHF 8.3 million in the reporting period (2018: CHF 11.1 million).

Accounting policies

Property, plant and equipment Property, plant and equipment are measured at historical cost less accumulated depreciation. Expenditure on improvements is capitalised. The costs of repairs and maintenance as well as low-value assets are charged to the income statement as incurred. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The useful lives of buildings are 10 to 50 years, plant and machinery 5 to 12 years and furniture, fixtures and equipment 2 to 15 years. The book values and remaining useful lives of property, plant and equipment are reviewed regularly and adjusted if necessary.

3.4 Intangible assets

CHF million	Licences/ Patents	Other	Total
			2019
Cost at 1 January	131.4	36.4	167.8
Exchange differences	–5.0	–1.4	–6.4
Acquisition of subsidiaries	–	0.1	0.1
Additions	1.7	9.6	11.3
Cost at 31 December	**128.1**	**44.7**	**172.8**
Accumulated amortisation at 1 January	–123.7	–29.9	–153.6
Exchange differences	4.6	1.0	5.6
Amortisation for the year	–1.9	–2.0	–3.9
Accumulated amortisation at 31 December	**–121.0**	**–30.9**	**–151.9**
Net book value at 31 December	**7.1**	**13.8**	**20.9**
			2018
Cost at 1 January	135.3	35.4	170.7
Exchange differences	–6.1	–0.9	–7.0
Acquisition of subsidiaries	–	0.3	0.3
Additions	2.9	1.6	4.5
Disposals	–0.7	–	–0.7
Cost at 31 December	**131.4**	**36.4**	**167.8**
Accumulated amortisation at 1 January	–126.9	–29.7	–156.6
Exchange differences	5.8	0.7	6.5
Disposals	0.7	–	0.7
Amortisation for the year	–3.3	–0.9	–4.2
Accumulated amortisation at 31 December	**–123.7**	**–29.9**	**–153.6**
Net book value at 31 December	**7.7**	**6.5**	**14.2**

Accounting policies

Intangible assets Intangible assets are licenses, patents, software and similar rights and are capitalised only if they will generate quantifiable economic benefits over several years. They are measured at historical cost less accumulated amortisation. Amortisation is charged on a straight-line basis over the estimated useful lives of 5 to 20 years, depending on the asset.

Theoretical capitalisation of goodwill

CHF million

	2019	2018
Cost at 1 January	225.8	196.5
Acquisition of subsidiaries	11.8	29.3
Cost at 31 December at historical currency rates	**237.6**	**225.8**
Accumulated exchange differences	– 18.5	– 10.9
Cost at 31 December	**219.1**	**214.9**
Accumulated amortisation at 1 January	– 168.1	– 154.9
Exchange differences	6.2	8.8
Amortisation for the year	– 16.9	– 22.0
Accumulated amortisation at 31 December	**– 178.8**	**– 168.1**
Theoretical net book value at 31 December	**40.3**	**46.8**
Equity according to balance sheet	1’392.9	1’296.0
Theoretical book value of goodwill	40.3	46.8
Theoretical shareholders’ equity at 31 December including goodwill	**1’433.2**	**1’342.8**
Profit for the year	228.0	225.9
Theoretical amortisation of goodwill	– 16.9	– 22.0
Theoretical profit for the year after goodwill amortisation	**211.1**	**203.9**

Accounting policies

Goodwill Goodwill is offset with equity at the date of the acquisition of a subsidiary or an investment in an associated company. The theoretical capitalisation of goodwill with straight-line amortisation over five years would impact the consolidated balance sheet and consolidated income statement as shown above.

3.5 Provisions

CHF million	Warranties	Legal claims	Other	Total
				2019
Balance at 1 January	41.8	16.9	9.1	67.8
Exchange differences	–1.4	–0.6	–	–2.0
Acquisition of subsidiaries	0.1	–	–	0.1
Additional provisions	33.9	4.0	2.3	40.2
Unutilised amounts reversed	–3.4	–1.9	–1.8	–7.1
Utilised during year	–28.4	–1.6	–1.2	–31.2
Balance at 31 December	**42.6**	**16.8**	**8.4**	**67.8**
Current portion	41.2	12.3	3.2	56.7
Non-current portion	1.4	4.5	5.2	11.1
				2018
Balance at 1 January	44.3	19.7	10.4	74.4
Exchange differences	–1.7	–1.5	–0.2	–3.4
Acquisition of subsidiaries	1.9	0.1	–	2.0
Additional provisions	31.1	3.7	2.8	37.6
Unutilised amounts reversed	–4.1	–3.1	–1.4	–8.6
Utilised during year	–29.7	–2.0	–2.5	–34.2
Balance at 31 December	**41.8**	**16.9**	**9.1**	**67.8**
Current portion	40.3	11.9	2.9	55.1
Non-current portion	1.5	5.0	6.2	12.7

