BUCHER

Annual report 2017

Cover picture: Truck-mounted sweeper Optifant 8000

"50 years ago, our grandfather decided to work with Bucher Municipal. What was once a supplier has now become a partner."

Claus and Jörg Baving, Managing Partners,
Alba Städte- u. Industriereinigung Baving GmbH,
Neuenkirchen, Germany

Key Figures >

Key figures

Group

CHF million				change in		
		2017	2016	%	%[1]	%[2]
Order intake		2 870.7	2 386.1	20.3	18.9	18.3
Net sales		2 647.4	2 380.4	11.2	9.9	9.4
Order book		960.3	727.7	32.0	30.4	30.4
Operating profit before depreciation and amortisation (EBITDA)		318.0	262.5	21.1		
as % of net sales		12.0%	11.0%			
Operating profit (EBIT)		226.4	169.3	33.7		
as % of net sales		8.6%	7.1%			
Net financial result		– 1.1	– 8.7	87.4		
Income tax expense		– 57.6	– 42.2	– 36.5		
as % of profit before tax		25.6%	26.3%			
Profit/(loss) for the year		167.7	118.4	41.6		
as % of net sales		6.3%	5.0%			
Earnings per share in CHF		16.81	11.73	43.3		
Capital expenditure		76.2	78.2	– 2.6		
Operating free cash flow		148.2	189.5	– 21.8		
Research and development costs		– 110.0	– 99.4	– 10.7		
Net cash/debt		214.2	61.4	248.9		
Total assets		2 719.8	2 419.6	12.4		
Equity		1 432.1	1 223.6	17.0		
Equity ratio		52.7%	50.6%			
Return on equity (ROE)		12.6%	10.0%			
Net operating assets (NOA) average		1 273.9	1 293.1	– 1.5		
Return on net operating assets (RONOA) after tax		13.2%	9.7%			
Number of employees at 31 December		12 108	11 175	8.3		8.3
Average number of employees during year		11 707	11 251	4.1		3.7
Net sales per employee	CHF 1 000	226	212	6.6	5.4	5.3

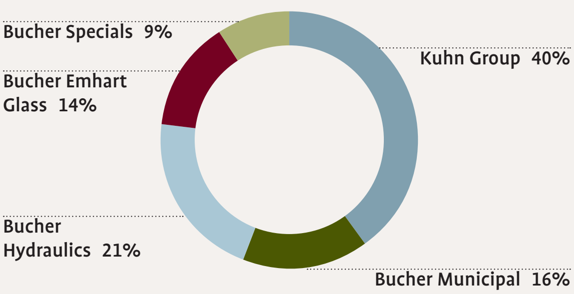
[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Divisions

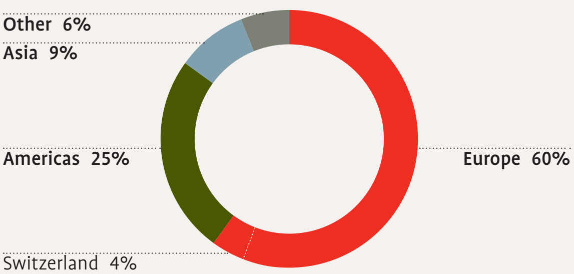
CHF million	Order intake		Net sales		Order book		Operating profit (EBIT)		Number of employees at 31 December	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Kuhn Group	1 137.5	934.5	1 075.6	930.0	439.9	371.1	93.0	74.2	5 235	4 731
Bucher Municipal	486.1	381.0	425.7	389.2	164.7	104.1	26.1	14.5	2 014	1 746
Bucher Hydraulics	581.0	481.7	545.9	475.2	117.8	82.4	74.7	56.6	2 319	2 061
Bucher Emhart Glass	448.9	350.9	381.2	370.8	177.3	107.9	25.2	26.3	1 630	1 757
Bucher Specials	274.6	288.5	271.6	263.3	79.5	76.1	22.1	21.1	849	817
Other/consolidation	– 57.4	– 50.5	– 52.6	– 48.1	– 18.9	– 13.9	– 14.7	– 23.4	61	63
Group	**2 870.7**	**2 386.1**	**2 647.4**	**2 380.4**	**960.3**	**727.7**	**226.4**	**169.3**	**12 108**	**11 175**

Net sales

by division

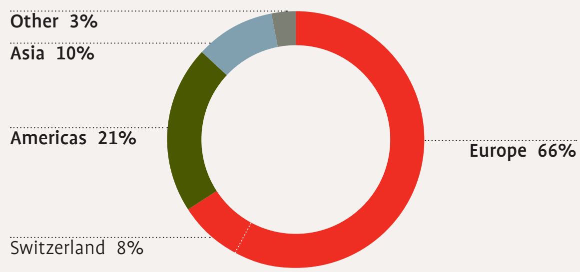


by region



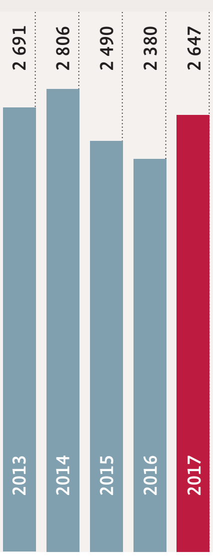
Number of employees

by region

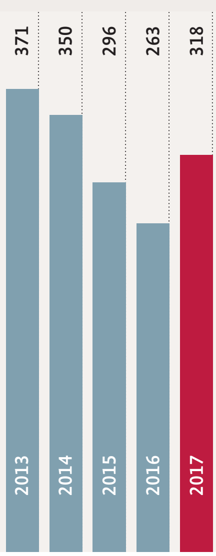


Five-year summary

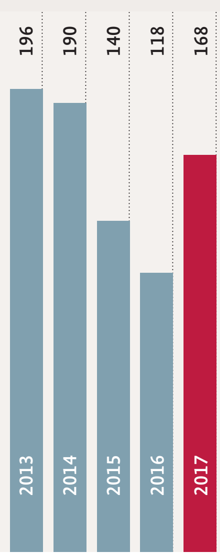
Net sales
CHF million



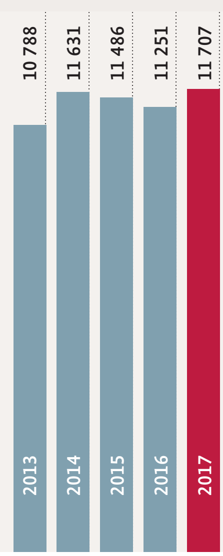
Operating profit (EBITDA)
CHF million



Net profit
CHF million



Average number of
employees during year



The partnership with the Baving brothers is one of the many success stories that we have witnessed and helped to shape at Bucher Industries over the past few decades. And that's precisely what this annual report revolves around: our longstanding partnerships and the people who work with our machines and solutions on a daily basis. It also addresses how we at Bucher Industries can support our customers in their day-to-day work. Regardless of whether they have to feed 9000 cattle, manufacture 13 million glass bottles in one week or save lives, efficiency is the top priority for our customers. If they can also reduce their costs, improve the quality of their products and protect the environment at the same time, this creates real added value for them. The division sections of the report offer an insight into this everyday added value – as told from our customers' own perspective.

Contents

Bucher Industries

Bucher at a glance

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

Our mission

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

Our goals

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

Report to shareholders

Dear Shareholders

The five divisions of Bucher Industries delivered an overall pleasing performance in 2017. Order intake surged 20% and sales were up 11% year on year. This success was driven by improved overall conditions on the agricultural equipment market and a very upbeat business trend for hydraulic components, along with strong demand for municipal vehicles and for machinery for forming glass containers. The operating profit margin was 8.6%. Profit for the year amounted to CHF 168 million, and earnings per share was CHF 16.81.

Positive market development There was a sharp increase in demand for Bucher Industries' specialised products during the reporting year. Thanks to higher prices in the dairy and livestock industries, the important market of agricultural equipment started to rebound after three difficult years. Municipal vehicles were able to benefit from the improving economy and the associated investments made by cities and municipalities. The market for hydraulic system solutions and components performed very well, and the glass container industry in the emerging countries invested more in production facilities. The business units of Bucher Specials presented a mixed picture.

Successful business performance In a largely favourable market environment, the order intake at group level was CHF 2 871 million, an increase of 20% year on year. Sales rose by 11% to CHF 2 647 million. The operating profit reached CHF 226 million, resulting in an operating profit margin of 8.6%. The profit for the year amounted to CHF 168 million, resulting in earnings per share of CHF 16.81. The rebound that has begun in the agricultural equipment market was reflected in the significant increase in sales and profitability at Kuhn Group. Bucher Municipal also grew on the strength of the upturn in its markets, recording a strong order intake. Bucher Hydraulics posted an outstanding performance in most regions. The division skilfully handled its growing number of orders and drove both sales and the operating profit margin sharply higher. Bucher Emhart Glass saw a strong increase in order intake, while sales increased only modestly due to the lead times associated with the project business and the postponement of some projects to the 2018 reporting year. The business units of Bucher Specials were confronted in part with difficult market conditions. Nevertheless, the division was able to record a slight increase in sales.

Financial situation In the wake of the long-term corporate development, Bucher Industries increased its spending on innovation by CHF 11 million. In addition, CHF 76 million was invested in expanding production infrastructure and in modernising and automating the means of production. Net operating assets were reduced by 6 percentage points to 48.1% of net sales. Due to the increased profitability and lower capital commitment, the return on net operating assets after tax (RONOA) was 13.2% (2016: 9.7%). This was still significantly higher than the cost of capital, but below the long-range target of 16%. The positive free cash flow resulted in net liquidity of CHF 214 million. With an equity ratio of 52.7% and high liquid assets, the Group's financial independence and opportunities for further growth remain secure.

Kuhn Group After three difficult years, the agricultural equipment market staged a recovery. Higher prices for milk and meat in Europe boosted demand for machinery for hay and forage harvesting and livestock bedding and feeding. The arable sector, however, continued to suffer from full inventories and from low and volatile prices. This prompted farmers in North America in particular, due to low income, to be cautious about investing. France, the home market of Kuhn Group, was still struggling with the impact of the previous year's poor harvests. Apart from that, the market conditions in Europe were favourable, prompting farmers to invest in new machinery and distributors to build up their inventories again. Order intake was up 22% year on year and sales were up 16%. In light of rising material costs and lower sales in North America, the operating profit margin was modestly higher than the previous year at 8.6%.

Bucher Municipal Economic conditions in the markets served by Bucher Municipal improved considerably in the reporting year, especially in Europe and Australia. Demand for sweeper rose in France, Germany and Russia, and some major orders for refuse collection vehicles were won in Australia. The early arrival of winter in Europe boosted the market for winter maintenance equipment. In this positive environment, Bucher Municipal increased its order intake by 28%. Sales were up 9% year on year. The concentration of sweeper production in Latvia and Great Britain temporarily limited productive capacity and put pressure on the operating profit margin, although the latter did improve to 6.1%. The concentration of sweeper production was brought to a conclusion as planned at the end of the year.

Bucher Hydraulics Demand for hydraulic system solutions and components rose sharply in the construction machinery, industrial hydraulics, agricultural engineering and materials handling segments, which are the most important for Bucher Hydraulics. The German market saw strong growth after five years of stagnation, and demand in North America, India and China also rose significantly. Bucher Hydraulics was able to cope with the increase in orders and the expansion of production capacity to meet these orders, without any delays for customers. The good position of the division and the adjustments to the product mix also contributed to the successful business year, in which order intake rose by 21%, sales increased by 15% and the operating profit margin moved up to 13.7%.

Bucher Emhart Glass The reporting year started on a cautious note, but over its course the demand for glass-forming machinery increased in almost every market. In North America in particular, the producers of glass bottles invested more, while the beer market in Mexico expanded its capacities and even China showed a modest improvement. The trend in Europe was solid and stable. The division benefited from the favourable market development, posting a strong 28% increase in order intake and a 64% jump in the order book. Due to the lead times associated with the project business and the postponement of some projects to 2018, sales were up only modestly year on year by 3%. The measures implemented at the joint venture Sanjin weighed on the operating profit margin, which came in at 6.6%.

Bucher Specials Under mixed market conditions for its business units, the division saw a 5% decline in order intake year on year. Nevertheless, sales rose by 3%. The operating profit margin, impacted by material costs, was at 8.1% and at previous year's level. Europe was hit by negative weather conditions, which resulted in smaller harvests for grapes and apples. This suppressed demand for winemaking equipment and fruit juice presses in the main markets of France, Spain and Italy. Falling demand for winemaking equipment was offset by other regions, so that a positive order intake was nevertheless achieved. Sales remained stable despite the reduced harvests. The market for beverage technology recovered over the course of the year, but remained volatile. Project delays and financing bottlenecks at clients weighed on order intake; nevertheless, sales were higher. The Swiss market for agricultural machinery was slightly lower, pulling down order intake and sales as well. Favourable market conditions in mobile and industrial automation boosted both order intake and sales at Jetter.

Dividend The board of directors will propose a dividend of CHF 6.50 per share to the annual general meeting on 18 April 2018. The dividend paid in 2017 was CHF 5.00 per share. This proposal is in keeping with a consistent dividend policy and takes account of the group profit for 2017.

Board of directors and group management In the reporting year, Ernst Bärtschi did not stand for re-election after serving on the board of directors for 12 years. The board of directors is proposing that the annual general meeting on 18 April 2018 should elect Martin Hirzel, CEO of Autoneum Holding AG, as a new board member. Manuela Suter took over the position of CFO on 1 January 2018. The previous CFO, Christina Johansson, left the Group at the end of the reporting year.

Thanks to our employees Bucher Industries has been a successful company for more than 200 years thanks to the expertise and creativity of its employees, their knowledge and dedication, and their loyalty and service orientation. Thanks to its employees, Bucher holds a leading position in the manufacturing of specialised machinery and vehicles and is able to continually bring new and innovative products and services to the market. Our employees create genuine added value for our customers that will continue in future. You can read more about this in the reports on the individual divisions. We would like to sincerely thank our employees for their consistently manifest desire to develop, create and act in the interests of the customer. And we would also like to thank our customers and partners for their cooperation over the last year, a cooperation marked by trust and based on a long-term relationship. After all, we are well aware that our success can continue only with the contribution of each individual.

Outlook 2018 For the current year, the Group is reckoning with a mostly positive market environment. The improved market conditions in the dairy and livestock industries will continue, while the arable sector will need more time to recover, especially in North America, due to high inventories and good harvests. Against this background, Kuhn Group is forecasting that sales and the operating profit margin will rise. The robust order book for sweepers in Europe and refuse collection vehicles in Australia will ensure significant sales growth for Bucher Municipal in the first half of 2018. The concentration of sweeper production in Europe in 2017 will allow cost savings. For the entire year, the division anticipates an increase in sales and an improved operating profit margin. Bucher Hydraulics expects demand to remain healthy in 2018 and sales to enjoy continued growth. The operating profit margin is likely to remain at the previous year's high level, despite ongoing price pressure and higher costs for research and development. Market sentiment in the glass container industry looks set to stay optimistic in 2018. Bucher Emhart Glass started the current year with a robust order book. It expects sales to rise and the operating profit margin to improve significantly. Sales and the operating profit margin at Bucher Specials should increase, although the performance of the individual business units will likely be mixed. In light of the robust order book and the positive market environment, the Group is forecasting both sales and the profit for the year to increase for 2018 as a whole.

Niederweningen, 6 March 2018

Philip Mosimann
Chairman of the Board of Directors

Jacques Sanche
Chief Executive Officer

Left:
Philip Mosimann
Chairman of the Board of Directors

Right:
Jacques Sanche
Chief Executive Officer

Information for investors

At 31 December		2017	2016	2015	2014	2013
Share capital						
Registered shares						
Par value	CHF	0.20	0.20	0.20	0.20	0.20
In issue and ranking for dividend	number	10 250 000	10 250 000	10 250 000	10 250 000	10 250 000
Authorised but unissued	number	1 184 100	1 184 100	1 184 100	1 184 100	1 184 100
Treasury shares	number	25 566	123 871	139 839	149 450	227 907
Issued share capital	CHF	2 050 000	2 050 000	2 050 000	2 050 000	2 050 000
Market capitalisation and dividends						
Market capitalisation	CHF million	4 059.0	2 570.2	2 319.6	2 551.2	2 654.8
as % of equity	%	290.3	216.4	207.9	220.0	257.7
Gross dividend per registered share	CHF	6.50 [1]	5.00	5.50	6.50	6.50
Total dividend	CHF million	66.6 [1]	51.3	56.4	66.6	66.6
Payout ratio	%	39.0 [1]	43.2	40.8	35.6	34.3
Per share data						
Profit/(loss) for the year						
Basic earnings per share	CHF	16.8	11.7	13.7	18.6	19.6
Diluted earnings per share	CHF	16.8	11.7	13.7	18.5	19.5
Net cash flow from operating activities	CHF	21.8	26.0	23.4	16.1	22.3
Equity	CHF	136.4	115.9	108.9	113.2	100.5
Year high	CHF	407.0	252.5	257.0	314.3	259.0
Year low	CHF	252.8	194.7	201.7	218.2	182.2
Year-end price	CHF	396.0	250.8	226.3	248.9	259.0
Average price	CHF	325.3	231.9	232.9	269.0	226.0
Average dividend yield	%	2.0 [1]	2.2	2.4	2.4	2.9
Average daily trading volume	number	19 727	12 793	16 931	17 676	13 824
Price/earnings ratio (year-end price)		23.6	21.4	16.5	13.4	13.2

[1] Proposal by the board of directors

Stock exchange listing

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

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

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

Contact

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Manuela Suter, CFO

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Financial calendar

Annual general meeting (Mövenpick Hotel, Regensdorf)	18 April 2018	15.30 h
First trading date ex-dividend	20 April 2018	
Dividend payment	24 April 2018	
Release of first quarter 2018 group sales	26 April 2018	
Sustainability report 2017	28 June 2018	
Interim report 2018	25 July 2018	
Conference call on the interim results 2018	25 July 2018	
Release of third quarter 2018 group sales	25 October 2018	
Release of 2018 group sales	31 January 2019	
Annual report 2018	5 March 2019	
Annual press conference	5 March 2019	09.00 h
Annual analyst conference	5 March 2019	15.00 h
Annual general meeting (Mövenpick Hotel, Regensdorf)	17 April 2019	15.30 h
First trading date ex-dividend	23 April 2019	
Dividend payment	25 April 2019	
Release of first quarter 2019 group sales	25 April 2019	
Interim report 2019	30 July 2019	
Conference call on the interim results 2019	30 July 2019	
Release of third quarter 2019 group sales	24 October 2019	

Share price performance CHF

Divisions

Activities of the divisions

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

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

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

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

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

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

Kuhn Group

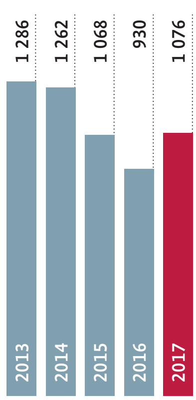
Key figures

CHF million	2017	2016	change in %	change in %[1]
Order intake	1 137.5	934.5	21.7	19.6
Net sales	1 075.6	930.0	15.7	13.5
Order book	439.9	371.1	18.5	16.6
Operating profit (EBITDA)	133.0	115.5	15.2	
as % of net sales	12.4%	12.4%		
Operating profit (EBIT)	93.0	74.2	25.3	
as % of net sales	8.6%	8.0%		
Number of employees at 31 December	5 235	4 731	10.7	
Average number of employees during year	5 075	4 823	5.2	

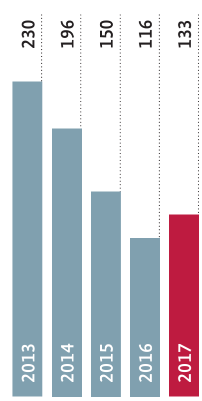
[1] Adjusted for currency effects

Five-year summary

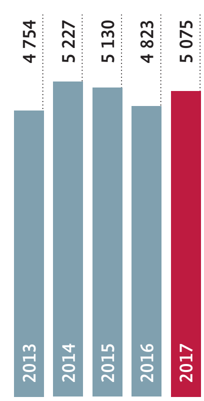
Net sales
CHF million



Operating profit (EBITDA)
CHF million

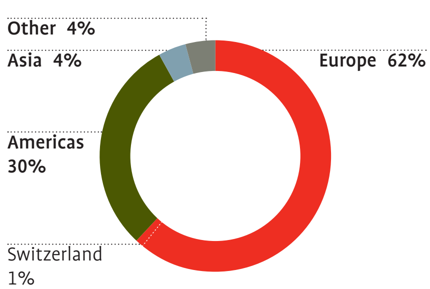


Average number of employees during year

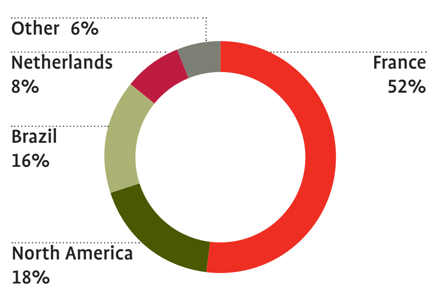


Geographical analysis

Net sales



Number of employees



Divisional report

After three difficult years, the market for agricultural equipment showed the first signs of recovery due to rising milk and meat prices, although France and North America still suffered from producers being impacted by poor markets in 2016. Grain prices remained at a low level. Kuhn Group increased its order intake by 22% and net sales by 16%. The operating profit margin increased more moderately to 8.6% due to increasing raw material and other costs. Kuhn Group accounted for 40% of group sales (2016: 39%).

