BUCHER

Annual report 2016

Key Figures >

Cover picture: Seed drill ESPRO 6000 R

Key figures

Group

CHF million		2016	2015	change in %	% 1)	% 2)
Order intake		2 386.1	2 439.5	– 2.2	– 2.3	– 4.0
Net sales		2 380.4	2 490.4	– 4.4	– 4.6	– 6.7
Order book		727.7	688.4	5.7	5.5	2.5
Operating profit before depreciation and amortisation (EBITDA)		262.5	296.2	– 11.4		
as % of net sales		11.0%	11.9%			
Operating profit (EBIT)		169.3	207.1	– 18.3		
as % of net sales		7.1%	8.3%			
Net financial result		– 8.7	– 13.3	34.6		
Income tax expense		– 42.2	– 53.8	21.6		
as % of profit before tax		26.3%	27.8%			
Profit/(loss) for the year		118.4	140.0	– 15.4		
as % of net sales		5.0%	5.6%			
Earnings per share in CHF		11.73	13.69	– 14.3		
Capital expenditure		78.2	81.9	– 4.5		
Operating free cash flow		189.5	157.8	20.1		
Research and development costs		– 99.4	– 96.1	– 3.4		
Net cash/debt		61.4	– 10.4	n.a.		
Total assets		2 419.6	2 353.6	2.8		
Equity		1 223.6	1 154.1	6.0		
Equity ratio		50.6%	49.0%			
Return on equity (ROE)		10.0%	11.9%			
Net operating assets (NOA) average		1 293.1	1 295.7	– 0.2		
Return on net operating assets (RONOA) after tax		9.7%	11.5%			
Number of employees at 31 December		11 175	11 072	0.9		– 1.5
Average number of employees during year		11 251	11 486	– 2.0		– 3.7
Net sales per employee	CHF 1 000	212	217	– 2.3	– 2.7	– 3.2

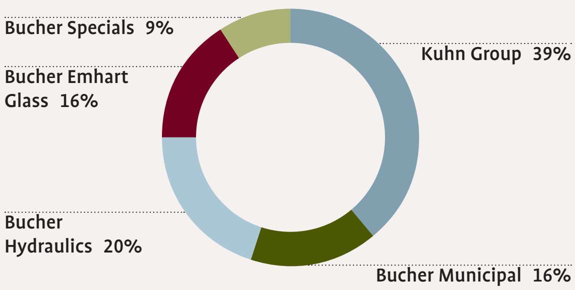
1) Adjusted for currency effects
2) Adjusted for currency and acquisition effects

Divisions

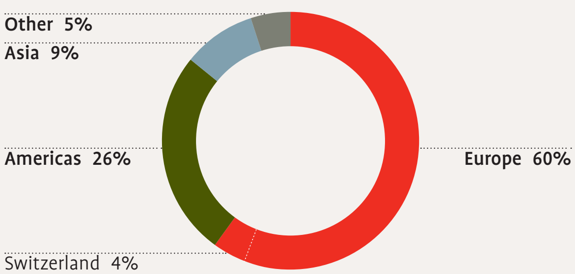
CHF million	Order intake		Net sales		Order book		Operating profit (EBIT)		Number of employees at 31 December	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Kuhn Group	934.5	1 008.6	930.0	1 068.3	371.1	362.8	74.2	108.6	4 731	4 830
Bucher Municipal	381.0	373.8	389.2	384.4	104.1	84.8	14.5	32.5	1 746	1 525
Bucher Hydraulics	481.7	461.1	475.2	461.4	82.4	75.0	56.6	53.1	2 061	2 034
Bucher Emhart Glass	350.9	399.6	370.8	359.8	107.9	126.3	26.3	23.8	1 757	1 819
Bucher Specials	288.5	237.7	263.3	257.2	76.1	50.7	21.1	12.9	817	802
Other/consolidation	– 50.5	– 41.3	– 48.1	– 40.7	– 13.9	– 11.2	– 23.4	– 23.8	63	62
Group	**2 386.1**	**2 439.5**	**2 380.4**	**2 490.4**	**727.7**	**688.4**	**169.3**	**207.1**	**11 175**	**11 072**

Net sales

by division

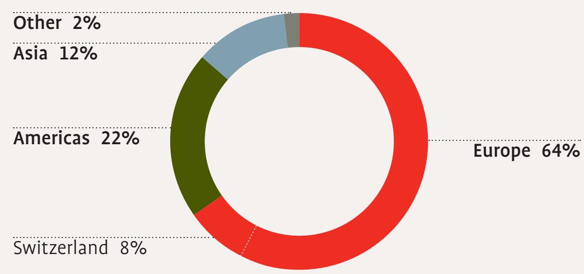


by region



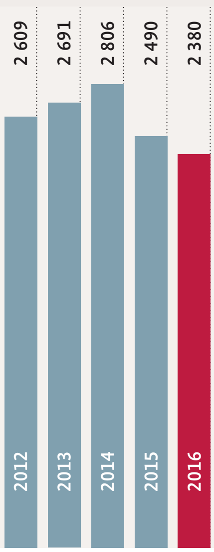
Number of employees

by region

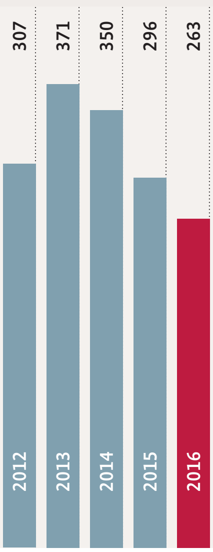


Five-year summary

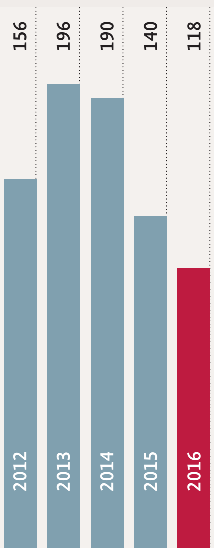
Net sales
CHF million



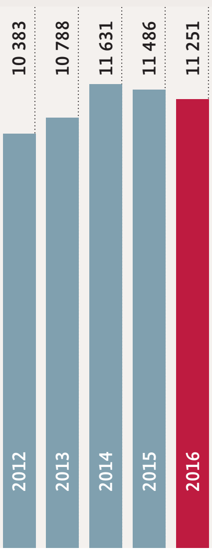
Operating profit (EBITDA)
CHF million



Net profit
CHF million



Average number
of employees



Contents

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

In 2016 the business performance of the Bucher divisions showed diverse trends, ranging from pleasing progress to marked slowdown. Despite the difficult market conditions, sales were only 4% lower year on year, partly thanks to acquisitions. The successful performance of hydraulic components, machinery for forming glass containers and the specialist businesses failed to compensate fully for the decline in specialised agricultural machinery at Kuhn Group and stagnating demand for municipal vehicles. The operating profit margin was also squeezed by one-off costs and stood at 7.1%. Profit for the year amounted to CHF 118 million and earnings per share were CHF 11.73.

Diverse market trends During the reporting year, the agricultural machinery market, which is important for Bucher, felt the effects of the longest and toughest global crisis to hit the sector in years. The worldwide decline, which has been ongoing since 2014, continued in the reporting year. In the European market for municipal vehicles there were few major contracts put up for tender. Winter services were also affected by another mild winter. Overall, the various market segments served by the business with hydraulic system solutions remained stable; equipment for the glass container industry also saw stable demand. The markets of the specialist businesses showed diverse trends, but were rather positive overall.

Weak agricultural machinery market affects performance
In this challenging business environment the order intake at group level was CHF 2 386 million, 2% lower than the previous year. Sales were 4% lower at CHF 2 380 million, operating profit amounted to CHF 169 million and the operating profit margin decreased to 7.1%. The main reasons for the lower margin was a decline in the sales of agricultural machinery and one-off costs in the municipal vehicles business. Profit for the year amounted to CHF 118 million and earnings per share were CHF 11.73. The crisis in the agricultural equipment market was reflected in a considerable fall in sales and profitability at Kuhn Group. The division focused on cost control, introducing a comprehensive package of measures to adapt capacity levels across its businesses. Thanks to acquisition effects, Bucher Municipal was able to post a modest increase in sales and compensate for the absence of the major order from the city of Moscow worth over CHF 30 million in 2015. One-off costs totalling CHF 7 million had a negative impact on the division's operating profit. Bucher Hydraulics performed well, increasing sales and operating profit margin in a market environment characterised by pricing pressure. Bucher Emhart Glass also turned in a pleasing performance, although the pronounced market weakness in China necessitated restructuring measures. Bucher Specials held up well in its diverse markets, posting a significant improvement in profitability.

Solid financial situation Bucher Industries continues to be on a sound financial footing. The Group invested CHF 129 million in organic growth and acquisitions in the reporting year. The main focus was on expansion of the production infrastructure, modernisation and automation of production plants and selective acquisitions on behalf of the Bucher Municipal division. Net operating assets increased by 2 percentage points to 54% of net sales. As a consequence of the lower profitability and acquisitions, return on net operating assets (RONOA) after tax was 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 61 million. With an equity ratio of 51% and high liquid assets, the Group's financial independence and opportunities for further growth remain secure.

Acquisitions In early March 2016, Bucher Industries acquired a 100% equity holding in J. Hvidtved Larsen A/S (JHL) on behalf of the Bucher Municipal division. The company, established in 1915 and headquartered in Silkeborg, Denmark, is a technology leader in sewer cleaning and holds strong market positions in Scandinavia and Great Britain. For Bucher Municipal, the takeover of JHL represented the acquisition of highly specialised engineering know-how and technology in the field of sewer cleaning equipment. In September of the reporting year, Bucher Industries acquired the operating activities of PakMor Waste Equipment Australia Pty Ltd, Sydney, on behalf of the Bucher Municipal division. The acquisition strengthened the presence of Bucher Municipal in the waste disposal segment in Australia.

Kuhn Group was affected by the continuing global slowdown in the agricultural equipment market. Year on year the order intake declined by 7% and sales by 13%, while the operating profit margin decreased by two percentage points to 8.0%. The market for agricultural equipment declined for the third year. Record harvests in the arable sector, overproduction of milk, which was also a consequence of the abolition of milk quotas in the European Union, as well as oversupply of meat led to a further decline in the prices of agricultural commodities. In France, an important market for Kuhn Group, adverse weather conditions resulted in lower yields at harvest. These trends resulted in falling income for farmers worldwide and particularly cautious investment behaviour, above all in North America. The resulting slump in sales led to a reduction in profitability which the division was unable to fully absorb, despite its flexible cost structures. Kuhn Group responded by introducing a range of measures to adapt capacity.