Other provisions relate to risks associated with the Group's industrial operations as well as restructuring costs. The amounts of other provisions recognised in previous years that were utilised in the reporting period are primarily due to the dismantling of buildings in Niederweningen and the restructuring measures implemented at Bucher Emhart Glass in China.

Accounting policies

Provisions A provision is recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required in future to settle the obligation, and the amount can be estimated reliably. Provisions for warranties are recognised when the products are sold and are measured on the basis of historical data for the past two years. The provisions for legal claims cover risks associated with accidents, distribution rights, patents and other legal disputes.

Significant management assumptions and estimates

Recognition of non-current provisions In the course of normal business operations, group companies may become involved in litigation. Provisions for pending cases are recognised on the basis of available information and the expected cash outflows. Depending on the outcome of the cases, claims may arise against the Group that are not or not completely covered by provisions.

3.6 Contingent liabilities and other commitments

Contingent liabilities CHF 1.9 million in contingent liabilities (2018: CHF 0.8 million) consist of guarantees given in respect of goods sold and services provided. This amount represents the maximum amount of the obligation assumed. These contingent liabilities are not expected to result in an outflow of resources. On 14 March 2017, following the filing of a complaint, the Swiss Competition Commission (COMCO) opened an investigation into Bucher Landtechnik AG. On 17 July 2019, it announced that it had reached an amicable settlement with Bucher Landtechnik AG. This settlement has no impact on the profitability or the future business activities of Bucher Industries.

Outstanding put options In connection with the acquisition of Bucher Hydraulics (Wuxi) Co., Ltd. there are put options for the remaining 20% of the shares (2018: 30%). They can only be exercised from 2022, the fourth year after the acquisition. The price for the 80% shares currently held amounted to CHF 34.3 million.

Other commitments There are commitments to purchase non-current assets amounting to CHF 16.4 million.

3.7 Other liabilities, accruals and deferred income

CHF million	2019	2018
Accruals and deferred income	140.2	152.1
Income tax liabilities	36.8	36.4
Social security and pensions	24.0	24.0
Sales and capital tax liabilities	38.6	35.9
Derivative financial instruments	2.2	1.6
Other liabilities	25.0	31.5
Other liabilities, accruals and deferred income	**266.8**	**281.5**
Current portion	253.0	263.4
Non-current portion	13.8	18.1

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

4. Financing and risk management

4.1 Cash and cash equivalents

CHF million

	2019	2018
Cash and bank accounts	216.9	260.2
Short-term money market investments	208.8	155.3
Cash and cash equivalents	**425.7**	**415.5**

Accounting policies

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 are subject to insignificant risk of changes in value.

4.2 Other financial assets

CHF million

	2019	2018
Money market investments	2.1	2.3
Bonds	34.1	23.7
Long-term loans	2.9	6.4
Other	1.5	1.5
Other financial assets	**40.6**	**33.9**
Current portion	36.2	26.0
Non-current portion	4.4	7.9

Accounting policies

Other financial assets Money market investments and bonds are initially recognised at historical cost, with transaction costs being charged to the income statement. The fair values of the money market investments and bonds are based on observable market information at the end of the reporting period. Non-current loans and other financial assets are valued at amortised cost less impairment charges.

4.3 Financial liabilities

CHF million

	2019	2018
Bonds	199.9	199.8
Other bank borrowings	21.6	50.8
Finance lease liabilities	5.6	7.8
Other financial liabilities	20.2	23.8
Financial liabilities	**247.3**	**282.2**
Current portion	114.4	46.8
Non-current portion	132.9	235.4

Bonds

CHF million	Company	Term	Currency	Nominal value	Effective interest rate	Total 2019	Total 2018
Bond, Switzerland 0.625%	Bucher Industries AG	2014–2020	CHF	100.0	1.3%[1]	99.9	99.8
Bond, Switzerland 1.375%	Bucher Industries AG	2014–2024	CHF	100.0	1.4%	100.0	100.0
Bonds						**199.9**	**199.8**

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

Other bank borrowings The other bank borrowings include CHF 15.0 million (2018: CHF 30.0 million) in bilateral loans from committed credit facilities as well as CHF 6.6 million (CHF 20.8 million) from uncommitted credit facilities. The bilateral loans bear interest at rates of between 0.1 and 0.95% and are due for repayment from 2020 to 2022. The undrawn committed credit facilities at 31 December totalled CHF 160.0 million (CHF 185.0 million). The financial covenants are reviewed every six months. All credit terms were complied with on the reporting date of 31 December 2019.