Moderate market recovery The market for agricultural equipment has been declining since 2014. The global slowdown affected machines used in the crop production sector and, a year later, machines for hay and forage harvesting as well as livestock bedding and feeding. The profound low-cycle continued in some markets, like North America, throughout the reporting year. However, the favourable development of the general economy led to an increase in milk and meat consumption as well as their prices. The improvements – mainly in the dairy and livestock segment – triggered a gradual recovery in the hay and forage harvesting, livestock bedding and feeding equipment markets in the reporting year. Contrary to this, the arable sector faced continuing low and volatile cereal and oil seed prices. Good harvests led to production volumes exceeding global consumption and further increased the already abundant grain stocks. The markets for agricultural machinery in Western Europe performed positively, except for France, which still suffered from the poor harvest in 2016 and the local farmers' low income level. In North America, another year of lower net farm income led to cautious investment behaviour as well as a considerable amount of pressure on the dealers and manufacturers to move aging equipment inventories to retail. Demand in South America was positive until mid-year. At this point, it faced new headwinds partially due to negative currency influences as the Brazilian Real gradually fell in value. Russia, Ukraine and Asia recorded increases in demand. Japan benefited from strong state-driven investment policies benefiting the agricultural equipment sector.

Pleasing order intake The improved market conditions in the dairy and livestock sector amplified Kuhn Group's order intake by 22%. This was caused by farmers starting to renew their fleets and dealers restocking their inventories. Furthermore, the markets reacted well to a number of new products. This resulted in net sales growth of 16% in almost every region, despite the arable segment not yet having recovered. Due to the slowdown in business in the last three years, a range of measures were introduced to adapt capacities, reduce finished goods and in-process inventories as well as staff numbers in 2016. The positive rise in 2017 led to the rehiring of full-time and temporary workers, as well as an increase in subcontracting. Rebooting the supply chain and capacities in order to meet the rising demand was cost- and time-intensive. Furthermore, the division had to tackle rising raw material and other costs, with steel prices climbing by 20%. This occurred during a year of crisis for the sector during which sub-normal price realization did not compensate for the aforementioned extra costs. The operating profit margin of Kuhn Group still reached a good level of 8.6%.

Investments for growth In 2016, Kuhn Group started building a new central logistics centre at its production site in Saverne, France. It was completed and stocked with components during the reporting year. The new centre includes an automated storage complex and will be fully operational by spring 2018. This will ensure shorter component delivery times to the production lines as well as an improved flow of goods. In 2017, a plot of industrial land was acquired in Russia. Located in the rich agricultural region of Voronezh, the site will house a new distribution, assembly and service facility for Kuhn Group. Its construction will begin in 2018.

Well-received innovations In 2016, Kuhn Group and other agricultural machinery manufacturers formed an exceptional partnership and launched an initiative for the creation of a shared, web-based digital data exchange platform. This data routing hub, called Agrirouter, allows the secure data exchange of datasets for high-level farm management and precision farming. The concept was presented for the first time at Agritechnica 2017, the world's largest trade fair for agricultural equipment. It was greeted with great enthusiasm from farmers, dealers and other stakeholders and the initiative received a silver award for innovation. The Kuhn Smart Ploughing system also received a silver award at Agritechnica. This new feature allows for independent GPS control of each body of a plough to better manage field headlands. The new MyKUHN retail customer portal was also presented for the first time and generated great interest, with approximately 10,000 views in Germany alone since its launch. Through this portal, registered retail customers can access the latest manuals, spare parts diagrams, expert advice and special offers for their equipment fleets and interests. Furthermore, a new baler-wrapper combination was voted "Machine of the Year 2018" at Agritechnica. At the Salon International de la Machine Agricole in Paris earlier this year, Kuhn Group received two "Machine of the Year awards for 2017", one for a self-propelled mixer and another for a deep working cultivator.

50-years-anniversary In 2017, one of the products that shaped the face of Kuhn Group and of hay and forage making in general was able to look back on a 50-year success story. Kuhn's pioneering work and introduction of the disc mower in 1967 required considerable confidence and foresight. These two factors have driven Kuhn Group's innovations ever since. What's more, Kuhn Group will celebrate its 190th anniversary in 2018.

Outlook for 2018 The favourable market conditions within the dairy and livestock segment are expected to persist. The crop production market will take further time to recover. Farmers in North America in particular are likely to continue to suffer from weak farm margins and net incomes. Although the general market conditions for hay and forage, livestock and dairy gradually improved during 2017, the uncertainties surrounding the current high inventories of agricultural commodities, harvests and the development of milk prices from mid-year on remain. Kuhn Group expects demand to continue increasing moderately in most regions. The division anticipates sales in 2018 to be better than the previous year. An improved operating profit margin is also anticipated due to higher productivity, better cost absorption and moderate price increases.

Division management

Thierry Krier,
Division president

Dominique Schneider,
Finance and controlling

Jeannot Hironimus,
Business development

Jean-Luc Collin,
Operations

Roland Rieger,
Marketing

Rolf Schneider,
Sales

Christophe Jeanroy,
Research and development

Didier Vallat,
Kuhn-Audureau SA

Dominique Devillers,
Kuhn-Blanchard SAS

Marc Peeters,
Kuhn-Geldrop B.V.

Hervé Arlot,
Kuhn-Huard SA

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

Mario Wagner,
Kuhn do Brasil S/A; Kuhn-Montana Indústria de Máquinas S/A

At 6 March 2018


KUHN

A complete livestock-feeding solution

"Thanks to the feeding system, we have not only increased the volume of milk being produced, but we are also producing milk that really tastes good. What more could we want?"

Wesley Statz,
Co-owner and Manager, Statz Brothers Farm,
Sun Prairie, Wisconsin, USA

Feeding 9000 heads of cattle in the right quantities requires sophisticated technology. And if you want to prepare and distribute the feed in a cost-effective manner, you will need an intelligent feeding system. To meet these needs, the Statz Brothers from Sun Prairie are using a solution developed by Kuhn Group, which includes two large feed mixers and a high-capacity feed delivery box. "The feeding system mixes the forage and nutrients and distributes them immediately. This makes our production processes efficient and reliable, and our milk of high quality," explains Wesley Statz.

Bucher Municipal

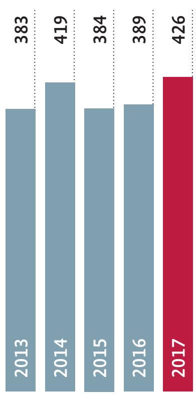
Key figures

CHF million	2017	2016	%	change in %[1]	%[2]
Order intake	486.1	381.0	27.6	27.1	23.2
Net sales	425.7	389.2	9.4	8.9	5.9
Order book	164.7	104.1	58.2	58.0	58.0
Operating profit (EBITDA)	37.2	24.8	50.0		
as % of net sales	8.7%	6.4%			
Operating profit (EBIT)	26.1	14.5	80.0		
as % of net sales	6.1%	3.7%			
Number of employees at 31 December	2 014	1 746	15.3		15.3
Average number of employees during year	1 885	1 694	11.3		9.0

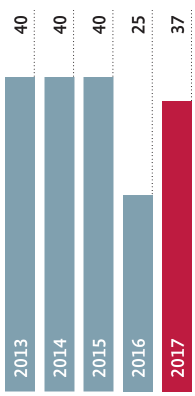
[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Five-year summary

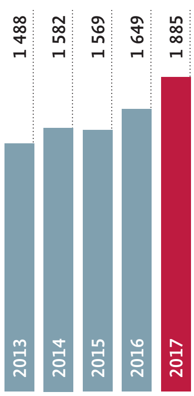
Net sales
CHF million



Operating profit (EBITDA)
CHF million

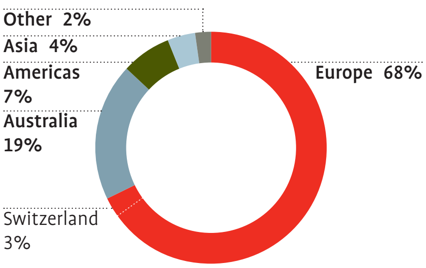


Average number of employees during year

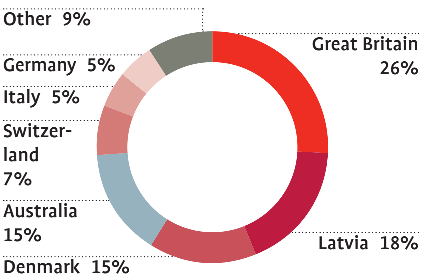


Geographical analysis

Net sales



Number of employees



Divisional report

The economic conditions in the markets served by Bucher Municipal improved in the reporting year. The demand for municipal vehicles in the main market of Europe rose sharply and Australia's economy started to revive. In this positive environment, sales increased by 9%. The operating profit margin improved to 6.1%. The division accounted for 16% of group sales (2016: 16%).

Markets make a strong recovery The economic conditions in the markets served by Bucher Municipal improved in the reporting year. The demand for municipal vehicles in the main market of Europe rose, especially in France, Germany and Russia. The preparations for the FIFA World Cup have generated more investments in infrastructure in Russia. Australia's economy started to revive, with investments in infrastructure maintenance rising. The early onset of winter in Europe helped the market for winter maintenance equipment to recover.

Full order books Bucher Municipal sharply increased its order intake already in the first half of the reporting year, and it continued to rise to the end of the year. Growth was driven primarily by orders for 4 m^3 sweepers, truck-mounted sweepers and refuse collection vehicles. Thanks to the good business performance in Russia, the winter maintenance equipment business picked up at the end of the year, although it remained at a low level. Sales rose less strongly than order intake, driven primarily by sales of refuse collection vehicles in Australia. The reason for the lower increase in sales was that the concentration of sweeper production in Latvia and Great Britain limited production capacity temporarily. In the last three months of the reporting year, however, the division was again running at full capacity. The pooling of production and the associated cost savings will significantly bolster the competitiveness of Bucher Municipal in the sweeper business. The operating profit margin was 6.1%, a sharp increase year on year, although the partial reduction in capacity held this figure back.

Sewer cleaning vehicles for Europe and America Bucher Municipal expanded its range of products for sewer cleaning vehicles with a recycling system. The recycling system constantly cleans the water extracted from sewers and reuses it to pressure-clean the same sewer. Special attention was paid to work performed in tight spaces and also to automation. The sewer cleaning vehicle RECycler for the European market was launched in the spring of the reporting year. At the same time, preparations were made for the market launch of the American model in early 2018. The portfolio is complete now that the division has added two-axle vehicles to the existing four- and three-axle vehicles with tank sizes up to 14 m^3. The customers benefit in many ways from this system: There are fewer interruptions to take in fresh water, which gives a considerable boost to productivity while reducing the consumption of water and fuel. The vehicles have an automatic fuel-saving technology, which reduces the speed of the motor and pumps to the minimum required for the job.

Boost customer satisfaction with CRM Bucher Municipal rolled out a Customer Relationship Management (CRM) system in the reporting year. It will be used by the entire organisation worldwide starting in early 2018. The division attaches great importance to providing a competent and customer-oriented service and wants to increase customer satisfaction even more. The benefits of CRM for customers is that they receive systematic service, from the handing over the vehicle to the end of its life cycle.

Outlook 2018 Bucher Municipal anticipates that sales will grow strongly in the first half of 2018 due to the full order book for sweepers in Europe and refuse collection vehicles in Australia. Moderate growth is expected in the winter maintenance business, as this depends heavily on future winters, which cannot be predicted with any certainty. Great Britain, which is the most important market for the division for sewer cleaning vehicles and sweepers, may post only modest growth due to uncertainties in connection with Brexit. The substantial operational changes made in the last two years, such as the concentration of sweeper production and the integration of the acquisitions in Denmark and Australia, are likely to improve the cost structure of the division so that it can react to market changes with greater flexibility. As a result, Bucher Municipal anticipates higher sales and an improved operating profit margin for 2018.

Division management

Aurelio Lemos,
Division president

Stefan Häni,
Finance and controlling

Thomas Dubach,
Business development

Jussi Iltanen,
Chief Marketing Officer

René Manser,
Information technology

Peter Rhodes,
Sweepers

Thomas Dubach,
Sewer cleaning vehicle, ad interim

David Waldron,
Refuse collection vehicles

Guido Giletta,
Winter equipment

At 6 March 2018

RECycler sewer cleaning vehicle

“If we want to protect the environment, we need to keep it clean. And vice versa.”

Phil Blake,
Managing Director, PRB Drainage Limited,
Hinckley, Great Britain

The work involved in cleaning sewers, which includes preventative cleaning, eliminating blockages and removing rubble from the sewer system, is varied, time-intensive and requires a large amount of water. This is not the case with the RECycler sewer cleaning machine from Bucher Municipal. Its recycling system continuously cleans the water extracted from sewers and reuses it to pressure-clean the same sewer. “The water tank no longer has to be filled up, which means that we save on fuel, time and, above all, water,” explains Phil Blake.


prb
Drainage Lt
safecontractor
APPROVED

Bucher Hydraulics

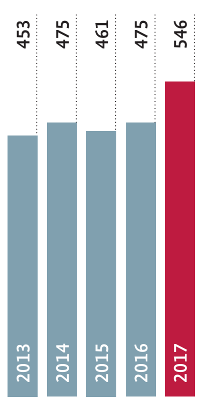
Key figures

CHF million	2017	2016	change in %	change in %[1]
Order intake	581.0	481.7	20.6	19.8
Net sales	545.9	475.2	14.9	14.2
Order book	117.8	82.4	43.0	42.0
Operating profit (EBITDA)	94.4	76.1	24.0	
as % of net sales	17.3%	16.0%		
Operating profit (EBIT)	74.7	56.6	32.0	
as % of net sales	13.7%	11.9%		
Number of employees at 31 December	2 319	2 061	12.5	
Average number of employees during year	2 169	2 039	6.4	

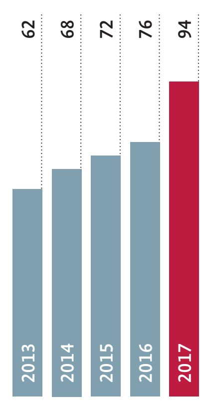
[1] Adjusted for currency effects

Five-year summary

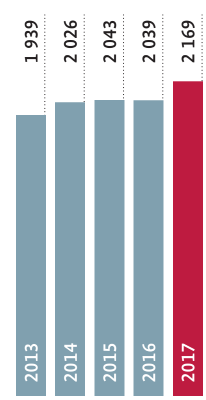
Net sales
CHF million



Operating profit (EBITDA)
CHF million

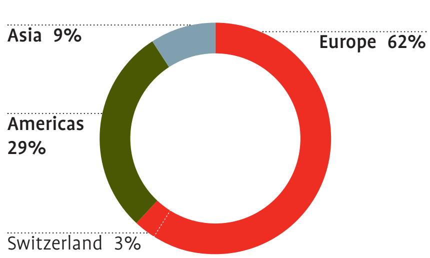


Average number of
employees during year

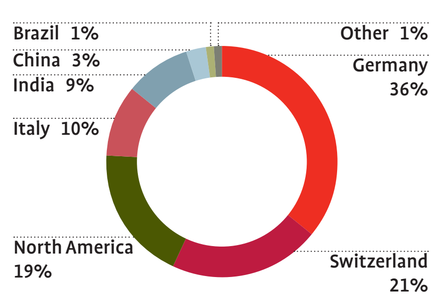


Geographical analysis

Net sales



Number of employees



Divisional report

The markets of Bucher Hydraulics performed extremely well in the reporting year. Demand was strong in the construction machinery, industrial hydraulics and agricultural engineering segments as well as in materials handling. The division increased its order intake by 21% thanks to its good position and changes in the product mix. Sales rose by 15% to a record level. The division did an excellent job of handling the order volume, generating an operating profit margin of 13.7%. The division accounted for 21% of group sales (2016: 20%).

Upward trend in the markets The markets of Bucher Hydraulics developed very well in the reporting year. Strong growth was recorded in particular in the construction machinery, industrial hydraulics and agricultural engineering segments as well as in materials handling. After five years of stagnation, the German market for hydraulic system solutions and components started growing again. The demand in North America increased in the second half of the year, although it did not reach the level of growth seen in other regions worldwide. Growth in the Indian market was solid once again. Demand in China for construction machinery increased noticeably due to the rise in construction activity.

Record sales Bucher Hydraulics had a very successful business performance. Order intake advanced by 21% and sales rose by 15%. In absolute terms, both reached record highs. The strong business performance is due to the good state of the economy in the markets that Bucher Hydraulics serves. Also contributing to the solid growth were the strong position of Bucher Hydraulics as well as shifts in the product mix. In addition, the division benefited during the reporting year from higher demand for the serial products that were rolled out in recent years for new customers in particular. Bucher Hydraulics was generally able to handle the strong growth in orders, although all locations were confronted with major challenges to boost production capacity in a controlled manner. With an operating profit margin of 13.7%, the division was able to beat the previous-year's figure.

Modernisation of the machine park The competence centre at the Erding location in Germany produces hydraulic cylinders. The demand for cylinders in the reporting year grew so much that the production had to be continuously adjusted to meet the rising demand. Against this background, new, state-of-the-art manufacturing cells were installed. The new cells replaced older machines and also helped provide a significant boost to efficiency in the manufacturing process. Additional capital investments are planned for this year.

Increasing electrification as an opportunity Bucher Hydraulics is very aware of the growing trend towards electrically driven machines, and it is taking advantage of this opportunity to develop its products in this direction. The demand for electrified machines was particularly strong in the areas of construction equipment, agricultural machinery and municipal technology. Current and future statutory emissions requirements explain the move away from internal combustion engines to battery-powered machines for use in cities or in closed rooms, such as in stables. Hydraulic systems continue to be an essential part of these electrified machines. Wherever a high level of power is needed, such as for cylinder movements or larger engine drives, hydraulics continues to offer many advantages. However, hydraulic systems have to be specially coordinated with these machines to significantly reduce the loss of energy in the hydraulic system. For Bucher Hydraulics, these new applications offer further market opportunities. The division is working to capture these opportunities thanks to its vast product and application know-how. This is the main reason that machine manufacturers are selecting hydraulic solutions offered by Bucher Hydraulics.

Focus on research Improved energy efficiency, greater functionality and simplified integration in the machine control – customer demands for hydraulic solutions are already high and they are growing. In response to these challenges, Bucher Hydraulics is boosting its research activities in the areas of service assistance, digitisation and the networking of systems. To this end, it has launched a new department that develops location-independent solutions and subsystems for intelligent, electro-hydraulic solutions.

Personnel Due to the sharp increase in sales at Bucher Hydraulics, the number of employees in the division rose by 13% in the reporting year. The greatest growth was recorded at the plant in India, followed by Germany and Switzerland. In Europe and North America, the division is facing the rapidly growing challenge of finding highly trained professionals. For that reason, Bucher Hydraulics is promoting in-house training courses for employees and is also placing great emphasis on providing training positions for young people. The future of Bucher Hydraulics is heavily dependent on the availability of well-trained professionals.

Outlook 2018 Bucher Hydraulics expects demand to continue to be high for the current year. In the important market of Germany as well as in North America, Bucher Hydraulics is forecasting continued growth, not least because of the good customer base in these regions. The Chinese market is likely to grow at a more modest pace after expanding in 2017. The division will invest in research and development in the current year. In addition, the transfer of mechanical production processes – divided up to now between two Swiss plants in Frutigen and Neuheim – to a single location in Frutigen is being completed. Bucher Hydraulics expects sales to continue to grow in 2018, though at a slower pace than in the previous year, and the operating profit margin to be in line with the level of 2017.

Division management

Daniel Waller,
Division president

Peter Minder,
Finance and controlling

Uwe Kronmüller,
Bucher Hydraulics Germany

Jens Kubasch,
Bucher Hydraulics Switzerland

Luca Bergonzini,
Bucher Hydraulics Italy

Dan Vaughan,
Bucher Hydraulics North America

Kapil Sehgal,
Bucher Hydraulics India

Sam Wu,
Bucher Hydraulics China

At 6 March 2018


1
2

Servo-hydraulic drive axle

"Bucher Hydraulics provides the project concept, schedule and support – we save money and time. I'd say: thumbs up!"

Hans Borer,
Technical Manager, Nencki Bahntechnik AG,
Langenthal, Switzerland

In order to be able to concentrate on carrying out quality assurance on railway bogies around the world, Nencki Bahntechnik AG needs a strong partner in electrohydraulic systems technology. Bucher Hydraulics' servo-hydraulic drive axle and system solution generate a number of advantages for the Swiss company: "Thanks to a simple plug-and-play solution, we consume less energy and less oil, need less space in our test facilities, are much more efficient and also save on operating costs", explains Borer.