Bucher Municipal held firm in the European market for municipal vehicles, where there were few major contracts up for tender. In the important British market, the business performance slowed because of uncertainties arising from the Brexit vote and the weakness of the pound sterling. Another mild winter dampened the business with winter maintenance equipment, while the refuse collection vehicles segment was affected by the weak economy in Australia. In this challenging business environment, the acquisition of the sewer cleaning vehicles and refuse compactor businesses enabled the division to increase its order intake by 2% and sales by 1%, and also compensated for the absence of the major order from the city of Moscow worth over CHF 30 million in 2015. The operating profit margin narrowed to 3.7%. The margin was affected by one-off costs totalling CHF 7 million for the ongoing concentration of sweeper production in Latvia and Great Britain, for the acquisition and integration of the businesses with sewer cleaners and refuse compactors, and for initiatives to improve quality.

Bucher Hydraulics outperformed the overall market, which was generally stable and affected by pricing pressure, in the reporting year. The division increased order intake by 5% and sales by 3%. The operating profit margin surpassed the high value achieved the previous year, reaching 11.9%. The good performance was the result of successful collaboration with customers in the materials handling and industrial and lift hydraulics segments. A strong performance in the niche segment of high-voltage switches also contributed to sales growth. In the agricultural equipment segment the division profited from serial orders at the beginning of the year, but in the second half was unable to escape the effects of the downward trend. Exports from both Swiss plants continued to be affected by the strength of the Swiss franc.

Bucher Emhart Glass increased sales by 3% in 2016 in a generally stable market for glass-forming and inspection machinery. For project-related reasons order intake was 12% lower than the high level achieved the previous year. Above all healthy demand for technologically advanced machinery for the manufacture of glass containers in Central America, the positive trend in the spare parts business and the close cooperation with O-I were the main factors contributing to the sales growth. In China demand for glass-forming machinery fell to a low level because of the cyclical downturn and surplus capacity in the glass container industry. This trend had an adverse impact on the profitability of the joint venture with Sanjin, necessitating restructuring measures. A provision of CHF 2 million was set aside in the reporting year to cover the costs. Nevertheless, the division increased the operating profit margin from 6.6% to 7.1% compared with the previous year. Without taking into account the joint venture with Sanjin, the division achieved an operating profit margin of 9.0%. This demonstrated the improved sustainable cost efficiency of Bucher Emhart Glass.

Bucher Specials posted a 21% increase in order intake year on year in the diverse conditions of its various markets. By contrast sales growth was only 2% because some of the projects ordered are not for delivery until 2017. The operating profit margin exceeded the previous year's level by three percentage points, reaching 8.0%. The business with winemaking equipment posted modest growth, although the market weakened slightly owing to the fall in wine production worldwide; adverse weather conditions also had a negative impact on the sales trend in France. The project business with beverage technologies showed a marked recovery. The Swiss distributorship for tractors and agricultural machinery was also affected by the worldwide slowdown in the farming sector, but held up well, successfully defending its market position. Jetter, specialists in automation solutions, also reported a good business performance. Bucher Specials achieved a marked improvement in profitability thanks to better capacity utilisation and the introduction of measures to increase efficiency and control costs.

Dividend The board of directors will propose a dividend of CHF 5.00 per share to the annual general meeting on 19 April 2017. The dividend paid in 2016 was CHF 5.50 per share. This proposal is in keeping with a consistent dividend policy and takes account of the Group profit for 2016.

Board of directors and group management In the reporting year, a new chairman of the board of directors was elected and in group management there were new appointments to the posts of CEO, CFO and president of the Bucher Municipal division. On 15 April 2016, Rolf Broglie handed over as chairman of the board of directors to Philip Mosimann, hitherto CEO, and retired from the board. Jacques Sanche took over the post of CEO on the same date. On 1 October 2016, Christina Johansson assumed the position of CFO. The previous CFO, Roger Baillod, left the Group at the end of the reporting year. Aurelio Lemos took over as president of the Bucher Municipal division on 1 March 2016. Ernst Bärtschi (65), who has served since 2005 as a member of the board of directors and the audit committee, will not stand for re-election at the 2017 annual general meeting.

Thanks to our employees and partners Bucher has relied for more than 200 years on the expertise and experience of its highly skilled employees. It is only through the efforts of these talented and committed people that we are able to develop and manufacture our successful products in the specialised machinery and vehicle engineering sector. The creative ideas and dedication of our employees worldwide are vital to the creation of real and enduring value for our customers. This commitment is all the more important in economically challenging times such as we face today. We wish to thank our employees, but also our customers and business partners, for their trust and cooperation in the past year. We greatly appreciate these valuable individual contributions, and are well aware that, added together, they are the foundation of our success.

Outlook for 2017 For the year in progress, the Group is reckoning with continuing economic uncertainties. Kuhn Group is expecting prices for arable crops to remain stable at a low level. Rising milk prices could provide a slight stimulus in demand for livestock bedding and feeding technology. The measures introduced in 2016 to improve profitability should have a positive impact at Kuhn Group in the current year. Bucher Municipal is expecting demand for municipal vehicles to remain stable. The absence of the one-off costs arising in 2016 and the concentration of sweeper production in Great Britain and Latvia should have a positive effect on profitability. Bucher Hydraulics is expecting its markets to develop along the same lines as in 2016, while Bucher Emhart Glass is anticipating demand in the project business to remain lively. Bucher Specials is projecting higher sales in beverage technologies and Jetter's automation solutions. Overall, the Group is expecting the current year to show a slight increase in sales and an improved operating profit margin.

Niederweningen, 7 March 2017

Philip Mosimann
Chairman of the Board

Jacques Sanche
Chief Executive Officer

Right:
Philip Mosimann
Chairman of the Board

Left:
Jacques Sanche
Chief Executive Officer

Information for investors

At 31 December		2016	2015	2014	2013	2012
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	123 871	139 839	149 450	227 907	465 073
Issued share capital	CHF	2 050 000	2 050 000	2 050 000	2 050 000	2 050 000
Market capitalisation and dividends						
Market capitalisation	CHF million	2 570.2	2 319.6	2 551.2	2 654.8	1 845.0
as % of equity	%	216.4	207.9	220.0	257.7	215.8
Gross dividend per registered share	CHF	5.00 [1]	5.50	6.50	6.50	5.00
Total dividend	CHF million	51.3 [1]	56.4	66.6	66.6	51.3
Payout ratio	%	43.2 [1]	40.8	35.6	34.3	34.2
Per share data						
Profit/(loss) for the year						
Basic earnings per share	CHF	11.7	13.7	18.6	19.6	15.5
Diluted earnings per share	CHF	11.7	13.7	18.5	19.5	15.5
Net cash flow from operating activities	CHF	26.0	23.4	16.1	22.3	20.4
Equity	CHF	115.9	108.9	113.2	100.5	83.4
Year high	CHF	252.5	257.0	314.3	259.0	200.3
Year low	CHF	194.7	201.7	218.2	182.2	144.2
Year-end price	CHF	250.8	226.3	248.9	259.0	180.0
Average price	CHF	231.9	232.9	269.0	226.0	173.5
Average dividend yield	%	2.2 [1]	2.4	2.4	2.9	2.9
Average daily trading volume	number	12 793	16 931	17 676	13 824	16 674
Price/earnings ratio (year-end price)		21.4	16.5	13.4	13.2	11.6

[1] Proposal by the board of directors

Stock exchange listing

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

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

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

Contact

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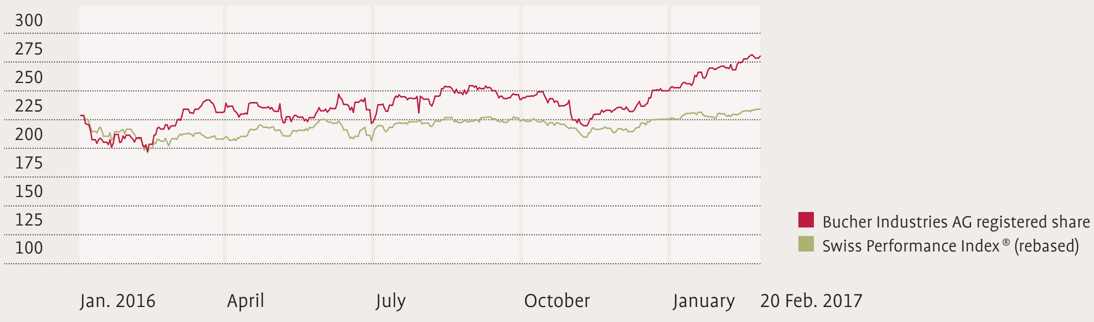
Financial calendar

Annual general meeting (Mövenpick Hotel, Regensdorf)	19 April 2017	15.30 h
First trading date ex-dividend	21 April 2017	
Dividend payment	25 April 2017	
Release of first quarter 2017 group sales	27 April 2017	
Sustainability report 2016	29 June 2017	
Interim report 2017	3 August 2017	
Release of third quarter 2017 group sales	26 October 2017	
Release of 2017 group sales	31 January 2018	
Annual press conference	6 March 2018	09.00 h
Annual analyst conference	6 March 2018	14.00 h
Annual report 2017	6 March 2018	
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	
Release of third quarter 2018 group sales	25 October 2018	

Share price performance CHF



Smart technology as success factor

When machines are capable of exchanging information with manufacturers and users, of receiving data from a wide variety of sources and even regulate themselves, then we know we have arrived in the age of smart technology. Technology that uses data from sensors and the possibilities of the internet and user-friendly software to make information available or even to control the machinery itself, will shape our everyday lives. Our way of living and working will be changed as a consequence. Sensor technology, information stored in clouds and digitised processes are of great value.

Bucher is focusing on this digital megatrend. We are already making smart technologies part of the machinery and vehicles we develop. Our customers benefit because they can work more efficiently and above all with minimum impact on resources by using networked Bucher machines and sophisticated software.

Kuhn Group is the world's leading supplier of specialised agricultural machinery. By means of data management on a web-based platform, agricultural operations and the deployment of agricultural machinery can be managed efficiently and with minimum impact on resources.

‣ 12

Bucher Municipal is a world leading supplier of municipal vehicles. An innovative system to provide assistance for winter maintenance services, automatically manages spreaders and snow ploughs and optimises the deployment of vehicles.

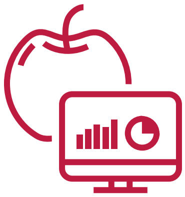
▸ 18

Bucher Hydraulics is a leading international manufacturer of state-of-the-art hydraulic systems. An innovative adaptive elevator valve automatically programs the optimal drive cycle. Bucher Hydraulics innovation is setting new standards.

▸ 24

Bucher Emhart Glass is the world's leading supplier of advanced technologies for manufacturing and inspecting glass containers. The new web-based online access to machines for inspection of glass containers enables Bucher Emhart Glass specialists to give their customers comprehensive advice on the manufacturing and inspection process.

▸ 30



Bucher Specials comprises several business segments. Bucher Unipektin is the world's leading supplier of systems and components for the production of fruit juice. Thanks to newly introduced software solutions, customers can access production data independently of time and location and take any steps necessary to optimise ongoing processes.

