Financial contents

Group financial review 2008

Unsettled economic conditions Momentum in the markets served by Bucher Industries was extremely strong during the first nine months of 2008 despite sharply rising energy and raw material prices. However, a rapid economic downturn was felt in the last three months of the year. The massive fluctuations in the main currencies, the EUR, USD, SEK, GBP and AUD, against the Swiss franc weighed significantly on sales, operating profit and the net financial result. For example, the average EUR/CHF exchange rate used for the income statement fell by 3.6% and that of the USD/CHF by 9.8%. The rates used in translating the balance sheet showed changes of negative 10.3% for the EUR/CHF and of negative 5.1% for the USD/CHF.

Selective acquisitions Bucher Hydraulics selectively expanded its position in North America by acquiring Monarch Hydraulics Inc., Grand Rapids, Michigan, USA, and Command Controls Corp., Elgin, Illinois, USA. Monarch Hydraulics Inc. was included in the consolidated financial statements from 1 January 2008 and contributed CHF 65.2 million or about half of the division's sales growth. Command Controls Corp. was acquired on 21 November 2008. The purchase of Blanchard SAS, Chéméré, France, on 7 November 2008 broadened the range of sprayers offered by the Kuhn Group division. The Bucher Process division's operations in South America were expanded with the acquisition of the net assets of Chile-based Industrial y Comercial Neptuno S.A.

Continued high sales growth Despite the adverse effects of the financial and economic crisis during the fourth quarter of the year, the Group increased net sales by 13.4% (2007: 17.8%) to CHF 2 788.9 million, with high capacity utilisation overall. Organic growth was 16.0%, while acquisitions contributed 3.5%. Currency translation had a negative impact of 6.1%. All the divisions were affected by the rapid economic downturn in the fourth quarter of 2008, although the agricultural machinery sector proved to be encouragingly robust. Order intake rose by 3.2% to CHF 2 791.9 million, with organic growth of 5.7%. Other impacts on order intake were 3.1% from acquisitions and negative 5.6% from currency translation. The year-end order book stood at CHF 843.4 million (CHF 871.3 million), a backlog representing about 3.6 months of 2008 full year sales (4.3 months).

Net sales

CHF million	2008	2007	% change
Net sales	2788.9	2458.8	13.4%
Net sales adjusted for currencies	2937.9	2458.8	19.5%
Net sales adjusted for acquisitions	2710.6	2458.8	10.2%
Net sales adjusted for currencies and acquisitions	2851.9	2458.8	16.0%

Strong operating performance The Group's EBITDA was up 19.5% to CHF 341.6 million, lifting the EBITDA margin to 12.2% (2007: 11.6%). The continued rise in raw material and outsourcing costs was more than offset by the favourable impact of volume growth and targeted price increases. In particular, the higher sales volume had the positive effect of reducing the proportion of personnel and other operating expenses. EBIT before one-off impairment charges climbed by 20.4% to CHF 276.1 million, resulting in an EBIT margin of 9.9% compared to 9.3% a year earlier. EBIT after impairment charges of CHF 29.9 million came in at CHF 246.2 million, representing a year-on-year increase of 7.3% and an EBIT margin of 8.8%. As a result of the economic downturn and bleak outlook, the impairment testing of intangible assets which is required at least annually indicated that impairment charges of CHF 29.9 million were necessary for goodwill.

Negative currency impact Despite increased financing requirements, net interest expense remained at the previous year's level. The net gain on securities was CHF 9.2 million lower year-on-year at CHF 11.2 million because fewer securities were sold. Valuation reserves recorded in the fair value reserve in equity decreased by CHF 5.4 million to CHF 11.2 million. In particular, the abrupt decline in the main currencies towards the end of the year had a negative impact on foreign exchange gains and losses, resulting in largely unrealised exchange losses of CHF 23.3 million. Due to the falling market valuation, an impairment charge of CHF 8.9 million was necessary for investments in associates. Overall, the net financial result declined by CHF 39.7 million to negative CHF 29.1 million.

Net financial result

CHF million	2008	2007
Interest expense	– 16.6	– 14.8
Interest income	8.0	6.4
Net interest expense	**– 8.6**	**– 8.4**
Net gain on securities	11.2	20.4
Foreign exchange gains and losses	– 23.3	– 2.3
Share of profit of associates	1.1	1.7
Impairment on associates	– 8.9	–
Other financial items	– 0.6	– 0.8
Net financial result	**– 29.1**	**10.6**

Tax rate and profit for the year Income tax expense rose by CHF 2.7 million to CHF 71.7 million, with the tax rate increasing from 28.8% to 33.0%. This was due to the non-tax-deductible impairment charges of CHF 38.8 million. Without this effect, the tax rate would have been 28.0%. Profit for the year before one-off impairment charges grew by 7.8% to CHF 184.2 million (2007: CHF 171.0 million). The return on sales was 6.6% (7.0%). Including the impairment charges, profit for the year came in at CHF 145.4 million, with a 5.2% return on sales. As a result of the lower profit for the year and the slight reduction in average holdings of treasury shares, earnings per share decreased by 15.7% from CHF 17.07 to CHF 14.39.

Robust financial position Despite the economic and financial crisis, Bucher Industries still has a robust balance sheet structure. With the high organic sales growth of 16.0% and the acquisitions, inventories increased by CHF 64.1 million. This was partly due to the rapid economic downturn in the fourth quarter and a few project deferrals. As a result, net operating assets rose disproportionately to sales, growing by 33.3% to CHF 922.5 million at the balance sheet date. The average increase in net operating assets for the year was 29.7%. Together with the exceptional impairment charges, this affected the return on net operating assets after tax, which fell to 18.5% from the previous year's record level of 23.8%.

During 2008, capital expenditure on property, plant and equipment totalled CHF 129.5 million (2007: CHF 128.4 million). The most important projects were new assembly plants for large agricultural machinery near Saverne in France and for glass forming machines in Malaysia as well as factory extensions for Bucher Hydraulics in Switzerland and Bucher Municipal in Denmark.

As a result of the acquisitions, intangible assets before impairment charges grew by CHF 82.1 million to CHF 160.8 million, including an increase from CHF 61.0 million in goodwill to CHF 118.3 million. In view of the rapid economic downturn, the business plans were revised. This led to a reduction in the cash flow projections of the individual cash-generating units (CGUs). Goodwill impairment testing resulted in a goodwill impairment charge of CHF 25.2 million for Bucher Hydraulics Inc. and of CHF 4.7 million for Gmeiner GmbH in the Bucher Municipal division. After exceptional impairment charges, intangible assets amounted to CHF 130.9 million and goodwill amounted to CHF 88.9 million at the balance sheet date. The ratio of intangible assets to equity was 15.5% (2007: 9.0%). An impairment charge was also recognised on investments in associates. The investment in Jetter AG, which is traded on the Frankfurt stock exchange, is valued based on the share price. The market value of the 26.5% interest was EUR 5.9 million at 31 December 2008 (CHF 8.9 million). To provide for short-term risks, management decided to recognise an impairment charge of CHF 8.9 million for the investment. The CHF 7.6 million in purchased goodwill has therefore been fully written off.

Unrealised exchange differences of CHF 122.7 million weighed on equity. This negative foreign currency impact resulted from the translation of foreign currency denominated balance sheets into Swiss francs. Despite the profit of CHF 145.4 million for the year, equity decreased by CHF 26.7 million to CHF 846.1 million at 31 December 2008. The above-mentioned impact of currency translation and the dividend payment of CHF 50.3 million contributed to this. The equity ratio was 40.9% compared to 41.0% a year earlier, and the return on equity was 16.9% (2007: 21.4%). Excluding the impact of the exceptional impairment charges, the return on equity was 21.0%. Due to the marked upturn in sales and the acquisitions, working capital increased by CHF 118.2 million to CHF 463.3 million last year, driven especially by inventories and receivables. Together with the high CHF 129.5 million in capital expenditure on property, plant and equipment, operating free cash flow was negative CHF 15.3 million, compared with positive CHF 42.7 million a year earlier, and net operating assets rose by CHF 230.5 million to CHF 922.5 million. This growth in net assets and the CHF 149.7 million in acquisitions resulted in free cash flow of negative CHF 222.8 million, compared with positive CHF 0.9 million a year earlier, and reduced net liquidity by CHF 274.8 million to negative CHF 110.6 million. Through a mix of short- and long-term bank loans, combined with committed credit facilities of more than CHF 600 million, the Group retains a solid financing base even in these uncertain times of the financial crisis.

Return on net operating assets after tax (RONOA)

CHF million

	2008	**2007**
Trade receivables	479.3	480.9
Inventories	609.0	544.9
Property, plant and equipment	399.2	355.2
Intangible assets	130.9	78.7
Other receivables	110.4	88.2
Trade payables	−288.3	−282.4
Customer advances	−201.1	−217.7
Other liabilities	−238.8	−265.8
Provisions	−78.1	−90.0
Net operating assets (NOA)	**922.5**	**692.0**
Net operating assets (NOA) average	891.0	687.1
Operating profit (EBIT)	**246.2**	**229.4**
Return on net operating assets after tax (RONOA)	**18.5%**	**23.8%**

Cash flow / free cash flow

CHF million

	2008	2007
Net cash flow from operating activities	**102.5**	**166.0**
Purchases of property, plant and equipment	−129.5	−128.4
Proceeds from sale of property, plant and equipment	13.1	7.9
Purchases of intangible assets	−1.4	−2.8
Operating free cash flow	**−15.3**	**42.7**
Purchases of securities and financial assets	−31.4	−19.1
Proceeds from sale of securities and financial assets	25.3	28.8
Dividend paid	−50.3	−24.8
Acquisition of subsidiaries	−149.7	−26.1
Acquisition of associates	−1.4	−1.6
Disposal of subsidiaries	–	1.0
Free cash flow	**−222.8**	**0.9**

Employee numbers The average number of employees rose by 12.6% during the year (2007: 5.5%), an increase of 8.9% excluding acquisitions. With the sales growth of 13.4%, net sales per employee were up by a marginal 0.7% (11.6%) to CHF 341 110 (CHF 338 600). Excluding the impact of acquisitions, net sales per employee increased by 1.2% to CHF 342 816.

Selected financial data

	2008	2007
Net tangible worth (equity less goodwill) in CHF million	757.2	811.8
Gearing ratio (net debt to equity)	13.1%	−18.8%
Return on equity (ROE)	16.9%	21.4%
Interest coverage ratio (EBITDA to net interest expense)	39.7	34.0
Net debt repayment period in years (net debt to EBITDA)	0.3	−0.6

Shares In the wake of the financial crisis, the price of Bucher shares fell from CHF 261.00 at the beginning of the year to CHF 105.00 at 31 December 2008, having reached a 52-week high of CHF 305.50 and a 52-week low of CHF 88.90. The company's market capitalisation stood at CHF 1.1 billion at the year end, representing a price/book ratio of 1.3. Earnings per share before one-off impairment charges increased by 7.2% to CHF 18.30. Earnings per share after impairment charges were CHF 14.39, down 15.7% year-on-year. In view of the Group's solid results and steady dividend policy, the board of directors proposes that the annual general meeting on 16 April 2009 approve payment of a dividend of CHF 4.50 per registered share (2007: CHF 5.00). Based on the average share price during 2008 of CHF 213.96, the board's proposal represents a dividend yield of 2.1% (2007: 2.5%).

Consolidated balance sheet at 31 December 2008

CHF million		Note	2008	%	2007	%
Assets	**Current assets**					
	Cash and cash equivalents		132.6	6.4	377.5	17.7
	Securities	4	101.6	4.9	114.8	5.4
	Trade receivables	5	479.3	23.2	480.9	22.6
	Other receivables	5	98.5	4.7	79.0	3.7
	Inventories	6	609.0	29.5	544.9	25.6
	Total current assets		**1 421.0**	**68.7**	**1 597.1**	**75.0**
	Non-current assets					
	Long-term receivables	5	34.3	1.7	16.5	0.8
	Deferred tax assets	7	34.4	1.7	36.1	1.7
	Investments in associates	8	8.9	0.4	16.3	0.8
	Other financial assets	9	38.9	1.9	30.4	1.4
	Property, plant and equipment	10	399.2	19.3	355.2	16.6
	Intangible assets	11	130.9	6.3	78.7	3.7
	Total non-current assets		**646.6**	**31.3**	**533.2**	**25.0**
	Total assets		**2 067.6**	**100.0**	**2 130.3**	**100.0**
Liabilities and equity	**Current liabilities**					
	Financial liabilities	13	110.5	5.4	178.1	8.4
	Trade payables		288.3	13.9	282.4	13.3
	Customer advances		201.1	9.7	217.7	10.2
	Income tax liabilities		25.1	1.2	42.0	2.0
	Provisions	12	63.1	3.1	73.7	3.4
	Other liabilities	14	209.0	10.1	217.6	10.2
	Total current liabilities		**897.1**	**43.4**	**1 011.5**	**47.5**
	Non-current liabilities					
	Financial liabilities	13	234.3	11.4	150.0	7.0
	Deferred tax liabilities	7	47.8	2.3	44.7	2.1
	Retirement benefit obligations	26	21.5	1.0	27.8	1.3
	Provisions	12	15.0	0.7	16.3	0.8
	Other liabilities	14	5.8	0.3	7.2	0.3
	Total non-current liabilities		**324.4**	**15.7**	**246.0**	**11.5**
	Equity					
	Attributable to shareholders of Bucher Industries AG		835.8	40.4	863.1	40.5
	Attributable to minority interests		10.3	0.5	9.7	0.5
	Total equity		**846.1**	**40.9**	**872.8**	**41.0**
	Total liabilities and equity		**2 067.6**	**100.0**	**2 130.3**	**100.0**