Bucher Emhart Glass

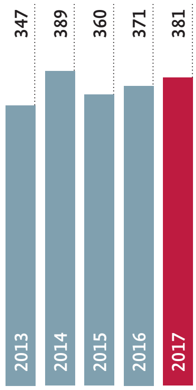
Key figures

CHF million	2017	2016	change in %	change in %[1]
Order intake	448.9	350.9	27.9	26.0
Net sales	381.2	370.8	2.8	1.3
Order book	177.3	107.9	64.4	61.7
Operating profit (EBITDA)	36.4	38.9	−6.4	
as % of net sales	9.6%	10.5%		
Operating profit (EBIT)	25.2	26.3	−4.2	
as % of net sales	6.6%	7.1%		
Number of employees at 31 December	1 630	1 757	−7.2	
Average number of employees during year	1 634	1 782	−8.3	

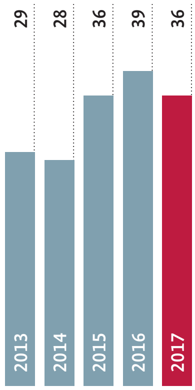
[1] Adjusted for currency effects

Five-year summary

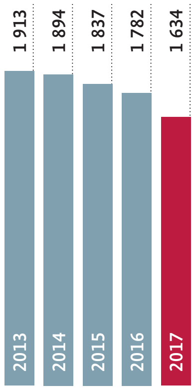
Net sales
CHF million



Operating profit (EBITDA)
CHF million

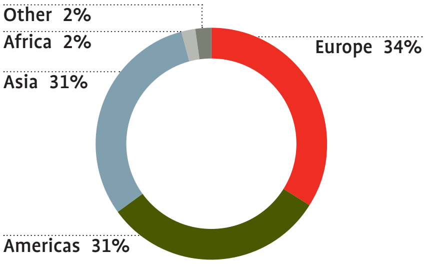


Average number of employees during year

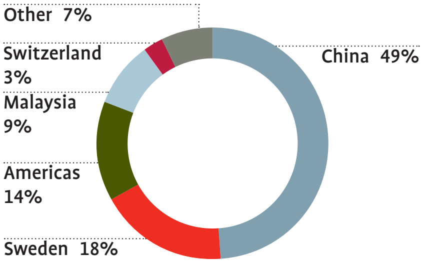


Geographical analysis

Net sales



Number of employees



Divisional report

The demand for glass-forming and inspection machines grew in almost every market during the reporting year. In China, positive signs were noticeable again following the downturn in recent years, although the market developed from a low level. Demand rose steadily following a slow start to the year and Bucher Emhart Glass performed well. For project-related reasons order intake soared by 28%. Sales rose by only 3%. The high inventory adjustments for the joint venture Sanjin weighed on the operating profit margin, which came in at 6.6%. The division accounted for 14% of group sales (2016: 16%).

Very good market situation The demand for machinery for forming and inspecting glass containers was stronger in almost every market, and there was a noticeable increase in investments by glass bottle manufacturers worldwide. Demand in the important North American region increased year on year, while in Europe it remained stable at a good level. The market in the Middle East was stagnant due to the unstable political situation. Capacity in the important beer market of Mexico underwent a massive expansion. Demand in China rebounded over the course of the reporting year at a low level, following a period since 2011 in which investments in glass-forming machinery in China had been cut in half. The Chinese government's attempt to restrict the consumption of alcohol as well as stricter environmental regulations put the manufacturers of glass bottles under pressure. But some initial positive signs have emerged in China, with major glass producers investing again, primarily in larger machines.

Upward trend lifts business performance After a slow start to the reporting year, Bucher Emhart Glass was able to gain traction in mid-year and continued the good performance through to the end of the year. Order intake was up a strong 28%. Thanks to its outstanding position and broad customer base, the division was able to take advantage of the improved markets and expanded in almost all regions. Growth in sales was less strong at 3%, which was due to the lead times of the division's project business. The parts and services business also developed well, as did the cooperation with O-I. The division successfully implemented the measures to bolster its efficiency and lower costs. One-time costs in connection with inventory adjustments for the joint venture Sanjin weighed on the operating profit margin, which came in at 6.6%.

End-to-end vision takes shape The end-to-end vision of Bucher Emhart Glass stems from a customer survey that was conducted in 2015 and was publicly presented for the first time in 2016. Based on an automation concept, it connects the glass-container-forming process and the data from the inspection machines via complex optimisation algorithms, thereby boosting efficiency. Bucher Emhart Glass offers services that help the customers to optimise their internal processes using the data that has been gathered. The division further developed this concept in the reporting year, with the initial products to be available in the current year.

New employee training courses To ensure the success of the end-to-end vision, Bucher Emhart Glass set up a training programme for all managers. The programme was designed in 2016, and by the end of the reporting year already 90 people had completed it. The programme will continue to be offered and will be expanded to other employees. Along with this training course, there was additional training in personnel management, communication, teamwork, conflict management and intercultural cooperation.

New sales and service centre At the end of 2016, Bucher Emhart Glass opened a new sales and service centre in Leipzig, Germany, for northern Europe and for coordinating all customer projects worldwide. The division also operates a competence centre for inspection machinery under the same roof, with the focus on the markets of Europe, the Middle East and Africa. Inspection machinery for demonstrations and customer training purposes are located in the centre. In addition, Bucher Emhart Glass offers its customers testing and validation facilities. In the reporting year, the division presented the offering of the sales and service centre to major customers at a two-day event. The event featured open discussions about working in even closer coordination.

Outlook 2018 Bucher Emhart Glass anticipates the upbeat market sentiment to continue in the current year. The division started 2018 with a high order book and is therefore forecasting an increase in sales and a significant improvement in the operating profit margin.

Division management

Martin Jetter,
Division president

Reto Semadeni,
Finance and Controlling

Matthias Kümmerle,
Technology

Juan R. Montes,
Logistics and manufacturing

Werner Gessner,
Sales and marketing, after-sales service

At 6 March 2018

BIS glass forming machine

“Our Customer Service Managers specifically request that the BIS machine is used to produce the glass bottles. I don’t think there’s any better proof that we made the right decision in buying this machine.”

Richard Summers,
Operations Director, Allied Glass,
Leeds, Great Britain

From small distilleries to global brand icons, if you want to fulfil the various requirements of bottle design for the spirits industry, you must be one thing above all else – flexible. The BIS glass forming machine from Bucher Emhart Glass allows Allied Glass to quickly switch between different orders while maintaining a high level of precision and repeat accuracy – for both simple and more complex bottle designs. “The BIS machine has transformed us into a far more competitive company. With the BIS machine we are ready for the future – our future!”, said Summers.

Bucher Specials

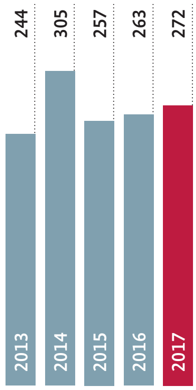
Key figures

CHF million	2017	2016	change in %	change in %[1]
Order intake	274.6	288.5	−4.8	−5.6
Net sales	271.6	263.3	3.1	2.3
Order book	79.5	76.1	4.5	3.9
Operating profit (EBITDA)	27.9	26.9	3.7	
as % of net sales	10.3%	10.2%		
Operating profit (EBIT)	22.1	21.1	4.7	
as % of net sales	8.1%	8.0%		
Number of employees at 31 December	849	817	3.9	
Average number of employees during year	882	849	3.9	

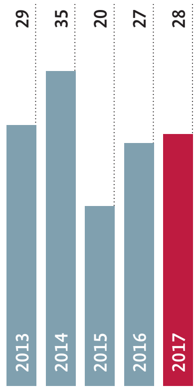
[1] Adjusted for currency effects

Five-year summary

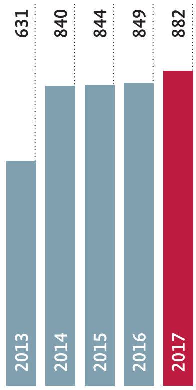
Net sales
CHF million



Operating profit (EBITDA)
CHF million

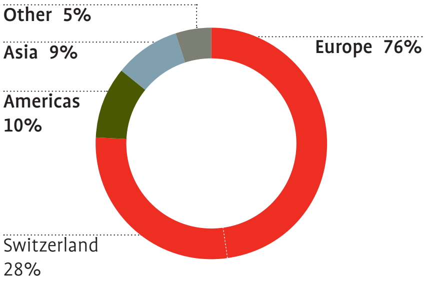


Average number of employees during year

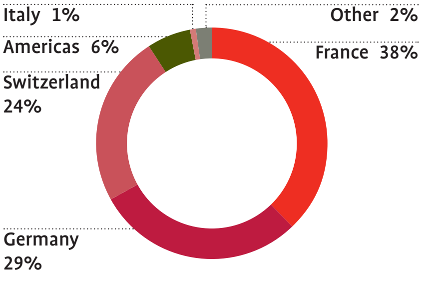


Geographical analysis

Net sales



Number of employees



Divisional report

Bucher Specials had to deal with a variety of market developments during the reporting year. A poor harvest of grapes and apples in Europe had a negative impact on the business performance. The division's order intake fell 5% year on year, but sales went up 3% thanks to the state of the order book at the start of the reporting year. Bucher Specials accounted for 9% of group sales (2016: 9%).

Uneven market developments The markets of Bucher Specials' business units were subject to different developments during the reporting year. Unfavourable weather conditions in spring and summer resulted in bad harvests for grapes and apples, which had a negative impact on the main markets for winemaking equipment and fruit juice presses. The demand for beverage technologies recovered over the course of the reporting year, but remained volatile overall because of difficulties with financing experienced by customers. The Swiss market for agricultural machinery was slightly lower at a high level. The demand for mobile and industrial automation was stable.

Solid business development Order intake at Bucher Specials fell by 5% and sales rose 3% year on year. The operating profit margin was 8.1%, as it had been in the previous year, and was negatively affected by higher material costs. The four business units presented a mixed picture: Order intake at Bucher Vaslin was solid overall. Sales, however, were negatively affected by the smaller harvest, especially in France, a key market. The project business with the Bucher Unipektin beverage technologies was volatile for project-related reasons, which resulted in a decrease in order intake. The Swiss distributorship for agricultural machinery recorded a slight decline at a high level. Demand for Jetter automation solutions continued and was in line with expectations.

Bucher Vaslin

Adverse weather conditions In the spring, frost and hail caused damage in Europe, and this, followed by an extreme dry period in southern Europe, had a major impact on the grape harvests in the main markets of France, Spain and Italy. As a result, the grape harvest declined about 15% in these countries, which caused the demand for winemaking equipment to decline, especially in France. Other regions were able to offset this downturn, however, so that the sale of winemaking equipment was positive worldwide.

Quality enhancement The transport of grapes from the vineyard to the wine production entails the risk of a loss of quality, for example, due to the bruising of the grapes or the maceration or oxidation of the juices that leak out. A newly developed lifting trailer counteracts this loss of quality in that an additional loading area is added once the trailer becomes half full, which reduces bruising. In addition, the juices are immediately collected in a separate tank and then pumped off.

Bucher Unipektin

Volatile project business Poor apple harvests in Europe, project delays in eastern Europe, in part because of the tense political situation, and financing difficulties for some customers had a negative impact on business performance. There was a decline in the beer filtration business as a customer postponed a major project until 2018. Order intake was down year on year, although sales rose thanks to full order books at the beginning of the reporting year.

Energy conservation During the processing of fruit into fruit juice concentrate, evaporation is the step in this process with the highest energy requirements by far. Bucher Unipektin has developed a technology called mechanical vapour recompression (MVR) that not only significantly reduces energy consumption and the costs for fruit juice vaporisation, but also increases the aroma substances in the concentrate. Customers are increasingly requesting this technology.

Consolidation To streamline processes and structures, Bucher Filtrox System AG was merged with Bucher Unipektin AG in 2017. The relocation of production to the Bucher Unipektin AG location in Niederweningen and the merger of the Enterprise Resource Planning systems were concluded by the end of the year.

Bucher Landtechnik

Decline in demand The Swiss market for agricultural machinery for the reporting year was subdued at a high level, which was reflected in lower order intake and sales for the Swiss distributorship of agricultural machinery. The lack of clarity surrounding Agricultural Policy 2022 is weighing on Swiss agriculture. In March of the reporting year, the Competition Commission initiated an investigation of Bucher Landtechnik AG for alleged restraints on competition. This investigation has not yet been completed. The Group supports the clarification of this issue.

Expansion of product offering Bucher Landtechnik signed a distributor agreement at the end of 2017 with Merlo S.p.A., an Italian manufacturer of telescopic handlers. It came into effect on 1 January 2018. This agreement is an ideal addition to the Bucher Landtechnik range of products. These telescopic handlers have a range of up to 12 metres and payloads of three to five tons.

Jetter

Positive market environment The market for mobile and industrial automation featured positive momentum, and Jetter was able to make the most of it. Business activities with other Group divisions as well as with customers outside the Group developed well for Jetter. Order intake and sales saw robust gains.

Innovation At SPS IPC Drives in Nuremberg, Germany, the international trade fair for electrical automation, Jetter presented the entire range of its software modules. Thanks to a standardised software, all functions of automation, from programming to the launch in a modular system, are combined to ensure an efficient automation process.

Outlook 2018 Following the poor harvest in 2017, Bucher Vaslin is forecasting a cautious market environment for 2018 as well in the main markets of Italy, France and Spain. Government subsidies could help the market to recover more rapidly. Against this background, the service area will be further expanded. Moreover, sales of the products of the recently launched Delta line destemmers are off to a good start. Bucher Unipektin expects the political situation in eastern Europe to remain difficult; investments by customers are likely to continue to depend on the availability of financing. Bucher Landtechnik is forecasting that although harvests as well as prices for milk and meat will be stable, the uncertainty surrounding the shape of Agricultural Policy 2022 and the associated reduction of subsidies, direct payments and border controls could have a slightly negative impact on the distributorship with tractors and agricultural machinery. In contrast, Merlo's new product programme will make a positive contribution to business performance. Jetter anticipates a stable and positive development in the field of industrial and mobile automation. Bucher Specials is forecasting that both sales and the operating profit margin will rise.

Division management

Stefan Düring,
Division president

Bruno Estienne,
Bucher Vaslin

Hartmut Haverland,
Bucher Unipektin

Jürg Minger,
Bucher Landtechnik

Christian Benz,
Jetter

At 6 March 2018

Mobile automation

“Firefighters save lives. They shouldn’t have to worry about whether their vehicle works properly or not. That’s what we’re here for.”

Oliver Hrazdera,
Head of Development of Electricals and Electronics,
Rosenbauer, Leonding, Austria

Regardless of whether they’re dealing with a fire in Alaska, Germany or Australia, firefighters have to focus at all times on the incident at hand – and be able to depend on their vehicle unconditionally while doing so. To ensure that the vehicles are able to withstand even extreme conditions, Rosenbauer relies on the tailor-made control modules from Jetter. “Thanks to this solution, we are able to respond to every individual customer need and guarantee maximum reliability,” reports Hrazdera.

Corporate governance

Corporate governance

This report complies with the SIX Swiss Exchange Corporate Governance Directive, which entered into force on 1 October 2014 and, in its current version, as of 1 July 2017, where applicable to Bucher Industries. Unless otherwise stated, the information presented reflects the situation on 31 December 2017.

Group structure and shareholders

Operational group structure The Bucher Industries Group is organised in five divisions. The divisions comprise: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), hydraulic components (Bucher Hydraulics), manufacturing equipment for the glass container industry (Bucher Emhart Glass), equipment for making wine and fruit juice, a distributorship for tractors and specialised agricultural machinery in Switzerland, and control systems for automation technology (Bucher Specials). At group level, a corporate centre provides finance, group development, legal and communications functions to support the Group and its companies in their activities. The Group's operational structure is shown in the chart on page 46 and detailed segment information is presented in the notes to the consolidated financial statements on pages 86 to 88 of this annual report.

Group companies and consolidation Bucher Industries AG incorporated in Niederweningen, Switzerland, is the Group's holding company. Its registered shares are listed on the main board of the SIX Swiss Exchange and also traded on the over-the-counter markets of the Frankfurt, Stuttgart, Berlin and Xetra exchanges. Details are given in the information for investors section on pages 10 and 11 of this annual report. The consolidation includes all group companies owned directly or indirectly by the holding company. The principal group companies are listed on pages 113 to 115 of this annual report. None of these companies are listed on a stock exchange.

Shareholders The registered shares are widely held by public shareholders. A group of shareholders organised under a shareholders' agreement, represented by Rudolf Hauser, Zurich, holds a total of 35.2% of the voting rights, as published in the latest Swiss Official Gazette of Commerce (SOGC) on 10 May 2005 and subsequent to the share capital reduction in June 2012. The essence of the shareholders' agreement and the number of shares held by individual group members have not been published. According to the information available to

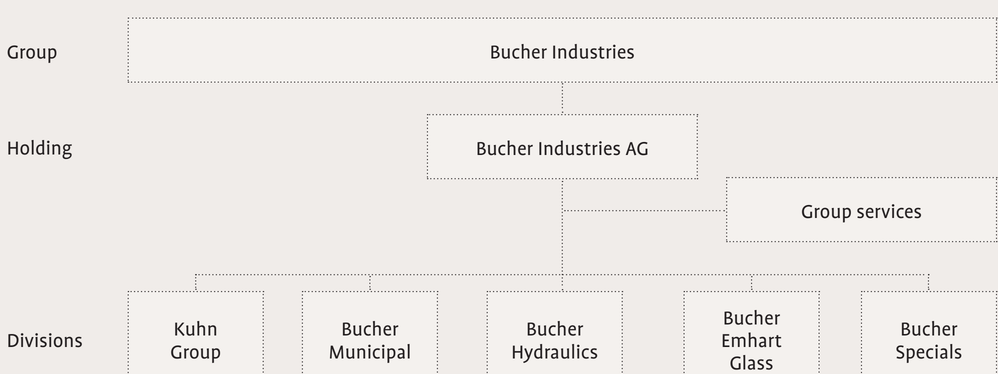
Bucher Industries the following persons held a stake in the registered share capital of Bucher Industries AG of more than 3%: according to disclosure notifications submitted to the SIX Swiss Exchange platform on 5 July 2011, BlackRock Inc., 40 East 52nd Street, New York, 10022, NY, USA, directly or indirectly via various subsidiaries, and according to disclosure notifications submitted on 22 August 2017, Norges Bank (the Central Bank of Norway), Oslo, Norway. These and earlier notifications can be viewed via the SIX Swiss Exchange website. At the reporting date, the board of Bucher Industries AG is not aware of any other shareholders entered in the share register and with voting rights, or groups of shareholders subject to voting agreements, who hold more than 3% of the issued share capital.
www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

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

Capital structure

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

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



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

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

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

Convertible bonds and share options Bucher Industries AG has no outstanding convertible bonds. Share options granted to members of the group management, division and segment management and selected specialists under the share option plan are shown on pages 65 and 105 of this annual report. The shares required to meet awards were purchased from the Bucher Beteiligungs-Stiftung share portfolio.

Group management

Martin Jetter
Bucher Emhart Glass

Stefan Düring
Bucher Specials

Manuela Suter
Chief Financial Officer

Jacques Sanche
Chief Executive Officer

Daniel Waller
Bucher Hydraulics

Thierry Krier
Kuhn Group

Aurelio Lemos
Bucher Municipal

Board of directors

Members

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

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

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

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

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

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

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

Elections and terms of office On 19 April 2017 of the reporting year, the directors, the board chairman and the members of the compensation committee were elected by the annual general meeting up until the close of the next annual general meeting. The re-election of members of the board of directors extends only to the date of the annual general meeting which follows the member's 70th birthday. The persons listed in the table below were elected in the reporting year.

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

Internal organisation The board determines the strategic direction and oversees the management of the company as provided in the Swiss Code of Obligations, in the articles of association and internal rules of organisation, an abridged version of which is available on the Bucher website. It meets as often as business requires, holding at least six scheduled meetings each year, which generally take place every two months. The meetings are usually attended by the CEO, the CFO and by other members of group management, members of division and segment managements or specialists, depending on the items on the agenda. The secretary to the board takes minutes of the proceedings and resolutions. The meetings generally last one day; the annual strategy meeting

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

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

lasts two days. In the reporting year, there were seven meetings, one of which was a two-day strategy meeting and one a conference call. One resolution was passed by written agreement. One member of the board was excused attendance at one board meeting, and the CFO excused attendance at another. Otherwise, all the meetings were attended by all board members, the CEO and the CFO.
www.bucherindustries.com/en/investor-relations/corporate-governance

Committees To assist with its responsibilities, the board of directors has an audit committee and a compensation committee appointed from among its members. The roles and responsibilities of the audit committee are described below and are published in the abridged version of the rules of organisation on the Bucher website; those of the compensation committee are listed in the remuneration report on pages 58 to 65 of this annual report. The committees report to the board of directors on their activities, findings and proposals. Overall responsibility for the tasks assigned to the committees rests with the board of directors. The annual term of office for audit and compensation committee members begins with the annual general meeting and continues until the next annual general meeting. Proceedings and resolutions of committee meetings are recorded in minutes.
www.bucherindustries.com/en/investor-relations/corporate-governance

Audit committee On 19 April 2017, the composition of the audit committee was confirmed by the board of directors as follows: Heinrich Spoerry, chairman, and Michael Hauser. All of its members are non-executive and independent. The audit committee meets at least three times a year. A meeting generally lasts half a day. The chairman of the board, CEO and CFO attend the meetings in an advisory capacity. Depending on the items on the agenda, the internal or external auditors, members of group, division and segment management or specialists are consulted. Four meetings were held last year. One member of the audit committee was excused attendance at one meeting. All members of the audit committee, the chairman of the board, the CEO and the CFO were otherwise present at all the meetings. In the reporting year, the meetings focused on process management and the following scheduled duties. The audit committee prepares a comprehensive and efficient group audit concept, proposes it to the board of directors and then monitors its implementation. It determines key areas of the audit plan for the external and internal audits, receives reports from the auditors and appoints the head of the internal audit function, who reports to the chairman of the audit committee. For a preliminary decision, the audit committee evaluates the independence and performance of the external and internal auditors and finally determines the level of their remuneration. The audit committee's role includes preparing the board's proposal for the appointment of the auditors, reviewing the organisation of the accounting system, ensuring the Group's financial controls and financial planning and reviewing the plans, budgets and financial statements of the Group and its group companies, including individual projects involving significant commitment of capital. The key areas of the audit plan for the external audit in the reporting year were the valuation of the intangible assets, revenue recognition and management controlling processes. The external auditors also conducted an in-depth assessment of the existence of internal controls in the areas of financial closing, reporting and sales. The external auditors attended two meetings of the audit committee. Internal audit carries out audits in the Group in accordance with the audit concept proposed by the audit committee and determined by the board. The chairman of the audit committee agrees the audit programme with the chairman of the board. The coordination and implementation of audits are delegated to the CFO. The internal audit work is contracted out externally. The head of the internal audit function reports to the chairman of the audit committee. The internal audit function reports the results of its audits to the audit committee at a minimum of one meeting each year. The internal audit plan focused on comprehensive verification and evaluation of the internal control system processes at several group companies. In the year under review, four meetings took place with the internal auditors.