▸ 36

Kuhn Group

Optimisation of agricultural operating processes thanks to DKE Data Hub

Farmers today expect to have access to secure systems for gathering, processing, sharing and analysing their data. That is a prerequisite for optimising their operational processes and using their machinery efficiently, with minimum impact on resources. Fulfilling these expectations is one of the greatest challenges we face today. A consortium of leading farm equipment manufacturers, including Kuhn Group, is therefore developing a shared web-based digital data hub to meet this need. The name of the resulting software system is “DKE Data Hub”, a platform for cross-manufacturer data exchange offering the greatest possible security. Users will

With the DKE Data Hub Kuhn agricultural machines can exchange data to ensure high-quality forage harvesting.

be able to define the rules for data distribution themselves. The DKE Data Hub is designed to gather data from machinery or apps and direct it as ordered and after encoding to a predefined receiving party. A new kind of efficient farming operation is gradually becoming a reality worldwide.

Advantages

- Efficient operating processes that save resources.
- Simple, open access to datasets such as weather conditions, soil analysis, selection of seed, optimised crop protection.
- Kuhn machines exchange data via the DKE Data Hub.
- Kuhn apps for targeted optimisation and control of Kuhn machinery.
- To learn more about the DKE Data Hub visit www.dke-data.com.

Kuhn Group

Activities 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 offers an exceptionally wide range of products, tailored to suit the needs of all kinds of agricultural operations worldwide, including large farms and contractors. The division has production facilities in France, the Netherlands, the USA and Brazil.

In brief In the reporting year, the agricultural machinery market was undergoing its longest and toughest global crisis for 25 years. Characteristic of the critical situation was overproduction of agricultural commodities, with record harvests, a further deterioration of prices and the worldwide fall in farmers' incomes. Kuhn Group held up well in this difficult environment and placed an emphasis on profitability. Year on year the order intake declined by 7% and sales by 13%, while the operating profit margin decreased by 2.2 percentage points to 8.0%. Kuhn Group accounted for 39% of group sales (2015: 43%).

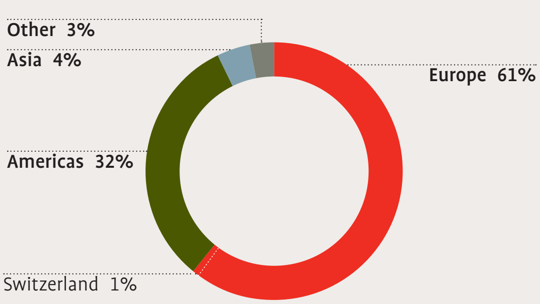
Key figures

CHF million			change in	
	2016	2015	%	% [1]
Order intake	934.5	1 008.6	−7.3	−7.3
Net sales	930.0	1 068.3	−12.9	−13.1
Order book	371.1	362.8	2.3	1.9
Operating profit (EBITDA)	115.5	150.1	−23.1	
as % of net sales	12.4%	14.1%		
Operating profit (EBIT)	74.2	108.6	−31.7	
as % of net sales	8.0%	10.2%		
Number of employees at 31 December	4 731	4 830	−2.0	
Average number of employees during year	4 823	5 130	−6.0	

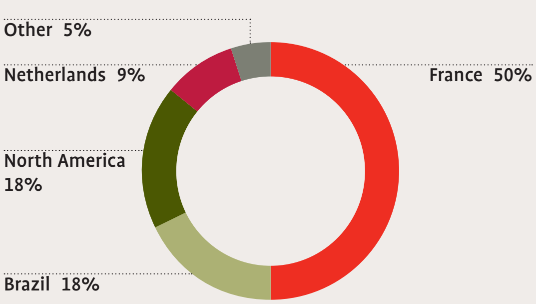
[1] Adjusted for currency effects

Geographical analysis

Net sales



Number of employees



Divisional report

Market weakness persists The worldwide slowdown in agricultural equipment, which began in 2014, continued in the reporting year. It was the longest and most profound crisis to affect the market for 25 years. Characteristic of the declining demand for farm machinery was the overproduction of agricultural commodities in many significant regions. The arable sector, enjoying mostly favourable weather conditions, again recorded bumper harvests, with the result that important regions in eastern Europe and North America saw continued expansion of the already high stocks of agricultural commodities. This was accompanied by a further slump in prices. In the reporting year alone, grain prices in Europe saw a single-digit percentage fall; in North America the decline was in the two-digit percentage range. Overproduction of milk due to the abolition of milk quotas in the European Union in April 2015 continued in the reporting year, with demand stagnating at the same time. As a result, the dairy sector also saw a decline in prices, though there was a slight recovery in the second half of the reporting year. Segments of livestock farming were also affected by falling prices. Market participants faced further uncertainties arising from the Brexit vote in Great Britain, poor harvests in some parts of western Europe, Russian import restrictions, the discontinuation of subsidies in Poland, currency fluctuations and less favourable conditions offered by banks funding agricultural investments.

Sharp downturn in sales Kuhn Group held up well in this difficult environment. Year on year the order intake declined by 7% and sales by 13%, while the operating profit margin decreased by 2.2 percentage points to 8.0%. There were various reasons for this trend. The drop in sales reflected the difficult market situation worldwide. Sluggish demand in the European Union was a result of lower income for farming operations engaged in the arable, dairy and meat sectors, as well as unpredictable market conditions. France, an important market for Kuhn Group, was particularly hard hit by the slowdown. A cold, wet spring and poor summer in the region resulted in low yields at harvest and loss of quality in field crops. In North America, the decline in farmers' incomes led to particularly cautious investment behaviour as well as high inventories at dealers. In Brazil, demand remained stable at a low level thanks to positive currency influences. In view of the slowdown in business across the division, capacity at the Kuhn production plants was for the most part not fully utilised. The slump in sales in North America in particular led to a steep decline in profitability which the division was unable to fully offset, despite its flexible cost structures. In the reporting year the division therefore introduced a range of measures to adapt capacity levels. These included a division-wide cost-reduction programme, optimised production planning and management, resulting in the temporary closure of some plants, and a selective pricing and human resources policy. The division also launched initiatives for selling on inventories at dealerships, which were implemented in close coop-

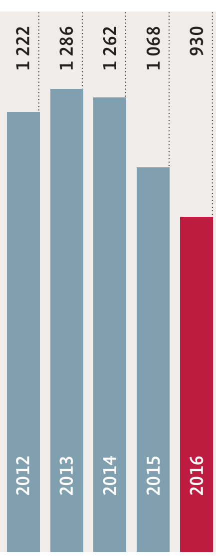
eration with the dealers concerned. The full impact of measures introduced in the reporting year will not be felt until 2017.

Investments for recovery In the reporting year, Kuhn Group again invested in the modernisation of its infrastructure, in production machinery and the continued development of a broad product range. For some time, the division has followed the trend towards larger, more efficient agricultural machinery. The main focus was on the development of high-capacity machines for tillage, planting and seeding, which are ideally suited for large-scale industrial farming operations. In Brazil, the division initiated a project to create a centralised parts logistics facility at Kuhn-Montana. In future, all spare parts destined for the South American market will be delivered to customers from this centre. Customers in the region will benefit from shorter delivery times of spare parts.

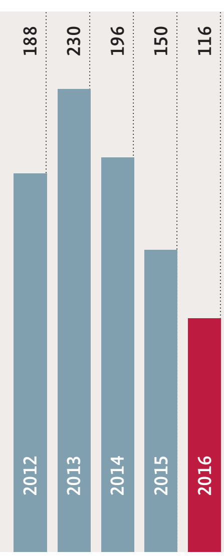
Data management in farming operations In the reporting year, Kuhn Group joined with other manufacturers of agricultural machinery to launch an initiative for the creation of a shared, web-based digital data hub. It will allow secure and efficient exchange of data, enabling precision in agricultural operations, particularly when applied to tillage, planting and seeding, fertilisation, plant protection, forage harvesting and management in livestock farming. As soon as the data hub is available, it will provide agricultural producers and other stakeholders with secure, cross-manufacturer data exchange. In future, the various applications will be networked with the data hub, enabling users to maximise output from their agricultural machinery, minimise the resources required and protect the environment. The system will be presented for the first time to customers and the general public at Agritechnica 2017, the world's largest trade fair for agricultural equipment.

Building a new logistics centre At the Kuhn Group production site in Saverne, France, the division is currently building a new central logistics facility. The demolition of old buildings in early 2016 made room for the new centre, which will include a fully automated storage complex. It will combine delivery, quality control, order processing and forwarding of all the components and materials supplied. At the Saverne site, which has grown considerably since 1980, Kuhn Group manufactures smaller-scale agricultural machinery and key components for large machines that are assembled in a new production plant four kilometres away. The new logistics centre will enable the division to make significant improvements to the flow of goods at the Saverne site, reduce turnaround times and shorten production processes and implement adjustments more quickly. This will increase the division's flexibility and ability to respond to changing demand, which is increasingly difficult to plan for. The building of the new centre is going according to plan. It is due to commence operations in July 2017 and involves an investment of around CHF 18 million, divided in roughly equal parts between the reporting year and 2017.

Net sales
CHF million



Operating
profit (EBITDA)
CHF million



Outlook for 2017 Kuhn Group expects prices for agricultural commodities to remain stable at a low level in 2017. Prices in the dairy sector began to recover in the second half of 2016 and should benefit from a modest increase that will be sustained in 2017 and could provide a slight stimulus in demand for livestock bedding and feeding technology. In the European Union, in particular the key markets of France, Germany and Great Britain, demand for agricultural machinery from the arable sector could remain at a low level. In North America, on the other hand, the lowest point should have been reached. Improved market conditions and rising income for farming operations could have a positive impact in Brazil. The full impact of measures to adapt capacity introduced by the division in 2016 will be felt in 2017. Accordingly, Kuhn Group anticipates sales in 2017 on a par with the previous year's level as well as an improved operating profit margin.

Division management

Thierry Krier,
Division president

Dominique Schneider,
Finance and controlling

Jeannot Hironimus,
Business development

Jean-Luc Collin,
Operations

Roland Rieger,
Marketing and sales

Christophe Jeanroy,
Research and development

Didier Vallat,
Kuhn-Audureau SA

Dominique Devillers,
Kuhn-Blanchard SAS

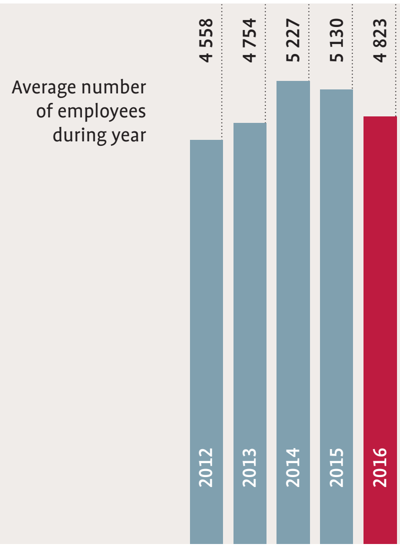
Marc Peeters,
Kuhn-Geldrop B.V.