Accounting policies

Financial liabilities Financial liabilities are initially recognised at fair value less any directly attributable transaction costs. They are subsequently valued at amortised cost using the effective interest method.

4.4 Pledged assets

The book value of assets pledged or assigned to secure the Group's obligations was CHF 9.9 million (2018: CHF 19.2 million).

4.5 Leases

Future minimum lease payments from operating leases

CHF million	2019	2018
Within 1 year	9.5	9.2
From 1 to 5 years	14.7	15.0
More than 5 years	10.7	9.9
Minimum lease payments	**34.9**	**34.1**

Accounting policies

Leases A distinction is made between finance leases and operating leases. Finance lease contracts are recognised in property, plant and equipment when most of the risks and rewards are transferred to the Group upon signing of the contract. Finance leases are recognised initially at the lower of fair value and the present value of the future minimum lease payments. Depreciation is charged over the shorter of the estimated useful life and the lease term. The corresponding lease obligations are reported as liabilities. An operating lease exists when a significant part of the risks of ownership remain with the lessor. Payments for operating leases are charged to the income statement on a straight-line basis over the lease term.

4.6 Share capital and earnings per share

		2019	2018
Share capital	**CHF million**	**2.1**	**2.1**
Par value of registered shares	CHF	0.20	0.20
Outstanding registered shares	number	10'226'296	10'212'225
Treasury shares	number	23'704	37'775
In issue and ranking for dividend	**number**	**10'250'000**	**10'250'000**
Authorised but unissued	number	1'184'100	1'184'100

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

Treasury shares

CHF million	Number of shares	2019	Number of shares	2018
Balance at 1 January	37'775	8.9	25'566	3.7
Purchases of treasury shares	–	–	25'000	6.9
Reissued for share-based payments	–14'071	–2.4	–12'791	–1.7
Balance at 31 December	**23'704**	**6.5**	**37'775**	**8.9**

Earnings and dividend per share

	2019	2018
Profit attributable to owners of Bucher Industries AG (CHF million)	224.1	223.0
Average number of shares outstanding (undiluted)	10'220'858	10'227'835
Average number of shares outstanding (diluted)	10'222'688	10'234'105
Basic earnings per share (CHF)	21.92	21.80
Diluted earnings per share (CHF)	21.92	21.79
Dividend per registered share (CHF)[1)]	8.00	8.00
Total dividend (CHF million)[1)]	82.0	82.0

1) 2019: proposal of the board of directors

Accounting policies

Treasury shares Treasury shares are recognised at historical cost as a deduction from equity. Realised gains or losses from the disposal of treasury shares are recorded directly in equity. 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.

4.7 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 and also for specific areas, such as the 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 from operating activities, financial risk management is carried out by the central treasury function. Group treasury identifies and assesses financial risks and hedges them in close collaboration with the Group's operating companies. The risk management process implemented also includes regular reporting on the development of the 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 a deterioration in credit quality or counterparty risks under financial contracts. As part of their receivables management, the individual companies determine the credit terms and monitor the customers, taking into account their past payment history and an analysis of their credit rating. Owing to the diverse industries and geographical regions in which the Group's customers operate, the credit risk on trade receivables was limited in the reporting period and the Group had no cluster risk. In addition to this natural diversification, the credit risk was further minimised by security in the form of credit insurance, advance payments from customers, letters of credit and bank guarantees. Bucher Industries invested its free cash in short-term money market investments with various banking institutions that have a very good international risk rating, as well as in top-rated money market funds and in short-term realisable financial assets with a high credit rating. The Group had no concentration of credit risk associated with receivables from banks. 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 their 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 companies' finance departments to forecast future cash flows and financial items 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 obligations. The necessary funds are raised as and when required in the money and capital markets.

Interest and price risks Interest risks result from changes in market interest rates that have an impact on the profit or loss for the year and the fair 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.