Compensation committee Information about the compensation committee is shown in the remuneration report on pages 58 to 65 of this annual report.

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

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

Group management

Members

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

(Until 31 December 2017) Christina Johansson **1966**, Swiss and Swedish citizen, master's degree in business administration with an additional degree in English and German, University of Växjö/Lund, Sweden; October **2016** until December **2017** CFO and since July **2016** designated CFO ▸ **2014** SR Technics Group, Zurich, CFO ▸ **2007** Pöyry Energy and Management Consulting Business Group, Zurich, vice-president finance ▸ **2005** Zeag Group, Spreitenbach, CFO ▸ **1996** Amcor Rentsch & Closures Group, Rickenbach, various senior finance positions ▸ **1993** Securitas Group, Frankfurt, Germany, financial controller and treasury manager ▸ **Other appointments** member of the board of Optikart AG, Wangen bei Olten, member of the board of the Swiss Chief Financial Officers' Association.

(From 1 January 2018) Manuela Suter **1974**, Swiss citizen, degree in business economics (lic. oec. publ.) from the University of Zurich, Swiss certified public accountant; since **2018** CFO ▸ **2014** Bucher Industries, Zurich, head of group controlling ▸ **2011** Bucher Industries, Zurich, group controller ▸ **2010** SIX Exchange Regulation, Zurich, senior financial reporting specialist ▸ **2007** Holcim, Zurich, head financial holdings ▸ **2001** Ernst&Young, Zurich, auditor ▸ No other appointments or commitments.

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

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

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

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

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

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

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

Shareholders' participation rights

Shareholders' rights with regard to remuneration are detailed in the remuneration report on pages 58 to 65 of this annual report.

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

Independent proxy holder The independent proxy holder is elected on an annual basis by the annual general meeting. In the reporting year, the annual general meeting of 19 April 2017 elected Mathé & Partner, Attorneys-at-Law, Riesbachstrasse 57, 8034 Zurich, Switzerland, to the office of independent proxy holder, which the firm will hold until the next annual general meeting. Art. 8 of the company's articles of association stipulates that every shareholder with voting rights can issue written or electronic proxy to arrange representation at the annual general meeting by the independent proxy holder.

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

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

Instructions were restricted to approval, rejection or abstention on each of the proposals. For additional proposals or amendments shareholders were able to issue a global instruction to approve, reject or abstain from the respective proposal of the board of directors. In the reporting year, shareholders were given a deadline until 13 April 2017 at 3.30 pm for the issue of proxies and instructions online. Shareholders who issued proxy online were not permitted to attend the annual general meeting personally as well.

Electronic participation in the annual general meeting Bucher Industries' articles of association contain no provision regarding electronic participation of shareholders in the annual general meeting. No such provision is planned in the reporting year.

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

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

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

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

Auditors

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

Audit fees and non-audit fees For last year, Bucher Industries was charged CHF 1 574 110 by PricewaterhouseCoopers and CHF 955 210 by other auditors for services rendered in connection with the audit of the financial statements of Bucher Industries AG and its group companies and the audit of the consolidated financial statements of Bucher Industries and the remuneration report. In addition, PricewaterhouseCoopers charged Bucher Industries a fee of CHF 370 070 for non-audit services, comprising financial, tax and due diligence services.

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

Information policy

Bucher Industries publishes the results of operations in an annual report (including a financial, corporate governance and remuneration report) and an interim report. On 29 June of the reporting year, the Group published a sustainability report in accordance with GRI4 guidelines. These publications and the invitation to the annual general meeting of shareholders are made available at the appropriate time on the Bucher Industries website.
www.bucherindustries.com/en/investor-relations/publications
www.bucherindustries.com/en/investor-relations/annual-general-meeting

Sales including order intake, order book and number of employees at the end of the first and third quarters of a financial year are published in press releases. The company holds an annual press conference and annual analyst conference to present full-year results. A conference call is also held at the end of the first half of the year on the day the interim results are published. Significant events are announced in compliance with the directive on ad hoc publicity issued by the SIX Swiss Exchange. A calendar of forthcoming release dates scheduled for the current and next financial year is set out in the information for investors section on page 11 of this annual report. All news releases published over the past two years as well as the contact address can be found on the Bucher website. The company's website at www.bucherindustries.com also provides a facility to subscribe free of charge to an e-mail service to receive press releases published by Bucher Industries.
www.bucherindustries.com/en/media
www.bucherindustries.com/en/contact

Remuneration report

The remuneration report describes the remuneration policy and remuneration system of Bucher Industries and provides information about the annual remuneration of the members of the board of directors and group management. The 2017 remuneration report is based on the Ordinance against Excessive Compensation in Listed Corporations (VegüV) as well as the Directive on Information relating to Corporate Governance (RLCG) published by the SIX Swiss Exchange on 31 December 2017 and Bucher Industries AG's articles of association.

Remuneration policy Bucher Industries provides a remuneration policy designed to align the interests of the board of directors and management with those of the Group, shareholders and other stakeholders. The basic principles of the remuneration system are set out in art. 23 to 28 of the articles of association of Bucher Industries AG. Since 2015, the overall remuneration of the board of directors has been subject to approval by the annual general meeting of shareholders. The individual components of the remuneration system take account of the Group's sustainable short- and long-term business development. Directors are remunerated on a non-performance-related basis. Members of group management and top management receive, in addition to their non-performance-related base salary, performance-related remuneration in recognition of their performance-oriented approach. All performance-related components of remuneration are subject to an upper limit. The objective of the remuneration system is to attract and retain highly qualified managers and specialists. The focus is on providing competitive remuneration with a fixed base salary and performance-related components paid in cash and in the form of interests in the company.

At the request of the compensation committee, the board of directors issues rules and regulations relevant to the remuneration system, which are additionally benchmarked against available market data of similar listed companies within the European mechanical engineering industry every three to five years and, if necessary, revised by the board at the request of the compensation committee.

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

Compensation committee

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

Election and term of office The annual general meeting of 19 April 2017 elected Claude Cornaz, Anita Hauser and Valentin Vogt to the compensation committee until the next general meeting. The board of directors nominated Valentin Vogt as chairman of the committee.

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

Meetings and activities in the reporting year The compensation committee meets at least twice a year. The meetings usually last for several hours. The chairman of the board of directors and the CEO attend the meetings in an advisory capacity, except when their own remuneration is being determined. The compensation committee held 5 meetings in the reporting year. The committee's focus was on succession planning and the promotion of new talent. The compensation committee also examined the remuneration of the board of directors and of the members of group management and dealt with the regular duties described above.

Remuneration system

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

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

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

Variable remuneration The performance-related components of the variable remuneration sum comprise a cash bonus and the share plan to remunerate group management members and senior managers. The variable remuneration depends on their base salary, the achievement of the annual financial targets set for the Group and divisions by the board of directors and the achievement of individual non-financial annual targets.

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

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

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

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

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, senior managers and selected specialists. The financial target for awarding shares is "earnings per share" and is set by the board of directors at the beginning of each financial year. The determination takes into account the Group's long-term targets, results for the past year, budget for the current year and the general economic conditions. Awards of shares are based on a percentage of base salary and depend on the achievement of the "earnings per share" financial target. The number of shares to be awarded is calculated and evaluated using the end-of-year share price for the reporting year. Upon full target achievement, the applicable percentage is 50% of base salary for the CEO, 20% for the other group management members and 10% for other Share Plan participants. The level of target achievement ranges from 0 to a maximum of 1.5 times the value for full target achievement. The shares awarded are restricted for three years.

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

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

Remuneration in the 2017 reporting year

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

Board of directors The overall remuneration awarded to the board of directors totalled CHF 1.055 million (2016: CHF 1.094 million) and was within the total sum of CHF 1.150 million approved by the 2017 annual general meeting. The remuneration paid out and the share options held at the end of the reporting year are set out in a table on pages 63 and 65 of this annual report.

The remuneration components for the board of directors were unchanged for the reporting year. The base compensation for the chairman was CHF 340 000, for the vice chairman CHF 105 000 and for the other members of the board of directors CHF 90 000. The flat-rate expenses remuneration for the chairman was CHF 12 000 and for the other members CHF 6 000. For work in committees, committee members were awarded CHF 10 000, while chairmen received an additional payment of CHF 5 000. The respective share awards were granted and valued at the year-end share price of CHF 396.00 for the reporting period. The shares awarded are subject to a three-year vesting period.

Group management The overall remuneration of group management was 2% below that of the previous year and was CHF 6.837 million (2016: CHF 6.989 million). The total variable remuneration amounts paid out and proposed in the reporting year, the interests held by the CEO and other group management members, and the total for group management at the end of 2017 are set out in tables on pages 64 and 65 of this annual report.

Fixed remuneration Fixed remuneration awarded to group management totalled CHF 4.351 million (2016 CHF 4.747 million) and was within the total sum of CHF 5.000 million approved by the 2016 annual general meeting. The decrease in the fixed remuneration awarded to group management was 8% and is mainly attributable to the overlapping personnel occupancy contained in the figure for the previous year.

Variable remuneration The variable remuneration of group management was 11% over that of the previous year and totalled CHF 2.485 million (2016: CHF 2.242 million). The primary reason for the change was the greater target achievement. In the first few years of the Bucher Share Plan, the percentage allocated to the CEO has been below the target value of 50%, amounting in the reporting year to 40% of base salary. The variable remuneration sum of CHF 2.386 million paid out to group management in the reporting year for the 2016 financial year is below the overall amount of CHF 2.500 million retrospectively approved by the 2017 annual general meeting.

In 2017, the level of target achievement for the performance-related cash bonus was between 94% and 125% and the level of target achievement for the Bucher Share Plan was 122% (2016: 89%). The level of target achievement in percentage terms was in most cases above that of the previous year. The number of shares granted under the Bucher Share Plan was calculated and evaluated using the end-of-year share price for the year of CHF 396.00. The number granted under the Bucher Share Plan for the CEO and the other members of the group management was 26% below the number for the previous year due to the higher share price. The cash value of all the shares awarded under the new Bucher Share Plan was 17% higher than the previous year.

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

The following pages 63 to 65 are subject to examination by the auditors.

Remuneration of the board of directors

CHF 1 000	Base compensation in cash	Share awards		Other remuneration	Overall remuneration
		Number	Value		
					2017
Philip Mosimann, chairman	170.0	430	170.0	59.5	**399.5**
Anita Hauser, deputy chairman	52.5	133	52.5	31.3	**136.3**
Ernst Bärtschi [1]	15.0	38	15.0	8.9	**38.9**
Claude R. Cornaz	45.0	114	45.0	29.3	**119.3**
Michael Hauser	45.0	114	45.0	24.9	**114.9**
Heinrich Spoerry	45.0	114	45.0	30.6	**120.6**
Valentin Vogt	48.0	122	48.0	29.7	**125.7**
Board of directors	**420.5**	**1 065**	**420.5**	**214.2**	**1 055.2**
Approval by the annual general meeting 2017					**1 150.0**
					2016
Rolf Broglie, chairman [2]	75.0	100	25.0	9.8	**109.8**
Philip Mosimann, chairman [3]	113.3	452	113.3	33.6	**260.2**
Anita Hauser, deputy chairman	52.5	210	52.5	27.8	**132.8**
Ernst Bärtschi	45.0	180	45.0	26.1	**116.1**
Claude R. Cornaz	45.0	180	45.0	26.1	**116.1**
Michael Hauser	45.0	180	45.0	26.1	**116.1**
Heinrich Spoerry	45.0	180	45.0	31.1	**121.1**
Valentin Vogt	48.0	192	48.0	25.8	**121.8**
Board of directors	**468.8**	**1 674**	**418.8**	**206.4**	**1 094.0**
Approval by the annual general meeting 2016					**1 200.0**

[1] Until 19 April 2017
[2] Until 15 April 2016
[3] From 15 April 2016

The board of directors' share awards were classified as board of directors' fees. Share awards and their valuation were calculated using the end-of-year share price of CHF 396.00 (2016: CHF 250.75).

Other remuneration included social contributions, expenses and fees for service on the board committees.

Remuneration of group management

CHF 1 000	Base salary	Other remu-neration	Fixed remuneration	Cash bonus	Share awards under share plans Number	Share awards under share plans Value	Other remu-neration	Variable remu-neration	Overall remuneration
									2017
Jacques Sanche, CEO	750.0	203.8	**953.8**	431.3	925	366.3	65.5	**863.1**	**1 816.9**
Other members	2 555.6	842.0	**3 397.6**	800.0	1 610	637.6	184.4	**1 622.0**	**5 019.6**
Group management	**3 305.6**	**1 045.8**	**4 351.4**	**1 231.3**	**2 535**	**1 003.9**	**249.9**	**2 485.1**	**6 836.5**
Approval/proposal by the annual general meeting 2016/2018			**5 000.0**					**2 700.0**	
									2016
Jacques Sanche, CEO[1]	700.0	191.9	**891.9**	322.0	994	249.2	46.1	**617.3**	**1 509.2**
Philip Mosimann, CEO[2]	286.7	80.8	**367.5**	131.9	611	153.1	24.6	**309.6**	**677.1**
Other members	2 639.5	848.2	**3 487.7**	726.7	1 812	453.1	135.2	**1 315.0**	**4 802.7**
Group management	**3 626.2**	**1 120.9**	**4 747.1**	**1 180.6**	**3 417**	**855.4**	**205.9**	**2 241.9**	**6 989.0**
Approval by the annual general meeting 2015/2017			**5 500.0**					**2 500.0**	

[1] From 15 April 2016 CEO, designated CEO until 15 April 2016
[2] Until 15 April 2016

The shares awarded to group management members for the reporting year are based on the Bucher Share Plan. The shares awarded represent a fixed percentage of base salary and the level of target achievement during the reporting year. The number of shares awarded was calculated and valued based on the end-of-year price of CHF 396.00 (2016: CHF 250.75). Other remuneration included social contributions as well as expenses.

Loans and credits As at 31 December 2017, there were no outstanding loans or credits to current or former members of the board of directors or group management nor to persons connected with them.

Board of directors' interests in shares

	Number of shares	
	2017	**2016**
Philip Mosimann, chairman	50 425[1)]	66 174
Anita Hauser, deputy chairman	439 953	439 743
Claude R. Cornaz	3 645	3 465
Michael Hauser	605 015	604 835
Heinrich Spoerry	3 633	3 453
Valentin Vogt	3 525	4 333
Board of directors	**1 106 196**	**1 122 003**

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

Group management's interests in shares and share options

		Number of shares		Number of options	
		2017	**2016**	**2017**	**2016**
Jacques Sanche	CEO	1 403	409	–	–
Christina Johansson	CFO	607	450	–	–
Stefan Düring	Bucher Specials	880	1 679	–	1 200
Martin Jetter	Bucher Emhart Glass	5 106	3 891	–	1 200
Thierry Krier	Kuhn Group	1 255	1 658	–	–
Aurelio Lemos	Bucher Municipal	401	152	–	–
Daniel Waller	Bucher Hydraulics	9 881	13 575	–	–
Group management		**19 533**	**21 814**	**–**	**2 400**

No share options have been granted since the 2010 financial year. The ten-year options granted from previous reporting years were fully exercised during the reporting period. Each option entitled the holder to purchase one share.

Report of the statutory auditor

to the annual general meeting of Bucher Industries AG, Niederweningen

We have audited the remuneration report (page 63 to 65) of Bucher Industries AG for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

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

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

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

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

Audit opinion In our opinion, the remuneration report of Bucher Industries AG for the year ended 31 December 2017 complies with Swiss law and articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Fabian Schläpfer
Audit expert

Zurich, 27 February 2018

Financial contents

Group financial review

Business development Demand for the specialised products of Bucher Industries increased sharply in the reporting year. The Group posted an increase of 20.3% in order intake and 11.2% in sales. Adjusted for currency and acquisition effects, the increases were 18.3% and 9.4% respectively. Prices in the dairy and livestock industries moved higher at the end of 2016 and stabilised at a good level in 2017, leading to a recovery in the agricultural machinery market. These improved market conditions had a positive impact on the order intake and sales of Kuhn Group. Bucher Municipal benefited from the improving economy and the associated investments made by cities and municipalities. Bucher Hydraulics delivered outstanding figures for order intake and sales thanks to pleasing demand in the segments of construction equipment, agricultural machinery, industrial hydraulics and materials handling. The demand for machinery for forming and inspecting glass containers was stronger in almost every market. Thanks to its outstanding market position and broad customer base, Bucher Emhart Glass was able to take advantage of the improved markets and expanded in almost all regions. The business units of Bucher Specials faced difficult conditions in some markets. Nevertheless, the division was able to post a modest increase in sales. The Group's order book remained good, standing at CHF 960.3 million, a 32.0% increase on the previous year. Adjusted for currency and acquisition effects, the increase was 30.4%. The order backlog at the end of the reporting year was around 4.4 months of the full-year sales for 2017 (2016: 3.7 months). Compared with the previous year, the changes in the average exchange rates against the Swiss franc were as follows: EUR up 2.1%, USD down 0.6%, GBP down 5.3%, SEK up 0.1%, BRL up 8.1% and AUD up 2.7%.

Net sales

CHF million	2017	2016	change in %
Net sales	2 647.4	2 380.4	11.2%
Net sales adjusted for currencies	2 615.9	2 380.4	9.9%
Net sales adjusted for acquisitions	2 635.4	2 380.4	10.7%
Net sales adjusted for currencies and acquisitions	2 604.1	2 380.4	9.4%

Operating performance The Group EBIT margin was 8.6%, an increase of 1.5 percentage points on the previous year. Profitability rose thanks to higher sales as well as optimised structures and strict cost controls. A negative impact came in particular from the continued low level of sales in the US agricultural machines market, higher material costs and inventory adjustments at the Chinese joint venture. The operating result received an additional positive one-off effect of CHF 4.9 million from the lowering of the conversion rate of the Swiss pension fund. The EBITDA of the Group rose by 21.1% to CHF 318.0 million, resulting in an EBITDA margin of 12.0% (2016: 11.0%). Other operating expenses came to 12.6% (13.5%) of sales. Employment costs were adjusted as far as possible in line with capacity utilisation by way of flexible deployment of temporary staff. The ratio of employment costs to sales was 26.8% (27.4%).

Net financial items Net financial items amounted to negative CHF 1.1 million, compared with negative CHF 8.7 million in 2016. Net interest expense improved by CHF 3.8 million to negative CHF 2.9 million, the improvement being largely attributable to the repayment of high-interest financial liabilities in Brazil and higher interest income. The net gain on financial instruments was CHF 4.6 million, or CHF 3.0 million higher year on year primarily due to the sale of bonds. The currency effects on the financial result in the amount of CHF 2.2 million (2016: CHF 2.7 million) are mainly due to currency losses related to internal Group financing. The Group's share of profit/(loss) of associates and joint ventures was a profit of CHF 0.4 million (CHF 0.6 million).

CHF million

	2017	2016
Interest expense on financial liabilities	–5.5	–8.1
Interest income on financial assets	2.6	1.4
Net interest expense	**–2.9**	**–6.7**
Net gain on financial instruments	4.6	1.6
Financial foreign exchange gains and losses	–2.2	–2.7
Share of profit/(loss) of associates and joint ventures	0.4	0.6
Other financial items	–1.0	–1.5
Net financial items	**–1.1**	**–8.7**

Tax rate and profit for the year Income tax expense increased to CHF 57.6 million (2016: CHF 42.2 million) because of the higher profits from Group entities. The effective tax rate was 25.6%, just below the previous-year level (26.3%). Group profit for the year reached CHF 167.7 million, a significant increase of 41.6% over the previous year. The return on sales was 6.3% (5.0%). As a result of the higher profit for the year, earnings per share rose by 43.3% to CHF 16.81 (CHF 11.73).