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 7 March 2017



Bucher Municipal

Efficiently and safely through the winter with ASSIST guidance system

Towns and cities are duty bound to offer an efficient and environmentally sound winter maintenance service to ensure safe traffic conditions. Bucher Municipal has developed an innovative system to provide assistance, automatically managing and optimising the deployment of spreaders and snow ploughs. It works by intelligently linking real-time data on current snowfall, snow conditions, air and road-surface temperature, traffic routes and driving and weather conditions. ASSIST also has a route management system which enables customers to make the most effective use of their entire winter maintenance fleet. ASSIST was developed in close cooperation

ASSIST processes real-time data to automatically manage and optimise the use of gritting materiall.

with the European Space Agency (ESA) along with other research and industry partners. Pilot projects with ASSIST got underway at various locations in 2016.

Advantages

- Selective and sparing use of gritting material
- Increased road safety thanks to automated management of winter maintenance equipment
- Efficient fleet management
- Lower emissions
- Control and analysis options

Bucher Municipal

Activities 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. It offers a wide range of 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.

In brief Bucher Municipal held firm in the European market for municipal vehicles, in which there was a dearth of major tenders. Thanks to acquisitions the division was able to increase order intake by 2% and sales by 1% year on year. The significantly lower operating profit margin of 3.7% was affected by one-off costs for the ongoing concentration of sweeper production in Latvia and Great Britain, the acquisition and integration of the sewer cleaner and refuse compactor businesses, and initiatives designed to improve quality. The division accounted for 16% of group sales (2015: 15%).

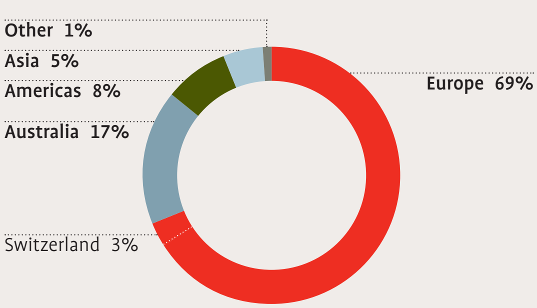
Key figures

CHF million			change in		
	2016	2015	%	% [1]	% [2]
Order intake	381.0	373.8	1.9	3.3	– 8.0
Net sales	389.2	384.4	1.2	2.5	– 10.8
Order book	104.1	84.8	22.8	24.4	0.3
Operating profit (EBITDA)	24.8	40.3	– 38.5		
as % of net sales	6.4%	10.5%			
Operating profit (EBIT)	14.5	32.5	– 55.4		
as % of net sales	3.7%	8.4%			
Number of employees at 31 December	1 746	1 525	14.5		– 3.1
Average number of employees during year	1 694	1 569	8.0		– 3.0

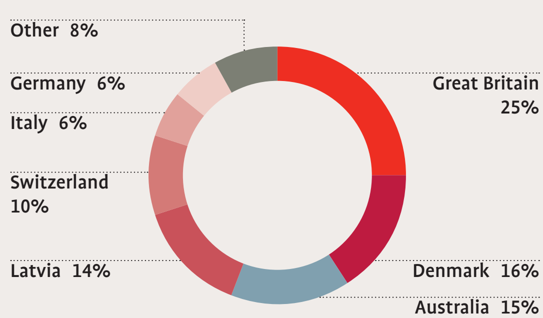
[1] Adjusted for currency effects
[2] Adjusted for currency and acquisition effects

Geographical analysis

Net sales



Number of employees



Divisional report

Challenging market environment In the European market for municipal vehicles there was a dearth of major projects during the reporting year. Uncertainties over the effects of the Brexit vote and the weaker pound sterling slowed investments in Great Britain. The market for winter maintenance equipment was again affected by a mild winter. In Australia demand for refuse collection vehicles continued to be influenced by the weak economy.

Moderate sales growth In this difficult market environment Bucher Municipal once again held firm and successfully defended its market position. Thanks to the acquisitions of the sewer cleaner and refuse compactor businesses, the division was able to increase order intake year on year by 2% and sales by 1%, with the acquisition of the business in sewer cleaners contributing CHF 50 million to the moderate increase in sales. The purchase of the refuse compactor business in Australia in September had little impact on business performance. Without taking the acquisition and currency effects into account, the order intake was 8% and sales 11% below the level of 2015, which was still boosted by the major order worth over CHF 30 million from the city of Moscow for sweepers and winter maintenance equipment. In the important British market in particular, customers adopted a wait-and-see approach, resulting in sluggish business performance and even the postponement of projects with sweepers and sewer cleaners. Operating profit was significantly lower than 2015. It was affected by one-off costs totalling CHF 7 million for the ongoing concentration of sweeper production in Latvia and Great Britain, the acquisition and integration of the business with sewer cleaners and refuse compactors, and initiatives designed to improve quality in large sweeper bodies. Capacity in the winter maintenance business was not fully utilised.

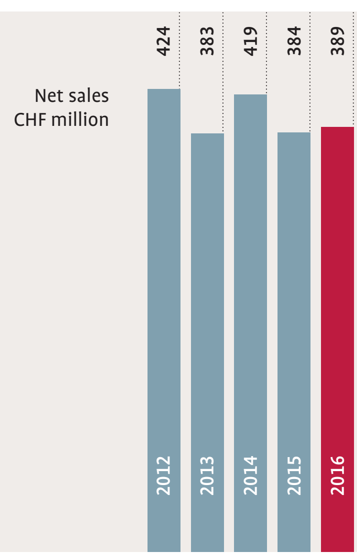
Acquisitions The acquisition of the Danish sewer cleaner manufacturers J. Hvidtved Larsen A/S (JHL) saw Bucher Municipal enter the sewer cleaning market in March of the reporting year. JHL has a well-established market presence in Scandinavia and Great Britain. The division placed a focus on new opportunities for growth arising from the integration of the company. Bucher Municipal's strong sales organisation in Europe, the USA and Australia added the distribution of sewer cleaners to its remit. The new joint presence in the USA was met with high levels of customer interest and the first orders have already been taken. In Australia too, Bucher Municipal strengthened its presence and expanded its refuse disposal product range. The division also acquired the operational business of PakMor Waste Equipment Australia Pty Ltd, Sydney. In Australia PakMor is a leader in the design and manufacture of stationary and mobile refuse compactors.

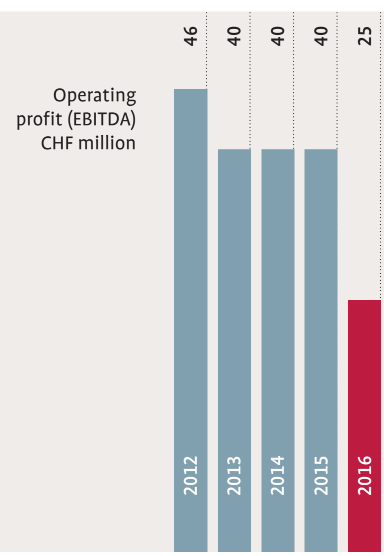
Concentration of sweeper production The concentration of large-scale sweeper production in the two plants in Great Britain and Latvia announced in February of the reporting year progressed ahead of schedule. Of the expected total expenditure of CHF 5 million, CHF 4 million was incurred until the end of the reporting year. The pooling of production capacity and the economies of scale for each type of vehicle will significantly bolster the competitiveness and cost leadership of Bucher Municipal.

Expansion in Russia Production capacity at the Bucher Municipal plant in Kaluga was increased in the light of the import restrictions imposed on Russia and the weakness of the rouble. With the increased demands on value creation within Russia, the CityCat 2020 compact sweeper is now also being fully assembled and tested in Kaluga. The assembly line was constructed according to specifications used in western Europe.

Innovation in sweeper technology In the reporting year Bucher Municipal showcased its state-of-the-art sweeper technology at the IFAT exhibition in Munich, the world's leading trade fair for water, sewage, waste and raw materials management. Visitors to the fair were treated to a first view of the electric vehicle with a hopper capacity of 2 m^3. The world's first electrically powered compact sweeper in the 2 m^3 category can store enough energy in its lithium-ion battery to see it through an eight-hour shift. The battery can be charged without difficulty at any charging station for cars. Bucher Municipal has demonstrated its innovative strength in the field of sweepers yet again, integrating performance and economic efficiency, environmental compatibility and maximum ergonomics in the driver's cab.

Management change and reorganisation On 1 March 2016 Aurelio Lemos took the helm at Bucher Municipal, having previously been in charge of Bucher Hydraulics Switzerland. He oversaw the systematic reorganisation of the division, introducing a discrete management structure for each of the four business units – sweepers, winter maintenance equipment, sewer cleaners and refuse collection vehicles – and placing the sweeper business under the new leadership of Peter Rhodes. To strengthen the division's market presence, a marketing role was created at divisional level; this was assumed by Jussi Iltanen in January 2017. The division is now well equipped to meet the challenges ahead.





Outlook for 2017 Bucher Municipal expects market trends in Europe to be stable. In Russia the sweeper business is likely to pick up slightly and the division also anticipates positive impetus for sweepers and sewer cleaners in the USA. The business with refuse collection vehicles in Australia expects to see stagnating demand, in line with the economic cycle. Sales of winter maintenance equipment are dependent on the winter weather conditions and difficult to forecast. Expectations for this sector are therefore inclined towards a subdued business performance. The absence of the one-off costs arising in 2016 and the concentration of sweeper production in Great Britain and Latvia should have a positive effect on operating profit margin. For 2017 as a whole, Bucher Municipal is anticipating higher sales and an increase in the operating profit margin.