Consolidated income statement for the year ended 31 December 2008

CHF million	Note	2008	%	2007	%
Net sales	1	**2 788.9**	**100.0**	**2 458.8**	**100.0**
Changes in inventories of finished goods and work in progress		78.4	2.8	70.9	2.9
Material expenses	17	−1 574.6	−56.5	−1 359.5	−55.3
Personnel expenses	18	−623.7	−22.4	−577.8	−23.5
Other operating income	19	30.1	1.1	30.3	1.2
Other operating expenses	20	−357.5	−12.8	−336.8	−13.7
Operating profit before depreciation and amortisation (EBITDA)		**341.6**	**12.2**	**285.9**	**11.6**
Depreciation	10	−55.0	−2.0	−46.2	−1.9
Amortisation	11	−10.5	−0.3	−10.3	−0.4
Impairment	11	−29.9	−1.1	–	–
Operating profit (EBIT)		**246.2**	**8.8**	**229.4**	**9.3**
Share of profit of associates	8	1.1	0.0	1.7	0.1
Impairment on associates	8	−8.9	−0.3	–	–
Finance expense	21	−15.4	−0.6	−15.4	−0.6
Finance income	22	−5.9	−0.1	24.3	1.0
Profit before tax		**217.1**	**7.8**	**240.0**	**9.8**
Income tax expense	23	−71.7	−2.6	−69.0	−2.8
Profit for the year		**145.4**	**5.2**	**171.0**	**7.0**
Attributable to shareholders of Bucher Industries AG		143.3		169.1	
Attributable to minority interests		2.1		1.9	
Basic earnings per share in CHF	24	14.39		17.07	
Diluted earnings per share in CHF	24	14.31		16.94	

Consolidated cash flow statement for the year ended 31 December 2008

CHF million	Note	2008	2007
Profit for the year		**145.4**	**171.0**
Adjustments for:			
Income tax expense	23	71.7	69.0
Depreciation and amortisation	10, 11	65.5	56.5
Impairment	11	29.9	–
Share of profit of associates	8	–1.1	–1.7
Impairment on associates	8	8.9	–
Gains on sale of non-current assets		–0.2	–3.1
Gains on sale of securities and financial assets		–10.5	–18.1
Net interest expense		8.6	8.4
Interest received		5.9	4.8
Interest paid		–15.0	–12.7
Income tax paid		–95.9	–33.6
Other operating cash flow items		6.7	6.9
Cash flow from operating activities before changes in working capital and provisions		**219.9**	**247.4**
Change in provisions and retirement benefit obligations		–7.0	–28.5
Change in working capital	25	–110.4	–52.9
Net cash flow from operating activities		**102.5**	**166.0**
Purchases of property, plant and equipment	10	–129.5	–128.4
Proceeds from sale of property, plant and equipment		13.1	7.9
Purchases of intangible assets	11	–1.4	–2.8
Purchases of securities and financial assets		–31.4	–19.1
Proceeds from sale of securities and financial assets		25.3	28.8
Acquisition of subsidiaries	3	–149.7	–26.1
Acquisition of associates	8	–1.4	–1.6
Disposal of subsidiaries	3	–	1.0
Net cash flow from investing activities		**–275.0**	**–140.3**
Change in treasury shares		1.4	3.1
Proceeds from long-term financial liabilities		91.8	22.4
Repayment of long-term financial liabilities		–6.9	–4.5
Proceeds from short-term financial liabilities		11.1	154.8
Repayment of short-term financial liabilities		–99.3	–120.8
Dividend paid		–50.3	–24.8
Net cash flow from financing activities		**–52.2**	**30.2**
Effect of exchange rate changes		–20.2	4.6
Net change in cash and cash equivalents		**–244.9**	**60.5**
Cash and cash equivalents at 1 January		377.5	317.0
Cash and cash equivalents at 31 December		**132.6**	**377.5**

Consolidated statement of changes in equity for the year ended 31 December 2008

CHF million	Share capital	Share premium reserve	Retained earnings	Currency translation reserve	Treasury shares	Fair value reserve	Attributable to share-holders of Bucher Industries AG	Attributable to minority interests	Total Equity
Balance at 1 January 2007	**2.1**	**70.6**	**660.7**	**−9.1**	**−32.6**	**25.0**	**716.7**	**7.8**	**724.5**
Change in currency translation reserve				3.1			3.1		**3.1**
Change in fair value of financial instruments						−8.4	−8.4		**−8.4**
Net income and expense recognised directly in equity				**3.1**		**−8.4**	**−5.3**		**−5.3**
Profit for the year			169.1				169.1	1.9	**171.0**
Total recognised income and expense for the year			**169.1**	**3.1**		**−8.4**	**163.8**	**1.9**	**165.7**
Change in treasury shares			4.4		3.0		7.4		**7.4**
Dividend			−24.8				−24.8		**−24.8**
Balance at 31 December 2007	**2.1**	**70.6**	**809.4**	**−6.0**	**−29.6**	**16.6**	**863.1**	**9.7**	**872.8**
Change in currency translation reserve				−122.7			−122.7	−1.0	**−123.7**
Change in fair value of financial instruments						−5.4	−5.4		**−5.4**
Net income and expense recognised directly in equity				**−122.7**		**−5.4**	**−128.1**	**−1.0**	**−129.1**
Profit for the year			143.3				143.3	2.1	**145.4**
Total recognised income and expense for the year			**143.3**	**−122.7**		**−5.4**	**15.2**	**1.1**	**16.3**
Change in treasury shares			5.5		1.8		7.3		**7.3**
Dividend			−49.8				−49.8	−0.5	**−50.3**
Balance at 31 December 2008	**2.1**	**70.6**	**908.4**	**−128.7**	**−27.8**	**11.2**	**835.8**	**10.3**	**846.1**

Notes to the consolidated financial statements

Group accounting policies

General information Bucher Industries AG is a limited company incorporated in Switzerland whose shares are publicly traded on the SIX Swiss Exchange. Its registered office is in Niederweningen. The Bucher Industries Group is organised into five divisions operating in the following business segments: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), wine and fruit juice production equipment (Bucher Process), hydraulic components (Bucher Hydraulics) and manufacturing equipment for the glass container industry (Emhart Glass).

The consolidated financial statements have been prepared in Swiss francs (CHF) in accordance with International Financial Reporting Standards (IFRS) and Swiss law under the historical cost convention, except for certain assets and liabilities that are measured at fair value.

Changes in accounting policies The following amendments issued by the International Accounting Standards Board (IASB) became effective in 2008. From 1 January 2008, the Group has applied the interpretation IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.” This interpretation essentially provides guidance on assessing the amount of surplus in a defined benefit plan that becomes available in the form of refunds from the plan or reductions in future contributions. The adoption of this interpretation has no impact on these financial statements. IFRIC 11 “IFRS 2 - Group and Treasury Share Transactions” was already adopted in the reporting year 2007. IFRIC 11 requires that a share-based payment transaction in which a group company receives goods or services as consideration for its own equity instruments be accounted for as an equity-settled transaction, regardless of how the equity instruments are obtained. The adoption of these interpretations does not have a significant impact on the consolidated financial position or results of operations of Bucher Industries. Interpretations IFRIC 12 “Service Concession Arrangements” and IFRIC 13 “Customer Loyalty Programmes” are not relevant to Bucher Industries. In January 2008, the IASB published revisions to IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”. Bucher Industries has early adopted the revised standards IFRS 3R and IAS 27R prospectively. The adoption of these standards results in significant changes in the accounting treatment and disclosure of business combinations and transactions with non-controlling (minority) interests. These consolidated financial statements are mainly affected by the more detailed disclosure requirements and the expensing of acquisition costs.

Future standards not yet adopted The IASB has published a number of new and amended standards and interpretations that will be applicable for financial years beginning on or after 1 January 2009 and have not been adopted early in these consolidated financial statements. The following standards will be effective from 1 January 2009. IAS 1 “Presentation of Financial Statements” requires that all items of income and expense previously recognised directly in equity, other than those resulting from transactions with owners, be presented in a statement of comprehensive Income. IFRS 2 “Share-based Payment - Vesting Conditions and Cancellations” clarifies the definitions of vesting conditions and cancellations. IFRS 8 “Operating Segments” will replace IAS 14 “Segment Reporting”. Under IFRS 8, operating segments must be identified and their operating performance presented in the financial statements on the basis of the information used by the Group’s chief operating decision-maker in carrying out his duties. This new requirement is not expected to impact the segments and items presented for Bucher Industries or their measurement. The amendment to IAS 23 “Borrowing Costs” requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The change must be applied prospectively. IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation” cover the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. Due to the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the most subordinated claim to the entity’s net assets. The amendment to IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” concerns the accounting for government loans granted with no interest or below-market interest rates. In future, these must be accounted for in accordance with IAS 39 “Financial Instruments: Recognition and Measurement.” IFRIC 15 “Agreements for the Construction of Real Estate” provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue”. In addition, several standards are being amended as part of the annual improvement project.

The effects of the new and revised standards and interpretations are being investigated. However, group management currently does not expect these changes to have a material impact on the financial position or results of operations of Bucher Industries.

Management’s assumptions and estimates The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates. The consolidated financial statements will be adjusted in the reporting year in which the circumstances change.

Impairment of assets Goodwill and intangible assets that have indefinite useful lives are tested for impairment at least annually, while other assets are tested for impairment when circumstances indicate that their carrying amount may not be recoverable. To determine whether assets are impaired, various assumptions and estimates of future cash flows expected from their use and eventual disposal are made and discounted. Actual cash flows may differ from those forecasts. Such impairment losses are recognised as an expense in the income statement. The carrying amount of goodwill and more detailed information can be found in the notes to the consolidated financial statements.

Income tax expense Assumptions and estimates are required to determine the amount of current and deferred income tax assets and liabilities. Deferred tax assets are recognised primarily for temporary differences and, in specific cases, also for tax losses carried forward to the extent that the realisation of the related tax benefit is probable. This means that their measurement is based on forecasts by the companies concerned and on assessments of tax legislation and regulations. If these forecasts and assessments prove to be incorrect, then impairment may result.

Provisions Provisions are made for a number of events where it is probable that an outflow of resources will be required. Warranty provisions are based on estimates made by applying historical data for the previous two years to current sales. Management estimates the other provisions realistically based on information currently available. Actual cash outflows and their timing may differ significantly depending on the outcome of events.

Pension plans Most of the pension plans operated by the Group are of the defined contribution type, but defined benefit plans are provided in some countries. The calculation of defined benefit obligations is based on statistical and actuarial assumptions, such as the expected inflation rate, future salary increases, probable turnover rate, life expectancy of plan members, discount rate and expected rate of return on plan assets. If any of these factors differs from the underlying assumptions, this may have a significant impact on the amount of benefit obligations and assets of the pension plans.

Basis of consolidation The consolidated financial statements incorporate the financial statements of Bucher Industries AG domiciled in Niederweningen, Switzerland, and all its Swiss and foreign group companies where Bucher Industries AG exercises control by directly or indirectly holding more than 50% of the voting rights or has acquired control through contractual arrangements. Using the full consolidation method, all assets, liabilities, income and expenses of the companies in the consolidated Group are included in the consolidated financial statements. Minority interests in equity and results are reported separately in the consolidated balance sheet and income statement. The consolidated financial statements are based on the group companies' financial statements made up to 31 December using uniform accounting policies (IFRS). These financial statements are prepared in compliance with national legislation and are then presented applying uniform classification and valuation criteria for the consolidation. Where necessary, prior year comparative information is reclassified or expanded from the previously reported consolidated financial statements to take into account any presentational changes. All inter-company balances, transactions, cash flows, realised and unrealised profits are eliminated. Inter-company transactions are conducted on normal commercial terms and conditions. The purchase method of accounting is used to account for acquisitions. Under this method, the cost of acquiring a company is offset against its net assets measured at fair value using uniform group policies at the time of acquisition. Group companies acquired during the year are consolidated from the date on which control is transferred to the Group and companies sold are deconsolidated from the date that control ceases. Associated companies where Bucher Industries owns between 20% and 50% of the equity and has a significant influence are accounted for using the equity method. Under this method, the Group recognises its share of the company's net profit as the share of profit of associates and its share of equity as investments in associates.

Foreign currency translation In the group companies, foreign currency transactions are translated at the exchange rates prevailing at the transaction dates, while assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Resulting foreign exchange gains or losses are recognised in the income statement. Derivative financial instruments used to hedge foreign exchange exposures on balance sheet items are measured at fair value, with changes in fair value also being recognised in the income statement. Exchange differences arising from the translation of intra-group foreign currency loans forming part of the Group's investment in foreign operations are either charged or credited to equity. On realisation, cumulative exchange differences are taken to the income statement. For the purpose of the consolidated financial statements, balance sheets prepared in foreign currencies are translated into Swiss francs at the closing (middle) exchange rates ruling at the year end. Expenses, income and cash flows presented in income and cash flow statements denominated in foreign currencies are translated at average exchange rates for the year (average of the twelve month-end middle exchange rates). Resulting differences are taken to the currency translation reserve as a component of equity.

Financial risk management

Risk policy and organisation The use of financial instruments exposes the Group to the following risks: credit risk, liquidity risk and price or market risk. The Group has a functional and effective risk management system in place, employing defined risk control procedures and risk limitations. Responsibilities for risk management are clearly assigned and regulated. The board of directors defines and approves the framework for risk management policy and also plays a monitoring role in respect of compliance with the risk control mechanisms. Furthermore, it sets risk limits for the Group as a whole. Group management is accountable for ensuring that the risk management policy approved by the board of directors is operationally embedded within the Group and delegates the necessary responsibilities. It monitors compliance with the risk limits and decides what risk transfer instruments are used. In addition, group management ensures the soundness of the risk management process, including adequate technical resources to keep the risk management system functioning at all times. Group treasury evaluates all financial risk factors for the entire Group using modern risk analysis techniques (value-at-risk and stress tests). It uses financial derivatives to selectively control financial exposure at the level of subsidiaries and the holding company with the objective of achieving high levels of hedge effectiveness. It is the Group's policy not to enter into any foreign currency or interest rate transactions for speculative purposes, e.g. hedging transactions without a corresponding underlying transaction. The divisions' finance departments are responsible for managing credit and commodity price risk.

Credit risk Credit risk arises from the possibility of partial or total default on contractual payments and/or performance obligations. In addition, there is exposure to losses of value of financial instruments due to deterioration in credit quality because of an adverse change in the financial circumstances of business partners. The finance departments are responsible for operational credit risk as part of their receivables management. They determine the credit terms and demand payment from customers, taking into account their past payment history (for existing customers) and an analysis of their credit quality (for new and existing customers). Credit risk associated with investments is diversified by being widely spread among the financial institutions used. It is the Group's policy to enter into contracts only with highly rated domestic and foreign financial institutions.