Financial situation Net operating assets at the end of 2017 amounted to CHF 1 254.8 million, compared with CHF 1 228.4 million the previous year. Adjusted for currencies, the increase was 0.5%. The volume-related increase in receivables and inventories was largely offset by higher liabilities and an increase in prepayments from customers. Average net operating assets for the year were CHF 1 273.9 million, slightly below the previous-year figure (2016: CHF 1 293.1 million). As a percentage of sales, the net operating assets decreased from 54.3% to 48.1%. Due to the increased profitability and lower capital commitment, the return on net operating assets after tax (RONOA) was 13.2% (9.7%). This was still significantly higher than the cost of capital, but below the long-range target of 16%. Investments of CHF 76.2 million were slightly below the previous year's level. The main focus was on the expansion of the production infrastructure, as well as the modernisation and automation of means of production. The most important individual projects concerned the expansion project of Kuhn Group in France, the purchase of land in Russia and the ongoing expansion of the production facility of Bucher Municipal in Latvia.

Return on net operating assets (RONOA) after tax

CHF million	2017	2016
Trade receivables	457.2	389.5
Inventories	694.0	600.1
Property, plant and equipment	614.7	595.1
Intangible assets	234.9	246.4
Other operating receivables	97.9	83.7
Trade payables	– 269.8	– 215.6
Advances from customers	– 234.5	– 164.7
Provisions	– 74.4	– 72.9
Other operating liabilities	– 265.2	– 233.2
Net operating assets (NOA)	**1 254.8**	**1 228.4**
Net operating assets (NOA) average	1 273.9	1 293.1
Operating profit (EBIT)	226.4	169.3
Effective tax rate	25.6%	26.3%
Return on net operating assets (RONOA) after tax	**13.2%**	**9.7%**

Intangible assets decreased to CHF 234.9 million (2016: CHF 246.4 million) because of amortisations. Goodwill amounted to CHF 136.9 million (CHF 137.8 million). The annual impairment tests of intangible assets were based on the cash flow projections of the individual cash-generating units. Based on the assessment of the outlook for the years ahead, as in prior year, the impairment test did not indicate any need for an impairment charge. The ratio of intangible assets to equity was 16.4% (20.1%), while that of goodwill to equity was 9.6% (11.3%). Equity increased by CHF 208.5 million to CHF 1 432.1 million at 31 December 2017. The increase was due to the improved Group profit for the year of CHF 167.7 million, positive effects from other comprehensive income of CHF 62.8 million and the net change in treasury shares of CHF 28.7 million. The positive effects were offset by a dividend of CHF 50.7 million. The equity ratio rose by 2.1 percentage points to 52.7% (50.6%) and the return on equity was 12.6% (10.0%). At the end of the year, the Group had cash and liquid assets of CHF 540.5 million and financial liabilities of CHF 326.3 million, resulting in a net liquidity of CHF 214.2 million. A total of CHF 210.0 million was available in unused committed credit facilities. The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 31 December 2017.

Cash flow/free cash flow

CHF million

	2017	2016
Net cash flow from operating activities	**222.4**	**262.9**
Purchases of property, plant and equipment	−71.8	−75.8
Proceeds from sale of property, plant and equipment	2.0	4.8
Purchases of intangible assets	−4.4	−2.4
Operating free cash flow	**148.2**	**189.5**
Purchases of other financial assets	−1.9	–
Proceeds from sale of other financial assets	6.4	3.4
Acquisition	−0.4	−50.7
Acquisition of associates and joint ventures	−0.3	–
Purchases of treasury shares	–	−7.4
Proceeds from sale of treasury shares	27.7	5.4
Dividend received	0.1	0.1
Dividend paid	−50.7	−56.5
Free cash flow	**129.1**	**83.8**

Operational free cash flow amounted to CHF 148.2 million (2016: CHF 189.5 million). The decrease is primarily due to a higher capital commitment in net working capital. After deduction of the dividend and taking into account sales of shares, the positive free cash flow was CHF 129.1 million. The free cash flow in the prior year was additionally impacted by the acquisition of J. Hvidtved Larsen in 2016.

Number of employees Bucher Industries adjusted the number of employees as far as possible on the basis of seasonal influences and local economic developments. As a result of higher demand, the number of employees rose by 8.3% to 12 108 full-time equivalents. On average for the year, the increase was 4.1%, while adjusted for acquisition effects it was 3.7%. Net sales per employee increased to CHF 226 000 (2016: CHF 212 000). Adjusted for currency and acquisition effects, the increase was 5.3%.

Shareholder value In an overall rising stock market, the performance of Bucher's share price was positive, closing at CHF 396.00, above the previous year's figure of CHF 250.75 (a gain of 57.9%). The high for the year was CHF 407.00 and the low was CHF 252.80. The company's market capitalisation reached CHF 4.1 billion at the year-end, representing a price/book ratio of 2.9. Earnings per share reached CHF 16.81, against CHF 11.73 for the previous year.

Dividend In keeping with a consistent dividend policy and in consideration of the Group profits achieved, the board of directors is proposing that the annual general meeting on 18 April 2018 approve payment of a dividend of CHF 6.50 per registered share. Based on the average share price of CHF 325.30 for 2017, the board's proposal represents a dividend yield of 2.0% (2016: 2.2%).

Consolidated balance sheet as per 31 December 2017

CHF million	Note	31 December 2017	31 December 2016
Cash and cash equivalents		513.2	390.6
Other financial assets	7	27.3	27.3
Trade receivables	3	457.2	389.5
Current income tax assets		26.0	24.9
Other receivables	3	67.4	53.4
Inventories	4	694.0	600.1
Current assets		**1 785.1**	**1 485.8**
Long-term receivables	3	7.7	8.4
Property, plant and equipment	5	614.7	595.1
Intangible assets	6	234.9	246.4
Other financial assets	7	10.4	11.5
Investments in associates and joint ventures	8	13.3	11.6
Deferred income tax assets	17	53.7	60.8
Non-current assets		**934.7**	**933.8**
Assets		**2 719.8**	**2 419.6**
Financial liabilities	9	60.6	40.7
Trade payables		269.8	215.6
Advances from customers		234.5	164.7
Provisions	10	61.6	58.5
Other liabilities	12	219.0	189.9
Current income tax liabilities		33.1	28.3
Current liabilities		**878.6**	**697.7**
Financial liabilities	9	265.7	315.8
Provisions	10	12.8	14.4
Other liabilities	12	18.7	20.1
Deferred income tax liabilities	17	54.6	51.4
Retirement benefit obligations	18	57.3	96.6
Non-current liabilities		**409.1**	**498.3**
Attributable to owners of Bucher Industries AG		1 398.1	1 187.9
Attributable to non-controlling interests		34.0	35.7
Equity		**1 432.1**	**1 223.6**
Liabilities and equity		**2 719.8**	**2 419.6**

Consolidated income statement for the year ended 31 December 2017

CHF million	Note	2017	%	2016	%
Net sales	1	**2 647.4**	**100.0**	**2 380.4**	**100.0**
Changes in inventories of finished goods and work in progress		32.1		−17.5	
Raw materials and consumables used		−1 339.4		−1 148.3	
Employment costs	14	−708.4		−652.2	
Other operating income	15	20.9		20.3	
Other operating expenses	15	−334.6		−320.2	
Operating profit before depreciation and amortisation (EBITDA)		**318.0**	**12.0**	**262.5**	**11.0**
Depreciation	5	−74.5		−73.8	
Amortisation	6	−17.1		−19.4	
Operating profit (EBIT)		**226.4**	**8.6**	**169.3**	**7.1**
Share of profit/(loss) of associates and joint ventures	16	0.4		0.6	
Finance costs	16	−8.8		−12.4	
Finance income	16	7.3		3.1	
Profit before tax		**225.3**	**8.5**	**160.6**	**6.7**
Income tax expense	17	−57.6		−42.2	
Profit/(loss) for the year		**167.7**	**6.3**	**118.4**	**5.0**
Attributable to owners of Bucher Industries AG		170.9		118.7	
Attributable to non-controlling interests		−3.2		−0.3	
Basic earnings per share in CHF	13	16.81		11.73	
Diluted earnings per share in CHF	13	16.79		11.71	

Consolidated statement of comprehensive income for the year ended 31 December 2017

CHF million

	2017	2016
Profit/(loss) for the year	**167.7**	**118.4**
Change in actuarial gains/(losses) on defined benefit pension plans	39.7	−10.5
Income tax	−10.2	2.9
Change in actuarial gains/(losses) on defined benefit pension plans net of tax	**29.5**	**−7.6**
Items that will not be transferred subsequently to income statement	**29.5**	**−7.6**
Change in fair value reserve	0.5	0.7
Transfer to income statement	−3.2	–
Income tax	0.9	−0.2
Change in fair value reserve net of tax	**−1.8**	**0.5**
Change in cash flow hedge reserve	3.4	0.7
Transfer to income statement	−2.7	0.5
Income tax	−0.9	0.2
Change in cash flow hedge reserve net of tax	**−0.2**	**1.4**
Change in currency translation reserve	35.3	14.0
Transfer to income statement	–	–
Change in currency translation reserve	**35.3**	**14.0**
Items that may be transferred subsequently to income statement	**33.3**	**15.9**
Other comprehensive income	**62.8**	**8.3**
Comprehensive income	**230.5**	**126.7**
Attributable to owners of Bucher Industries AG	232.2	128.3
Attributable to non-controlling interests	−1.7	−1.6

Consolidated cash flow statement for the year ended 31 December 2017

CHF million	Note	2017	2016
Profit/(loss) for the year		**167.7**	**118.4**
Income tax expense	17	57.6	42.2
Net interest expense	16	2.9	6.7
Share of profit/(loss) of associates and joint ventures	8	– 0.4	– 0.6
Depreciation and amortisation	5, 6	91.6	93.2
Other operating cash flow items		– 0.2	1.5
Gain on sale of non-current assets	15	– 0.1	– 0.8
Gain on sale of short-term investments and financial assets		– 3.2	–
Interest received		2.0	1.3
Interest paid		– 4.0	– 6.9
Income tax paid		– 41.6	– 31.2
Change in provisions and retirement benefit obligations		– 3.3	14.0
Change in receivables		– 66.1	44.6
Change in inventories		– 73.7	18.8
Change in advances from customers		54.4	– 5.6
Change in payables		58.5	– 19.3
Other changes in working capital		– 19.7	– 13.4
Net cash flow from operating activities		**222.4**	**262.9**
Purchases of property, plant and equipment	5	– 71.8	– 75.8
Proceeds from sale of property, plant and equipment		2.0	4.8
Purchases of intangible assets	6	– 4.4	– 2.4
Purchases of other financial assets		– 1.9	–
Proceeds from sale of other financial assets		6.4	3.4
Acquisition	2	– 0.4	– 50.7
Acquisition of associates and joint ventures	8	– 0.3	–
Dividend received	8	0.1	0.1
Net cash flow from investing activities		**– 70.3**	**– 120.6**
Purchases of treasury shares	13	–	– 7.4
Proceeds from sale of treasury shares	13	27.7	5.4
Proceeds from non-current financial liabilities		4.6	4.4
Repayment of non-current financial liabilities		– 4.5	– 26.1
Proceeds from current financial liabilities		43.2	29.2
Repayment of current financial liabilities		– 76.9	– 44.2
Dividend paid		– 50.7	– 56.5
Net cash flow from financing activities		**– 56.6**	**– 95.2**
Effect of exchange rate changes		27.1	– 2.7
Net change in cash and cash equivalents		**122.6**	**44.4**
Cash and cash equivalents at 1 January		390.6	346.2
Cash and cash equivalents at 31 December		**513.2**	**390.6**

Consolidated statement of changes in equity for the year ended 31 December 2017

CHF million	Share capital	Retained earnings	Treasury shares	Currency translation reserve	Fair value reserve	Cash flow hedge reserve	Attributable to owners of Bucher Industries AG	Non-controlling interests	Total equity
Balance at 1 January 2016	**2.1**	**1 477.9**	**−12.4**	**−353.8**	**4.2**	**−2.0**	**1 116.0**	**38.1**	**1 154.1**
Profit/(loss) for the year		118.7					118.7	−0.3	**118.4**
Other comprehensive income		−7.6		15.3	0.5	1.4	9.6	−1.3	**8.3**
Comprehensive income		**111.1**		**15.3**	**0.5**	**1.4**	**128.3**	**−1.6**	**126.7**
Change in treasury shares		–	−7.4				−7.4		**−7.4**
Share-based payments		4.6	2.1				6.7		**6.7**
Dividend		−55.7					−55.7	−0.8	**−56.5**
Balance at 31 December 2016	**2.1**	**1 537.9**	**−17.7**	**−338.5**	**4.7**	**−0.6**	**1 187.9**	**35.7**	**1 223.6**
Profit/(loss) for the year		170.9					170.9	−3.2	**167.7**
Other comprehensive income		29.5		33.8	−1.8	−0.2	61.3	1.5	**62.8**
Comprehensive income		**200.4**		**33.8**	**−1.8**	**−0.2**	**232.2**	**−1.7**	**230.5**
Change in treasury shares		9.8	12.7				22.5		**22.5**
Share-based payments		4.9	1.3				6.2		**6.2**
Dividend		−50.7					−50.7	–	**−50.7**
Balance at 31 December 2017	**2.1**	**1 702.3**	**−3.7**	**−304.7**	**2.9**	**−0.8**	**1 398.1**	**34.0**	**1 432.1**

Notes to the consolidated financial statements

Group accounting policies

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

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

Changes in accounting policies The new or revised standards and interpretations published by the International Accounting Standards Board (IASB) and implemented on 1 January 2017 had no significant impact on the consolidated accounts presented here. Published standards or interpretations that will only come into effect for the financial years from 1 January 2018 and beyond will not be applied at an earlier date.

Future standards not yet adopted The following new and revised standards and interpretations had been approved by the time the consolidated financial statements were authorised for issue by the board of directors.

Standard/Interpretation		Effective date	Planned application
New standards			
IFRS 9	Financial instruments	1 January 2018	2018
IFRS 15	Revenue from contracts with customers	1 January 2018	2018
IFRS 16	Leases	1 January 2019	2019
IFRS 17	Insurance contracts	1 January 2021	2021
Revised standards			
Div.	Various amendments and annual improvements to IFRS/IAS		

Bucher Industries continually assesses the possible impact of the new and revised standards and interpretations. After the completed analyses of the new standards IFRS 9 (financial instruments) and IFRS 15 (revenue from contracts with customers), Bucher Industries does not expect there to be any significant effect on the consolidated financial statements. IFRS 15 will result in additional disclosures. At the present, the impact of the new IFRS 16 standard (leases) on the assets, finances and earnings situation of Bucher Industries cannot be reliably assessed. The revised standards and interpretations are not expected to have a significant impact on the result or the financial situation.

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

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

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

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

Associated companies and joint ventures Associates are those entities in which Bucher Industries has significant influence, but not control, over the financial and operating policy decisions. A significant influence can generally be assumed with voting rights of 20% to 50%. Joint ventures are companies over whose activities the Group exercises leadership with one or more parties and where financial and operational decisions require the unanimous consent of the parties to joint control. Associated companies and joint ventures are initially recognised at cost. As part of the subsequent valuation, the equity method is used to adjust the carrying amount of the interest for proportionate earnings, less the proportionate profit disbursement.

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

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

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

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

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

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

"Held-to-maturity" These investments comprise assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. These financial assets are measured at amortised cost using the effective interest method. Gains or losses on disposal, permanent impairment losses or amortisation are recognised in the income statement.

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

Other financial assets Marketable short-term investments (balance-sheet assets, bonds, money market investments) are classified as "available-for-sale" and "held at fair value through profit or loss". Fair value is determined by reference to quoted market prices. These assets include long-term investments (of less than 20%), long-term loans and other miscellaneous financial assets and are classified as "loans and receivables at amortised cost" or "available-for-sale". Charges and credits to the income statement are recorded in finance income.

Receivables Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, net of specific provisions for known credit and country transfer risks. Allowances based on historical experience are made for risks associated with receivables not specifically identified as impaired. Provisions for impairment are included in other operating expenses.

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

Hedge accounting The Group uses hedge accounting to hedge selected transactions within the meaning of IAS 39. In so doing, future cash flows with a high probability of occurrence are hedged using cash flow hedges. Fair value hedges and net investment hedges were not used. At the inception of the hedge, Group treasury identifies and documents transactions which are designated as a hedged item for hedge accounting purposes. The effectiveness of a hedge instrument in terms of the cash flow hedged is checked and documented both on the date it is concluded and also during the entire term of the hedge. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The non-effective portion is recorded in the income statement. Amounts accumulated in other comprehensive income are transferred to the income statement when the underlying transaction has been booked or the conditions for hedge accounting no longer apply.

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

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

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

Low value assets are expensed directly to the income statement.

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

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

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

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

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

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

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

Net sales/revenue recognition Revenues are measured at the fair value of the consideration received, net of value-added tax and sales deductions such as sales incentives, rebates and trade discounts. Bucher Industries books revenues when the amount can be reliably assessed and the likelihood of a future economic benefit is clear. The sale of goods and services is recognised when the service is rendered or when the risks and rewards of ownership have been transferred. The timing of the transfer depends, amongst other things, on specific contract criteria or the agreed international commercial terms (Incoterms). The rendering of services is based on agreements with the customer. Revenue from services rendered is recognised by reference to the stage of completion.

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

1 Segment reporting

The Group comprises five divisions: specialised agricultural machinery (Kuhn Group), municipal vehicles (Bucher Municipal), hydraulic components (Bucher Hydraulics), manufacturing equipment for the glass container industry (Bucher Emhart Glass), equipment for making wine and fruit juice, a distributorship for tractors and specialised agricultural machinery in Switzerland, and control systems for automation technology (Bucher Specials).

Segment information

CHF million	Net sales		Depreciation		Amortisation		Operating profit (EBIT)	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Kuhn Group	1 075.6	930.0	−32.9	−32.4	−7.1	−8.9	93.0	74.2
Bucher Municipal	425.7	389.2	−8.1	−7.8	−3.0	−2.5	26.1	14.5
Bucher Hydraulics	545.9	475.2	−17.1	−17.3	−2.6	−2.2	74.7	56.6
Bucher Emhart Glass	381.2	370.8	−9.3	−9.5	−1.9	−3.1	25.2	26.3
Bucher Specials	271.6	263.3	−3.3	−3.1	−2.5	−2.7	22.1	21.1
Reportable segments	**2 700.0**	**2 428.5**	**−70.7**	**−70.1**	**−17.1**	**−19.4**	**241.1**	**192.7**
Other/consolidation	−52.6	−48.1	−3.8	−3.7	–	–	−14.7	−23.4
Group	**2 647.4**	**2 380.4**	**−74.5**	**−73.8**	**−17.1**	**−19.4**	**226.4**	**169.3**

The performance of each of the divisions is evaluated on the basis of operating profit or loss which is measured consistently for management reporting. The figures reported as "other/consolidation" comprise the results of the holding, finance and management companies, the consolidation adjustments for intersegment transactions, as well as the one-time effect of the decision to lower the conversion rate. Further details are set out in note 18. Intersegment sales amounted to CHF 13.1 million (2016: CHF 11.5 million) for Kuhn Group, CHF 3.8 million (CHF 3.1 million) for Bucher Hydraulics and CHF 35.6 million (CHF 33.4 million) for Bucher Specials. The other divisions had only marginal intersegment sales.

CHF million	Capital expenditure		Goodwill		Operating assets		Operating liabilities	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Kuhn Group	33.7	30.7	67.3	69.9	887.8	800.4	– 453.5	– 369.1
Bucher Municipal	6.5	5.0	22.6	20.8	335.7	294.4	– 117.6	– 95.1
Bucher Hydraulics	21.0	20.6	3.5	3.7	349.8	314.2	– 84.5	– 62.0
Bucher Emhart Glass	7.8	13.7	21.9	21.2	341.0	334.6	– 134.6	– 111.1
Bucher Specials	4.1	4.3	4.2	3.9	156.3	143.4	– 67.4	– 55.1
Reportable segments	**73.1**	**74.3**	**119.5**	**119.5**	**2 070.6**	**1 887.0**	**– 857.6**	**– 692.4**
Other/consolidation	3.1	3.9	17.4	18.3	28.1	27.8	13.7	6.0
Group	**76.2**	**78.2**	**136.9**	**137.8**	**2 098.7**	**1 914.8**	**– 843.9**	**– 686.4**

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

Reconciliation of segment results

CHF million	**2017**	**2016**
Segment operating profit (EBIT)	241.1	192.7
Other/consolidation	– 14.7	– 23.4
Operating profit (EBIT)	**226.4**	**169.3**
Share of profit/(loss) of associates and joint ventures	0.4	0.6
Finance costs	– 8.8	– 12.4
Finance income	7.3	3.1
Profit before tax	**225.3**	**160.6**

Reconciliation of segment assets

CHF million	**2017**	**2016**
Segment operating assets	**2 070.6**	**1 887.0**
Other/consolidation	28.1	27.8
Operating assets	**2 098.7**	**1 914.8**
Cash and cash equivalents and other financial assets – current	540.5	417.9
Other financial assets – non-current	10.4	11.5
Other assets	3.2	3.0
Investments in associates and joint ventures	13.3	11.6
Deferred income tax assets	53.7	60.8
Assets	**2 719.8**	**2 419.6**

Reconciliation of segment liabilities

CHF million	2017	2016
Segment operating liabilities	**– 857.6**	**– 692.4**
Other/consolidation	13.7	6.0
Operating liabilities	**– 843.9**	**– 686.4**
Financial liabilities – current	– 60.6	– 40.7
Financial liabilities – non-current	– 265.7	– 315.8
Other liabilities	– 5.6	– 5.1
Deferred income tax liabilities	– 54.6	– 51.4
Retirement benefit obligations	– 57.3	– 96.6
Liabilities	**– 1 287.7**	**– 1 196.0**

Net sales and assets by region

CHF million	Net sales		Property, plant and equipment and intangible assets	
	2017	**2016**	**2017**	**2016**
Switzerland	105.3	102.8	88.6	89.8
Germany	381.8	345.3	86.1	78.7
France	307.8	297.6	136.6	125.9
Rest of Europe	788.3	679.1	211.0	199.6
North America	520.6	476.2	144.2	156.7
Central and South America	144.9	133.1	83.9	91.4
Asia	238.5	210.6	75.8	76.6
Other	160.2	135.7	23.4	22.8
Total	**2 647.4**	**2 380.4**	**849.6**	**841.5**

Net sales have been allocated to the countries of destination.