Exchange rate 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 using appropriate financial instruments based on the respective underlying transactions.

Derivative financial instruments

CHF million	2019	2018
Contract value	**573.7**	**553.2**
Currency contracts – assets	4.3	4.8
Currency contracts – liabilities	–2.2	–1.6
Derivative financial instruments	**2.1**	**3.2**

Accounting policies

Derivative financial instruments Derivative financial instruments that are used to hedge the foreign exchange risk of balance sheet items and expected future cash flows are valued at fair value. Changes in the fair values are booked to the income statement with the exception of transactions that are designated as hedge accounting transactions. The changes in their fair values are initially booked directly to equity. Once the underlying transactions have been recognised, the changes in the fair values of the corresponding derivative financial instruments are transferred from equity to the income statement.

Exchange rates

1 CHF	Income statement annual average rates		Change in	Balance sheet closing rates		Change in
	2019	2018	%	2019	2018	%
1 AUD	0.6909	0.7298	–5.3	0.6781	0.6948	–2.4
1 BRL	0.2511	0.2696	–6.9	0.2403	0.2536	–5.2
1 CNY	0.1437	0.1476	–2.6	0.1388	0.1431	–3.0
1 EUR	1.1119	1.1545	–3.7	1.0851	1.1272	–3.7
1 GBP	1.2705	1.3041	–2.6	1.2748	1.2597	1.2
1 SEK	0.1054	0.1127	–6.5	0.1039	0.1101	–5.6
1 USD	0.9918	0.9759	1.6	0.9663	0.9841	–1.8

5. Group structure

5.1 Changes in the group structure

Divestments As at the end of August 2019, Bucher Emhart Glass sold its refractory business. The sale proceeds amounted to CHF 14.9 million. The assets divested included property, plant and equipment of CHF 4.5 million and inventories of CHF 2.8 million. The gain from the divestment amounted to CHF 7.6 million and is included under other operating income.

Acquisitions

Company	Country	Division	Group interest in %	Date of acquisition
				2019
Wuhan Zynkon Special Purpose Vehicle Manufacturing Co., Ltd.	CN	BM	100	3 July 2019
Zynkon Special Purpose Sales Co., Ltd.	CN	BM	100	3 July 2019
Wuhan Hanbao Machineries Co., Ltd.	CN	O	100	3 July 2019
Dynasty China Holding Limited	CN	O	100	3 July 2019
Elan Systems Müszak Fejlesztési Kft.	HU	BSp	100	8 July 2019
Symplex Vision Systems GmbH	DE	BEG	100	1 August 2019
				2018
Laser marking business of Qualimarq Sàrl	FR	BEG	n.a.	30 June 2018
Bucher Hydraulics (Wuxi) Co., Ltd.	CN	BH	70	31 July 2018
Artec Pulvérisation SAS	FR	KG	100	26 October 2018
Import business of Grunderco S.A.	CH	BSp	n.a.	23 November 2018

Divisions: KG Kuhn Group, BM Bucher Municipal, BH Bucher Hydraulics, BEG Bucher Emhart Glass, BSp Bucher Specials, O Other

The acquired companies have generated net sales of CHF 14.1 million (2018: CHF 22.5 million) since the acquisition dates. The acquisition and integration costs were recognised in 2019, the period in which they were incurred, under other operating expenses. Elan Systems Müszak Fejlesztési Kft. and Symplex Vision Systems GmbH were renamed to Jetter Autmation Hungary Kft. and Emhart Glass Vision GmbH respectively.

Net assets acquired

CHF million	**2019**	**2018**
Cash and cash equivalents	1.9	3.1
Trade receivables	5.6	12.3
Inventories	7.1	15.9
Property, plant and equipment	0.9	12.7
Intangible assets	0.1	0.3
Deferred income tax assets	–	0.6
Current financial liabilities	–2.5	–2.1
Trade payables	–3.1	–16.0
Current provisions	–0.1	–2.0
Other current liabilities	–3.1	–2.1
Deferred income tax liabilities	–0.1	–1.0
Other net assets	1.3	0.1
Net assets acquired	**8.0**	**21.8**

Net cash flow from acquisitions

CHF million

	2019	2018
Net assets acquired	8.0	21.8
Shares previously held	–	– 4.0
Minority interests	–	– 3.2
Goodwill	11.8	29.3
Total purchase consideration	**19.8**	**43.9**
Cash and cash equivalents acquired	– 1.9	– 3.1
Contingent consideration	–	– 0.7
Deferred consideration	– 0.3	– 9.2
Deferred consideration relating to previous years	9.2	0.4
Net cash flow from acquisitions	**26.8**	**31.3**