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 time. Group treasury is responsible for the company's liquidity management. Its role is to ensure liquidity for the Group at all times and in any currency required within the framework of an in-house banking concept. In order to manage liquidity requirements proactively, group treasury conducts liquidity planning in coordination with the divisions' finance departments to anticipate future payment flows and cash resources. Cash flows are matched with existing credit facilities so that appropriate measures can be taken in good time to ensure the ability to meet financial obligations.

Price risk Price risk arises from changes in market risk factors, such as foreign exchange rates, interest rates and commodity prices, that result in a decline in the market value and/or book value of the balance sheet or profit and loss items exposed to these risk factors. Interest rate and exchange rate risk exposures are regularly measured as value-at-risk, supplemented by stress test scenarios, and are reported to group management. The divisions hedge the identified exchange rate exposure together with group treasury, using financial instruments defined for this purpose. Group treasury, in turn, selectively enters into hedging transactions with banks.

Financial instruments/measurement All financial assets are initially recognised at fair value, plus transaction costs in the case of financial instruments not held for trading. Purchases and sales are recognised on the settlement date (date of payment and delivery).

Held for trading Subsequent to initial recognition, money market instruments included in cash and cash equivalents, and derivative financial instruments are measured at fair value, with changes in fair value recognised in the income statement. Hedge accounting (as defined in IAS 39) is not applied. Derivative financial instruments are recorded as other receivables or current financial liabilities as applicable.

Loans and receivables Bank balances and receivables are measured at amortised cost using the effective interest method and written down or written off in the income statement if they are impaired or uncollectible.

Available-for-sale Available-for-sale financial assets are generally measured at fair value or, if their fair value cannot be reliably determined, recognised at cost. Unrealised gains or losses are recognised in the fair value reserve in equity and are not included in the income statement until they are realised. Interest is calculated using the effective interest method and is recognised in the income statement. When the assets are sold or permanently impaired, the associated gains or losses previously recorded in equity are recognised in the income statement.

Cash and cash equivalents Cash and cash equivalents comprise cash in hand, balances in postal and bank accounts, and fixed term deposits with original maturities of three months or less. There are no restrictions on cash and cash equivalents.

Securities Securities comprise marketable, readily realisable investments (shares, bonds, money market instruments) classified as available-for-sale. Fair value is determined by reference to quoted market prices.

Receivables Receivables are measured at amortised cost, net of specific provisions for known credit and country transfer risks. Allowances based on historical experience are made for risks associated with receivables not specifically identified as impaired.

Inventories Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or on a first-in, first-out basis. The same method is used for inventories having a similar nature and use to the company. Where necessary, inventories are written down to provide for all foreseeable losses on work in progress, goods and slow-moving items.

Other financial assets These include long-term investments (of less than 20%), long-term loans and other miscellaneous financial assets. Long-term loans are carried at amortised cost, while the other financial assets are carried at amortised cost or fair value and are classified as loans and receivables or available-for-sale.

Property, plant and equipment Property, plant and equipment are stated at historical cost less accumulated depreciation. The different components are accounted for as separate items. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The remaining useful lives are reviewed periodically. If there are indications of impairment, the recoverable amount of the asset is determined and compared with its current carrying amount. When the carrying amount exceeds the recoverable amount, the asset is written down accordingly. Such impairment losses are recognised in the income statement. Depreciation is based on the following useful lives:

	Years
Buildings	15 – 50
Temporary structures	5 – 10
Infrastructure	10 – 30
Plant and machinery	5 – 12
Furniture, fixtures and equipment	5 – 15
Office machinery, computer equipment, vehicles	2 – 7

Assets of low value are expensed directly to the income statement.

Borrowing costs Borrowing costs are charged directly to the income statement.

Leases A finance lease is defined as a lease that transfers substantially all the risks and rewards of ownership. Ownership may or may not eventually be transferred. On initial recognition, assets held under finance leases are capitalised at the lower of their fair value and the present value of the future minimum lease payments and are then depreciated over the shorter of their estimated useful lives and the lease term. The related lease obligations are recorded as liabilities. An operating lease is a lease other than a finance lease. The lease payments are charged to the income statement on a straight-line basis over the lease term.

Investment property Property that is not held for operating purposes is recorded at cost and depreciated on a straight-line basis.

Intangible assets Purchased intangible assets, such as licences, patents and similar rights, that will generate sustainable economic benefits are capitalised and amortised on a straight-line basis over their expected remaining useful lives. The useful lives range from 5 to 20 years depending on the type of asset. Goodwill on acquisitions and intangible assets with indefinite useful lives are not amortised, but are capitalised and tested for impairment annually or whenever circumstances indicate that they may be impaired. Im-pairment losses are recognised in the income statement when there is an indication that the carrying amount may not be recoverable. Goodwill on investments in associates is included in the carrying amount of the investment. Research expenditure is recognised in the income statement as an expense as incurred. Development costs are capitalised only if the future economic benefits will be sufficient to recover the amount capitalised and if the other IFRS criteria are met.

Discontinued operations and non-current assets held for sale Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and any impairment losses are recognised in the income statement.

Liabilities Liabilities are measured at amortised cost using the effective interest method.

Provisions Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Equity The share premium reserve comprises amounts paid in by shareholders in excess of the par value of shares (paid-in surplus). Treasury shares are recognised as a deduction from equity. Realised gains and losses on treasury shares are recorded in retained earnings. The same applies to the fair value of share-based payments (share option plans). Dividends are charged to equity in the period in which they are approved by the general meeting of shareholders.

Net sales / revenue recognition Revenue from the sale of goods and services is recognised when the risks and rewards of ownership have been transferred or the services rendered. Revenue from services rendered is recognised as income in proportion to the services performed. Sales are recorded net of sales deductions, such as sales incentives, commissions, rebates and trade discounts recognised on an accrual basis.

Income tax expense Provision is made for all current tax liabilities. Current income tax is calculated on taxable profit for the year. Taxes that are not based on taxable profit are charged to operating expenses. Deferred income tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using the local tax rates that apply or are expected to apply to the respective group companies. Potential tax benefits arising from tax losses carried forward and temporary differences are recognised only to the extent that it is probable that they will be realised through future taxable profits against which the losses can be utilised. Furthermore, provision is made for additional income taxes that arise from the distribution of retained profits by foreign companies if such distributions are currently planned.

Retirement benefits Most employees are covered by pension schemes in accordance with the relevant national regulations. The Group operates a number of defined benefit and defined contribution pension plans. The majority of these pension schemes are defined contribution plans. The assets of the pension schemes in Switzerland, the USA and the UK are held in separate trustee administered funds, mostly classified as defined benefit plans. The schemes are generally funded by employee and employer contributions. The Group's contributions to defined contribution pension plans are charged directly to the income statement. In application of IAS 19, employer contribution reserves and assets of voluntary employer-sponsored funds are recognised as assets. The available assets in Swiss pension plans are not recognised as assets because it is not believed that the surplus can be used to generate future economic benefits as defined in IFRS. Future defined benefit obligations are calculated by independent actuaries using the projected unit credit method every one to three years, depending on the materiality of the pension plan. Actuarial gains and losses arise mainly from changes in actuarial assumptions and from differences between actuarial assumptions and what has actually occurred. Effects of plan amendments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of the plan assets or 10% of the defined benefit obligation are charged or credited to pension costs over the average remaining service lives of employees participating in the plan. Other surpluses in pension schemes are recognised as an asset only to the extent that economic benefits will actually be available to the Group in the form of refunds or reductions in future contributions to the plan.

Share-based payments Every year the Group adopts a share-based payment scheme in the form of a share option plan for the members of the group management and division managements. The fair value of outstanding options granted to employees under share option plans is determined, charged to personnel expenses and recorded in equity. Their fair value is recognised pro rata over the periods to vesting. The shares to meet awards under these share-based payment schemes are purchased in the open market and held by Bucher Beteiligungs-Stiftung, a consolidated employee share ownership trust.

Segment reporting The segment information presented reflects the operational and management structure of Bucher Industries. Each of the divisions, or segments, is distinct from the others, providing different products and services for different customer groups. Assets, liabilities, income and expenses can be clearly allocated to the divisions. The analysis by geographical area is based on the geographical location of the Group's operations and customers. Net sales are allocated based on the location where the customer is invoiced. Operating assets and liabilities, capital expenditure and the number of employees are broken down by company locations.

Government grants The grants are deferred and recognised in the income statement over the period necessary to match them with the related costs.

Fair value Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is determined by reference to quoted market prices or using model calculations and estimated discounted cash flows.

Notes to the consolidated financial statements

1 Analysis by division

CHF million	Net sales		Operating profit (EBITDA)		Depreciation		Amortisation		Operating profit (EBIT)	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Kuhn Group	1 105.6	929.2	157.0	126.8	19.3	16.3	0.8	2.8	136.9	107.7
Bucher Municipal	579.1	556.5	50.9	45.7	7.0	7.6	1.2	1.2	38.0	36.9
Bucher Process	195.2	173.8	26.1	21.0	1.8	1.8	0.2	0.2	24.1	19.0
Bucher Hydraulics	497.0	386.6	76.3	70.8	17.0	11.6	2.9	0.7	31.2	58.5
Emhart Glass	418.3	419.6	44.4	41.7	9.0	8.1	0.4	0.4	35.0	33.2
Other / consolidation	– 6.3	– 6.9	– 13.1	– 20.1	0.9	0.8	5.0	5.0	– 19.0	– 25.9
Total	**2 788.9**	**2 458.8**	**341.6**	**285.9**	**55.0**	**46.2**	**10.5**	**10.3**	**246.2**	**229.4**

CHF million	Capital expenditure on property, plant and equipment		Capital expenditure on intangible assets		Total assets		Total liabilities		Number of employees at 31 December	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Kuhn Group	59.0	44.7	0.2	0.4	683.1	569.6	308.4	283.7	3 563	3 077
Bucher Municipal	16.7	14.4	0.3	0.4	295.4	326.6	112.1	129.7	1 543	1 535
Bucher Process	3.0	2.0	0.4	0.8	107.7	102.1	40.5	47.8	520	490
Bucher Hydraulics	33.7	26.3	0.3	1.0	326.7	223.7	68.7	67.0	1 664	1 303
Emhart Glass	17.1	40.7	–	–	310.2	313.0	87.4	92.3	1 064	1 063
Other / consolidation	–	0.3	0.2	0.2	344.5	595.3	604.4	637.0	19	16
Total	**129.5**	**128.4**	**1.4**	**2.8**	**2 067.6**	**2 130.3**	**1 221.5**	**1 257.5**	**8 373**	**7 484**

The range of products offered by the Group comprises specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), wine and fruit juice production equipment (Bucher Process), hydraulic components (Bucher Hydraulics) and manufacturing equipment for the glass container industry (Emhart Glass). Inter-segment transactions between the divisions were not significant and were conducted on normal commercial terms and conditions. Unallocated EBIT and EBITDA reported as “other” include amortisation of intangible assets not attributable to a specific division and the results of the holding, finance and management companies.

Impairment testing of intangible and financial assets resulted in a goodwill impairment charge of CHF 25.2 million for the Bucher Hydraulics division (Bucher Hydraulics Inc.) and of CHF 4.7 million for the Bucher Municipal division (Gmeiner GmbH). The divisions’ total assets consist of intangible assets acquired by the divisions together with property, plant, equipment, inventories and receivables. Financial assets, income tax receivables, securities, cash and cash equivalents are reported as “other”. This presentation of total assets for the divisions reflects their operating assets. The divisions’ total liabilities comprise all liabilities except financial liabilities and income tax and deferred tax liabilities, which are included in “other”.

2 Analysis by geographical area

CHF million	Net sales		Operating assets		Capital expenditure on property, plant and equipment and intangible assets		Number of employees at 31 December	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
EU	1 629.5	1 500.6	790.1	825.7	84.3	71.3	5 119	4 785
Switzerland	131.4	128.8	395.5	343.3	22.4	14.3	1 043	980
Rest of Europe	184.1	138.4	7.0	1.5	0.7	0.2	45	24
Europe	**1 945.0**	**1 767.8**	**1 192.6**	**1 170.5**	**107.4**	**85.8**	**6 207**	**5 789**
Americas	469.2	386.9	451.9	304.1	17.0	37.1	1 666	1 211
Asia	216.5	182.2	17.2	13.5	6.2	1.1	210	210
Rest of world	158.2	121.9	43.6	50.2	0.3	7.2	290	274
Total	**2 788.9**	**2 458.8**	**1 705.3**	**1 538.3**	**130.9**	**131.2**	**8 373**	**7 484**

3 Acquisitions and disposals

On 1 January 2008, Bucher Industries acquired the net assets of Monarch Hydraulics Inc., Grand Rapids, Michigan, USA, which were contributed to the newly established company Bucher Hydraulics Inc. Bucher Hydraulics Inc. is a leading manufacturer of sophisticated hydraulic drive solutions and has been integrated into the Bucher Hydraulics division. The acquisition was an important strategic move to strengthen competitiveness in engineering, manufacturing, sales and service in the USA. The entire purchase consideration was paid in cash. The gross amount of receivables acquired of CHF 10.2 million represented fair value. All receivables were considered fully collectible. The goodwill acquired in this acquisition amounted to CHF 58.7 million and is tax-deductible. The purchase price allocation has been completed. The acquisition costs of CHF 1.1 million have been recognised in other operating expenses. In the period from 1 January to 31 December 2008, Bucher Hydraulics Inc. generated EBITDA of CHF 5.2 million and EBIT of negative CHF 0.4 million, before impairment charges, on sales of CHF 65.2 million. Amortisation of the capitalised intangible assets resulting from the purchase price allocation had an adverse impact of CHF 2.5 million on operating profit.

On 29 May 2008, Bucher Industries acquired the net assets of Industrial y Comercial Neptuno S.A., Chile. Its operations have been integrated into the Bucher Process division. The acquisition of Neptuno S.A. includes a manufacturing plant to reinforce operations in the local market. The entire purchase consideration was paid in cash. The gross amount of receivables acquired of CHF 0.3 million represented fair value and was considered fully collectible. There was no goodwill on this acquisition. The purchase price allocation has been completed. The marginal acquisition costs have been recognised in other operating expenses.