2 Acquisitions

Acquisitions and disposals No significant acquisitions or disposals were made during the current reporting period. The purchase price allocation for the acquisitions of J.Hvidtved Larsen A/S (JHL) and the operating business of PakMor Waste Equipment Australia Pty., Sydney was completed during the reporting period. The opening values reported in the 2016 annual report remain unchanged.

Net assets and cash flow from acquisitions

CHF million	2017	2016
Current assets	–	27.7
Non-current assets	–	39.3
Current liabilities	–	– 19.2
Non-current liabilities	–	– 10.3
Net assets	**–**	**37.5**
Goodwill	–	15.9
Total purchase consideration	**–**	**53.4**
Cash and cash equivalents	–	– 2.0
Deferred consideration	–	– 0.7
Deferred consideration relating to previous years	0.4	–
Net cash flow on acquisitions	**0.4**	**50.7**

The deferred payments from previous years stem from the 2016 acquisition of the operating business of PakMor Waste Equipment Australia Pty., Sydney.

3 Receivables

CHF million	Current	Non-current	Total	Current	Non-current	Total
			2017			**2016**
Trade receivables	445.5	3.3	448.8	377.6	3.9	381.5
Notes receivable	11.7	–	11.7	11.9	–	11.9
Trade receivables, net	**457.2**	**3.3**	**460.5**	**389.5**	**3.9**	**393.4**
Other receivables	48.1	4.3	52.4	37.0	4.2	41.2
Prepayments to suppliers	6.5	–	6.5	4.6	–	4.6
Derivative financial instruments	3.1	0.1	3.2	2.6	0.3	2.9
Accrued income	9.7	–	9.7	9.2	–	9.2
Other receivables	**67.4**	**4.4**	**71.8**	**53.4**	**4.5**	**57.9**
Receivables	**524.6**	**7.7**	**532.3**	**442.9**	**8.4**	**451.3**

Ageing analysis of trade receivables

CHF million	2017	2016
Trade receivables, gross	491.5	421.9
Amount provided for	– 31.0	– 28.5
Receivables, net	**460.5**	**393.4**
Not due	380.5	328.1
Not due, amount provided for	– 5.6	– 6.0
Past due, within 30 days	57.1	42.7
Past due, from 31 to 90 days	21.7	17.9
Past due, more than 90 days	32.2	33.2
Past due, amount provided for	– 25.4	– 22.5

The due dates of trade receivables are constantly monitored. The sum overdue relates to trade receivables whose agreed payment deadline has been exceeded.

Movements in the provision for impairment of trade receivables

CHF million	2017	2016
Balance at 1 January	28.5	21.2
Exchange differences	1.5	0.6
Provision for receivables impairment	4.1	9.3
Unused amounts reversed	– 2.6	– 1.8
Receivables written-off during the year as uncollectible	– 0.5	– 0.8
Balance at 31 December	**31.0**	**28.5**

4 Inventories

CHF million	2017	2016
Raw materials and consumables	182.3	155.2
Work in progress	170.3	147.4
Finished goods and goods for resale	341.4	297.5
Inventories	**694.0**	**600.1**
Change of write-downs	6.5	4.7

In the reporting period, CHF 8.2 million was written off directly via the income statement (2016: CHF 0.2 million). This includes the inventory adjustments at the joint venture Sanjin of CHF 7.8 million.

5 Property, plant and equipment

CHF million	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Prepayments and assets under construction	Total
					2017
Cost at 1 January	625.4	511.4	214.2	28.6	1 379.6
Exchange differences	27.3	24.7	10.2	2.2	64.4
Additions	8.0	18.4	15.4	30.0	71.8
Disposals	− 1.9	− 12.7	− 11.6	− 0.5	− 26.7
Transfers	2.8	9.2	4.2	− 16.2	–
Cost at 31 December	**661.6**	**551.0**	**232.4**	**44.1**	**1 489.1**
Accumulated depreciation at 1 January	− 258.2	− 366.9	− 159.4	–	− 784.5
Exchange differences	− 12.7	− 19.4	− 8.1	–	− 40.2
Disposals	1.9	11.9	11.0	–	24.8
Depreciation for the year	− 24.3	− 33.0	− 17.2	–	− 74.5
Accumulated depreciation at 31 December	**− 293.3**	**− 407.4**	**− 173.7**	**–**	**− 874.4**
Net book value at 31 December	**368.3**	**143.6**	**58.7**	**44.1**	**614.7**
					2016
Cost at 1 January	594.5	508.4	204.2	18.9	1 326.0
Exchange differences	− 2.0	− 0.5	− 3.0	–	− 5.5
Acquisition/disposal of subsidiaries	6.4	6.4	1.5	–	14.3
Additions	14.2	15.7	16.7	29.2	75.8
Disposals	− 7.1	− 11.1	− 12.0	− 0.8	− 31.0
Transfers	19.4	− 7.5	6.8	− 18.7	–
Cost at 31 December	**625.4**	**511.4**	**214.2**	**28.6**	**1 379.6**
Accumulated depreciation at 1 January	− 232.8	− 352.2	− 152.1	–	− 737.1
Exchange differences	0.9	1.4	1.8	–	4.1
Acquisition/disposal of subsidiaries	− 2.5	− 1.3	− 0.9	–	− 4.7
Disposals	5.3	10.8	10.9	–	27.0
Depreciation for the year	− 24.1	− 33.2	− 16.5	–	− 73.8
Transfers	− 5.0	7.6	− 2.6	–	–
Accumulated depreciation at 31 December	**− 258.2**	**− 366.9**	**− 159.4**	**–**	**− 784.5**
Net book value at 31 December	**367.2**	**144.5**	**54.8**	**28.6**	**595.1**

The net book value of assets under finance leases amounted to CHF 15.5 million in the reporting year (2016: CHF 16.2 million).

6 Intangible assets

CHF million	Goodwill	Trademarks	Customer relation	Licences/ Patents	Other	Total
						2017
Cost at 1 January	229.1	50.7	85.4	172.7	22.1	560.0
Exchange differences	−0.2	0.1	0.4	12.4	1.5	14.2
Additions	–	–	–	2.3	2.1	4.4
Disposals	–	–	–	−0.1	−0.2	−0.3
Cost at 31 December	**228.9**	**50.8**	**85.8**	**187.3**	**25.5**	**578.3**
Accumulated amortisation at 1 January	−91.3	−25.4	−25.9	−151.3	−19.7	−313.6
Exchange differences	−0.7	–	0.4	−11.3	−1.4	−13.0
Disposals	–	–	–	0.1	0.2	0.3
Amortisation for the year	–	−4.0	−5.8	−6.3	−1.0	−17.1
Accumulated amortisation at 31 December	**−92.0**	**−29.4**	**−31.3**	**−168.8**	**−21.9**	**−343.4**
Net book value at 31 December	**136.9**	**21.4**	**54.5**	**18.5**	**3.6**	**234.9**
						2016
Cost at 1 January	202.0	39.0	64.1	170.5	21.2	496.8
Exchange differences	11.2	2.6	2.6	0.6	0.1	17.1
Acquisition/disposal of subsidiaries	15.9	9.1	18.7	1.6	1.6	46.9
Additions	–	–	–	2.4	–	2.4
Disposals	–	–	–	−2.4	−0.8	−3.2
Cost at 31 December	**229.1**	**50.7**	**85.4**	**172.7**	**22.1**	**560.0**
Accumulated amortisation at 1 January	−88.5	−21.0	−19.7	−143.7	−18.3	−291.2
Exchange differences	−2.8	−0.6	−0.7	−0.6	0.1	−4.6
Acquisition/disposal of subsidiaries	–	–	–	−0.7	−0.8	−1.5
Disposals	–	–	–	2.4	0.7	3.1
Amortisation for the year	–	−3.8	−5.5	−8.7	−1.4	−19.4
Accumulated amortisation at 31 December	**−91.3**	**−25.4**	**−25.9**	**−151.3**	**−19.7**	**−313.6**
Net book value at 31 December	**137.8**	**25.3**	**59.5**	**21.4**	**2.4**	**246.4**

In the reporting year, as in the previous year, no research and development costs were capitalised. Research and development costs mainly comprised expenditure to update and extend the divisions' product and service offerings and are included in raw materials and consumables used, employment costs, other operating expenses and depreciation of property, plant and equipment. Research and development costs of CHF 110.0 million (2016: CHF 99.4 million) were charged to the income statement.

Assessment of the recoverability of goodwill positions The management of Bucher Industries monitors the recoverability of goodwill positions at divisional level for Kuhn Group, Bucher Municipal, Bucher Hydraulics and Bucher Emhart Glass as well as for the individual business units of Bucher Specials. The cash-generating units at divisional and individual business unit level were consolidated as a consequence. Bucher Industries uses the discounted cash flow (DCF) method to assess the recoverability of goodwill, based on value in use. The calculations were based on the financial budgets for the next three years (2018 to 2020). These budgets take account of the latest management estimates regarding sales and prices as well as operating costs and are based on the assumption of no significant organisational changes. Cash flows beyond the budget period were estimated on the basis of prudently calculated growth rate projections. The growth rates and capital costs take account of specific weighted country and currency risks. The cost of equity was determined using the capital-asset pricing model.

Allocation of goodwill to cash-generating units

CHF million	Growth rates	WACC [1]	Goodwill	Growth rates	WACC [1]	Goodwill
	%	**%**	**2017**	**%**	**%**	**2016**
Kuhn Group	1.7	7.8	67.3	1.7	8.1	69.9
Bucher Municipal	1.5	7.3	22.6	1.4	7.2	20.8
Bucher Hydraulics [2]	0.9	7.1	20.9	0.5	6.7	22.0
Bucher Emhart Glass	1.1	6.7	21.9	1.1	6.7	21.2
Bucher Specials	0.1-0.5	5.9-6.6	4.2	0.0-0.3	5.8-6.6	3.9
Goodwill			**136.9**			**137.8**

[1] Pre-tax
[2] The goodwill is recognised in the Bucher Industries US holding company and for impairment testing was allocated in its entirety to the Bucher Hydraulics division.

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

7 Other financial assets

CHF million	2017	2016
Money market investment	3.0	1.0
Bonds	24.4	26.3
Pension asset	1.3	1.3
Long-term loans	7.2	8.4
Other	1.8	1.8
Other financial assets	**37.7**	**38.8**
Current portion	27.3	27.3
Non-current portion	10.4	11.5

Changes in bond values are recognised in other comprehensive income and amounted to CHF 0.5 million (2016: CHF 0.7 million).

8 Investments in associates and joint ventures

CHF million	2017	2016
Balance at 1 January	11.6	11.2
Exchange differences	1.1	– 0.1
Additions	0.3	–
Disposals	–	–
Share of profit/(loss)	0.4	0.6
Share of other comprehensive income	–	–
Dividend received	– 0.1	– 0.1
Balance at 31 December	**13.3**	**11.6**

In the reporting period, the joint venture Bucher Leopard Enterprise Management Company Ltd was founded in China together with a Chinese partner (each 50%). The additions regard the capital contribution; the proportionate results were immaterial.

Aggregated financial information of associates and joint ventures

CHF million	Associates	Joint ventures	Associates	Joint ventures
		2017		2016
Profit/(loss) for the year	2.2	– 0.2	2.0	–
Other comprehensive income	–	–	–	–
Comprehensive income	**2.2**	**– 0.2**	**2.0**	**–**

9 Financial liabilities

CHF million	2017	2016
Bonds	199.7	199.6
Other bank borrowings	94.5	116.5
Finance lease liabilities	11.2	13.6
Loans and other financial liabilities	20.9	26.8
Financial liabilities	**326.3**	**356.5**
Current portion	60.6	40.7
Non-current portion	265.7	315.8

The decrease in financial liabilities is primarily due to cash changes, see consolidated cash flow statement, as well as currency differences of CHF 3.3 million.

Bonds

CHF million	Company	Term	Currency	Nominal value	Effective interest rate	Total 2017	Total 2016
Bond, Switzerland 0.625%	Bucher Industries AG	2014–2020	CHF	100.0	1.3%[1]	99.7	99.6
Bond, Switzerland 1.375%	Bucher Industries AG	2014–2024	CHF	100.0	1.4%	100.0	100.0
Bonds						**199.7**	**199.6**

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

Other bank borrowings These include CHF 55.0 million (2016: CHF 75.0 million) in bilateral loans from committed credit facilities as well as CHF 39.5 million (CHF 41.5 million) from uncommitted credit facilities. The bilateral loans bear interest at rates of between 0.75% and 1.37% and are due for repayment from 2018 to 2022. Undrawn committed credit facilities on 31 December totalled CHF 210.0 million (CHF 230.0 million). The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 31 December 2017.

10 Provisions

CHF million	Warranties	Legal claims	Other	Total	Total
				2017	**2016**
Balance at 1 January	41.9	18.5	12.5	72.9	62.3
Additional provisions	31.1	5.7	1.1	37.9	45.8
Unused amounts reversed	−3.4	−2.3	−0.8	−6.5	−7.6
Used during year	−27.7	−2.4	−2.9	−33.0	−29.3
Acquisition/disposal of subsidiaries	–	–	–	–	0.4
Exchange differences	2.4	0.2	0.5	3.1	1.3
Balance at 31 December	**44.3**	**19.7**	**10.4**	**74.4**	**72.9**
Current portion	42.8	14.0	4.8	61.6	58.5
Non-current portion	1.5	5.7	5.6	12.8	14.4

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

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

Other provisions concern risks associated with the Group's industrial operations as well as costs from restructuring. The concentration of sweeper production in Latvia and the UK was completed at the end of the year. The provision recognised in the prior year of CHF 1.7 million was used accordingly. The further decline in other provisions is primarily due to the use of provisions for restructuring measures at Bucher Emhart Glass in China.

11 Contingent liabilities and other commitments

Contingent liabilities CHF 0.8 million in contingent liabilities (2016: CHF 0.9 million) consist of guarantees given in respect of goods sold and services provided. The amount represents the maximum amount of the obligations assumed. These contingent liabilities are not expected to give rise to any outflows of funds. Following the filing of a complaint, the Swiss Competition Commission (COMCO) opened an investigation into Bucher Landtechnik AG on 14 March 2017. The Group is cooperating with COMCO to help clarify the matter.

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

12 Other liabilities

CHF million

	2017	2016
Accruals and deferred income	142.0	124.9
Social security and pensions	25.7	22.7
Sales and capital tax liabilities	38.5	29.2
Derivative financial instruments	5.4	4.8
Other	26.1	28.4
Other liabilities	**237.7**	**210.0**
Current portion	219.0	189.9
Non-current portion	18.7	20.1

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

13 Earnings per share

	2017	2016
Profit/(loss) attributable to owners of Bucher Industries (CHF million)	170.9	118.7
Average number of shares outstanding (undiluted)	10 171 322	10 118 625
Average number of shares outstanding (diluted)	10 183 429	10 137 303
Basic earnings per share (CHF)	16.81	11.73
Diluted earnings per share (CHF)	16.79	11.71
Dividend per registered share (CHF) [1)]	6.50	5.00
Total dividend (CHF million) [1)]	66.6	51.3

[1)] 2017: Proposed by the board of directors

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

Share capital

		2017	2016
Par value	CHF	0.20	0.20
Outstanding shares	number	10 224 434	10 126 129
Treasury shares	number	25 566	123 871
In issue and ranking for dividend	**number**	**10 250 000**	**10 250 000**
Authorised but unissued	number	1 184 100	1 184 100
Issued share capital	CHF million	2.1	2.1

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

Treasury shares

CHF million	Number of shares	2017	Number of shares	2016
Balance at 1 January	123 871	17.7	139 839	12.4
Purchases of treasury shares	–	–	31 470	7.4
Sales of treasury shares	– 68 777	– 12.7	–	–
Reissued for share-based payment schemes	– 29 528	– 1.3	– 47 438	– 2.1
Balance at 31 December	**25 566**	**3.7**	**123 871**	**17.7**

14 Employment costs

CHF million	2017	2016
Wages and salaries	– 504.8	– 473.7
Share awards	– 2.8	– 2.0
Social security costs	– 85.3	– 80.6
Defined contribution costs	– 29.5	– 27.4
Defined benefit costs	– 9.5	– 15.4
Other employment costs	– 76.5	– 53.1
Employment costs	**– 708.4**	**– 652.2**

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

15 Other operating income and expenses

CHF million

	2017	2016
Own work capitalised	0.6	0.3
Gain on sale of non-current assets	0.1	0.8
Other income	20.2	19.2
Other operating income	**20.9**	**20.3**
Energy, maintenance and repairs	−99.4	−92.2
Charges, levies, taxes and consulting fees	−42.3	−36.5
Marketing and distribution costs	−110.8	−104.5
Insurance expenses	−6.7	−6.7
Operating lease expenses	−11.9	−10.8
Miscellaneous operating expenses	−63.5	−69.5
Other operating expenses	**−334.6**	**−320.2**

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

16 Net financial items

CHF million

	2017	2016
Interest expense on financial liabilities	−5.5	−8.1
Financial foreign exchange gains and losses	−2.2	−2.7
Other finance costs	−1.1	−1.6
Finance costs	**−8.8**	**−12.4**
Interest income on financial assets	2.6	1.4
Net gain on financial instruments	4.6	1.6
Other finance income	0.1	0.1
Finance income	**7.3**	**3.1**
Share of profit/(loss) of associates and joint ventures	0.4	0.6
Net financial items	**−1.1**	**−8.7**
Of which financial items relating to:		
Financial instruments; at amortised cost	−9.0	−10.5
Financial instruments; fair value through profit or loss	4.3	1.0
Financial instruments; available-for-sale	3.2	0.2

In the reporting year, the sale of available-for-sale securities from comprehensive income was recognised in the income statement in the amount of CHF 3.2 million (2016: none). As in the previous year, no borrowing costs were capitalised.

17 Income tax

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. As the Group operates in various countries, the weighted average tax rate may vary from period to period to reflect the profits in the respective countries and the impact of any changes in tax rate.

Effective income tax expense

CHF million	2017	2016
Current income tax	–56.9	–51.3
Deferred income tax	–0.7	9.1
Income tax expense	**–57.6**	**–42.2**
Reconciliation:		
Profit before tax	225.3	160.6
Weighted average tax rate	26.9%	27.7%
Theoretical income tax charge	**–60.6**	**–44.5**
Utilisation of unrecognised tax loss carryforwards	2.4	0.7
Reassessment of tax loss carryforwards with tax asset adjustment	1.3	0.4
Changes in valuation allowances on losses and on deferred tax assets	–2.3	–2.4
Expenses not deductible for tax purposes / income not subject to tax	–0.6	0.9
Under/(over) provided in prior years	2.0	–1.4
Changes in deferred taxes due to changes in tax rates	3.1	–0.1
Other differences	–2.9	4.2
Effective income tax expense	**–57.6**	**–42.2**
Effective tax rate	25.6%	26.3%

Deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2017		**2016**
Property, plant and equipment	0.6	–22.1	0.6	–28.8
Other non-current assets	2.8	–38.7	2.8	–33.2
Inventories	33.5	–3.7	34.9	–3.4
Other current assets	5.7	–8.3	3.8	–7.2
Provisions	6.5	–3.2	6.5	–3.3
Other liabilities	25.2	–5.8	35.6	–5.6
Tax loss carryforwards	6.6	–	6.7	–
Deferred income tax	**80.9**	**–81.8**	**90.9**	**–81.5**
Offset amounts	–27.2	27.2	–30.1	30.1
Deferred income tax assets/liabilities	**53.7**	**–54.6**	**60.8**	**–51.4**

Movements in deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2017		2016
Balance at 1 January	60.8	−51.4	56.0	−51.7
Transfer from income tax liabilities	0.2	−0.2	0.1	−0.1
Charged/credited to income statement	0.8	−1.5	–	9.1
Charged/credited to other comprehensive income	−9.6	−0.6	2.7	0.2
Acquisition/disposal of subsidiaries	–	–	–	−7.5
Exchange differences	1.5	−0.9	2.0	−1.4
Balance at 31 December	**53.7**	**−54.6**	**60.8**	**−51.4**

In the reporting period, current income tax of CHF 1.7 million (2016: CHF 0.6 million) arising from the sale of treasury shares was recognised directly in equity. The tax expenses in other comprehensive income amounted to negative CHF 10.2 million (CHF 2.9 million) and were allocated to "Change in actuarial gains/(losses) on defined benefit pension plans", "Change in fair value reserve" and "Change in cash flow hedge reserve". In the statement of deferred tax liability, withholding tax and other taxes to be incurred by group entities on future dividends are not taken into account when the respective funds were committed to long-term reinvestments and no payout is planned.