Division management

Aurelio Lemos,
Division president

Stefan Häni,
Finance and controlling

Thomas Dubach,
Business development

Jussi Iltanen,
Marketing and sales

René Manser,
Information technology

Peter Rhodes,
Sweepers

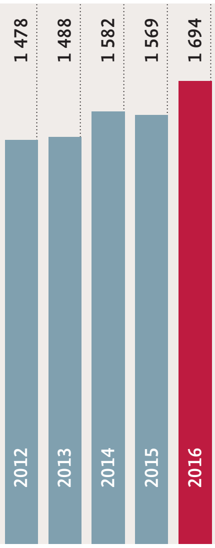
Aksel Kolby,
Sewer cleaning vehicles

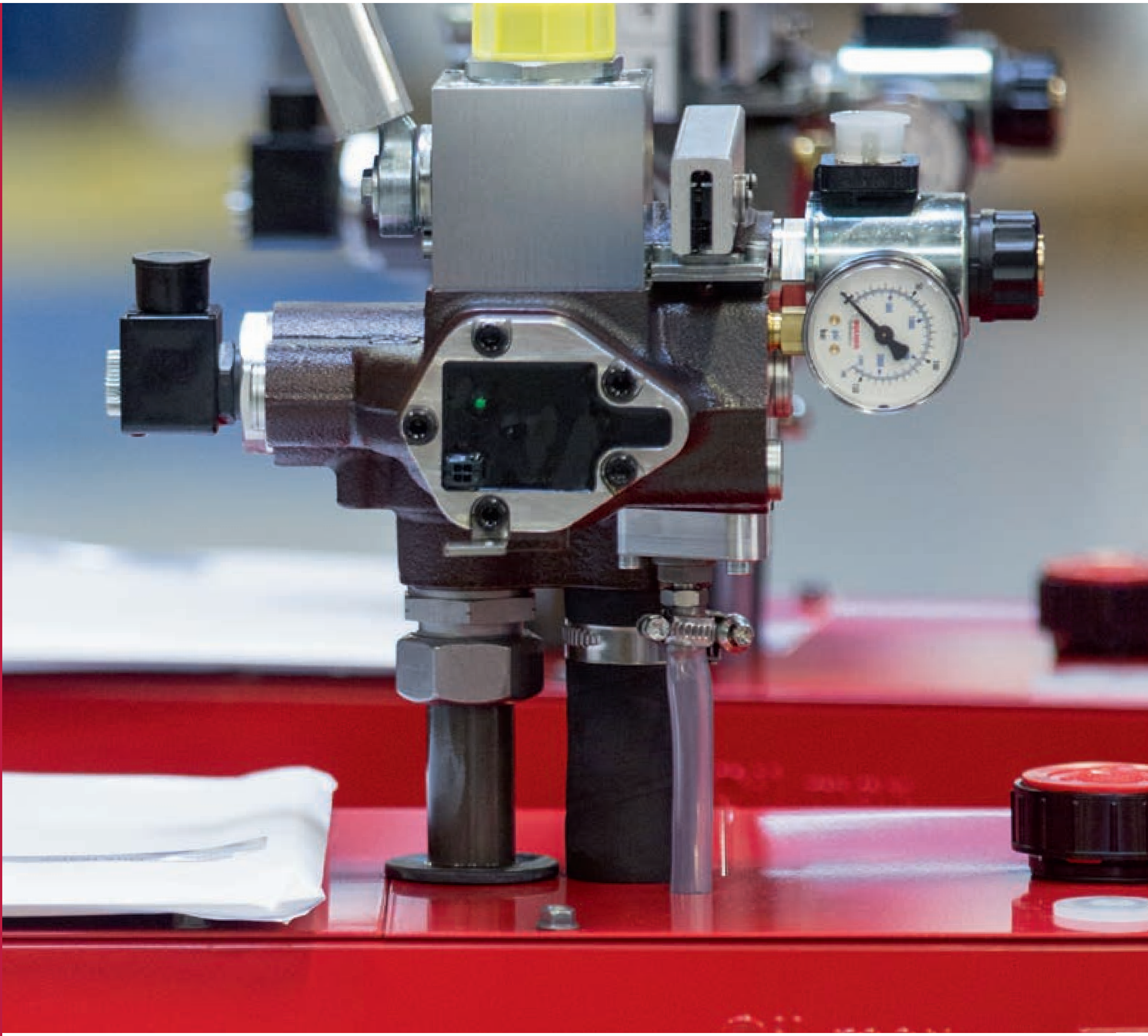
David Waldron,
Refuse collection vehicles

Guido Giletta,
Winter equipment

At 7 March 2017

Average number of employees during year





Bucher Hydraulics

iValve – the intelligent, self-adjusting elevator valve

Bucher Hydraulics is setting new standards in elevator hydraulics with the introduction of adaptive valves. Up until now, technicians have had to adjust the operating characteristics of elevators in a time-consuming manual procedure.

The new adaptive iValve comes complete with a learning algorithm which programmes the optimal drive cycle on its own. This considerably reduces the cost-intensive start-up procedures on site. In day-to-day operation too, the intelligent valve minimises costs. Via remote access, it provides information on drive cycles and operating and status data; a preventive alarm function indicates when oil filters need to be cleaned or parts replaced.

iValve, the adaptive elevator valve, programs the optimal drive cycle on its own.

Advantages

- Short, cost-effective commissioning of the elevator
- Early detection of faults
- Proactive, rapid response
- Preventive maintenance and rapid correction of faults
- Improved customer service

Bucher Hydraulics

Activities 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.

In brief Bucher Hydraulics performed above the level of the generally stable market environment, which was characterised by pressure on prices, and increased both order intake and sales. The operating profit margin was slightly above the high level of the previous year. This pleasing result is primarily attributable to the positive performance in the material handling segment and in the business with industrial and lift hydraulics. The division accounted for 20% of group sales (2015: 19%).

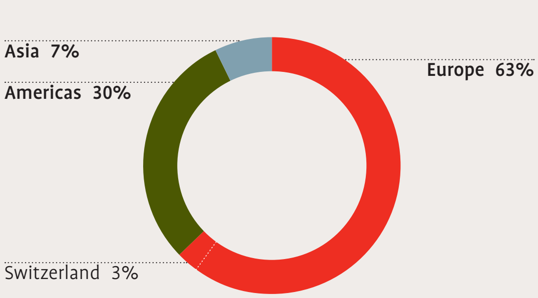
Key figures

CHF million			change in	
	2016	**2015**	**%**	**% 1)**
Order intake	481.7	461.1	4.5	3.5
Net sales	475.2	461.4	3.0	2.0
Order book	82.4	75.0	9.9	8.9
Operating profit (EBITDA)	76.1	71.9	5.8	
as % of net sales	16.0%	15.6%		
Operating profit (EBIT)	56.6	53.1	6.6	
as % of net sales	11.9%	11.5%		
Number of employees at 31 December	2 061	2 034	1.3	
Average number of employees during year	2 039	2 043	−0.2	

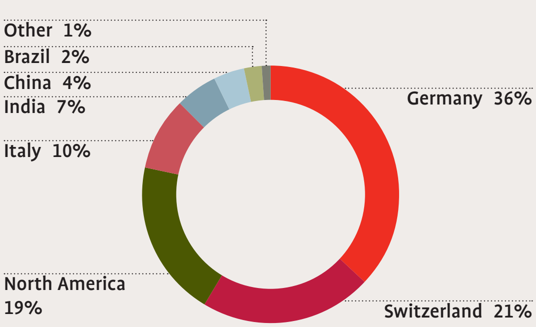
1) Adjusted for currency effects

Geographical analysis

Net sales



Number of employees



Divisional report

Stagnating market trends Performance trends in the European market segments served by Bucher Hydraulics remained generally stable during the reporting year, especially in the important German market. There was a lack of momentum in North America. Brazil continued to be affected by a weak economy. In China, demand in the important construction equipment segment was again at a very low level, although it is expected to have bottomed out during the reporting year. On the other hand, India benefited from brisk demand. The downturn in the agricultural machinery market segment continued in practically all regions, whereas good growth was recorded in the lift and high-voltage switch segments.

Pleasing performance The performance of Bucher Hydraulics was pleasing and slightly better than that of the market environment, which was characterised by pressure on prices. The division even managed to increase both order intake and sales year on year. Operating profit margin was slightly above the high level of the previous year. This pleasing result is primarily attributable to the successful collaboration with customers in the material handling segment and in the business with industrial and lift hydraulics. In the first half of the year, Bucher Hydraulics also profited from new series orders in the agricultural equipment segment. However, in the second half the division was no longer able to escape the effects of the downward trend in agricultural equipment. The strong sales performance in the niche segment of high-voltage switches contributed to the good performance. Exchange rates continued to present a challenge in the reporting year. Pressure remained on the two Swiss plants due to the strong Swiss franc, and exports to Great Britain were inhibited by the weaker pound sterling.

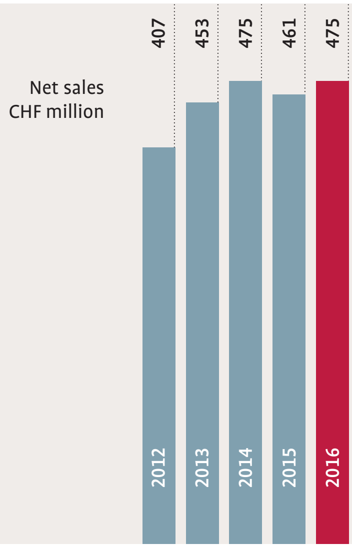
New product development building completed In August of the reporting year, Bucher Hydraulics opened a new product development building at the plant in Klettgau, Germany. The new building means that all activities involved in the development of valves and internal gear pumps are now carried out under one roof. The spacious modern accommodation contains all the testing facilities as well as office space for the development engineers. Pooling activities in this way promotes innovative strength and efficiency in the development of state-of-the-art valves and pumps and tailor-made system solutions. The development centre also contains enough space to install customer's machines, allowing new hydraulic system solutions to be tested directly and easily on them.

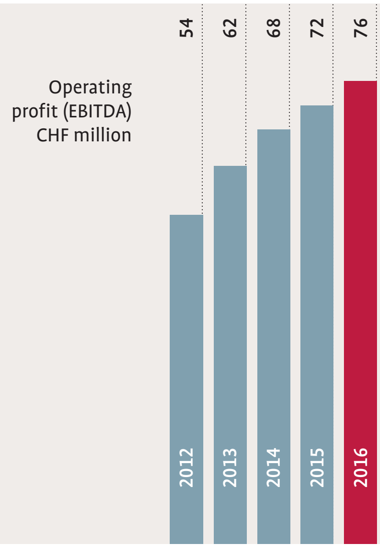
Renovation and expansion of production During the reporting year, Bucher Hydraulics once again invested in modernising and increasing the efficiency of production processes. For example, at the site at Erding, Germany, the division commissioned new production machinery and fully automatic robotic cells for the manufacture of cylinders. In addition, several work processes were reconfigured using lean management principles, considerably simplifying the flow of materials.

Expansion of capacity in India The Bucher Hydraulics plant in India supplies components to the local market but also to a number of Bucher Hydraulics production sites around the globe. In the reporting year, the division added several modern processing machines to its machine park at this plant in order to keep up with rapidly increasing production volumes. Bucher Hydraulics celebrated its 10th anniversary in India during the reporting year. In the course of the year a great deal of effort was directed at establishing and developing the location, with its workforce now numbering 150 employees. To guarantee the continuation of the planned expansion, an adjacent plot was purchased in 2016. The initial planning to access the land and further expand the production area has already been undertaken.

Modular electronic control systems provide flexibility In April of the reporting year, Bucher Hydraulics and Jetter made their first joint appearance at the world's most important construction machinery exhibition – Bauma in Munich. Jetter is a member of the Bucher Specials division specialising in solutions for mobile and industrial automation. Using a forestry crane for the demonstration, Bucher Hydraulics presented the product of its collaboration with Jetter: a system solution in the form of a modular electrohydraulic assembly. It comprises hydraulic components and an electronic control system. The modular construction principle means the functions can be added flexibly at any time. Customers benefit from solutions provided by a one-stop source offering joint expertise in hydraulic and electrical systems.

Consolidation of the unified corporate culture In the reporting year, Bucher Hydraulics continued to implement the initiative on corporate values and culture launched in 2015. The aim of the initiative is to convey both corporate philosophy and aspirations to the division's employees. Training programmes using examples of "Smart Solutions" demonstrated how companies can find clever and innovative solutions to challenging problems. External and internal cooperation was another focus, with training offered under the heading of "Superior Support". Bucher Hydraulics offers its customers the most inclusive solution possible, with products accompanied by expert, coordinated advice and customer support.