Acquisition of minority interests in Bucher Hydraulics Wuxi At the end of March 2019, Bucher Industries acquired a further 10% of the shares in Bucher Hydraulics Wuxi, increasing its shareholding to 80%. The purchase price of CHF 4.3 million was recognised as an acquisition of minority interests in the cash flow from financing activities. The increase led to a change in the minority interests in the consolidated statement of changes in equity in the amount of CHF 1.2 million. The difference of CHF 3.1 million between the purchase price and the carrying value of the minority interests was recognised in retained earnings.

5.2 Group companies

Subsidiaries

Company, place of incorporation	Country	Currency	Share capital	Division	Activities		Group interest in % 2019	2018
Bucher Industries AG, Niederweningen	CH	CHF	2’050’000	O		S		
Bucher Sudamerica Participações Ltda., São Paulo	BR	BRL	24’600’000	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 Co., Ltd., Beijing	CN	CNY	276’924’701	O		S	100	100
Dynasty China Holding Limited, Kowloon	CN	HKD	1	O		S	100	–
Wuhan Hanbao Machineries Co., Ltd., Wuhan	CN	USD	3’490’000	O		S	100	–
Bucher Beteiligungen GmbH, Klettgau	DE	EUR	4’500’000	O		S	100	100
Bucher Beteiligungsverwaltung GmbH, Munich	DE	EUR	50’000	O		S	100	100
Kuhn Germany GmbH, Emmendingen	DE	EUR	4’000’000	O		S	100	100
Bucher Industries Danmark ApS, Silkeborg	DK	DKK	51’000	O		S	100	100
Kuhn Group SAS, Strasbourg	FR	EUR	225’072’400	O		S	100	100
Kuhn Group SAS, Saverne	FR	EUR	200’100’000	O		S	–	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 S/A, 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., Deer Park, 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	100
Contifonte SAS, Saverne	FR	EUR	48’000	KG	P D		100	100
Kuhn-Audureau SAS, La Copechagnière	FR	EUR	4’070’000	KG	P D		100	100
Kuhn Blanchard SAS, Chaumes-en-Retz	FR	EUR	2’000’000	KG	P D		100	100
Kuhn-Huard SAS, 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 SAS, 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, Voronezh	RU	RUB	10’000’000	KG	D		100	100
Kuhn Ukraine LLC, 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 % 2019	2018
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
Wuhan Zynkon Special Purpose Vehicle Manufacturing Co., Ltd., Wuhan	CN	CNY	20’000’000	BM	P	D		100	–
Zynkon Special Purpose Sales Co., Ltd., Shanghai	CN	CNY	4’500’000	BM		D		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, Fuenlabrada, 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			100	100
Bucher Municipal LLC, Kaluga	RU	RUB	420’000	BM	P	D		60	60
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., Canoas, 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		80	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	49’966’680	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 %	
								2019	**2018**
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	100
Emhart Glass GmbH, Leipzig	DE	EUR	50'000	BEG			S	100	100
Emhart Glass Vision GmbH, Planegg, Munich	DE	EUR	25'000	BEG	P	D		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 Bahru	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 S.P.A., 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., Santa Rosa 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	P	D		100	100
Bucher Unipektin Latin America S. de R.L. de C.V., Mexico City	MX	MXN	5'000	BSp		D		100	–
Bucher-Alimentech Ltd., Auckland	NZ	NZD	2'503'000	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
Jetter Automation Hungary Kft., Budapest	HU	HUF	3'000'000	BSp	P	D		100	–

Significant associated companies

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2019	**2018**
Rauch Landmaschinenfabrik GmbH, Sinzheim	DE	EUR	1'650'000	O	P	D		24	24

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

6. Other information

6.1 Pension benefit obligations

The Group has significant pension plans in Switzerland, France, Germany and the USA in accordance with the relevant national regulations. These are generally institutions and foundations that are independent from the Group, and they are normally financed by employer and employee contributions.

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 minimal legal requirements for pension plans, which are governed by the Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (BVG). The economic impact on the Group is evaluated on the basis of the provisional financial statements of the APK as at 31 December 2019, which are prepared in accordance with Swiss GAAP FER 26. The current financial status of the APK shows an estimated coverage in accordance with BVG of over 100%, as in the prior year. The calculation of the pension liabilities is based, as in the previous year, on a discount rate of 2.5%.