On 7 November 2008, Bucher Industries acquired all the shares in Blanchard SAS, Chéméré, France. The company was renamed Kuhn Blanchard SAS. Kuhn Blanchard SAS is specialised in manufacturing sprayers and has broad expertise in research, development and manufacturing. Its product line comprises technologically advanced sprayers in various capacities for agriculture and grounds maintenance. Kuhn Blanchard SAS is being integrated into the Kuhn Group division. The entire purchase consideration was paid in cash, with a deferred payment of CHF 2.4 million due in November 2009. The gross amount of receivables acquired of CHF 7.3 million represented fair value. All receivables were considered fully collectible. Kuhn Blanchard SAS has been included in the consolidated financial statements of Bucher Industries at provisional values at the date of acquisition because the fair values of Kuhn Blanchard SAS's identifiable assets, liabilities and contingent liabilities have not yet been finally determined. Based on the provisional purchase price allocation, there was no goodwill. Both goodwill and the amount and valuations of identifiable assets, liabilities and contingent liabilities are therefore subject to change.

On 21 November 2008, Bucher Industries acquired all the shares in Command Controls Corp., Elgin, Illinois, USA. Command Controls Corp. is being integrated into the Bucher Hydraulics division and is specialised in manufacturing cartridge valves for hydraulic system solutions. Command Controls Corp.'s cartridge valve technology for hydraulic system solutions complements the range of Bucher Hydraulics products in the USA and, combined with the existing product range, provides the opportunity to offer a broader spectrum of hydraulic system solutions to local and global customers. The entire purchase consideration was paid in cash. The gross amount of receivables acquired of CHF 1.5 million represented fair value. All receivables were considered fully collectible. The acquisition costs of CHF 0.3 million have been recognised in other operating expenses. Command Controls Corp. has been included in the consolidated financial statements of Bucher Industries at provisional values at the date of acquisition because the fair values of identifiable assets, liabilities and contingent liabilities have not yet been finally determined. Based on the provisional purchase price allocation, goodwill amounted to CHF 11.4 million. Both goodwill and the amount and valuations of identifiable assets, liabilities and contingent liabilities are therefore subject to change.

The acquisitions of Industrial y Comercial Neptuno S.A., Kuhn Blanchard SAS and Command Controls Corp. contributed CHF 11.7 million to consolidated sales for the financial year. If the acquisitions had occurred on 1 January 2008, they would have contributed CHF 44.4 million to group sales and CHF 1.1 million to EBIT.

3 Acquisitions and disposals (continued)

Goodwill

CHF million	Bucher Hydraulics Inc.	Other	Total	
			2008	**2007**
Cash paid	126.4	23.3	149.7	25.6
Direct costs relating to the acquisition	–	–	–	0.8
Deferred consideration	–	2.4	2.4	3.3
Total purchase consideration	**126.4**	**25.7**	**152.1**	**29.7**
Less fair value of net identifiable assets acquired	−67.7	−14.3	−82.0	−14.3
Goodwill	**58.7**	**11.4**	**70.1**	**15.4**

The goodwill arising on the acquisitions is mainly attributable to the expected tax benefits and potential for synergies arising from the business combination, expertise of the workforce and other intangible assets that cannot be separately identified and measured individually. Since 1 January 2008, costs directly attributable to an acquisition have no longer been capitalised, but are charged directly to the income statement.

The deferred consideration of CHF 2.4 million relates to the acquisition of Kuhn Blanchard SAS. This sum will fall due for payment in November 2009.

Further details of intangible assets can be found on pages 94 and 95.

Cash flow from acquisitions and disposals

CHF million	Acquisitions	Acquisitions	Disposals
	2008	**2007**	**2007**
	Fair value	Fair value	
Cash and cash equivalents	0.7	0.3	–
Trade receivables	18.0	8.5	–1.6
Other receivables	1.1	1.5	–
Inventories	21.1	8.2	–3.9
Deferred tax assets	0.7	0.8	–
Property, plant and equipment	24.6	0.7	–2.4
Intangible assets	37.9	8.0	–
Financial liabilities – current	–1.0	–	–
Trade payables	–8.8	–1.5	4.7
Other liabilities	–3.9	–5.0	–
Provisions	–0.6	–0.4	–
Deferred tax liabilities	–3.0	–	–
Financial liabilities – non-current	–4.8	–6.8	0.9
Net assets	**82.0**	**14.3**	**–2.3**
Cash and cash equivalents	–0.7	–0.3	
Deferred consideration	–2.4	–3.3	
Goodwill	70.1	15.4	
Use of provisions made in 2006 for risks			1.3
Deferred consideration paid	0.7		
Net cash outflow / inflow on acquisitions and disposals	**149.7**	**26.1**	**–1.0**

4 Securities

CHF million	2008	2007
Shares	3.3	6.7
Bonds	95.8	102.2
Money market instruments	2.5	5.9
Securities	**101.6**	**114.8**

Shares, bonds and money market instruments are classified as available-for-sale. The after-tax change in fair value recorded in equity were CHF 0.7 million (2007: CHF 1.8 million).

5 Receivables

CHF million	2008	2007
Trade receivables	469.6	449.9
Notes receivable	29.4	33.9
Trade receivables	**499.0**	**483.8**
Other receivables	62.0	62.8
Receivables from associates	–	0.5
Income tax receivables	18.1	7.6
Accrued income	7.3	9.9
Derivative financial instruments	18.7	3.6
Receivables from voluntary employer-sponsored funds	3.7	3.7
Prepayments to suppliers	3.3	4.5
Other receivables	**113.1**	**92.6**
Receivables	**612.1**	**576.4**
Current portion	577.8	559.9
Non-current portion	34.3	16.5

Trade receivables and notes receivable represent amounts receivable for goods supplied and services provided. The amounts are stated net of provisions of CHF 17.8 million (2007: CHF 19.0 million) for impairment. Collateral with a value of CHF 72.2 million (CHF 78.6 million) was held as security for receivables. Derivative financial instruments are classified as held for trading.

Derivative financial instruments – hedges

CHF million	2008	2007
Forward currency contracts and options		
Contractual amounts	748.4	652.7
Negative fair value	24.4	2.5
Positive fair value	18.7	3.6
Interest rate contracts		
Contractual amounts	3.9	5.4
Negative fair value	0.2	0.1
Positive fair value	–	–
Current portion with negative fair values	24.6	2.6
Current portion of positive fair values	18.7	3.6

Derivative financial instruments were used to hedge the Group's exposure to fluctuations in interest and foreign exchange rates.

The contractual amounts reflect the volume (notional amount) of hedging contracts outstanding at the balance sheet date. The negative fair value represents the amount the Group would have to pay to settle outstanding contracts at the balance sheet date. The positive fair value corresponds to the unrealised gain on a hedge at the balance sheet date. All hedging transactions are entered into with highly rated financial institutions. Use of the above financial instruments did not have a material impact on the Group's financial position at 31 December 2008 or its results of operations for the 2008 reporting period.

6 Inventories

CHF million	2008	2007
Raw materials and consumables	157.1	138.0
Work in progress	145.0	142.6
Finished goods and goods for resale	306.9	264.3
Inventories	**609.0**	**544.9**

Inventories have been written down by CHF 85.3 million (2007: CHF 83.0 million). Inventories valued at CHF 0.2 million (CHF 3.1 million) that were not previously written down were written off.

Inventory write-downs

CHF million	2008	2007
Balance at 1 January	83.0	83.7
Additional write-downs	10.0	7.2
Amounts reversed	– 2.1	– 2.2
Amounts written-off	– 0.4	– 6.1
Acquisition / disposal of subsidiaries	2.3	0.4
Exchange differences	– 7.5	–
Balance at 31 December	**85.3**	**83.0**

7 Deferred tax

CHF million	Assets 2008	Liabilities 2008	Assets 2007	Liabilities 2007
Property, plant and equipment	2.1	16.6	1.5	14.2
Other financial and non-current assets	1.0	11.3	19.0	12.7
Inventories	17.2	7.1	16.4	5.0
Other current assets	2.3	13.9	2.3	7.5
Provisions	1.9	3.2	2.8	7.6
Other liabilities	12.8	7.3	13.1	25.3
Tax loss carryforwards	8.7	–	8.6	–
Deferred tax assets and liabilities	**46.0**	**59.4**	**63.7**	**72.3**
Offset amounts	– 11.6	– 11.6	– 27.6	– 27.6
Deferred tax assets	**34.4**		**36.1**	
Deferred tax liabilities		**47.8**		**44.7**

In accordance with the exemption allowed under IAS 12, the Group does not provide for deferred tax on investments in group companies.

Movements in deferred tax balances

CHF million	Assets	Liabilities	Assets	Liabilities
	2008	**2008**	**2007**	**2007**
Balance at 1 January	36.1	44.7	27.8	28.6
Transfer from income tax liabilities	–	–	0.5	9.2
Charged / credited to income statement	1.7	5.9	6.0	7.7
Charged / credited to equity	–	− 2.9	0.7	− 1.1
Acquisition / disposal of subsidiaries	0.7	3.0	0.8	–
Exchange differences	− 4.1	− 2.9	0.3	0.3
Balance at 31 December	**34.4**	**47.8**	**36.1**	**44.7**

Tax loss carryforwards

CHF million		
	2008	**2007**
Total tax loss carryforwards	140.7	148.5
Of which recognised in deferred income tax	46.9	28.9
Total unrecognised tax loss carryforwards	**93.8**	**119.6**
Of which expiring:		
Within 12 months	–	–
In 1 to 5 years	2.4	2.9
After 5 years	38.9	18.5
Available indefinitely for offset	52.5	98.2
Tax effect on unrecognised tax loss carryforwards	18.2	32.8

Tax loss carryforwards of to CHF 0.4 million expired in 2008 (2007: CHF 73.6 million).

Deferred tax assets, including those arising from tax loss carryforwards and expected tax credits, are recognised only if it is probable that future taxable profits will be available against which the asset can be utilised.

8 Investments in associates

CHF million

	2008	2007
Balance at 1 January	16.3	13.0
Acquisition	1.4	1.6
Disposal	– 1.0	–
Share of profit	1.1	1.7
Impairment charge	– 8.9	–
Balance at 31 December	**8.9**	**16.3**

This item comprised the investment in Jetter AG, Ludwigsburg, Germany. Jetter AG makes up its financial statements to 31 March and reported sales of EUR 40.9 million and a profit of EUR 3.4 million for the year in its most recently published financial statements for the 2007/2008 financial year; Jetter AG had total assets of EUR 36.8 million and equity of EUR 23.8 million. Jetter AG's shares are traded on the XETRA exchange in Frankfurt. The annual valuation of the investment is based on the quoted market price of Jetter AG's shares. The market value of the 26.5% interest was EUR 5.9 million at 31 December 2008. To provide for short-term risks, management has decided to recognise an impairment charge of CHF 8.9 million for the investment. The CHF 7.6 million in purchased goodwill has therefore been fully written off.

9 Other financial assets

CHF million

	2008	2007
Loans to associates	2.0	2.1
Long-term loans	21.9	13.1
Other	15.0	15.2
Other financial assets	**38.9**	**30.4**

As a result of applying IAS 19, employer contribution reserves totalling CHF 13.7 million (2007: CHF 13.7 million) have been capitalised under the heading "other." The loans are secured by liens on real property. Other financial assets are classified as loans and receivables and as available-for-sale.

10 Property, plant and equipment

CHF million	Land and buildings		Plant and machinery		Furniture, fixtures and equipment		Prepayments and assets under construction		Total property, plant and equipment	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Cost at 1 January	350.6	331.5	351.0	330.2	173.9	176.5	61.8	17.9	**937.3**	856.1
Exchange differences	−37.3	3.0	−43.1	4.7	−18.5	0.7	−6.0	−1.6	**−104.9**	6.8
Acquisition / disposal of subsidiaries	11.2	−3.2	14.5	−0.3	4.8	−0.8	0.5	–	**31.0**	−4.3
Additions	21.9	18.8	44.1	30.9	18.9	17.5	44.6	61.2	**129.5**	128.4
Disposals	−25.0	−9.7	−8.4	−18.3	−10.5	−21.7	–	–	**−43.9**	−49.7
Transfers	51.9	10.2	23.9	3.8	−0.2	1.7	−75.6	−15.7	**–**	–
Cost at 31 December	**373.3**	**350.6**	**382.0**	**351.0**	**168.4**	**173.9**	**25.3**	**61.8**	**949.0**	**937.3**
Accumulated depreciation at 1 January	181.8	176.5	264.2	257.9	136.1	142.1	–	–	**582.1**	576.5
Exchange differences	−17.3	2.3	−31.1	4.1	−14.5	0.5	–	–	**−62.9**	6.9
Acquisition / disposal of subsidiaries	2.0	−1.2	2.7	−0.3	1.7	−1.1	–	–	**6.4**	−2.6
Disposals	−14.6	−7.7	−6.0	−17.1	−10.2	−20.1	–	–	**−30.8**	−44.9
Depreciation for the year	13.3	11.9	26.1	19.6	15.6	14.7	–	–	**55.0**	46.2
Accumulated depreciation at 31 December	**165.2**	**181.8**	**255.9**	**264.2**	**128.7**	**136.1**	**–**	**–**	**549.8**	**582.1**
Net book value at 31 December	**208.1**	**168.8**	**126.1**	**86.8**	**39.7**	**37.8**	**25.3**	**61.8**	**399.2**	**355.2**
Of which leased:										
Cost	29.7	17.9	1.8	1.8	0.6	0.1	–	–	32.1	19.8
Accumulated depreciation	1.6	0.7	1.2	0.8	0.3	–	–	–	3.1	1.5
Net book value	28.1	17.2	0.6	1.0	0.3	0.1	–	–	29.0	18.3
Lease obligations (present value)	27.6	18.8	1.0	1.2	0.2	–	–	–	28.8	20.0
Insurance value	644.8	634.6	595.7	549.4	187.6	239.2	–	–	1 428.1	1 423.2

11 Intangible assets

CHF million	Goodwill		Other		Total intangible assets	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Cost at 1 January	61.0	45.3	106.9	93.9	**167.9**	139.2
Exchange differences	−12.8	0.3	−10.3	2.6	**−23.1**	2.9
Acquisition / disposal of subsidiaries	70.1	15.4	38.2	8.0	**108.3**	23.4
Additions	–	–	1.4	2.8	**1.4**	2.8
Disposals	–	–	−1.3	−0.4	**−1.3**	−0.4
Cost at 31 December	**118.3**	**61.0**	**134.9**	**106.9**	**253.2**	**167.9**
Accumulated amortisation at 1 January	–	–	89.2	77.3	**89.2**	77.3
Exchange differences	−0.5	–	−6.5	2.0	**−7.0**	2.0
Acquisition / disposal of subsidiaries	–	–	0.3	–	**0.3**	–
Disposals	–	–	−0.6	−0.4	**−0.6**	−0.4
Amortisation for the year	–	–	10.5	10.3	**10.5**	10.3
Impairment charge	29.9	–	–	–	**29.9**	–
Accumulated amortisation at 31 December	**29.4**	**–**	**92.9**	**89.2**	**122.3**	**89.2**
Net book value at 31 December	**88.9**	**61.0**	**42.0**	**17.7**	**130.9**	**78.7**

Other intangible assets mainly include acquired patents, trademarks and customer lists.