Tax loss carryforwards

CHF million	2017	2016
Tax loss carryforwards	99.2	103.0
Of which recognised in deferred income tax	−50.3	−41.8
Unrecognised tax loss carryforwards	**48.9**	**61.2**
Of which expiring:		
Within 1 year	5.9	0.2
From 1 to 5 years	7.4	26.6
More than 5 years	–	0.8
Available indefinitely for offset	35.6	33.6
Tax effect on unrecognised tax loss carryforwards	14.1	14.7

18 Retirement benefits

Most employees are covered by pension schemes in accordance with the relevant national regulations. Most of these pension schemes are defined contribution plans. The Group also operates a number of defined benefit plans. The largest pension scheme is that in Switzerland, covering 81% of the retirement benefit obligations and 88% of the plan assets. The "international plans" category mainly comprises the plans in North America (7% of the retirement benefit obligations, 5% of the plan assets) and in France (6% retirement benefit obligations, 7% of the plan assets).

Swiss plan The Angestellten-Pensionskasse Bucher Schweiz (Bucher Switzerland employee pension fund, APK) has the legal form of a semi-autonomous foundation and is subject to the minimum legal requirements for pension schemes, which are governed by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The supreme governing body is the foundation board, which comprises equal numbers of employee and employer representatives. The foundation covers all underwriting risks except death before retirement and invalidity, which are separately reinsured. Contributions to the pension scheme are funded by employee and employer contributions, the latter bearing at least 50% of the necessary contributions. In the event of a deficit, additional contributions can be levied from both employer and employee to make up the shortfall. The risks are mainly demographic (life expectancy) and financial (discount rate, future salary increases and rates of return on plan assets). These risks are regularly reassessed by the foundation board. In June 2017, the foundation board decided to lower the conversion rate for the pensions of all policyholders starting 1 January 2018. Taking into account the agreed mitigation measures, there was a positive effect of CHF 4.9 million that was posted to defined benefit costs.

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

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

Funding of defined benefit plans

CHF million	Swiss	International	Total	Swiss	International	Total
			2017			**2016**
Fair value of plan assets	339.2	45.3	384.5	318.8	40.7	359.5
Present value of funded obligations	−354.9	−60.9	−415.8	−372.1	−62.0	−434.1
Funding surplus/(deficit)	**−15.7**	**−15.6**	**−31.3**	**−53.3**	**−21.3**	**−74.6**
Present value of unfunded obligations	–	−26.0	−26.0	–	−22.0	−22.0
Surplus/(deficit)	**−15.7**	**−41.6**	**−57.3**	**−53.3**	**−43.3**	**−96.6**

Movements in defined benefit obligations and plan assets

CHF million	Fair value of plan assets	Present value of retirement obligation	Impact of minimum funding requirement/ asset ceiling	Total	Total
				2017	**2016**
Balance at 1 January	**359.5**	**−456.1**	**–**	**−96.6**	**−80.8**
Current service cost		−12.7		−12.7	−13.6
Past service cost		4.9		4.9	–
Interest income/(expense)	2.7	−4.0	–	−1.3	−1.4
Administration expenses, taxes and premium paid	−0.4			−0.4	−0.4
Defined benefit expense recognised in profit or loss	**2.3**	**−11.8**	**–**	**−9.5**	**−15.4**
Return on plan assets (excluding interest based on discount rate)	23.7			23.7	13.7
Actuarial gains/(losses) arising from changes					
– in demographic assumptions	–	0.2		0.2	0.7
– in financial assumptions	–	4.0		4.0	−14.8
Experience gains/(losses)	–	11.8		11.8	−10.1
Change in actuarial gains/(losses) on defined benefit pension plans in other comprehensive income	**23.7**	**16.0**	**–**	**39.7**	**−10.5**
Employer contributions	9.9			9.9	8.8
Employee contributions	4.6	−4.6		–	–
Benefits paid	−17.1	18.0		0.9	1.3
Plan curtailments/settlements	–	–		–	–
Exchange differences	1.6	−3.3		−1.7	–
Balance at 31 December	**384.5**	**−441.8**	**–**	**−57.3**	**−96.6**

Categories of plan assets

CHF million	Swiss	International	Total	%	Swiss	International	Total	%
				2017				2016
Equities	119.2	9.4	128.6	33.4	108.4	10.0	118.4	32.9
Bonds	121.8	5.1	126.9	33.0	111.3	5.0	116.3	32.4
Assurances	3.9	27.8	31.7	8.3	3.8	23.0	26.8	7.4
Property	73.6	–	73.6	19.1	70.4	–	70.4	19.6
Cash	1.4	0.5	1.9	0.5	1.0	0.3	1.3	0.4
Other assets	19.3	2.5	21.8	5.7	23.9	2.4	26.3	7.3
Plan assets	**339.2**	**45.3**	**384.5**	**100.0**	**318.8**	**40.7**	**359.5**	**100.0**

The equities and bonds are mainly listed investments.

Breakdown of defined benefit obligations by category

CHF million	Swiss	International	Total	Swiss	International	Total
			2017			2016
Obligation active insured members	223.7	50.5	274.2	250.0	47.6	297.6
Obligation former members with vested benefits	–	23.5	23.5	–	16.7	16.7
Obligation members receiving pensions	131.2	12.9	144.1	124.9	19.7	144.6
Obligation taxes and risk sharing	–	–	–	−2.8	–	−2.8
Defined benefit obligations	**354.9**	**86.9**	**441.8**	**372.1**	**84.0**	**456.1**
Term of obligations in years (duration)	15.9	14.2	15.5	16.3	13.2	15.7

Actuarial assumptions

Weighted averages in %	Swiss	International		Swiss	International	
			2017			2016
Discount rate	0.7	2.3	1.0	0.6	2.1	0.9
Future salary increases	1.0	1.8	1.1	1.0	1.4	1.0
Future pension increases	–	1.6	0.1	–	0.7	0.1
Inflation rate	1.0	2.1	1.2	1.0	2.2	1.2

For the 2018 business year, contributions to defined benefit pension plans are expected to total CHF 12.2 million (2016: CHF 14.2 million).

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

CHF million		Swiss	International	Total	Swiss	International	Total
				2017			**2016**
Discount rate:	+25 basis points	–13.4	–2.8	–16.2	–14.4	–2.2	–16.6
Discount rate:	–25 basis points	14.3	2.9	17.2	15.4	2.4	17.8
Future salary increases:	+100 basis points	0.8	1.0	1.8	0.9	0.1	1.0
Future salary increases:	–100 basis points	–0.8	–1.0	–1.8	–0.9	–0.1	–1.0
Life expectancy:	+1 year	3.6	1.7	5.3	3.9	0.9	4.8

19 Share-based payments/share option plan

Bucher Share Plan Eligible employees were awarded a total of 4 979 shares for the reporting year (2016: 6 002 shares). The shares awarded and valuation are calculated using the share price of CHF 396.00. The valuation totalled CHF 2.0 million (CHF 1.5 million).

Share option plans Share options granted in respect of previous years may be exercised at any time. One option entitles the holder to purchase one registered share of Bucher Industries AG. The average share price for options exercised was CHF 325.30 (2016: CHF 231.90).

Movements in the number of share options outstanding

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
		2017		**2016**
Outstanding options at 1 January	34 400	164.5	71 884	153.5
Exercised	–21 900	182.5	–37 484	143.0
Expired	–	–	–	–
Outstanding options at 31 December	**12 500**	**133.0**	**34 400**	**164.5**
Option expiry date:				
Year 2017	–	–	12 600	221.0
Year 2018	6 600	149.0	10 800	149.0
Year 2019	5 900	115.0	11 000	115.0

20 Related parties and companies

Remuneration of directors and members of group management

CHF million	2017	2016
Salaries	−5.8	−5.6
Post-employment benefits	−1.3	−1.2
Share awards	−1.4	−1.3
Key management remuneration	**−8.5**	**−8.1**

Salaries include variable remuneration, fees and expense allowances paid in cash. For the reporting year, group management members were awarded 2 535 registered shares (2016: 3 417 registered shares) with a par value of CHF 0.20 in Bucher Industries AG under the share plans. With the departure of a member of group management in November 2017, remuneration will continue to be paid as part of the ordinary period of notice of 12 months. The outstanding payments have been fully accrued under salaries. There are no other claims. No directors, group management members or persons connected with them received any additional remuneration, fees or loans during the year. At year-end, there were no loans outstanding to the company's governing bodies. Directors' fees were paid in the form of cash and shares.

Year-end balances and transactions with related parties

CHF million	2017	2016
Receivables from pension funds	1.3	1.3
Receivables from associates and joint ventures	0.4	0.2
Payables to pension funds	−0.1	−6.4
Payables to associates and joint ventures	−1.1	−1.3

In the reporting year, products worth CHF 35.3 million (2016: CHF 31.1 million) were purchased from associates and joint ventures. The sales generated with associates and joint ventures amounted to CHF 0.9 million (CHF 1.0 million), and other expenditure with associated companies CHF 0.4 million (CHF 0.5 million).

21 Pledged assets

The book value of assets pledged or assigned to secure the Group's obligations was CHF 7.8 million (2016: CHF 7.6 million).

22 Leases

Finance leases, lessee

CHF million	Minimum lease payments	Finance lease liabilities	Minimum lease payments	Finance lease liabilities
		2017		**2016**
Within 1 year	3.4	3.1	3.8	3.4
From 1 to 5 years	6.4	6.1	8.0	7.6
More than 5 years	2.1	2.0	2.8	2.6
Balance at 31 December	**11.9**	**11.2**	**14.6**	**13.6**
Finance charge	– 0.7	–	– 1.0	–
Finance lease liabilities	**11.2**	**11.2**	**13.6**	**13.6**

Operating leases, lessor

CHF million	**2017**	**2016**
Within 1 year	1.2	0.9
From 1 to 5 years	1.7	1.3
More than 5 years	–	–
Minimum lease payments	**2.9**	**2.2**

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

Operating leases, lessee

CHF million	**2017**	**2016**
Within 1 year	8.3	7.0
From 1 to 5 years	13.5	11.6
More than 5 years	10.0	9.7
Minimum lease payments	**31.8**	**28.3**

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

23 Financial risk management

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

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

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

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

CHF million	Within 1 year	From 1 to 5 years	More than 5 years	Total	Carrying amount
					2017
Trade payables	– 269.8	–	–	**– 269.8**	– 269.8
Other liabilities	– 19.2	– 2.4	– 4.5	**– 26.1**	– 26.1
Financial liabilities	– 64.2	– 171.0	– 105.8	**– 341.0**	– 326.3
Non-derivative financial instruments	**– 353.2**	**– 173.4**	**– 110.3**	**– 636.9**	**– 622.2**
Currency contracts – assets	512.2	37.9	–	**550.1**	
Currency contracts – liabilities	– 514.1	– 38.2	–	**– 552.3**	
Derivative financial instruments	**– 1.9**	**– 0.3**	**–**	**– 2.2**	**– 2.2**
					2016
Trade payables	– 215.6	–	–	**– 215.6**	– 215.6
Other liabilities	– 20.9	– 2.9	– 4.6	**– 28.4**	– 28.4
Financial liabilities	– 43.6	– 207.1	– 124.2	**– 374.9**	– 356.5
Non-derivative financial instruments	**– 280.1**	**– 210.0**	**– 128.8**	**– 618.9**	**– 600.5**
Currency contracts – assets	400.6	51.3	–	**451.9**	
Currency contracts – liabilities	– 402.4	– 51.4	–	**– 453.8**	
Derivative financial instruments	**– 1.8**	**– 0.1**	**–**	**– 1.9**	**– 1.9**

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

Foreign currency risk As the Group operates internationally, Bucher Industries is mainly exposed to the risk of changes in the exchange rates of the euro, US dollar, British pound and Swedish krona in its most important sales and procurement markets. Individual subsidiaries' cash inflows and outflows denominated in foreign currencies are hedged by group treasury using appropriate financial instruments based on the respective underlying transactions in accordance with the risk policy. Hedging transactions are entered into only with financial institutions that have solid credit ratings. In the reporting period, foreign exchange profits of CHF 3.3 million (2016: foreign exchange profits of CHF 0.1 million) were reclassified from other comprehensive income to the income statement. The Group has investments in foreign operations, whose assets and liabilities are exposed to foreign currency translation risk arising on translation into the Group's presentation currency (Swiss francs). The following exchange rates were used to translate the principal currencies in the Group into Swiss francs:

1 CHF	Income statement annual average rates		Balance sheet closing rates	
	2017	**2016**	**2017**	**2016**
1 EUR	1.1131	1.0903	1.1701	1.0739
1 GBP	1.2706	1.3413	1.3184	1.2543
1 USD	0.9835	0.9897	0.9756	1.0188
1 BRL	0.3076	0.2846	0.2945	0.3130
1 AUD	0.7538	0.7341	0.7624	0.7357
1 CNY	0.1456	0.1490	0.1499	0.1467
1 SEK	0.1155	0.1154	0.1189	0.1124
1 RUB	0.0169	0.0148	0.0169	0.0167

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

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

CHF million

	2017	**2016**
Currency risk	– 8.6	– 9.7
Interest risk	– 1.4	– 2.2
Correlation effect	5.3	7.2
VaR–transaction risk	**– 4.7**	**– 4.7**
NAVaR–translation risk	**– 85.3**	**– 84.4**

The foreign currency and interest risk fell slightly due to lower volatility. In addition, the shortening of the residual terms of the fixed-interest financial liabilities had a mitigating effect on the interest risk. The transaction risk was mostly unchanged year on year due to the reduction of the correlation effect to 53% (2016: 61%). The translation risk was up slightly year on year. The appreciation in particular of the euro versus the Swiss franc resulted in an increase in the underlying risk positions. This additional risk was almost offset by the higher correlation effect.

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

	2017	**2016**
Interest coverage ratio (EBITDA to net interest expense)	109.7	39.2
Debt payback period (net debt to EBITDA)	– 0.7	– 0.2
Gearing ratio (net debt to equity)	– 15.0%	– 5.0%
Equity ratio (equity to total assets)	52.7%	50.6%
Quick ratio (current assets less inventory to current liabilities)	124.2%	127.0%

Carrying amounts/financial assets and liabilities by category

CHF million	Available-for-sale	At fair value through profit or loss	At amortised cost	Held for hedge accounting	Carrying amount 2017	Carrying amount 2016 [1]
Cash and cash equivalents	–	513.2	–		513.2	390.6
Other financial assets	24.6	3.0	8.8		36.4	37.5
Trade receivables	–	–	460.5		460.5	393.4
Other receivables	–	–	52.4		52.4	41.2
Trade payables		–	– 269.8		– 269.8	– 215.6
Other liabilities		–	– 26.1		– 26.1	– 28.4
Financial liabilities		–	– 326.3		– 326.3	– 356.5
Non-derivative financial instruments	**24.6**	**516.2**	**– 100.5**		**440.3**	**262.2**
Currency contracts – assets		2.1		1.1	3.2	2.9
Currency contracts – liabilities		– 5.0		– 0.4	– 5.4	– 4.8
Derivative financial instruments		**– 2.9**		**0.7**	**– 2.2**	**– 1.9**

[1] The values for the previous year were allocated to the various categories in the same order of magnitude as in the present reporting period. Other financial assets to the value of CHF 26.5 million were available-for-sale and CHF 1.0 million in currency contracts was held for hedge accounting.

Fair values With the exception of the financial liabilities with a fair value of CHF 336.0 million (2016: CHF 368.9 million), the book values are roughly equivalent to the fair values. With the exception of contingent considerations from acquisitions, the fair values are based on observable market data at the end of the reporting period (level 2). There is no observable market data available regarding the contingent considerations classified as other liabilities. The valuation is based primarily on specific data from the acquired company Bucher Hidráulica, Brazil (level 3), and is made using contractually agreed formulas.

Contingent considerations (level 3) To determine the fair values, future payments are discounted at the balance sheet date, using projections based on financial budgets approved by management. Dependent on the achievement of targets, payments are budgeted for Bucher Hidráulica until 2018. For Bucher Hidráulica, the payments have an upper limit, and the maximum amount that can be paid out is CHF 0.4 million (2016: CHF 2.5 million). As in the previous year, liabilities were valued at nil, so there was no change to the value in the reporting period (no change). The settlement of the expired contractually agreed conditions from the purchase of Kuhn-Montana, Brazil, did not lead to a final payment.

24 Events after the reporting date

The consolidated financial statement was approved for publication by the board of directors on 27 February 2018. It is subject to formal approval by the annual general meeting on 18 April 2018.

25 Group companies

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2017	2016
Bucher Industries AG, Niederweningen	CH	CHF	2 050 000	O			S		
Bucher-Guyer AG, Niederweningen	CH	CHF	10 000 000	O			S	100	100
Bucher Industries France SAS, Entzheim	FR	EUR	225 072 400	O			S	100	100
Bucher Beteiligungen GmbH, Klettgau	DE	EUR	4 500 000	O			S	100	100
Bucher Beteiligungsverwaltung AG, Munich	DE	EUR	50 000	O			S	100	100
Bucher Beteiligungs-Stiftung, Niederweningen	CH	CHF	250 000	O			S	100	100
Bucher BG Finanz AG, Steinhausen	CH	EUR	21 591 000	O			S	100	100
Kuhn Germany GmbH, Freiburg	DE	EUR	4 000 000	O			S	100	100
Bucher Immobilien AG, Langendorf	CH	CHF	200 000	O			S	–	100
Bucher Industries Italia S.p.A., Reggio Emilia	IT	EUR	3 380 000	O			S	100	100
Bucher Industries US Inc., Enfield CT	US	USD	10 000 000	O			S	100	100
Bucher Management AG, Kloten	CH	CHF	6 600 000	O			S	100	100
Bucher Sudamerica Participações Ltda., São Paulo	BR	BRL	1 000	O			S	100	100
Kuhn Group SAS, Saverne	FR	EUR	200 100 000	O			S	100	100
Bucher (China) Investment Pty Ltd., Beijin	CN	CNY	6 769 000	O			S	100	100
Bucher Industries Danmark ApS, Them	DK	DKK	51 000	O			S	100	100
JHL Holding A/S, Silkeborg	DK	DKK	8 827 300	O			S	–	100
Kuhn SA, Saverne	FR	EUR	19 488 000	KG	P	D		100	100
Kuhn Blanchard SAS, Chéméré	FR	EUR	2 000 000	KG	P	D		100	100
Kuhn-Geldrop B.V., Geldrop	NL	EUR	15 000 000	KG	P	D		100	100
Contifonte SA, Saverne	FR	EUR	48 000	KG	P	D		100	100
Kuhn North America, Inc., Brodhead WI	US	USD	10 000	KG	P	D		100	100
Kuhn Krause, Inc., Hutchinson KS	US	USD	4 462 000	KG	P	D		100	100
Kuhn do Brasil S/A, Passo Fundo	BR	BRL	220 077 811	KG	P	D		100	100
Kuhn-Montana Indústria de Máquinas S/A, São José	BR	BRL	230 000 000	KG	P	D		100	100
Kuhn-Montana Argentina S/A, Casilda	AR	ARS	350 000	KG		D		100	100
Kuhn MGM SAS, Monswiller	FR	EUR	2 000 000	KG	P	D		100	100
Kuhn-Audureau SA, La Copechagnière	FR	EUR	4 070 000	KG	P	D		100	100
Kuhn-Huard SA, Châteaubriant	FR	EUR	4 800 000	KG	P	D		100	100
Kuhn Farm Machinery Inc., Sainte Madeleine	CA	CAD	150 000	KG		D		100	100
Kuhn Farm Machinery Ltd., Telford	GB	GBP	100 000	KG		D		100	100
Kuhn Farm Machinery Pty Ltd, Warragul VIC	AU	AUD	100 000	KG		D		100	100
Kuhn Ukraine Sarl, Kiev	UA	UAH	650 000	KG		D		100	100
Kuhn Ibérica SA, Huesca	ES	EUR	100 000	KG		D		100	100
Kuhn Italia Srl., Melegnano	IT	EUR	520 000	KG		D		100	100
Kuhn Maschinen-Vertrieb GmbH, Schopsdorf	DE	EUR	300 000	KG		D		100	100
Kuhn Maszyny Rolnicze Sp.z.o.o., Suchy Las	PL	PLN	3 536 000	KG		D		100	100
Kuhn Vostok LLC, Moscow	RU	RUB	10 000 000	KG		D		100	100
Kuhn Parts SAS, Monswiller	FR	EUR	5 000 000	KG		D		100	100
Kuhn Argentina, Buenos Aires	AR	ARS	500 000	KG		D		100	100
Kuhn Tianjin Farm Machinery Ltd., Tianjin	CN	CNY	5 045 000	KG		D		100	100