Foreign plans The economic impacts of the foreign pension plans are based on country-specific actuarial valuations in accordance with generally accepted accounting principles. Depending on the country and the composition of the plan participants, the pension obligations are discounted at an interest rate of between 0.4 and 3.0% (2018: between 1.2 and 4.3%).

Economic benefits/obligations and pension benefit expense

	Pension plans			Total
CHF million	without surplus/deficit	with deficit	without own assets	
				2019
Balance at 1 January		11.4	25.8	37.2
Exchange differences		–0.6	–1.0	–1.6
Pension benefit expense in employment costs	41.5	8.0	2.5	52.0
Contributions and benefit payments	–41.5	–4.5	–0.8	–46.8
Change in pension benefit obligations		**2.9**	**0.7**	**3.6**
Balance at 31 December		**14.3**	**26.5**	**40.8**
Deficit		14.3		14.3
				2018
Pension benefit expense in employment costs	40.0	1.7	1.0	42.7

Accounting policies

Pension benefit obligations Surpluses and deficits are determined based on the financial statements of the pension plans or actuarial valuations. An economic benefit is only recognised if it is permissible and it is intended to utilise the surplus to reduce future employer contributions. An economic obligation is recognised, provided that the requirements for recognising a provision are met. Changes in the economic benefit or economic obligations as well as the contributions accrued for the period are booked as employment costs in the income statement.

Significant management assumptions and estimates

Actuarial calculations of pension benefit obligations The calculations of surpluses and deficits of the foreign pension plans are based on assumptions such as expected inflation rates, future salary increases, employee turnover, the life expectancy of the insured participants and the discount rate. These assumptions are made by management and may differ from the actual future developments.

6.2 Related parties and companies

In the reporting period, products worth CHF 42.3 million (2018: CHF 37.1 million) were purchased from associated companies. The net sales generated with associated companies amounted to CHF 0.4 million (CHF 3.2 million) and other expenditure with associated companies to CHF 0.1 million (CHF 0.7 million). The receivables from and payables to related parties and companies are listed in the table below.

CHF million

	2019	**2018**
Receivables from pension funds	1.0	1.6
Receivables from associates	2.3	4.3
Payables to pension funds	–4.7	–4.3
Payables to associates	–2.1	–2.4

6.3 Events occurring after the balance sheet date

Changes in the group structure In January 2020, Bucher Industries acquired a 100% interest in Eurovoirie SAS, Senlis, France. The company is a distributor of municipal vehicles on the French market and provides after sales services to its customers with a workshop, mobile technicians and a dense network of service partners across France. The operations acquired include 75 employees and generated net sales of CHF 34 million in 2018, of which more than half was derived from sales of Bucher Municipal vehicles and equipment. At the beginning of February 2020, Bucher Industries acquired a 100% interest in Industria de Maquinaria Luzzisa, S.L., El Puig, Valencia, Spain for its business unit Bucher Unipektin. The company produces equipment under the brand "Luzzysa" for processing citrus fruit. The operations acquired include around 20 employees and generated net sales of CHF 4 million in 2019. The company will be renamed to Bucher Exzel S.L.

Publication of the consolidated financial statements The consolidated financial statements were approved for publication by the board of directors on 28 February 2020. They are subject to formal approval by the annual general meeting on 24 April 2020.

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 income statement for the year ended 31 December 2019, the consolidated balance sheet as at 31 December 2019, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 74 to 107) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

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 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 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 14'000'000

We concluded full scope audit work at 32 reporting units in various countries. Our audit scope addressed over 82% of the Group's net sales.

In addition, we performed reviews at other reporting units in various countries, which account for further 3% of the Group's net sales.

As key audit matters the following areas of focus have been identified:

Valuation of inventories

Conversion from IFRS to Swiss GAAP FER

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.

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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 14'000'000
How we determined it	5% of profit before tax
Rationale for the materiality bench-mark 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 700'000 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.

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 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.

Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
Bucher Industries AG has significant inventory balances (CHF 790.8 million), which are accounted in accordance with Swiss GAAP FER. Determining production costs, write-downs and net realisable value involves significant scope for judgement. An incorrect estimate could have a significant impact on the result for the period. Please refer to page 90 (Invested capital – Inventories) in the notes to the consolidated finan-cial statements.	Our audit procedures regarding the valuation of inventories mainly comprised the following: • We gained an understanding of the inventory valuation process and tested selected internal controls relating to this process. • We attended year-end and rolling inventory counts. • We analysed on a sample basis the standard cost calculations. Additionally, we verified the differences between the standard and actual costs and we assessed whether appropriate measures had been taken with regard to valuation.