Goodwill and other intangible assets with indefinite useful lives are allocated to the cash-generating units (CGUs) that are expected to benefit from the respective business combination. At 31 December 2008 Bucher Industries did not hold any intangible assets with indefinite useful lives. Goodwill is tested for impairment annually or whenever there is an indication of possible impairment. Bucher Industries uses the discounted cash flow (DCF) method to test the recoverability of goodwill and other intangible assets with indefinite useful lives, based on value in use. The calculations used projections based on financial budgets approved by management for at least the next three years. Cash flows beyond the budget period were determined using a sales growth rate generally based on the current inflation rate in each country. Various growth rates and cost of capital rates were used in the calculations for sensitivity analysis. The discount rates have been determined based on the Group's weighted cost of capital adjusted to reflect specific country and currency risks. The cost of equity was determined using the capital asset pricing model (CAPM). The following parameters have been used to test significant amounts of goodwill for impairment: a weighted cost of capital of 10.3% (2007: 13.4%) and a growth rate of 2.0% (2.0%) for Kuhn North America Inc.; a weighted cost of capital of 21.0% (18.4%) and a growth rate of 10.0% (10.0%) for Kuhn Metasa; and a weighted cost of capital of 9.7% (13.9%) and a growth rate of 2.0% (2.0%) for Gmeiner GmbH. The goodwill arising on the acquisition of Bucher Hydraulics Inc. has been allocated to the CGUs of Bucher Hydraulics Inc. and to Bucher Industries US Inc. as the national holding company (reported as "other"). The parameters used for Bucher Hydraulics Inc. and Bucher Industries US Inc. are a weighted cost of capital of 10.3% and a growth rate of 4%.

Due to the rapid economic slowdown, the business plans used for impairment testing were revised. This led to a reduction in the cash flow projections of the individual CGUs. The analysis resulted in an exceptional goodwill impairment loss of CHF 25.2 million for Bucher Hydraulics Inc. and of CHF 4.7 million for Gmeiner GmbH (Bucher Municipal division). These impairment losses have been included in amortisation in the income statement for the reporting year. An increase of 0.5 percentage points in the weighted cost of capital would result in an additional impairment loss of CHF 5.3 million for Bucher Hydraulics Inc. and of CHF 0.6 million for Gmeiner GmbH. A reduction in the growth rate of the residual value to 0% would increase the required impairment charge by CHF 3.2 million for Bucher Hydraulics Inc. and by CHF 0.2 million for Gmeiner GmbH.

Allocation of goodwill to divisions

CHF million

	2008	**2007**
Kuhn Group	35.2	42.2
Bucher Municipal	7.3	12.7
Bucher Hydraulics	21.9	–
Emhart Glass	5.5	6.1
Other	19.0	–
Goodwill	**88.9**	**61.0**

12 Provisions

CHF million	Warranty provisions	Litigation provisions	Other provisions	Total provisions	
				2008	**2007**
Balance at 1 January	48.2	15.1	26.7	**90.0**	**115.6**
Additional provisions	36.6	3.1	3.0	**42.7**	**37.3**
Unused amounts reversed	−1.7	−2.5	−5.8	**−10.0**	**−12.2**
Used during year	−31.0	−1.0	−4.1	**−36.1**	**−53.6**
Acquisition / disposal of subsidiaries	0.3	0.3	–	**0.6**	**0.4**
Exchange differences	−5.6	−1.6	−1.9	**−9.1**	**2.5**
Balance at 31 December	**46.8**	**13.4**	**17.9**	**78.1**	**90.0**
Current portion	43.3	11.0	8.8	**63.1**	**73.7**
Non-current portion	3.5	2.4	9.1	**15.0**	**16.3**

Litigation provisions primarily cover risks arising from litigation relating to accidents, distribution rights and patents or other legal disputes. The funds required and timing of any outflow are difficult to predict and are usually recognised as short-term if a decision can be expected within a one-year period. However, depending on the course of the proceedings, it may be several years before an outflow of funds actually occurs.

Other provisions cover various risks associated with the Group's industrial operations, including environmental protection measures.

13 Financial liabilities

CHF million	Less than 1 year	1–5 years	Over 5 years	Total financial liabilities	
				2008	**2007**
Private placements	–	86.6	20.0	106.6	106.6
Bank borrowings	79.5	44.7	40.0	164.2	170.9
Loans and other financial liabilities	31.0	28.6	14.4	74.0	50.6
Financial liabilities	**110.5**	**159.9**	**74.4**	**344.8**	**328.1**

Bucher Industries AG had the following long-term financial liabilities outstanding at 31 December 2008:

US private placements:
- CHF 53.3 million at a fixed interest rate of 3.535%, 2003 to 10 December 2010, with a fair value of CHF 49.3 million at 31 December 2008.
- CHF 33.3 million at a fixed interest rate of 4.08%, 2003 to 10 December 2013, with a fair value of CHF 29.1 million at 31 December 2008.
- CHF 20.0 million at a fixed interest rate of 4.29%, 2003 to 10 December 2015, with a fair value of CHF 17.2 million at 31 December 2008.

The fair value of private placements represented the replacement cost.

At the end of December 2008, the following bank loans were raised:
- CHF 40.0 million at a fixed interest rate of 2.55%, 2008 to 19 December 2013
- CHF 40.0 million at a fixed interest rate of 3.09%, 2008 to 19 December 2015

At the year-end on 31 December 2008, the fair value approximated the carrying amount of the loans.

Of the other long-term financial liabilities of CHF 47.7 million, CHF 26.2 million bear interest at fixed rates and CHF 21.5 million bear interest at variable rates.

Financial liabilities are subject to general debt covenants. Private placements also contained financial covenants that require Bucher Industries to maintain certain agreed financial ratios. The Group was in compliance with these covenants. Likewise, there were no defaults or breaches of contract in respect of the other financial liabilities. Short-term other financial liabilities included CHF 24.6 million (2007: CHF 2.6 million) of derivative financial instruments classified as held for trading.

As in the previous year, the items did not include any financial liabilities to associates.

Analysis by currency

CHF million	2008	2007
USD	0.7	154.2
CHF	278.5	111.2
EUR	57.1	55.5
Other	8.5	7.2
Financial liabilities	**344.8**	**328.1**

14 Other liabilities

CHF million	2008	2007
Accruals and deferred income	117.5	123.5
Social security and pensions	24.1	25.9
Sales and capital tax liabilities	18.6	25.6
Other	54.6	49.8
Other liabilities	**214.8**	**224.8**
Current portion	209.0	217.6
Non-current portion	5.8	7.2

Accruals and deferred income mainly include accrued holiday and overtime pay as well as variable remuneration.

15 Share capital

Registered shares		**2008**	**2007**
Par value	CHF	0.20	0.20
In issue and ranking for dividend	number	10 565 900	10 565 900
Authorised but unissued	number	1 184 100	1 184 100
Treasury shares	number	597 315	630 057
Issued share capital	CHF million	2.1	2.1

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

16 Treasury shares

	Number of shares	CHF 1 000
Balance at 1 January	630 057	29 654
Sold or reissued for share-based payment schemes	–32 742	–1 788
Balance at 31 December	**597 315**	**27 866**

17 Material expenses

Material expenses include all costs of raw materials and consumables used, goods purchased and third-party manufacturing, processing or conversion of the Group's products (services purchased).

18 Personnel expenses

CHF million	**2008**	**2007**
Wages and salaries	443.1	415.1
Share awards	3.1	2.7
Share option plan	2.7	1.5
Social security and pension costs	111.9	101.9
Other personnel expenses	62.9	56.6
Personnel expenses	**623.7**	**577.8**

Social security and pension costs include all statutory and voluntary employee pension costs. Other personnel expenses comprise incidental costs of staff recruitment, training and development as well as external staff costs.

19 Other operating income

Other operating income comprises revenue of CHF 22.3 million (2007: CHF 15.2 million) from sales of goods and services that are outside the normal course of the Group's business as well as CHF 1.2 million (CHF 1.3 million) in capitalised costs. In addition, other operating income includes CHF 4.8 million (CHF 10.3 million) from the reversal of provisions.

20 Other operating expenses

CHF million	2008	2007
Energy, maintenance and repairs	91.7	84.4
Charges, taxes, levies and consulting fees	48.9	48.1
Marketing and distribution costs	127.2	122.5
Other	89.7	81.8
Other operating expenses	**357.5**	**336.8**

Charges, taxes, levies and consulting fees include CHF 17.9 million (2007: CHF 18.0 million) in capital tax. Other operating expenses under the heading "other" also include necessary provisions for operating liabilities that cannot be charged to a more appropriate expense account. Costs under operating leases amounted to CHF 8.9 million (CHF 9.2 million).

21 Finance expense

CHF million	2008	2007
Interest expense on financial liabilities	15.9	13.3
Net gain / loss on interest derivatives	− 1.1	0.2
Other finance expense	0.6	1.9
Finance expense	**15.4**	**15.4**

22 Finance income

CHF million	2008	2007
Interest income on financial assets	6.2	5.1
Net gain on financial instruments held for trading	1.0	2.7
Net gain on sale of available-for-sale financial instruments	10.2	17.7
Net gain on financial instruments	**11.2**	**20.4**
Foreign exchange gains and losses	– 23.3	– 2.3
Other finance income	–	1.1
Finance income	**– 5.9**	**24.3**

The amount realised on the sale of available-for-sale securities and transferred from equity to the income statement was CHF 9.3 million (2007: CHF 15.5 million).

23 Income tax expense

CHF million	2008	2007
Current income tax	67.5	67.3
Deferred tax	4.2	1.7
Income tax expense	**71.7**	**69.0**
Reconciliation		
Profit before tax	217.1	240.0
Applicable tax rate	32.4 %	33.3 %
Theoretical income tax charge	**70.3**	**80.0**
Utilisation of unrecognised tax loss carryforwards	– 4.4	– 12.3
Reassessment of tax loss carryforwards with tax asset adjustment	– 8.7	– 8.6
Effect of adjustments to losses	5.1	3.6
Expenses not deductible for tax purposes / income not subject to tax	11.7	– 1.4
Under/(over) provided in prior years	– 1.8	6.6
Effect of changes in tax rates	– 0.1	– 0.1
Other differences	– 0.4	1.2
Effective income tax expense	**71.7**	**69.0**
Effective tax rate	33.0 %	28.8 %

Ordinary income tax comprises tax paid or to be paid on the individual companies' taxable profits, calculated in accordance with legislation in the various countries. The reconciliation is based on the tax rates applicable in the respective tax jurisdictions. The applicable tax rate represents the weighted average of the tax rates.

24 Earnings and dividend per share

	2008	**2007**
Profit attributable to Bucher Industries shareholders (CHF million)	143.3	169.1
Average number of shares outstanding (undiluted)	9 955 501	9 903 564
Average number of shares outstanding (diluted)	10 017 277	9 979 929
Basic earnings per share (CHF)	14.39	17.07
Diluted earnings per share (CHF)	14.31	16.94
Dividend per registered share (CHF) [1]	4.50	5.00
Total dividend (CHF million) [1]	47.5	52.8

[1] 2008: proposed by the board of directors

The average number of shares outstanding is calculated based on the number of shares in issue less the weighted average of shares held as treasury shares. The inclusion of outstanding share options diluted earnings per share by CHF 0.08 (2007: CHF 0.13).

25 Change in working capital

CHF million

	2008	**2007**
Change in receivables	– 66.2	– 42.3
Change in inventories	– 119.1	– 80.0
Change in customer advances	6.2	11.7
Change in trade payables	33.1	32.1
Change in other non-interest bearing liabilities	32.3	22.6
Other changes in working capital	3.3	3.0
Change in working capital	**– 110.4**	**– 52.9**

26 Retirement benefits

Movements in defined benefit obligations

CHF million

	2008	2007
Present value of obligations at 1 January	245.9	253.1
Current service cost	6.0	4.7
Interest cost	9.3	8.4
Employee contributions	4.5	4.0
Benefits paid	−9.6	−10.8
Acquisitions and disposals	0.4	−0.8
Plan curtailments	−2.1	−0.6
Actuarial gains / losses	4.8	−11.8
Exchange differences	−6.1	−0.3
Present value of obligations at 31 December	**253.1**	**245.9**

Movements in fair value of plan assets

CHF million

	2008	2007
Fair value of plan assets at 1 January	265.2	260.8
Expected return on plan assets	10.7	9.4
Employer contributions	8.9	5.9
Employee contributions	4.5	4.0
Benefits paid	−7.8	−8.3
Plan curtailments	0.4	−1.4
Actuarial gains / losses	−26.2	−4.5
Exchange differences	−3.4	−0.7
Fair value of plan assets at 31 December	**252.3**	**265.2**

In 2008, the actual net return on plan assets was negative CHF 15.5 million (2007: positive CHF 4.9 million).