Outlook for 2017 For the current year, Bucher Hydraulics anticipates a similar development trend to that of 2016. In the important German market, growth is likely to remain very weak in practically all segments. In China, India and Brazil the division is expecting to see an increase in sales. Material handling in North America could see something of a revival thanks to new business affecting several areas of application. In the agricultural machinery segment the division expects demand to be at a low level. Some stimulus for growth may be generated by smaller customer projects for which series production is planned. Bucher Hydraulics anticipates that the pressure on prices in the hydraulics market will continue to increase and therefore expects a slight increase in sales for 2017 and an operating profit margin at the same level as 2016.

Division management

Daniel Waller,
Division president

Peter Minder,
Finance and controlling

Uwe Kronmüller,
Bucher Hydraulics Germany

Jens Kubasch,
Bucher Hydraulics Switzerland

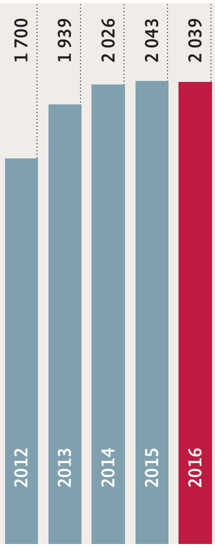
Luca Bergonzini,
Bucher Hydraulics Italy

Dan Vaughan,
Bucher Hydraulics North America

Sam Wu,
Bucher Hydraulics China

At 7 March 2017

Average number of employees during year



Bucher Emhart Glass

Non-stop process optimisation thanks to remote services

There are two key processes in glass container manufacture: forming the containers and inspecting them. Bucher Emhart Glass offers customers the appropriate machines for these procedures – and they come with a comprehensive range of services. For the glass container industry, it is essential to have manufacturing processes that are as efficient and trouble-free as possible. Thanks to remote access online, Bucher Emhart Glass specialists can check the settings of glass-forming and inspection machinery, quickly identify and even resolve any problems and provide customers with useful hints on maintenance and optimisation.

Accurate advice for customers thanks to comprehensive data about forming and inspecting glass containers.

Advantages

- Fewer rejects
- More accurate advice thanks to comprehensive data
- Reduction of downtime
- Rapid response times

Bucher Emhart Glass

Activities 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 is headquartered in Switzerland; its manufacturing facilities are located in Sweden, the USA, China and Malaysia. The division operates a research and development centre in the USA.

In brief In a generally stable market for glass-forming and inspection machinery, Bucher Emhart Glass generated sales growth of 3%. Order intake was 12% down on the high level recorded the previous year. The joint venture in China was affected by a significant dip in the market, which necessitated restructuring measures. Some CHF 2 million was set aside to cover this. Notwithstanding this provision, the division's operating profit margin improved to 7.1%, demonstrating the sustainable cost efficiency of Bucher Emhart Glass. The division accounted for 16% of group sales (2015: 14%).

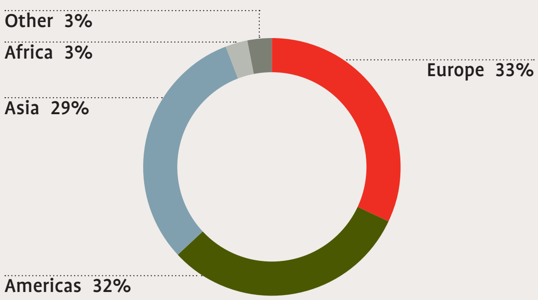
Key figures

CHF million			change in	
	2016	**2015**	**%**	**% [1)]**
Order intake	350.9	399.6	−12.2	−12.8
Net sales	370.8	359.8	3.0	2.2
Order book	107.9	126.3	−14.6	−15.4
Operating profit (EBITDA)	38.9	35.6	9.3	
as % of net sales	10.5%	9.9%		
Operating profit (EBIT)	26.3	23.8	10.5	
as % of net sales	7.1%	6.6%		
Number of employees at 31 December	1 757	1 819	−3.4	
Average number of employees during year	1 782	1 837	−3.0	

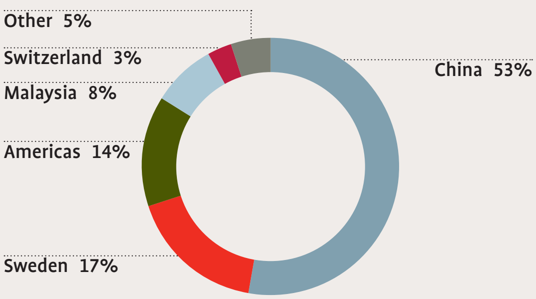
1) Adjusted for currency effects

Geographical analysis

Net sales



Number of employees



Divisional report

Stable market environment overall In the reporting year, demand for machinery for forming glass containers was stable overall. Demand in western Europe was unchanged; there was an almost complete absence of projects in eastern Europe owing to political uncertainties and financial difficulties. The markets of North America, the Middle East and Africa remained at the previous year's level. In Central America, by contrast, the lively demand continued, particularly in Mexico, one of the world's biggest beer exporters. Asian markets, with the exception of China, recovered. In China, the economic downturn and surplus capacity led to a market consolidation, while stricter environmental regulation resulted in customers closing plants.

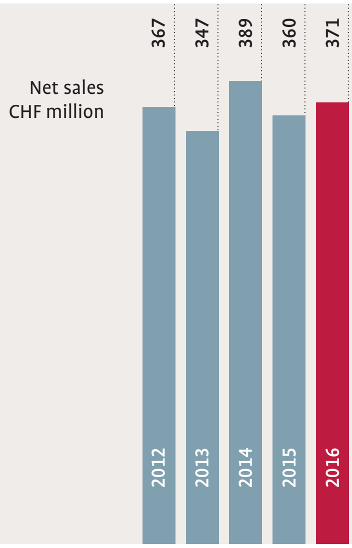
Improving profitability Bucher Emhart Glass increased sales in 2016 by 3%, while the operating profit margin rose to 7.1%. Order intake was below the high level achieved the previous year for project-related reasons. The growth in sales resulted from buoyant demand for technologically advanced machines for forming glass containers. A large number of projects were realised in Mexico particularly. The division also profited from the spare parts business, which developed well thanks to the growth of the broad customer base across the world. Cooperation with the O-I glassworks also showed pleasing progress. Demand for glass-container-forming machines in China sank to a low level. As a consequence, the profitability of the Chinese joint venture with Sanjin developed unsatisfactorily and restructuring measures to take account of the lower demand were introduced. Provisions to cover the cost of these measures amounted to CHF 2 million. Notwithstanding this provision the division's operating profit margin rose year on year from 6.6% to 7.1%. Without taking the joint venture with Sanjin into account, the division would have achieved an operating profit margin of 9.0% demonstrating the sustainably improved cost efficiency of Bucher Emhart Glass.

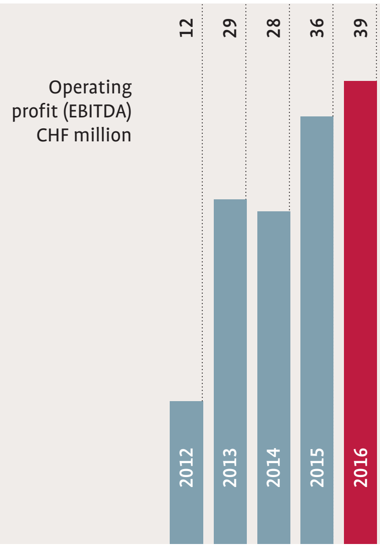
Restructuring Sanjin The willingness of the glass container industry in China to invest was clearly inhibited by surplus capacity, the slower pace of economic development overall and the government's strict environmental constraints. Demand for glass production equipment in China has fallen by more than 40% since 2011. This low level of demand is likely to continue for some time. As a result, division management decided with its joint venture partner to adjust capacity by means of restructuring measures and to make substantial cuts to its workforce. Some of the measures adopted were implemented in the reporting year.

New production facility for inspection machinery In the reporting year, the division commissioned a new building with modern infrastructure for the production of the latest generation of inspection machinery in Horseheads, NY, USA. The new machines are based on the smart "Scout" software, with significantly improved detection of defects and ease of use. The new production facility replaces the outdated infrastructure in Elmira, NY, USA.

Vision for the future: end-to-end In September of the reporting year, Bucher Emhart Glass presented its vision for the future of glass container manufacture for the first time at the Glasstec trade fair in Düsseldorf, Germany. This vision is based on a wide-ranging customer survey conducted in 2015, which confirmed the principal demands of the industry. Customers want a glass-container-forming system with consistently high output and a low error rate, minimising downtime and capable of flexible adaptation to changing market requirements. One of the main secrets of success is the skill of the machine operator, which is not at the same high level everywhere. Bucher Emhart Glass has risen to this challenge with the "end-to-end" automation concept. This involves seeing the production process as an integral whole, combining the glass-container-forming process and inspection procedures. The "end-to-end" approach consists of an information system which brings together all the equipment data in a single at-a-glance display and a facility for central control of the entire glass-forming process. The system has smart technology to detect defects in the forming process, propose corrective measures and thereby minimise the error rate. The smart "Scout" software for inspection machinery is the first step to realising this vision. It met with a high degree of interest from customers attending the trade fair from all over the world and gave a further boost to the division's status as a technology leader. Bucher Emhart Glass is planning to introduce the innovative end-to-end technology in stages over the next few years. It will enable customers to produce glass containers more efficiently, at lower cost, more flexibly and to a higher quality standard.

Geographically limited test market for tempered glass bottles In 2015 the division collaborated with Vetropack to complete a successful validation of the production facilities, including processes for making tempered glass containers, and undertook comprehensive risk analyses with positive results. Vetropack is now able to effect an initial large-scale production run of thermally tempered reusable bottles for beer in the current year. The bottles will be introduced in a geographically limited test market and will provide valuable information about the life cycle of the product over the next few years. At the same time, extensive market research has shown that the market potential for the mass production of reusable tempered glass bottles is too low to justify further major investment in the development of the plant. Independently of this, Vetropack will use the pilot plant for the manufacture of tempered glass containers in smaller production batches.





New sales and service centre in Leipzig At the end of 2016, Bucher Emhart Glass opened a new sales and service centre in Leipzig, Germany, covering northern Europe and the coordination of all customer projects worldwide. The division also established a competence centre for inspection machinery under the same roof, orientated towards the markets of Europe, the Middle East and Africa. The spacious premises house inspection machinery for demonstration and training purposes. They also offer customers testing and validation facilities.

Outlook for 2017 Bucher Emhart Glass is expecting markets to remain stable in 2017. The implementation of further measures to increase efficiency and lower costs will further strengthen profitability. The restructuring of the Sanjin joint venture in China will be continued during the course of 2017. The division expects sales for the year as a whole on a par with 2016 and an improved operating profit margin.