Key audit matter	How our audit addressed the key audit matter
	• We considered the assumptions underlying any write-downs in the light of historical experience and assessed their appropriateness. • We verified compliance with the principle of net realisable value of inventories. The results of our audit support the valuation of inventories in the consolidated financial statements.

Conversion from IFRS to Swiss GAAP FER

Key audit matter	How our audit addressed the key audit matter
With effect as of 1 January 2019, Bucher Industries AG changed the accounting framework it uses from International Financial Reporting Standards (IFRS) to Swiss GAAP FER. This change has significant impact on the 2019 consolidated financial statements and the prior year figures. Additionally, the Board of Directors and group management have exercised various policy choices and implemented for the first time the disclosure requirements in accordance with Swiss GAAP FER. Please refer to pages 81 and 82 (Information on this report – Change to Swiss GAAP FER) in the notes to the consolidated financial statements.	In our audit of the conversion from IFRS to Swiss GAAP FER, we performed in particular the following audit procedures: • We requested group management's assessment of the impact of the change on the opening balance as at 1 January 2018 and on the 2018 income statement, and we then assessed whether - all the effects of the change in accounting standards had been identified and recorded by group management; - the goodwill from acquisitions (intangible assets) had been correctly offset against equity; - the requirements of Swiss GAAP FER 16 'Pension benefit obligations' had been correctly implemented; - the liability related to the purchase of additional shares in fully consolidated subsidiaries had been correctly accounted; - deferred taxes had been correctly restated to take into account the effects of the change. • We checked whether the figures prepared according to Swiss GAAP FER in the opening balance sheet as at 1 January 2018 and the 2018 income statement were restated correctly. Additionally, we checked that the reconciliation of the shareholders' equity as at 1 January 2018 and 31 December 2018 and the profit for the year 2018 were disclosed correctly in the 2019 consolidated financial statements. • We assessed the completeness and the appropriateness of the disclosures according to Swiss GAAP FER in the 2019 consolidated financial statements. The results of our audit are consistent with a correct implementation of the Swiss GAAP FER requirements in the consolidated financial statements.

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 Swiss GAAP FER 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 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

Zürich, 28 February 2020

Holding company

Content

Income statement of Bucher Industries AG

CHF million	2019	2018
Income from investments	83.7	91.3
Royalty income	18.9	17.3
Administrative expenses	–7.1	–6.5
Operating profit (EBIT)	**95.5**	**102.1**
Finance costs	–73.2	–67.3
Finance income	77.0	66.4
Profit before tax	**99.3**	**101.2**
Income tax expense	–5.2	–7.4
Profit for the year	**94.1**	**93.8**

Balance sheet of Bucher Industries AG

CHF million	Note	31 December 2019	31 December 2018
Cash and cash equivalents		150.2	126.1
Other receivables		64.9	25.9
Accrued income		15.6	14.9
Current assets		**230.7**	**166.9**
Financial assets			
Loans		581.3	644.4
Investments		859.5	854.1
Intangible assets		0.2	0.3
Non-current assets		**1'441.0**	**1'498.8**
Assets		**1'671.7**	**1'665.7**
Interest-bearing liabilities			
Bonds	2.2	100.0	–
Loans and other bank borrowings	2.2	–	25.0
Other interest-bearing liabilities	2.2	125.2	131.9
Other liabilities		7.9	6.6
Accrued liabilities and deferred income		6.7	9.9
Current liabilities		**239.8**	**173.4**
Interest-bearing liabilities			
Bonds	2.2	100.0	200.0
Loans and other bank borrowings	2.2	366.7	338.9
Other liabilities		0.1	0.1
Provisions		4.5	5.7
Non-current liabilities		**471.3**	**544.7**
Total liabilities		**711.1**	**718.1**
Share capital	2.5	2.1	2.1
Statutory reserve		70.6	70.6
Distributable reserve		746.8	721.8
Retained earnings		53.2	66.2
Profit for the year		94.1	93.8
Treasury shares	2.6	–6.2	–6.9
Equity		**960.6**	**947.6**
Liabilities and equity		**1'671.7**	**1'665.7**

Notes to the financial statements of Bucher Industries AG

1. Information on this report

1.1 General information

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.