26 Retirement benefits (continued)

Funding of defined benefit plans

CHF million	2008	2007
Present value of funded obligations	−233.2	−220.7
Fair value of plan assets	252.3	265.2
Funding surplus / deficit	**19.1**	**44.5**
Present value of unfunded obligations	−19.9	−25.2
Surplus / deficit	**−0.8**	**19.3**
Cumulative unrecognised actuarial losses	21.8	10.2
Unrecognised surplus	−25.1	−39.9
Amounts recognised in the balance sheet	**−4.1**	**−10.4**
Retirement benefit obligations	−21.5	−27.8
Long-term receivables / other financial assets	17.4	17.4

Pension plan assets do not include any shares of Bucher Industries AG. No pension plan assets are used by the Group.

Pension costs

CHF million	2008	2007
Current service cost	−4.6	−5.7
Interest cost	−9.3	−8.4
Expected return on plan assets	10.7	9.4
Plan improvements / curtailments	2.1	0.6
Amortisation of actuarial gains / losses	−19.6	−0.3
Effects of unrecognised surplus	15.9	1.7
Defined benefit pension costs	**−4.8**	**−2.7**
Defined contribution pension costs	−24.5	−22.0
Pension costs	**−29.3**	**−24.7**

The Group expects to pay CHF 8.9 million (2007: CHF 6.0 million) in contributions to defined benefit plans in 2009.

Actuarial assumptions

Weighted averages in %

	2008	2007
Discount rate	3.9	3.8
Expected return on plan assets	4.0	4.0
Future salary increases	1.1	1.2
Future pension increases	0.1	0.2

Funding of defined benefit obligations

CHF million

	2008	2007	2006	2005
Fair value of plan assets	252.3	265.2	260.8	236.0
Present value of defined benefit obligations	253.1	245.9	253.1	241.6
Surplus / deficit	**–0.8**	**19.3**	**7.7**	**–5.6**
Experience adjustments on plan assets	–26.2	–4.5	14.0	7.2
Experience adjustments on plan liabilities	–8.2	3.2	19.1	0.1

Categories of plan assets

CHF million

	2008	%	2007	%
Shares	45.4	18.0	46.4	17.5
Bonds	70.6	28.0	91.6	34.5
Property	54.3	21.5	53.6	20.2
Cash and other financial assets	82.0	32.5	73.6	27.8

The strategic objective of asset allocation for the pension plans is to achieve an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the pension plans.

27 Share-based payments / share option plan

A share-based payment scheme in the form of a share option plan has been established for the members of the group management and division managements. The exercise price of the share options is equal to the average market price of the shares over the 20 trading days preceding the date of grant. One option entitles the holder to purchase one registered share of Bucher Industries AG. The options are not negotiable, have a life of five to ten years and the commencement of the one- to four-year exercise period is staggered. The shares required to cover grants under this share-based payment scheme are purchased in the open market and held by Bucher Beteiligungs-Stiftung, a consolidated employee share ownership trust.

Movements in the number of share options outstanding

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
	2008	**2008**	**2007**	**2007**
Outstanding at 1 January	177 750	138.4	164 690	92.5
Granted	60 600	149.0	57 600	221.0
Exercised	– 20 550	69.5	– 42 365	75.0
Expired	– 4 800	162.6	– 2 175	94.0
Outstanding at 31 December	**213 000**	**147.5**	**177 750**	**138.4**
Exercisable	74 400		44 175	

In 2008, the fair value of share option plans, determined using the Black-Scholes model, had an impact of CHF 2.7 million (2007: CHF 1.5 million) on personnel expenses and of CHF 5.2 million (CHF 2.5 million) on equity. The share options had a fair value of CHF 41.77 (CHF 100.24) at the grant date, measured using the Black-Scholes valuation model. The significant inputs to calculate the fair value of share options were a share price of CHF 135.00 (CHF 247.00), volatility of 40.6% (28.1%), a risk-free interest rate of 3.0% (3.1%) and a dividend of CHF 5.50 (CHF 2.57). The average share price for options exercised was CHF 213.96 (CHF 198.10).

Option expiry dates

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
	2008	**2008**	**2007**	**2007**
2008	–	–	8 175	34.6
2009	11 025	46.8	14 700	46.8
2010	675	52.4	675	52.4
2015	37 800	108.0	42 900	108.0
2016	48 300	116.0	53 700	116.0
2017	55 800	221.0	57 600	221.0
2018	59 400	149.0	–	–
Outstanding at 31 December	**213 000**	**147.5**	**177 750**	**138.4**

28 Related party transactions

Key management remuneration

CHF million	**2008**	**2007**
Salaries	4.5	5.0
Post-employment benefits	1.2	1.2
Share awards	1.6	3.2
Share option plan	1.0	0.5
Key management remuneration	**8.3**	**9.9**

Salaries include variable remuneration, fees and expense allowances paid in cash. No directors, group management members or persons connected with them received any additional remuneration, fees or loans during the year. Furthermore, there were no loans outstanding to the company's governing bodies. Directors' fees are paid in the form of shares.

Remuneration to former directors and group management members

Due to his previous services as executive chairman of the board until 12 April 2007, Rudolf Hauser was awarded 1 808 shares (2007: 1 532) worth CHF 189 840 (CHF 399 852), valued at the year-end price of CHF 105.00 (CHF 261.00), on a pro rata basis under the long-term bonus plan. No other former directors and group management members or persons connected with them received any remuneration or fees during the year.

Year-end balances with related parties

CHF million	2008	2007
Receivables from pension funds	17.4	17.4
Receivables from associates	2.0	2.6
Payables to associates	0.8	2.5

All related party transactions are entered into on normal commercial terms and conditions. In 2008, goods worth CHF 21.2 million (2007: CHF 25.7 million) were purchased from associates.

29 Development expenses

Development costs of CHF 78.1 million (2007: CHF 71.1 million) were charged to the income statement for 2008. They mainly comprised expenditure to update and extend the divisions' product and service offerings and are included in material expenses, personnel expenses, other operating expenses and depreciation of property, plant and equipment. No development costs were capitalised.

30 Contingent liabilities

CHF million	2008	2007
Notes payable	2.3	1.4
Bonds and guarantees in favour of third parties	12.7	10.4
Contingent liabilities	**15.0**	**11.8**

Contingent liabilities are stated at the full amount of liability, i.e. the maximum amount of the obligations assumed. It is not anticipated that any outflows of funds will arise from these contingent liabilities. The guarantees have been given in respect of goods sold and services provided.

31 Pledged assets

The book value of assets pledged or assigned to secure the Group's obligations was CHF 3.1 million (2007: CHF 2.9 million).

32 Commitments

Fixed-term operating leases

CHF million	Less than 1 year	1–5 years	Over 5 years	**Total**
At 31 December 2008	6.3	10.9	19.9	**37.1**
At 31 December 2007	7.2	12.4	18.2	**37.8**

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

Other commitments

The Group did not enter into any commitments to purchase plant and equipment (2007: CHF 21.8 million).

33 Foreign currency exchange rates

	Income statement average rates		Balance sheet closing rates	
	2008	**2007**	**2008**	**2007**
1 EUR	1.5845	1.6429	1.4850	1.6547
1 GBP	1.9971	2.3960	1.5591	2.2564
1 USD	1.0795	1.1965	1.0670	1.1240
1 BRL	0.5976	0.6145	0.4578	0.6333
1 AUD	0.9157	1.0030	0.7325	0.9875
100 SEK	16.4400	17.7700	13.6600	17.5300

34 Risk management

Directors’ risk report

Bucher Industries has a centralised risk management system with defined risk control processes. Risk management is an integral part of the planning and implementation of the business strategy. The board of directors defines and approves the framework for risk management policy and annually monitors compliance with the risk control mechanisms. Furthermore, it annually sets the risk limits for financial management within the Group as a whole.

Within risk management, risks are categorised as strategic, operational, financial or organisational. Strategic risks are usually complex and difficult to quantify, but have a significant impact on the success of the business. Financial risks are controlled and monitored centrally. The board of directors and group management are responsible for assessing strate-gic, financial and organisational risks. Operational risks are assigned to the divisions

34 Risk management (continued)

and their operating units. Bucher Industries applies a risk management and control system that identifies the Group's risks and allows the board of directors and group management to realistically assess, monitor and manage the risks. Identifiable risks are classified according to their likelihood and impact and are covered in the risk report prepared annually. The board of directors analyses the risk report in detail, discusses the proposed measures and adapts them where necessary.

The directors and group management receive monthly and/or quarterly information from the management information system (MIS), giving them an overview of the status of performance and financial results as well as information and assessments concerning aspects of risk and capital management.

Within the framework of the internal control system, the control activities for the Group as a whole have been defined within financial reporting to allow the financial risks to be identified, monitored and avoided.

Further information about the Group's risk management can be found on page 77 of the financial report.

Carrying amounts / fair values of financial instruments by category in 2008

CHF million	Held for trading at fair value through profit or loss	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	**Carrying amount**	**Fair value**
Cash and cash equivalents	30.3	102.3	–	–	**132.6**	**132.6**
Securities	–	–	101.6	–	**101.6**	**101.6**
Trade receivables	–	499.0	–	–	**499.0**	**499.0**
Other receivables	18.7	62.0	–	–	**80.7**	**80.7**
Other financial assets	–	24.8	0.4	–	**25.2**	**25.2**
Financial liabilities – current	24.6	–	–	85.9	**110.5**	**110.5**
Trade payables	–	–	–	288.3	**288.3**	**288.3**
Other liabilities	–	–	–	97.3	**97.3**	**97.3**
Financial liabilities – non-current	–	–	–	234.3	**234.3**	**223.3**

Carrying amounts / fair values of financial instruments by category in 2007

CHF million	Held for trading at fair value through profit or loss	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	**Carrying amount**	**Fair value**
Cash and cash equivalents	107.4	270.1	–	–	**377.5**	**377.5**
Securities	–	–	114.8	–	**114.8**	**114.8**
Trade receivables	–	483.8	–	–	**483.8**	**483.8**
Other receivables	3.6	63.3	–	–	**66.9**	**66.9**
Other financial assets	–	16.3	0.4	–	**16.7**	**16.7**
Financial liabilities – current	2.6	–	–	175.5	**178.1**	**178.1**
Trade payables	–	–	–	282.4	**282.4**	**282.4**
Other liabilities	–	–	–	101.3	**101.3**	**101.3**
Financial liabilities – non-current	–	–	–	150.0	**150.0**	**151.3**

Credit risk

The Group placed short-term investments with banking institutions that have a good international risk rating. The Group had no concentration of credit risk associated with receivables from banks. Its banking relationships included relationships with local banks so they were widely spread geographically. Other short-term financial investments comprised marketable securities of high credit quality. Other long-term receivables were insignificant. The Group's maximum credit risk exposure to third parties, excluding the value of any collateral, was CHF 839.1 million (2007: CHF 1 059.7 million). The maximum exposure to credit risk, taking account of the value of collateral, was CHF 745.6 million (CHF 968.7 million).

The credit risk on trade receivables was limited due to the Group's diversified customer base. Its customers operate in different industries spread across diverse geographical areas worldwide as shown in the segment analysis in note 1. The Group therefore had no concentration of credit risk. In addition, credit risk was minimised by security in the form of credit insurance, advance payment schemes, letters of credit and bank guarantees.

34 Risk management (continued)

Ageing analysis of receivables and impairment

CHF million

	2008	2007
Total receivables, gross	578.8	531.1
Amount provided for	–17.8	–19.0
Total receivables, net	**561.0**	**512.1**
Long-term receivables	30.6	12.8
Receivables due in more than 3 months	54.3	62.4
Receivables due within 3 months	428.2	395.0
Receivables past due more than 60 days and less than 1 year, gross	55.0	45.0
Amount provided for	–0.5	–1.7
Receivables past due more than 1 year, gross	10.4	15.8
Amount provided for	–4.7	–6.3

Receivables consisted of trade receivables, other receivables and receivables from associates. Provision for impairment was made applying ageing criteria, on the one hand, and as needed to reflect risks associated with the specific customer and region, on the other. At the balance sheet date, there were no receivables that would otherwise be past due but whose terms had been renegotiated. In the reporting year, 0.1% (2007: 0.2%) of receivables not provided for in the previous period had to be written off. No other financial assets were impaired or past due.

Provision for impairment of receivables

CHF million

	2008	2007
Balance at 1 January	19.0	20.0
Provision for receivables impairment	8.8	5.5
Unused amounts reversed	–4.1	–3.9
Receivables written-off during the year as uncollectible	–3.4	–3.4
Acquisition / disposal of subsidiaries	0.2	–
Exchange differences	–2.7	0.8
Balance at 31 December	**17.8**	**19.0**

Liquidity risk

The expected cash flows arising from liabilities represent the values presented in note 13 plus the cash flows for interest which can be inferred from the narrative. Cash flows to settle trade payables of CHF 288.3 million (2007: CHF 282.4 million) are expected to occur within 1 to 60 days as in the previous year, while cash flows to settle other non-interest-bearing liabilities of CHF 97.3 million (CHF 101.3 million) are mostly expected to occur within 1 to 150 days as in the previous year. As financial derivatives consist almost exclusively of forward currency contracts, the expected net cash flows are immaterial. In order to ensure financial flexibility at all times, the Group was funded with a mix of short-term and long-term bank loans as well as committed credit facilities of more than CHF 600 million towards the end of the year. The quick ratio was 90.5% at the year end (104.0%).

Price risk

The Group's investments in securities were placed in money market instruments, bonds and shares, largely through investment funds, in compliance with the Group's investment guidelines. The price risk on the positions was monitored on an ongoing basis.

Value-at-risk

CHF million	VaR at 31 December	
	2008	**2007**
Foreign currency risk	−3.8	−4.3
Interest rate risk	−5.6	−4.3
Covariance	0.3	1.3
Total	**−9.1**	**−7.3**

Value-at-risk (VaR) is a measure used to quantify the extent of changes in the value of financial parameters. VaR measures the maximum potential loss of value of a risk factor portfolio that may occur with a given probability (confidence level) over a certain holding period.