Division management

Martin Jetter,
Division president

Reto Semadeni,
Finance and controlling

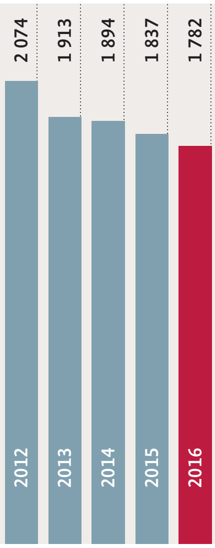
Matthias Kümmerle,
Technology

Juan R. Montes,
Logistics and manufacturing

Werner Gessner,
Marketing and sales, after-sales service

At 7 March 2017

Average number of employees during year



Bucher Specials

Fruit juice production always under control independently of location

Particularly in the harvest season, production managers at plants making apple juice and apple juice concentrate rely on a continuous flow of up-to-date performance data from their processing equipment. Software solutions from Bucher Unipektin make it possible to capture and evaluate the necessary data and compile production reports geared to individual customer's specifications. Availability of the data online means access is possible independently of location. Software newly developed by Bucher Unipektin in 2016 even allows to collect, display and analyse data from several production locations simultaneously.

The efficiency of different fruit juice production sites can be analysed and optimised independently of location.

Customers can compare the efficiency of different production locations online from a central control point, immediately identify any variations in performance and initiate measures to optimise the process.

Advantages

- Production control and monitoring independently of location
- Early detection of faults
- High machine availability
- Optimised use of raw materials
- Online access to reports and analyses
- Performance comparison across production sites

Bucher Specials

Activities 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).

In brief Bucher Specials held up well in the diverse market environment of its business units and increased order intake by 21% year on year. By comparison, sales growth was only 2% because some of the projects ordered will not be delivered until 2017. The division significantly improved its profitability thanks to the optimised utilisation of capacity and the introduction of a variety of measures to increase efficiency and control costs. Bucher Specials accounted for 9% of group sales (2015: 9%).

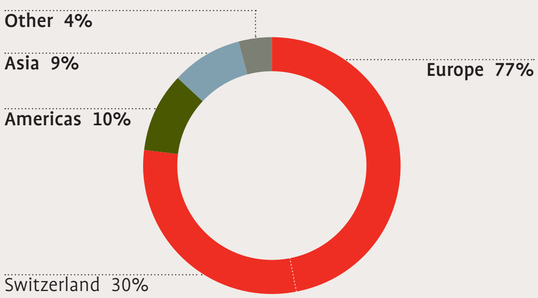
Key figures

CHF million			change in	
	2016	**2015**	**%**	**% [1]**
Order intake	288.5	237.7	21.4	20.9
Net sales	263.3	257.2	2.4	1.9
Order book	76.1	50.7	50.1	49.8
Operating profit (EBITDA)	26.9	19.8	35.9	
as % of net sales	10.2%	7.7%		
Operating profit (EBIT)	21.1	12.9	63.6	
as % of net sales	8.0%	5.0%		
Number of employees at 31 December	817	802	1.9	
Average number of employees during year	849	844	0.6	

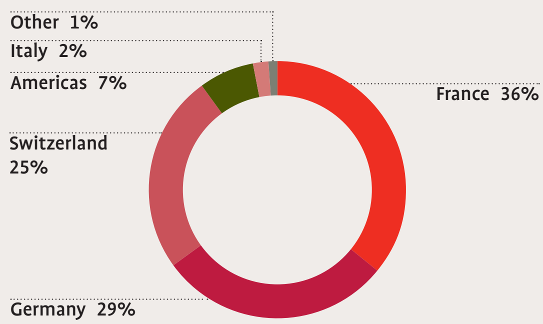
[1] Adjusted for currency effects

Geographical analysis

Net sales



Number of employees



Divisional report

Diverse market environment The performance of Bucher Specials' independent business units differed during the year under review. The market for winemaking equipment declined due to the slight global downturn in wine production. There was also a slight decline in the consumption of fruit juice. The Swiss market for agricultural machinery was affected by the slowdown in the agricultural sector, whereas the market for industrial and mobile automation remained stable.

Pleasing performance overall Bucher Specials increased order intake by 21% over the previous year. By comparison, sales growth was only 2% because some of the projects ordered will not be delivered until 2017. The division's operating profit margin increased by three percentage points to 8.0%. The performance of the business in winemaking equipment showed a slight overall increase, although the market declined slightly due to the global fall in wine production, with adverse weather in France also contributing to the slowdown. The project business with beverage technologies picked up well after the slump of 2015. The Swiss distributorship for agricultural machinery held up well despite the weaker market and defended its established market position. Jetter, specialists in automation solutions, reported a good business performance. Bucher Specials significantly improved its profitability thanks to the optimised utilisation of capacity and the introduction of a variety of measures to increase efficiency and control costs.

Bucher Vaslin

Stable business performance Global wine production fell year on year by some 5%; in the important French market the figure was as high as around 12%. A significant factor in the decline in France was the cold, wet spring, which resulted in poor yields at the grape harvest. Nevertheless, demand remained stable, particularly as wine producers were able to benefit from tax incentives offered through the Macron subsidisation programme. In America and the southern hemisphere demand was also at the same level as in the previous year. By contrast, the spare parts business performed pleasingly and Bucher Vaslin achieved a slight increase in sales.

Innovation Bucher Vaslin together with collaboration partners Laffort were recipients of the 2016 Vinitech-Sifel Innovation Award in Bordeaux, France, in November. The award was given in recognition of the Flavy VEGECOLL® filtration process for red and rosé wines, developed together with Laffort. The method stabilises and clarifies the wine in a single process.

Bucher Unipektin

Revival of project business Demand for equipment for fruit juice production and beer filtration recovered after the slump of the previous year. Order intake benefited from buoyant demand, particularly from Germany, and capacity utilisation at Bucher Unipektin was at a good level. The low order book at the start of the reporting

year meant that some of the projects will not be delivered until 2017. As a result, sales growth was slower and slightly down on the previous year. Ongoing measures to increase efficiency and cut costs had a positive effect on the profitability of Bucher Unipektin during the reporting year.

Optimal use of resources The HPX hydraulic fruit juice press made by Bucher Unipektin has been industry standard for a substantial period of time: compared with a belt press the hydraulic HPX extracts more direct juice. To reduce energy and water consumption Bucher Unipektin has now installed a new generation of hydraulic units for these presses. The result is significantly lower energy and water use with no effect on the high extraction rate.

Bucher Landtechnik

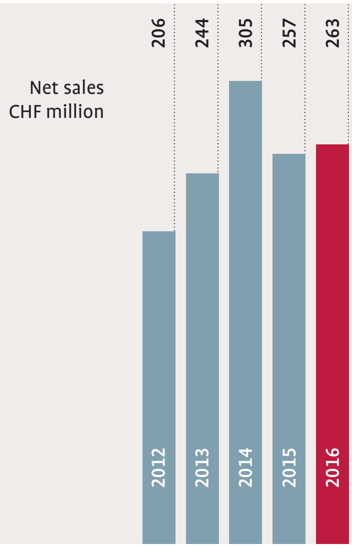
Good performance On top of the global downturn in agriculture, Switzerland was also hit by crop failures in the arable sector, with up to 40% falls in yields caused by the cold, wet spring. Bucher Landtechnik succeeded in maintaining sales at the same level as the previous year, thanks to its good market position and targeted marketing activities.

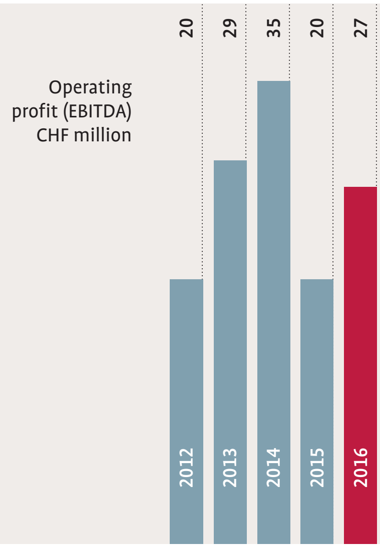
New track guidance system During the reporting year Bucher Landtechnik developed its SkyConnect service, a high-precision track guidance system for agricultural machinery. SkyConnect enables seed and fertiliser to be applied accurately even in the most demanding soil conditions and types of terrain. This results in higher and more reliable yields as well as enhanced protection of the environment and the soil. SkyConnect assists farmers and contractors with planning, logistics and fleet management.

Jetter

Pleasing sales Jetter's focus in the reporting year was on the development of applications in niche markets of the mobile and industrial automation sector. The business unit successfully stepped up its activities with Bucher divisions as well as collaborations with third-party customers. Key factors in this success were the clear focus on the customer's needs, specific technical knowledge coupled with innovative strength and the company's flexible structures.

Video monitoring system During the reporting year Jetter developed a video system for use with mobile machines. The new system deploys approximately ten cameras which are installed on the often very unwieldy machines to provide the driver with various views on multiple screens. The Jetter video system can be used with a wide range of machines, such as construction equipment, self-driving agricultural machinery and municipal vehicles.





Outlook for 2017 Demand for equipment for winemaking is not likely to change significantly. The business with beverage technologies expects to see an increase in sales although it remains volatile on account of its project-based nature. The Swiss distributorship for tractors and agricultural machinery is expecting a slight downturn in sales due to the general slowdown in the agricultural sector. By contrast, Jetter anticipates sales growth both in the industrial and mobile automation segments. For 2017 as a whole, Bucher Specials therefore expects an increase in sales and profitability.

Division management

Stefan Düring,
Division president

Bruno Estienne,
Bucher Vaslin

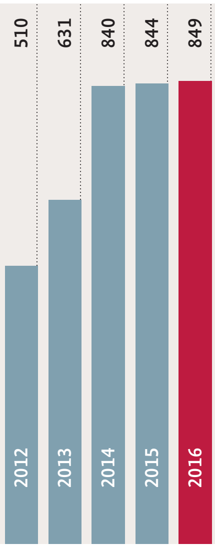
Hartmut Haverland,
Bucher Unipektin

Jürg Minger,
Bucher Landtechnik

Christian Benz,
Jetter

At 7 March 2017

Average number of employees during year



Group management

Daniel Waller
Bucher Hydraulics

Thierry Krier
Kuhn Group

Aurelio Lemos
Bucher Municipal

Jacques Sanche
Chief Executive Officer

Christina Johansson
Chief Financial Officer

Stefan Düring
Bucher Specials

Martin Jetter
Bucher Emhart Glass

Corporate governance

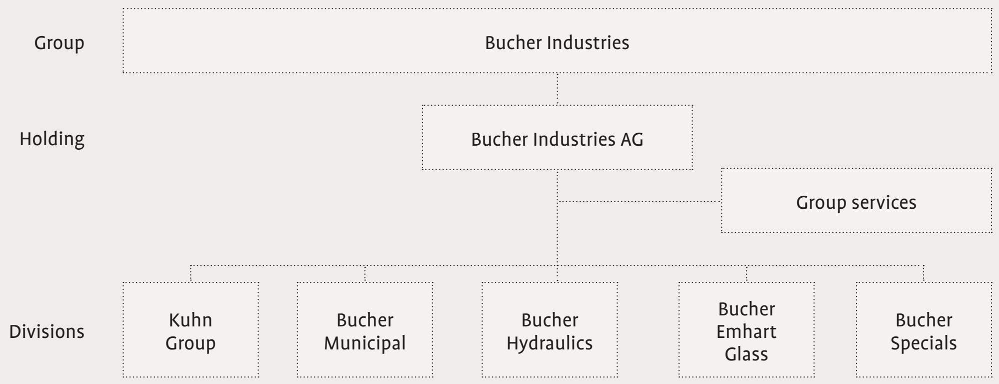
This report complies with the SIX Swiss Exchange Corporate Governance Directive, which entered into force on 1 October 2014 and, in its current version, as of 1 April 2016, where applicable to Bucher Industries. Unless otherwise stated, the information presented reflects the situation on 31 December 2016.