1.2 Accounting policies

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, are treated as a valuation unit. Information on the investments held, directly and indirectly, by Bucher Industries AG is provided in the list of group companies on pages 103 to 105 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 becomes legally entitled to them.

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

2. Notes

2.1 Balances with group companies

CHF million

	2019	2018
Other receivables	60.6	20.1
Accrued income	15.6	14.9
Financial assets	581.3	644.4
Interest-bearing liabilities	– 125.2	– 131.9
Other liabilities	– 2.5	– 2.8
Accrued liabilities and deferred income	– 3.5	– 4.4
Loans	– 351.7	– 324.1

2.2 Interest-bearing liabilities

Interest-bearing liabilities mainly include bonds, bank borrowings and loans and cash pool accounts with group companies. Further information on the bonds is disclosed on page 97 of the annual report.

2.3 Assets and liabilities based on observable market data

CHF million

	2019	2018
Derivative financial instruments – assets	9.4	9.0
Derivative financial instruments – liabilities	– 7.9	– 6.6
Assets and liabilities based on observable market data	**1.5**	**2.4**

2.4 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 194.2 million (2018: CHF 196.8 million). The amount used at the reporting date was CHF 48.6 million (CHF 49.9 million). Bucher Industries AG is jointly liable for the VAT group of Bucher-Guyer AG as part of group taxation arrangements.

2.5 Share capital and shareholders

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 main conditions 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 less than 0.1% of the issued share capital, with the voting rights attached to these 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 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	
	2019	**2018**
Philip Mosimann, chairman	47'924	47'355
Anita Hauser, deputy chairman	440'295	440'086
Claude R. Cornaz	3'943	3'759
Michael Hauser	605'313	605'129
Martin Hirzel	184	–
Heinrich Spoerry	3'931	3'747
Valentin Vogt	4'841	4'647
Board of directors	**1'106'431**	**1'104'723**

In the reporting period 1'708 shares (2018: 1'027) were allocated to the board of directors at a share price of CHF 359.60 (CHF 399.60) as part of their fees for their term of office 2018/2019 (term of office 2017/2018). Further information is disclosed in the remuneration report on page 65.

Group management's interests in shares

		Number of shares	
		2019	**2018**
Jacques Sanche	CEO	3'696	2'328
Manuela Suter	CFO	618	356
Stefan Düring	Bucher Specials	1'337	1'100
Martin Jetter	Bucher Emhart Glass	5'698	5'384
Thierry Krier	Kuhn Group	2'796	2'333
Aurelio Lemos	Bucher Municipal	938	621
Daniel Waller	Bucher Hydraulics	10'578	10'170
Group management		**25'661**	**22'292**

In the reporting period 3'369 shares (2018: 2'535) were allocated to group management for financial year 2018 at a share price of CHF 359.60 (CHF 399.60). Further information is disclosed in the remuneration report on page 66.

2.6 Treasury shares

As at 31 December 2019, Bucher Industries AG held 23'292 treasury shares (2018: 25'000). These shares were acquired on the stock exchange in the prior year 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	2019	2018
Retained profit carried forward as at 1 January	159’984’389	202’786’703
Transfer to distributable reserve	– 25’000’000	– 70’000’000
Dividend	– 81’813’664	– 66’625’000
Profit for the year	94’072’882	93’822’686
Retained earnings available for distribution	**147’243’607**	**159’984’389**

Proposal of the board of directors

CHF	2019	2018
Retained earnings available for distribution	147’243’607	159’984’389
Transfer to distributable reserve	– 25’000’000	– 25’000’000
Dividend[1)]	– 82’000’000	– 82’000’000
Balance to be carried forward	**40’243’607**	**52’984’389**

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 income statement for the year ended 31 December 2019, the balance sheet as at 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 114 to 119) as at 31 December 2019 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 10'000'000

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 investments

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.

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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 10'000'000
How we determined it	0.6% 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 500'000 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.

Impairment of investments

Key audit matter	How our audit addressed the key audit matter
Investments recognised on the balance sheet at CHF 859.5 million 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 116 (Information on this report - Investments) in the notes to the financial statements and to pages 103 to 105 (Group structure – Group companies) in the notes to the consolidated financial statements.	In identifying the potential need for impairment of investments, group 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 group 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 group management in assessing the impairment of 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.

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

Zürich, 28 February 2020