Given the whole distribution of changes in market value, the potential amount of losses in market value and their probability is assessed in relation to the current market price level of our financial instruments. Based on this analysis, financial instruments are either replaced or hedged using financial derivatives where necessary.

34 Risk management (continued)

The indicated value-at-risk measures are calibrated to a 90% confidence level and a 30-day holding period. They are calculated with a Monte Carlo simulation using 10 000 scenarios for interest structure and forward exchange curves for all relevant currencies, maintaining the average historical risk factor correlations. The model takes into account both linear and non-linear influences of the risk factors. The statistical parameters required for the value-at-risk calculation are determined on the basis of an observation time series covering the last 251 trading days (representing at least one calendar year), with each observation equally weighted.

35 Capital management

The capital managed by Bucher Industries consists of the consolidated equity. The Group's objectives when managing its capital structure are to:
- maintain a healthy and solid balance sheet structure;
- ensure the necessary financial flexibility for future organic growth as well as capital expenditure and acquisitions.

Bucher Industries monitors equity and operating capital employed on the basis of the following ratios:

	2008	**2007**
Interest coverage ratio (EBITDA to net interest expense)	39.7	34.0
Debt to equity ratio	144.4 %	144.1 %
Gearing ratio (net debt to equity)	13.1 %	– 18.8 %
Equity ratio (equity to total assets)	40.9 %	41.0 %
Quick ratio (current assets less inventory / current liabilities)	90.5 %	104.0 %

36 Events after the balance sheet date

The consolidated financial statements were authorised for issue by the board of directors on 12 March 2009.

With effect from 1 January 2009, Bucher Industries acquired the Kverneland Group's baler operations and Dutch plant in Geldrop. The company manufactures balers, bale wrappers, drum mowers and maize choppers. Bucher Industries is acquiring 100% of the shares. The company, Kverneland Group Geldrop BV, will be integrated into the Kuhn Group division and renamed Kuhn-Geldrop BV. The purchase consideration, including liabilities assumed, is EUR 115 million. In 2008, the company generated ex works sales of approximately EUR 117 million and EBITDA operating profit of EUR 15 million. This acquisition was completed on 19 February 2009.

Group companies

Consolidated companies

Company, place of registration	Country	Currency	Share capital	Group interest %	Division	Activities
Bucher Industries AG, Niederweningen	CH	CHF	2 113 180		S	S
Bucher Industries France SAS, Entzheim [1]	FR	EUR	300 000	100	S	S
Bucher Beteiligungen GmbH, Klettgau	DE	EUR	4 500 000	100	S	S
Bucher Beteiligungs-Stiftung, Niederweningen	CH	CHF	250 000	100	S	S
Bucher BG Finanz AG, Steinhausen	CH	CHF	26 505 000	100	S	S
Bucher Finance Ltd., Jersey	GB	EUR	51 000	100	S	S
Bucher Immobilien GmbH, Trier	DE	EUR	4 000 000	100	S	S
Bucher Industries Italia S.p.A., Reggio Emilia	IT	EUR	3 380 000	100	S	S
Bucher Industries US Inc., Enfield CT	US	USD	10 000 000	100	S	S
Bucher Invest Holding SA, Luxembourg	LU	EUR	31 000	100	S	S
Bucher Investment GmbH, Steinhausen [1]	CH	CHF	100 000	100	S	S
Bucher Management AG, Kloten [1]	CH	CHF	6 600 000	100	S	S
Bucher Participations Sàrl., Luxembourg	LU	EUR	12 000	100	S	S
Kuhn Group SAS, Saverne [1]	FR	EUR	100 000	100	S	S
Kuhn SA, Saverne	FR	EUR	19 488 000	100	KG	P D
Kuhn Blanchard SAS, Chéméré [1]	FR	EUR	2 000 000	100	KG	P D
Contifonte SA, Saverne	FR	EUR	48 000	98	KG	P D
Kuhn Knight Inc., Brodhead WI	US	USD	10 000	100	KG	P D
Kuhn Metasa S / A, Passo Fundo	BR	BRL	11 181 000	100	KG	P D
Kuhn MGM SAS, Monswiller	FR	EUR	2 000 000	99	KG	P D
Kuhn-Audureau SA, La Copechagnière	FR	EUR	4 070 000	100	KG	P D
Kuhn-Huard SA, Châteaubriant	FR	EUR	4 800 000	100	KG	P D
Kuhn Farm Machinery Inc., Sainte Madeleine	CA	CAD	150 000	100	KG	D
Kuhn Farm Machinery Ltd., Telford	GB	GBP	100 000	100	KG	D
Kuhn Farm Machinery Pty Ltd., Warragul VIC	AU	AUD	100 000	100	KG	D
Kuhn Farm Machinery Sarl, Kiev	UA	UAH	650 000	100	KG	D
Kuhn Iberica SA, Daganzo	ES	EUR	100 000	100	KG	D
Kuhn Italia Srl., Melegnano	IT	EUR	520 000	100	KG	D
Kuhn Maschinen-Vertrieb GmbH, Schopsdorf	DE	EUR	300 000	100	KG	D
Kuhn Maszyny Rolnicze Sp.z.o.o., Suchy Las	PL	PLN	3 536 000	100	KG	D
Kuhn Vostok LLC, Moscow [1]	RU	RUB	10 000	100	KG	D
Kuhn Parts SAS, Saverne	FR	EUR	5 000 000	100	KG	S
Kuhn-Nodet SA, Montereau	FR	EUR	4 800 000	100	KG	S
Bucher-Guyer AG, Niederweningen	CH	CHF	10 000 000	100	BM	P V S
Bucher Landtechnik AG, Niederweningen	CH	CHF	4 000 000	100	BM	D

[1] Consolidated for the first time in 2008

Divisions: KG Kuhn Group, BM Bucher Municipal, BP Bucher Process,
BH Bucher Hydraulics, EG Emhart Glass, O Other
Activities: P Production, D Distribution, S Services

Company, place of registration	Country	Currency	Share capital	Group interest %	Division	Activities		
Bucher Schörling GmbH, Hanover	DE	EUR	3 000 000	100	BM	P	D	
Gmeiner GmbH, Kümmersbruck	DE	EUR	26 000	100	BM	P	D	
Bucher Schörling Korea Ltd., Seoul	KR	KRW	350 000 000	100	BM	P	D	
SIA Bucher Schörling Baltic, Ventspils	LV	LVL	100 000	100	BM	P	D	
Giletta S.p.A., Revello	IT	EUR	1 000 000	50	BM	P	D	
Arvel Industries Sàrl, Coudes	FR	EUR	200 000	50	BM	P	D	
Tecvia Eurl, Lyon	FR	EUR	38 112	50	BM		D	
Johnston Sweepers Ltd., Dorking	GB	GBP	8 000	100	BM	P	D	
Beam A / S, Them	DK	DKK	5 000 000	100	BM	P	D	
MacDonald Johnston Ltd., Clayton North	AU	AUD	5 901 000	100	BM	P	D	
Bucher Vaslin SA, Chalonnes-sur-Loire	FR	EUR	2 400 000	100	BP	P	D	
Bucher Vaslin MS SA, Rivesaltes	FR	EUR	410 000	100	BP	P	D	
Bucher Vaslin S.p.A., Romans d’Isonzo	IT	EUR	208 000	100	BP	P	D	
Bucher Vaslin Vendée SAS, Le Château d’Olonne	FR	EUR	40 356	100	BP	P		
Bucher Vaslin Australia Pty Ltd, Mawson Lakes	AU	AUD	10	100	BP		D	
KLR Machines Inc., Sebastopol CA	US	USD	88 000	100	BP		D	
Bucher Vaslin Sùdamerica, Santiago de Chile	CL	CLP	924 000	100	BP		D	
Bucher Processtech AG, Niederweningen	CH	CHF	600 000	100	BP	P	D	
Bucher-Alimentech Ltd., Auckland	NZ	NZD	3 000	100	BP	P	D	
Bucher-Zédrys SA, Croissy Beaubourg	FR	EUR	250 000	100	BP			S
Bucher Engineering Ges.m.b.H., Vösendorf	AT	EUR	36 336	100	BP		D	
Bucher Hydraulics GmbH, Klettgau	DE	EUR	4 000 000	100	BH	P	D	
Bucher Hydraulics Dachau GmbH, Dachau	DE	EUR	30 000	100	BH	P	D	
Bucher Hydraulics Produktions AG, Langendorf	CH	CHF	200 000	100	BH	P		
Bucher Hydraulics SAS, Rixheim	FR	EUR	200 000	100	BH	P	D	
Bucher Hydraulics Ges.m.b.H., Neumarkt	AT	EUR	40 000	100	BH		D	
Bucher Hydraulics Ltd., Nuneaton	GB	GBP	10 000	100	BH		D	
Bucher Hydrauliek B.V., Zoetermeer	NL	EUR	18 000	100	BH		D	
Bucher Hydraulics AG, Neuheim	CH	CHF	1 200 000	100	BH	P	D	
Bucher Hydraulics Co., Ltd., Taoyuan	TW	TWD	20 000 000	55	BH	P	D	
Suzhou Bucher Hydraulics Co. Ltd., Wujiang	CN	USD	1 550 000	100	BH	P	D	
Bucher Hydraulics GmbH, Remscheid	DE	EUR	25 000	100	BH	P	D	
Bucher Hidrolik Sistemleri Tic. Ltd. Sti., Istanbul	TR	TRY	26 000	100	BH		D	
Bucher Hydraulics KK, Tokyo	JP	JPY	100 000	85	BH		D	
Bucher Hydraulics AG Frutigen, Frutigen	CH	CHF	300 000	100	BH	P	D	

Company, place of registration	Country	Currency	Share capital	Group interest %	Division	Activities		
Bucher Hydraulics S.p.A., Reggio Emilia	IT	EUR	1 500 000	100	BH	P	D	
Bucher Hydraulics Ltd., New Delhi	IN	INR	10 000 000	100	BH	P	D	
Bucher Hydraulics Inc., Grand Rapids [1)]	US	USD	12 150 000	100	BH	P	D	
Bucher Hydraulics Corp., London [1)]	CA	CAD	75 000	100	BH			S
Bucher Hydraulics Co., Zhaoquing [1)]	CN	CNY	21 409 000	100	BH			S
Command Controls Corp., Elgin [1)]	US	USD	23 000	100	BH	P	D	
Emhart Glass SA, Cham	CH	CHF	10 000 000	100	EG		D	S
Emhart Glass Manufacturing Inc., Elmira NY	US	USD	1 000	100	EG	P		
Emhart Glass Sdn Bhd., Ulu Tiram Johor	MY	MYR	250 000	100	EG	P		
Emhart Glass Sweden AB, Sundsvall	SE	SEK	30 000 000	100	EG	P		S
Emhart Glass GmbH, Neuss	DE	EUR	50 000	100	EG			S
Emhart Glass Inc., Enfield CT	US	USD	2	100	EG			S
Emhart Glass International SA, Cham	CH	CHF	100 000	100	EG			S
Emhart Glass Japan Pte. Ltd., Singapore	SG	JPY	100	100	EG			S
Emhart Glass Ltd., Doncaster	GB	GBP	38 000	100	EG			S
Emhart Glass OOO, Moscow	RU	RUB	10 000	99	EG		D	S
Emhart Glass Pte. Ltd., Singapore	SG	SGD	2	100	EG			S
Emhart Glass S.r.l., Dego	IT	EUR	320 000	100	EG			S
Emhart Glass Spain SA, Madrid	ES	EUR	65 016	100	EG			S

Associates

Company, place of registration	Country	Currency	Share capital	Group interest %	Division	Activities		
Jetter AG, Ludwigsburg	DE	EUR	3 241 061	27	S	P	D	

[1)] Consolidated for the first time in 2008

At 31 December 2008

Divisions: KG Kuhn Group, BM Bucher Municipal, BP Bucher Process,
BH Bucher Hydraulics, EG Emhart Glass, O Other
Activities: P Production, D Distribution, S Services

Report of the statutory auditors

PRICEWATERHOUSECOOPERS

To the general meeting of Bucher Industries AG, Niederweningen

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Bucher Industries AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 70 to 117), for the year ended 31 December 2008.

Board of Directors' Responsibility The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the consolidated financial statements for the year ended 31 December 2008, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Beat Inauen
Audit expert
Auditor in charge

Ralf Zwick
Audit expert

Zurich, 12 March 2009

Balance sheet of Bucher Industries AG at 31 December 2008

	CHF 1 000	Note	2008	2007
Assets	Cash and cash equivalents		4 431	158 998
	Securities	1	12 417	12 417
	Receivables from group companies		139 035	40 442
	Other receivables		19 083	6 954
	Current assets		**174 966**	**218 811**
	Loans to group companies	2	368 539	410 644
	Loans to third parties		92	120
	Investments	3	496 295	313 245
	Intangible assets	4	54 894	36 000
	Non-current assets		**919 820**	**760 009**
	Total assets		**1 094 786**	**978 820**
Liabilities and equity	Short-term bank borrowings		67 535	153 988
	Current payables to group companies		307 781	263 420
	Other current liabilities		26 908	14 333
	Current liabilities		**402 224**	**431 741**
	Private placements		106 576	106 576
	Long-term bank borrowings		80 000	–
	Other non-current liabilities		2 023	2 033
	Provisions	5	5 755	2 000
	Non-current liabilities		**194 354**	**110 609**
	Share capital	6	2 113	2 113
	Statutory reserve		70 610	70 610
	Distributable reserve		237 135	212 347
	Reserve for treasury shares	7	27 866	29 654
	Retained earnings		47 291	20 578
	Profit for the year		113 193	101 168
	Equity		**498 208**	**436 470**
	Total liabilities and equity		**1 094 786**	**978 820**

Income statement of Bucher Industries AG for the year ended 31 December 2008

	CHF 1 000	Note	2008	2007
Income	Income from investments	9	102 087	75 258
	Finance income	10	153 214	52 423
	Royalty income from group companies	11	10 292	–
	Gain on sale of non-current assets		–	5 339
	Other income	12	29 426	68 775
	Total income		**295 019**	**201 795**
Expenses				
	Administrative expenses		3 956	18 165
	Finance expense	13	157 382	79 969
	Impairment charges	14	4 426	–
	Amortisation of intangible assets		13 723	–
	Income tax expense		2 339	2 493
	Total expenses		**181 826**	**100 627**
	Profit for the year		**113 193**	**101 168**

Notes to the financial statements of Bucher Industries AG

1 Securities

This item only included treasury shares, which were valued at cost.