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

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2017	2016
Bucher Municipal AG, Niederweningen	CH	CHF	10 000 000	BM		D	S	100	100
Bucher Municipal GmbH, Hanover	DE	EUR	3 000 000	BM		D		100	100
Bucher Municipal Ltd., Seoul	KR	KRW	350 000 000	BM	P	D		100	100
Bucher Municipal SIA, Ventspils	LV	EUR	3 630 400	BM	P	D		100	100
Giletta S.p.A., Revello	IT	EUR	1 250 000	BM	P	D		60	60
Arvel Industries Sàrl, Coudes	FR	EUR	200 000	BM	P	D		60	60
Tecvia Eurl, Lyon	FR	EUR	38 112	BM		D		60	60
Maquiasfalt SL, Madrid	ES	EUR	30 000	BM		D		60	60
Giletta LLC, Kaluga	RU	RUB	420 000	BM	P	D		60	60
Gmeiner GmbH, Wernberg-Köblitz	DE	EUR	26 000	BM	P	D		60	60
Johnston Sweepers Ltd., Dorking	GB	GBP	8 000	BM	P	D		100	100
Beam A/S, Them	DK	DKK	5 000 000	BM	P	D		100	100
Johnston North America Inc., Mooresville NC	US	USD	500 000	BM	P	D		100	100
Bucher Municipal Pty Ltd., Clayton North	AU	AUD	5 901 000	BM	P	D		100	100
J. Hvidtved Larsen A/S, Silkeborg	DK	DKK	6 500 000	BM	P	D	S	100	100
J. Hvidtved Larsen Australia Pty Ltd., Sydney	AU	AUD	1	BM		D		–	100
J. Hvidtved Larsen Ireland Ltd, Thurles	IE	EUR	1	BM		D		100	–
J. Hvidtved Larsen AB, Eslöv	SE	SEK	500 000	BM		D		100	100
J. Hvidtved Larsen UK Ltd, Coalville	GB	GBP	1	BM		D		100	100
J. Hvidtved Larsen US Inc., Chicago IL	US	USD	10 000	BM		D		100	100
Bucher Hydraulics GmbH, Klettgau	DE	EUR	4 000 000	BH	P	D		100	100
Bucher Hydraulics Dachau GmbH, Dachau	DE	EUR	30 000	BH	P	D		100	100
Bucher Hydraulics SAS, Rixheim	FR	EUR	200 000	BH		D		100	100
Bucher Hydraulics Ltd., Nuneaton	GB	GBP	10 000	BH		D		100	100
Bucher Hydraulics AG, Neuheim	CH	CHF	1 200 000	BH	P	D		100	100
Bucher Hydraulics Suzhou Co., Ltd., Wujiang	CN	CNY	13 640 000	BH	P	D		100	100
Bucher Hydraulics Remscheid GmbH, Remscheid	DE	EUR	25 000	BH	P	D		100	100
Bucher Hidrolik Sistemleri Tic. Ltd. Sti., Istanbul	TR	TRY	219 000	BH		D		100	100
Bucher Hydraulics KK, Tokyo	JP	JPY	10 000 000	BH		D		85	85
Bucher Hydraulics AG Frutigen, Frutigen	CH	CHF	300 000	BH	P	D		100	100
Bucher Hydraulics S.p.A., Reggio Emilia	IT	EUR	1 500 000	BH	P	D		100	100
Bucher Hydraulics Pvt Ltd.,Gurgaon	IN	INR	28 600 000	BH	P	D		100	100
Bucher Hydraulics Inc., Grand Rapids	US	USD	12 473 000	BH	P	D		100	100
Bucher Hydraulics Corp., London	CA	CAD	75 000	BH	P	D		100	100
Bucher Hydraulics Erding GmbH, Erding	DE	EUR	25 000	BH	P	D		100	100
Bucher Hidráulica Ltda., Porto Alegre	BR	BRL	10 330 000	BH	P	D		100	100

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

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2017	**2016**
Emhart Glass SA, Steinhausen	CH	CHF	10 000 000	BEG		D	S	100	100
Emhart Glass Manufacturing Inc., Horseheads, NY	US	USD	1 000	BEG	P			100	100
Emhart Glass Sdn Bhd., Ulu Tiram Johor	MY	MYR	500 000	BEG	P			100	100
Emhart Glass Sweden AB, Sundsvall	SE	SEK	30 000 000	BEG	P			100	100
Emhart Glass GmbH, Leipzig	DE	EUR	50 000	BEG			S	100	100
Emhart Glass Inc., Windsor CT	US	USD	2	BEG			S	100	100
Emhart Glass International SA, Steinhausen	CH	CHF	100 000	BEG			S	100	100
Emhart Glass Japan Co Ltd., Kawasaki	JP	JPY	10 000 000	BEG			S	100	100
Emhart Glass Ltd., Manchester	GB	GBP	1 838 000	BEG			S	100	100
Emhart Glass Pte. Ltd., Singapore	SG	SGD	1	BEG			S	100	100
Emhart Glass S.r.l., Savona	IT	EUR	320 000	BEG			S	100	100
Shandong Sanjin Glass Machinery Co. Ltd., Zibo	CN	CNY	72 000 000	BEG	P	D		63	63
Bucher Vaslin SA, Chalonnes-sur-Loire	FR	EUR	2 400 000	BSp	P	D		100	100
Bucher Vaslin S.r.l., Romans d'Isonzo	IT	EUR	100 000	BSp		D		100	100
Bucher Vaslin North America, Inc., Sebastopol CA	US	USD	88 000	BSp		D		100	100
Bucher Vaslin Sudamérica, Santiago de Chile	CL	CLP	3 099 600 000	BSp	P	D		100	100
Bucher Unipektin AG, Niederweningen	CH	CHF	600 000	BSp	P	D		100	100
Beijing Bucher Unipektin Equipment Co. Ltd, Beijing	CN	CNY	3 098 895	BSp		D		100	100
Bucher-Alimentech Ltd., Auckland	NZ	NZD	3 000	BSp		D		100	100
Bucher Engineering Ges.m.b.H., Vösendorf	AT	EUR	36 336	BSp		D		100	100
Bucher Filtrox Systems AG, St.Gallen	CH	CHF	500 000	BSp	P	D		–	100
Bucher Landtechnik AG, Niederweningen	CH	CHF	4 000 000	BSp		D		100	100
Jetter AG, Ludwigsburg	DE	EUR	3 241 061	BSp	P	D		100	100
futronic GmbH, Tettnang	DE	EUR	260 000	BSp	P	D		100	100

Report of the statutory auditor

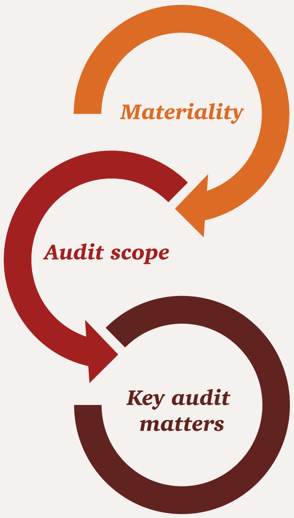
to the annual general meeting of Bucher Industries AG, Niederweningen

Audit opinion We have audited the consolidated financial statements of Bucher Industries AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the consolidated financial statements (pages 72 to 115) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



- Overall Group materiality: CHF 10.1 million

- We concluded full-scope audit work at 33 reporting units in various countries.
- These audits account for 85% of net sales or 81% of the Group's assets.
- Additionally, individually defined audit procedures and reviews were concluded at other reporting units in various countries, which account for further 2% of net sales and 9% of the total assets of the Group.

The following area of focus has been identified as a key audit matter:
- Impairment testing of goodwill

Audit scope We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The significant subsidiaries, with two exceptions, were audited by PwC. We are in continuous contact with the audit teams. With regard to the significant subsidiaries that are not audited by PwC, we review the audit documentation of the other auditor and evaluate its work. As auditor of the consolidated financial statements, we ensure that we participate every year in selected meetings of specific significant companies and discuss the risks of a material misrepresentation of the local results as well as the focus points and scope of the audits.

Materiality The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

- **Overall Group materiality**
  CHF 10.1 million

- **How we determined it** 5% of the average profit before tax over the three years

- **Rationale for the materiality benchmark applied** We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark. In addition, profit before tax represents a generally accepted benchmark for materiality considerations. To account for the volatility of the business environment, a three-year average was chosen for the materiality calculation.

We agreed with the audit committee that we would report to them misstatements above CHF 0.5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

Impairment testing of goodwill

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill was deemed a key audit matter for the following reasons: Goodwill of CHF 136.9 million represents a significant amount on the balance sheet. Significant judgement is required to determine the assumptions relating to future business results and to determine the discount rate to be applied to forecasted cash flows. Please refer to pages 78 and 82 (notes to the consolidated financial statements, accounting principles for the consolidated financial statements) and pages 92 and 93 (notes to the consolidated financial statements, explanations of the consolidated financial statements).	Impairment testing is based on a process defined by the board of directors that makes use of the budgets approved by the board of directors and the Group's medium-term plans. As part of the process, Management estimates the cash flows for the cash-generating units concerned. Based on the evidence obtained from our audit, we did not note any deviations from the process defined by the board of directors and from the requirements relating to the impairment testing of goodwill and the disclosure of impairment in the financial statements. In addition, we compared the consistency of the assumptions presented on pages 92 and 93 of the consolidated financial statements with the revenue and cost forecasts of Management. We compared the discount rate with the cost of capital of the Group, taking into account currency-specific aspects. Further, we tested the sensitivity analyses for the key assumptions. We noted no inconsistencies with regard to the assumptions used, which were in line with our expectations.

Other information in the annual report The board of directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Bucher Industries AG and our auditor's reports thereon. Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements The board of directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

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

PricewaterhouseCoopers AG

Christian Kessler Audit expert Auditor in charge	Fabian Schläpfer Audit expert

Zurich, 27 February 2018

Balance sheet of Bucher Industries AG as per 31 December 2017

CHF million	Note	2017	2016
Cash and cash equivalents		140.5	116.9
Other receivables		88.5	23.1
Accrued income		13.7	11.9
Current assets		**242.7**	**151.9**
Financial assets			
Loans		594.4	577.8
Investments		811.2	811.4
Intangible assets		0.3	0.3
Non-current assets		**1 405.9**	**1 389.5**
Assets		**1 648.6**	**1 541.4**
Interest-bearing liabilities			
Loans and other bank borrowings	2	45.0	20.0
Other interest-bearing liabilities	2	130.5	126.9
Other liabilities		14.4	11.0
Accruals and deferred income		8.3	5.4
Current liabilities		**198.2**	**163.3**
Interest-bearing liabilities			
Bonds	2	200.0	200.0
Loans and other bank borrowings	2	320.3	314.5
Other liabilities		0.4	0.4
Provisions		2.4	4.5
Non-current liabilities		**523.1**	**519.4**
Share capital	5	2.1	2.1
Statutory reserve		70.6	70.6
Distributable reserve		651.8	611.8
Retained earnings		82.9	86.7
Profit/(loss) for the year		119.9	87.5
Equity		**927.3**	**858.7**
Liabilities and equity		**1 648.6**	**1 541.4**

Income statement of Bucher Industries AG for the year ended 31 December 2017

CHF million

	2017	2016
Income from investments	96.2	63.5
Royalty income	15.1	13.5
Administrative expenses	–5.5	–5.9
Impairment charges	–0.7	–0.3
Operating profit (EBIT)	**105.1**	**70.8**
Finance costs	–77.4	–65.4
Finance income	95.5	87.4
Profit before tax	**123.2**	**92.8**
Income tax expense	–3.3	–5.3
Profit/(loss) for the year	**119.9**	**87.5**

Notes to the financial statements of Bucher Industries AG

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

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

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

Investments are recognised at amortised cost, net of write-downs in impairment charges. To evaluate an impairment the carrying amount is compared with the recoverable amount. Investments which are considered an economic unit within the company, in the management and assessment of the business, were consolidated as a valuation unit. Information on the investments held, directly and indirectly, by Bucher Industries AG is given in the list of group companies on pages 113 to 115 of the annual report.

Interest income/dividend Interest income is recorded over the anticipated term, so that it reflects the effective income on an asset. Dividends are recognised in income from investments at the time of the legal claim.

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

1 Positions with group companies

CHF million	2017	2016
Other receivables	84.2	17.8
Accrued income	13.7	11.8
Financial assets	594.4	577.8
Interest-bearing liabilities	−130.5	−126.9
Other liabilities	−5.7	−3.8
Accruals and deferred income	−3.4	−3.4
Loans	−280.6	−229.9

2 Interest-bearing liabilities

Interest-bearing liabilities essentially include significant bonds, bank borrowings as well as loans and cash pool accounts with group companies. Further information on bonds is given on page 95 of the annual report.

3 Assets and liabilities based on observable market data

CHF million

	2017	2016
Derivative financial instruments – assets	10.4	10.3
Derivative financial instruments – liabilities	– 14.8	– 11.3
Assets and liabilities based on observable market data	**– 4.4**	**– 1.0**

4 Contingent liabilities

The contingent liabilities have been incurred by the company mainly to cover group companies' obligations to banks in respect of credit and cash pool agreements. The maximum exposure was CHF 191.2 million (2016: CHF 188.1 million). The amount claimed at the reporting date was CHF 49.8 million (CHF 39.5 million). Bucher Industries AG is jointly liable for the VAT group of Bucher-Guyer AG as part of group taxation arrangements.

5 Share capital

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

Significant shareholders and their investments A group of shareholders organised under a shareholders' agreement, represented by Rudolf Hauser, Zurich, holds a total of 35.2% of the voting rights, as published in the Swiss Official Gazette of Commerce (SOGC) on 10 May 2005 and subsequent to the share capital reduction in June 2012. The essence of the shareholders' agreement and the number of shares held by individual group members have not been published. At the reporting date, the Bucher Beteiligungs-Stiftung held 0.2% of the issued share capital, the voting rights attached to such shares being suspended in accordance with art. 659a paragraph 1 of the Swiss Code of Obligations. According to disclosure notifications submitted to Bucher Industries AG and SIX Swiss Exchange, Norges Bank (the Norwegian central bank), Oslo, Norway, and BlackRock Inc., New York, USA, hold, directly or indirectly via various subsidiaries, a stake in the registered share capital of Bucher Industries AG of more than 3% each. Up to the date of approval of the company's financial statements, the board of Bucher Industries AG was not aware of any other shareholders or groups of shareholders subject to voting agreements who held more than 3% of the total voting rights.

Directors' interests in shares

	Number of shares	
	2017	**2016**
Philip Mosimann, chairman	50 425[1)]	66 174
Anita Hauser, deputy chairman	439 953	439 743
Claude R. Cornaz	3 645	3 465
Michael Hauser	605 015	604 835
Heinrich Spoerry	3 633	3 453
Valentin Vogt	3 525	4 333
Board of directors	**1 106 196**	**1 122 003**

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

As part of their honoraria, the board of directors were allocated 1 065 shares (2016: 1 674 shares) worth CHF 0.4 million (CHF 0.4 million). Further information is given in the remuneration report on pages 63 to 65.

Group management's interests in shares and share options

		Number of shares		Number of options	
		2017	**2016**	**2017**	**2016**
Jacques Sanche	CEO	1 403	409	–	–
Christina Johansson	CFO	607	450	–	–
Stefan Düring	Bucher Specials	880	1 679	–	1 200
Martin Jetter	Bucher Emhart Glass	5 106	3 891	–	1 200
Thierry Krier	Kuhn Group	1 255	1 658	–	–
Aurelio Lemos	Bucher Municipal	401	152	–	–
Daniel Waller	Bucher Hydraulics	9 881	13 575	–	–
Group management		**19 533**	**21 814**	**–**	**2 400**

No share options have been granted since the 2010 financial year. The ten-year options granted from previous reporting years were fully exercised during the reporting period. Each option entitles the holder to purchase one share. Further information is given in the remuneration report on pages 63 to 65.

Board of directors' proposal

Appropriation of retained earnings

CHF

	2017	2016
Retained profit carried forward as at 1 January	174 142 145	228 035 469
Transfer to distributable reserve	– 40 000 000	– 85 000 000
Dividend	– 51 250 000	– 56 375 000
Profit/(loss) for the year	119 894 558	87 481 676
Retained earnings available for distribution	**202 786 703**	**174 142 145**

Board of directors' proposal

CHF

	2017	2016
Retained earnings available for distribution	202 786 703	174 142 145
Transfer to distributable reserve	– 70 000 000	– 40 000 000
Dividend	– 66 625 000	– 51 250 000
Balance to be carried forward	**66 161 703**	**82 892 145**

Report of the statutory auditor

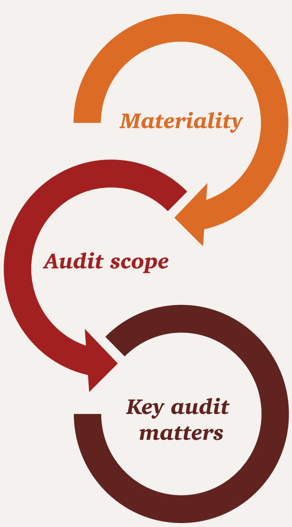
to the annual general meeting of Bucher Industries AG, Niederweningen

Audit opinion We have audited the financial statements of Bucher Industries AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies. In our opinion, the financial statements (pages 120 to 125) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



- Overall materiality: CHF 10.1 million

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

The following area of focus has been identified as a key audit matter:
- Impairment of equity investments

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

Materiality The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

- **Overall materiality** CHF 10.1 million
- **How we determined it** 0.61% of total assets
- **Rationale for the materiality benchmark applied** We chose total assets as the benchmark because, in our view, it is a relevant benchmark for a holding company, and it is a generally accepted benchmark for holding companies. In addition, total assets represent a generally accepted benchmark for materiality considerations of holding companies.

We agreed with the audit committee that we would report to them misstatements above CHF 0.5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

Impairment of equity investments

Key audit matter	How our audit addressed the key audit matter
Impairment testing of equity investments was deemed a key audit matter. Equity investments recognised on the balance sheet at CHF 811.2 million or 49% of the balance sheet total represent a significant portion of the assets. The valuations of the companies are calculated using the intrinsic value respectively the capitalisation of earnings or discounted cash flow (DCF) methods, which require significant judgement in determining the parameters such as the capitalisation rate. Please refer to page 122 (notes to the financial statements) and to pages 113 to 115 of the annual report.	In identifying the potential need for impairment of equity investments, Management follows a predefined impairment testing process. We compared the carrying amount of the investments in the year under review with the respective pro-rata share of the investee's equity respectively with the investee's enterprise value calculated using the capitalisation of earnings or discounted cash flow (DCF) methods. We performed plausibility checks on the assumptions used by Management concerning the long-term growth rates and margins. We compared the discount rate with the cost of capital of the Group, taking into account the currency-specific particularities. Our audit results support the assumptions made by Management in assessing the impairment of equity investments.

Responsibilities of the board of directors for the financial statements The board of directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the board of directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the board of directors.

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

PricewaterhouseCoopers AG

Christian Kessler	Fabian Schläpfer
Audit expert	Audit expert
Auditor in charge	

Zurich, 27 February 2018

Five-year summary

Group

CHF million

		2017	2016	2015	2014	2013
Order intake		2 870.7	2 386.1	2 439.5	2 742.1	2 718.2
Net sales		2 647.4	2 380.4	2 490.4	2 805.6	2 690.8
Order book		960.3	727.7	688.4	788.9	850.4
Operating profit before depreciation and amortisation (EBITDA)		318.0	262.5	296.2	349.8	371.1
as % of net sales		12.0%	11.0%	11.9%	12.5%	13.8%
Operating profit (EBIT)		226.4	169.3	207.1	257.2	287.1
as % of net sales		8.6%	7.1%	8.3%	9.2%	10.7%
Net financial items		−1.1	−8.7	−13.3	−13.2	−11.4
Income tax expense		−57.6	−42.2	−53.8	−54.3	−79.5
as % of profit before tax		25.6%	26.3%	27.8%	22.3%	28.8%
Profit/(loss) for the year		167.7	118.4	140.0	189.7	196.2
as % of net sales		6.3%	5.0%	5.6%	6.8%	7.3%
Capital expenditure		76.2	78.2	81.9	116.3	136.6
Operating free cash flow		148.2	189.5	157.8	53.7	91.7
Research and development costs		−110.0	−99.4	−96.1	−102.4	−90.5
Total assets		2 719.8	2 419.6	2 353.6	2 604.5	2 436.3
Cash and liquid assets		540.5	417.9	374.8	369.2	455.7
Receivables		550.6	467.8	498.6	565.8	498.5
Inventories		694.0	600.1	602.8	668.7	632.9
Investments and other financial assets – non-current		23.7	23.1	24.1	43.7	44.5
Property, plant and equipment		614.7	595.1	588.9	634.8	569.7
Intangible assets		234.9	246.4	205.6	252.9	181.5
Current liabilities		878.6	697.7	677.3	873.9	1 059.1
Non-current liabilities		409.1	498.3	522.2	529.0	303.1
Total liabilities		1 287.7	1 196.0	1 199.5	1 402.9	1 362.2
of which interest-bearing		326.3	356.5	385.2	454.2	455.8
Net cash/debt		214.2	61.4	−10.4	−85.0	−0.1
Equity		1 432.1	1 223.6	1 154.1	1 201.6	1 074.1
Equity ratio		52.7%	50.6%	49.0%	46.1%	44.1%
Return on equity (ROE)		12.6%	10.0%	11.9%	16.7%	20.0%
Net working capital		428.6	413.0	450.3	472.6	416.0
Net operating assets (NOA) average		1 273.9	1 293.1	1 295.7	1 268.0	1 061.3
Return on net operating assets (RONOA) after tax		13.2%	9.7%	11.5%	15.8%	19.3%
Number of employees at 31 December [1]		12 108	11 175	11 072	11 554	10 916
Average number of employees during year [1]		11 707	11 251	11 486	11 631	10 788
Net sales per employee	CHF 1 000	226	212	217	241	250

[1] Expressed as full-time equivalents

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