2 Loans to group companies

Serving as the central source of financing for the Group, Bucher Industries AG provides adequate equity funding and grants loans to group companies.

3 Investments

Bucher Industries AG's direct and indirect investments in subsidiaries and associates are presented in the list of Group companies on pages 115 and 117 of the annual report.

4 Intangible assets

In 2008, Bucher Industries AG acquired various trademarks from group companies for CHF 32.6 million (2007: CHF 36.0 million).

5 Provisions

Provisions have been made for business risks, guarantee obligations and taxes.

6 Share capital

Bucher Industries AG has authorised but unissued capital representing a maximum of 1 184 100 registered shares of CHF 0.20 each, which is reserved for the exercise of warrants or conversion rights attached to bonds and of rights issued to shareholders. The registered shares are widely held by public shareholders. A group of shareholders organised under a shareholders' agreement and represented by Rudolf Hauser, Zurich, holds a total of 34.14% of the voting rights, as published in the Swiss Official Gazette of Commerce (SHAB on 10 May 2005). The shareholders' agreement essentially governs unity in voting at general meetings of shareholders. Bucher Industries AG and Bucher Beteiligungs-Stiftung hold a total of 5.65% of the issued share capital, the voting rights attached to such shares being suspended in accordance with article 659a, par. 1 of the Swiss Code of Obligations. The board of Bucher Industries AG is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold more than 3% of the total voting rights.

7 Reserve for treasury shares

	Number of shares	Reserve in CHF 1 000
Balance at 1 January	**630 057**	**29 654**
Sold or reissued for share-based payment schemes	– 32 742	– 1 788
Balance at 31 December	**597 315**	**27 866**

Treasury shares are held by Bucher Industries AG and Bucher Beteiligungs-Stiftung, an employee share ownership trust. The reserve for treasury shares represented the purchase cost.

8 Contingent liabilities

The company has incurred contingent liabilities to cover group companies' obligations to banks in respect of credit and cash pool agreements. The maximum exposure was CHF 120.9 million (2007: CHF 156.1 million). The amount claimed at the balance sheet date was CHF 28.9 million (CHF 26.6 million).

9 Income from investments

Income from investments comprised dividends received from directly related group companies.

10 Finance income

Finance income consisted of interest on loans granted to group companies, foreign exchange gains and income from cash and liquid assets.

11 Royalty income

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

12 Other income

Other income comprised fees charged to group companies for services provided by the corporate centre. In addition this item included the reversal of an impairment charge of CHF 20.0 million that was no longer required for an investment.

13 Finance expense

Finance expense represented the interest paid on outstanding bonds, bank borrowings and payables to group companies as well as foreign exchange losses.

14 Impairment charges

This item comprised an impairment charge for investments in associates.

15 Risk assessment procedure

Bucher Industries AG is the parent company of the Bucher Industries Group. A risk assessment process covering all the Group’s operations takes place at group level (see the risk report in the notes to the consolidated financial statements). The risk exposures of Bucher Industries AG have therefore been assessed from the perspective of the Group as a whole and the required measures adopted where considered necessary.

Disclosure of remuneration and interests

Directors’ remuneration

CHF 1 000	Year	Base salary	Share awards		Share awards under long-term bonus plan		Social security and pension benefits	Other remu-neration	**Total**	Paid in cash
			Number	Value	Number	Value				
Kurt E. Siegenthaler,	2008	120.0	561	58.9	726	76.2	21.0	13.6	**289.7**	133.6
chairman	2007	90.0	606	158.2	815	212.7	43.2	13.6	**517.7**	103.6
Thomas W. Hauser,	2008	–	491	51.6	–	–	6.2	11.8	**69.6**	11.8
deputy chairman	2007	–	530	138.3	–	–	15.0	11.8	**165.1**	11.8
Ernst Bärtschi	2008	–	421	44.2	–	–	5.5	11.8	**61.5**	11.8
	2007	–	455	118.8	–	–	12.0	1.8	**132.6**	1.8
Thomas W. Bechtler	2008	–	421	44.2	–	–	5.5	11.8	**61.5**	11.8
	2007	–	455	118.8	–	–	13.0	11.8	**143.6**	11.8
Rolf Broglie	2008	–	421	44.2	–	–	5.5	11.8	**61.5**	11.8
	2007	–	455	118.8	–	–	13.0	11.8	**143.6**	11.8
Claude R. Cornaz	2008	–	421	44.2	–	–	5.5	1.8	**51.5**	1.8
	2007	–	455	118.8	–	–	13.0	11.8	**143.6**	11.8
Anita Hauser	2008	–	421	44.2	–	–	5.5	1.8	**51.5**	1.8
	2007	–	455	118.8	–	–	12.0	1.8	**132.6**	1.8
Heinrich Spoerry	2008	–	421	44.2	–	–	5.5	1.8	**51.5**	1.8
	2007	–	455	118.8	–	–	12.0	1.8	**132.6**	1.8
Erwin Stoller	2008	–	421	44.2	–	–	5.5	11.8	**61.5**	11.8
	2007	–	455	118.8	–	–	13.0	11.8	**143.6**	11.8
Total for directors	**2008**	**120.0**	**3 999**	**419.9**	**726**	**76.2**	**65.7**	**78.0**	**759.8**	**198.0**
	2007	**90.0**	**4 321**	**1 128.1**	**815**	**212.7**	**146.2**	**78.0**	**1 655.0**	**168.0**

Share awards to directors comprise directors’ fees. The shares awarded to the chairman of the board under the long-term bonus plan are based on the achievement of targets in the period 2006 to 2008 (2007: 2005 to 2007). All share awards have been valued at the year-end share price of CHF 105.00 (CHF 261.00). Other remuneration includes expenses and fees for service on the board committees.

Remuneration to former directors and group management members

Due to his previous services as executive chairman of the board until 12 April 2007, Rudolf Hauser was awarded 1 808 shares (2007: 1 532) worth CHF 189 840 (CHF 399 852), valued at the year-end price of CHF 105.00 (CHF 261.00), on a pro rata basis under the long-term bonus plan. No other former directors and group management members or persons connected with them received any remuneration or fees during the year.

Group management remuneration

CHF 1 000	Year	Base salary	Bonus	Share awards under long-term bonus plan		Share options under option plan		Social security and pension benefits	Other remu-neration	**Total**	Paid in cash
				Number	Value	Number	Value				
Philip Mosimann, CEO	2008	700.2	392.1	7 264	762.7	3 600	150.4	275.1	19.2	**2 299.7**	1 111.5
	2007	665.0	616.8	3 448	899.9	3 600	360.9	229.7	19.2	**2 791.5**	1 301.0
Other members	2008	2 148.3	998.3	2 178	228.7	14 400	601.5	839.1	30.0	**4 845.9**	3 176.6
	2007	2 144.4	1 276.1	2 076	541.9	14 400	1 443.4	785.5	30.0	**6 221.3**	3 450.5
Total for group management	**2008**	**2 848.5**	**1 390.4**	**9 442**	**991.4**	**18 000**	**751.9**	**1 114.2**	**49.2**	**7 145.6**	**4 288.1**
	2007	**2 809.4**	**1 892.9**	**5 524**	**1 441.8**	**18 000**	**1 804.3**	**1 015.2**	**49.2**	**9 012.8**	**4 751.5**

The shares awarded to the group management under the long-term bonus plan are based on the achievement of targets in the period 2006 to 2008 (2007: 2005 to 2007). All share awards have been valued at the year-end share price of CHF 105.00 (CHF 261.00). The share options had a fair value of CHF 41.77 (CHF 100.24) at the grant date, measured using the Black-Scholes valuation model.

Directors’ interests in shares at 31 December

	Number of shares	
	2008	**2007**
Kurt E. Siegenthaler, chairman	15 168	12 943
Thomas W. Hauser, deputy chairman	1 069 569	979 039
Ernst Bärtschi	2 073	1 618
Thomas W. Bechtler	2 278	4 273
Rolf Broglie	11 618	11 163
Claude R. Cornaz	7 393	7 713
Anita Hauser	100 455	130 000
Heinrich Spoerry	1 147	692
Erwin Stoller	10 568	10 113
Total for directors	**1 220 269**	**1 157 554**

The directors did not hold any share options on 31 December 2008.

Group management's interests in shares and share options at 31 December

		Number of shares		Number of options	
		2008	**2007**	**2008**	**2007**
Philip Mosimann	CEO	30 676	26 778	11 700	8 550
Roger Baillod	CFO	10 291	9 865	6 600	7 200
Jean-Pierre Bernheim	Bucher Process	7 631	7 455	11 475	10 275
Michael Häusermann	Bucher Municipal	3 596	2 950	10 500	8 700
Martin Jetter	Emhart Glass	596	250	7 800	5 400
Michel Siebert	Kuhn Group	1 221	875	8 250	5 850
Daniel Waller	Bucher Hydraulics	4 236	3 590	10 500	8 400
Total for group management		**58 247**	**51 763**	**66 825**	**54 375**

		Number of options						
Grant year		**2008**	**2007**	**2006**	**2005**	**2004**	**2000**	**Total**
Exercise price (CHF)		149.00	221.00	116.00	108.00	46.80	52.40	
Staggered vesting over 4 years		2009–2012	2008–2011	2007–2010	2006–2009	2005–2008	2001–2004	
Life (years)		10	10	10	10	5	10	
Philip Mosimann	CEO	3 600	3 600	2 700	1 800	–	–	**11 700**
Roger Baillod	CFO	2 400	2 400	1 200	600	–	–	**6 600**
Jean-Pierre Bernheim	Bucher Process	2 400	2 400	2 400	2 400	1 200	675	**11 475**
Michael Häusermann	Bucher Municipal	2 400	2 400	2 400	2 400	900	–	**10 500**
Martin Jetter	Emhart Glass	2 400	2 400	1 800	1 200	–	–	**7 800**
Michel Siebert	Kuhn Group	2 400	2 400	1 800	1 200	450	–	**8 250**
Daniel Waller	Bucher Hydraulics	2 400	2 400	2 400	2 400	900	–	**10 500**
Total for group management		**18 000**	**18 000**	**14 700**	**12 000**	**3 450**	**675**	**66 825**

Each option entitles the holder to purchase one share.

Board of directors' proposal

Appropriation of retained earnings

CHF	
Profit for 2008	113 193 163
Retained earnings brought forward	47 291 490
Retained earnings available for distribution	**160 484 653**
The directors propose that the annual general meeting approve the payment of a dividend of CHF 4.50 per dividend-bearings hare of CHF 0.20 each	46 309 050
Transfer to distributable reserve	61 000 000
Balance to be carried forward	53 175 603
Total	**160 484 653**

Report of the statutory auditors

PRICEWATERHOUSECOOPERS

To the general meeting of Bucher Industries AG, Niederweningen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Bucher Industries AG, which comprise the balance sheet, income statement and notes (pages 120 to 128), for the year ended 31 December 2008.

Board of Directors' Responsibility The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Beat Inauen
Audit expert
Auditor in charge

Ralf Zwick
Audit expert

Zurich, 12 March 2009

Five-year summary

Group

CHF million

		2008	2007	2006	2005	2004
Order intake		2 791.9	2 704.3	2 163.3	1 946.6	1 793.2
Net sales		2 788.9	2 458.8	2 087.1	1 948.3	1 640.9
Order book		843.4	871.3	605.2	523.7	480.3
Operating profit before depreciation and amortisation (EBITDA)		341.6	285.9	184.6	166.4	147.8
As % of net sales	%	12.2	11.6	8.8	8.5	9.0
Operating profit (EBIT)		246.2	229.4	123.7	117.8	91.2
As % of net sales	%	8.8	9.3	5.9	6.0	5.6
Net financial result		– 29.1	10.6	12.9	3.3	– 9.5
Income tax expense		– 71.7	– 69.0	– 41.1	– 35.0	– 27.3
As % of profit before tax	%	33.0	28.8	30.1	28.9	33.4
Profit for the year		145.4	171.0	95.5	86.1	54.4
As % of net sales	%	5.2	7.0	4.6	4.4	3.3
Capital expenditure		130.9	131.2	60.0	53.0	37.6
Operating free cash flow		– 15.3	42.7	101.2	61.8	119.6
Development expense		78.1	71.1	65.3	63.4	54.1
Total assets		2 067.6	2 130.3	1 839.7	1 674.8	1 493.7
Cash, cash equivalents and securities		234.2	492.3	445.5	348.0	404.7
Receivables		577.8	559.9	518.5	449.3	368.8
Inventories		609.0	544.9	460.7	455.9	397.8
Financial assets and investments		47.8	46.7	30.5	29.1	16.8
Property, plant and equipment		399.2	355.2	279.6	266.5	222.3
Intangible assets		130.9	78.7	61.9	78.7	48.6
Current liabilities		897.1	1 011.5	896.4	718.1	656.9
Non-current liabilities		324.4	246.0	218.8	318.2	311.4
Total liabilities		1 221.5	1 257.5	1 115.2	1 036.3	968.3
Of which interest-bearing		344.8	328.1	272.4	279.0	312.9
Net liquidity		– 110.6	164.2	173.1	69.0	91.8
Equity		846.1	872.8	724.5	638.5	525.4
Equity ratio	%	40.9	41.0	39.4	38.1	35.2
Return on equity (ROE)	%	16.9	21.4	14.0	14.8	10.7
Working capital		463.3	345.1	322.3	302.2	239.1
Net operating assets (NOA) average		891.0	687.1	604.8	566.5	502.5
Return on net operating assets (RONOA)	%	18.5	23.8	14.3	14.8	12.1
Number of employees at 31 December [1)]		8 373	7 484	6 775	6 874	5 782
Average number of employees during year [1)]		8 176	7 261	6 882	6 836	5 795
Net sales per employee	CHF 1 000	341.1	338.6	303.3	285.0	283.2

[1)] Numbers of employees in full-time-equivalents

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This annual report is also published in German. In case of any discrepancy, the German version shall prevail.