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, fruit juice, instant products and beer, and for dewatering sewage sludge, a Swiss distributorship for tractors and agricultural machinery, and control systems for automation technology (Bucher Specials). At group level, a corporate centre provides finance and controlling, 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 below and detailed segment information is presented in the notes to the consolidated financial statements on pages 82 to 84 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 8 and 9 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 109 to 111 of this annual report. None of these companies is listed on a stock exchange.

Shareholder 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, Black Rock Inc., 40 East 52nd Street, New York, 10022, NY, USA, directly or indirectly via various subsidiaries. This 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. 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 page 61 and 102 of this annual report. The shares required to meet awards were purchased from the Bucher Beteiligungs-Stiftung share portfolio.

Board of directors

Members

Philip Mosimann **1954**, Swiss citizen, master's degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; since 2016 chairman of the board ▸ **2002–2016** CEO and **2001** CEO designate ▸ **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, and Ammann Group Holding AG, Langenthal, 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; member of the board since **2007** ▸ Since **2012** 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.

Ernst Bärtschi **1952**, Swiss citizen, degree in economics (lic. oec.) from HSG University of St. Gallen; member of the board since **2005** ▸ **2005–2011** Sika AG, Baar, CEO ▸ **2002** Sika AG, Baar, CFO ▸ **1997** Schindler Group, CFO ▸ **1994** Schindler Aufzüge AG, managing director ▸ **1980** Schindler Management AG ▸ **Other appointments** chairmen of the board of Conzzeta AG, Zurich, and member of the board of CRH plc, Dublin, Ireland.

Claude R. Cornaz **1961**, Swiss citizen, degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; member of the board since **2002** ▸ Since **2000** 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 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, Singapore/Fontainebleau; member of the board since **2011** ▸ Since **2015** notime AG, Zurich, member of the board and of the management ▸ **2013** buico GmbH, Austria, managing director ▸ **2009–2011** Strabag Energietechnik, Austria, managing director ▸ **2006** hs energieanlagen, Germany, member of management ▸ **2003** Alstom/ABB, head of commissioning gas turbine power stations ▸ **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; member of the board since **2006** ▸ **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, SFS Group, Heerbrugg, Mikron AG, Biel, and Frutiger AG, Thun.

Valentin Vogt **1960**, Swiss citizen, degree in economics (lic. oec.) from HSG University of St. Gallen; member of the board since **2014** ▸ since **2011** chairman of Burckhardt Compression AG, Winterthur ▸ **2000–2011** Burckhardt Compression AG, Winterthur, CEO and delegate of the board ▸ **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** chairman of the board, Burckhardt Compression Holding AG, Winterthur, member of the board, Kistler Holding AG, Switzerland, member of the board, Ernst Göhner Stiftung Beteiligungen AG, Switzerland, and charmain of the Swiss Employers Confederation, Switzerland.

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 15 April 2016 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 lasts two days. In the reporting year, there were eight meetings, one of which was a two-day strategy meeting and one a conference call. One member of the board was excused attendance at one board meeting. Otherwise, all the meetings were attended by all board members, the CEO and the CFO.
www.bucherindustries.com/en/investor-relations/corporate-governance

Name	Year	Position	Appointed	Committees	
Board of directors				Audit	Compensation
Philip Mosimann	1954	chairman	2016		
Anita Hauser	1969	deputy chairman	2007		×
Ernst Bärtschi [1)]	1952		2005	×	
Claude R. Cornaz	1961		2002		×
Michael Hauser	1972		2011	×	
Heinrich Spoerry	1951		2006	C	
Valentin Vogt	1960		2014		C

[1)] Until 19 April 2017
All directors are non-executive and, with the exception of Philip Mosimann, independent. (C = chairman)

Committees To assist with its responsibilities, the board of directors had 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 54 to 61 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 15 April 2016, the composition of the audit committee was confirmed by the board of directors as follows: Heinrich Spoerry, chairman, Ernst Bärtschi 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. The members of the audit committee, the chairman of the board, the CEO and CFO were present at all the meetings. In the reporting year, the meetings focused on the analysis of cyber-security risks, 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. In the reporting year, the external audit plan focused on the areas of purchasing, investment and human resources. The external auditors also focused on in-depth assessment of existence of internal controls in the areas of IT controls and authority and responsibility reporting at company level. 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 is delegated to the CFO. The internal audit work is contracted out externally. The head of 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 as well as the analysis of cyber-security risks. In the year under review, three meetings took place with the internal auditors

Compensation committee Information about the compensation committee is shown in the remuneration report, see pages 54 and 61 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 the University of St. Gallen (HSG) ▸ Since **2016** CEO and **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.

Roger Baillod **1958**, Swiss citizen, degree in business economics from FH Olten, certified public accountant Kammerschule Zurich; **1996** – September **2016** CFO ▸ **1995** Benninger AG, Uzwil, head of corporate services ▸ **1993** Dietsche Holding AG, Zug, head of finance and accounting ▸ **1984** ATAG Ernst & Young AG, Zurich ▸ **Other appointments** Member of the board of Migros-Genossenschafts-Bund, Zurich, and member of BKW AG, Bern.

Christina Johansson **1966**, Swiss and Swedish citizenship, master's degree in business administration with additional degree in English and German, University of Växjö/Lund, Sweden; since October **2016** 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.

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** Bucher Specials, division president ▸ 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, Bucher Emhart Glass ▸ **2005** Emhart Glass SA ▸ **1980–2013** Jetter AG, Ludwigsburg, CEO ▸ **1978** Robert Bosch GmbH, Schwieberdingen ▸ **Other appointments** member of the board of RISE Group S.A.S., France, Champagne-au-Mont-d'Or, France.

Thierry Krier **1967**, US and French citizen, Master International Business Marketing, ESIDEC in Metz, Bachelor Degree in Agronomy, Dijon College of Agriculture; since **2014** division president, 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); division president of Bucher Municipal since **2016** ▸ **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 degree in mechanical engineering (dipl. Ing.) from Swiss Federal Institute of Technology (ETH) Zurich; since **2004** Bucher Hydraulics, division president ▸ **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 with, 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 abovementioned 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 54 to 61 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 15 April 2016 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.

Issuing 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 2016 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 1 585 240 by PricewaterhouseCoopers and CHF 959 530 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 521 930 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 30 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 website.
www.bucherindustries.com/en/investor-relations/publications
www.bucherindustries.com/en/investor-relations/annual-general-meeting

Annual sales including order intake, order book and number of employees at the end of the first and third quarters of a financial year are published in press releases. The company holds an annual press conference and 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. During the reporting year, an additional conference call was held on 27 October 2016 to provide the media with information on group sales for the first nine months. 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 9 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 2016 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) valid on 31 December 2016 published by the SIX Swiss Exchange and Bucher Industries AG's articles of association.

Remuneration policy Bucher Industries provides a remuneration system designed to align the interests of the directors and management with those of the Group, shareholders and other stakeholders. The basic principles of the remuneration package are set out in art. 23 – 28 of the articles of association of Bucher Industries AG. Since 2015, the overall remuneration of directors has been subject to approval by the annual general meeting of shareholders. The individual components of the remuneration package 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. As the objective is to attract and retain highly qualified executives and professionals, the remuneration system is focused 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 with no corresponding requirement prescribed in the articles of association, 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 15 April 2016 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 package, 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 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 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 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 four meetings in the reporting year. The committee's focus was on succession planning and the promotion of new talent, as well as the selection of candidates for the post of division president of Bucher Municipal. The compensation committee also examined the remuneration of the members of group management and dealt with the regular duties described above.

Remuneration system

Board of directors 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% [2]	0–75%
Other members	100%	30%	0–45%	20%	0–30%

[1] 100% target achievement, all percentage numbers are based on base salary.
[2] As of 15 April 2016 (previously: 60%)

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 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, 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 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.

Share options Share options granted in respect of previous reporting years remain valid as originally provided and are shown in the table on page 61 of this annual report.

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. Options granted under the share option plan may be exercised until the expiration of the option term. If employment is terminated by the employee or employer, all rights under the Bucher Share Plan will lapse and the cash bonus during the period of notice will also be forfeited from the time the employee is released from duties. Exercisable options must be exercised within six months after termination of employment, after which they will be forfeited. The period of notice for members of group management is twelve months.

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

Remuneration in the 2016 reporting year

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

Board of directors The overall remuneration awarded to directors totalled CHF 1.094 million (2015: CHF 1.019 million) and was within the total sum of CHF 1.200 million approved by the 2016 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 59 and 61 of this report.

Certain individual components of the remuneration were adjusted during the reporting year. The base compensation for the chairman was increased to CHF 340 000 (2015: CHF 300 000), whereas the base fees for the deputy chairman and other board members remained unchanged at CHF 105 000 and CHF 90 000 respectively. The flat-rate expenses remuneration for the chairman was increased to CHF 12 000 (CHF 4 000) and to CHF 6 000 (CHF 2 000) for the other members. For work in committees, committee members were awarded CHF 10 000, as in previous year, while chairmen received a new additional payment of CHF 5 000. The respective share awards were granted and valued at the year-end share price of CHF 250.75 for the reporting period. The shares awarded are subject to a three-year vesting period.

Group management

Overall remuneration The overall remuneration of group management was CHF 6.989 million (2015: CHF 7.170 million), 3% below that of the previous year. Compared with the previous year, the remuneration of the CEO increased by 4%, mainly as a result of the succession-related four-month overlap, while that of the other members of group management decreased by 5%. After an induction period lasting several months, Jacques Sanche assumed the role of CEO on 15 April 2016. Furthermore, Christina Johansson joined the Group on 1 July 2016 and took over the role of CFO from Roger Baillod as planned on 1 October 2016. He continued to make his services available to group management for project work until the end of 2016. 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 2016 are set out in tables on pages 60 and 61 of this annual report.

Fixed remuneration Fixed remuneration awarded to group management totalled CHF 4.747 million (2015: CHF 4.646 million) and was within the total sum of CHF 5.500 million approved by the 2015 annual general meeting. The base salary of the CEO remained unchanged. There was no increase for the other group management members, with the exception of members newly appointed in 2014. The moderate increase of 2% in the fixed remuneration awarded to group management is mainly attributable to the overlapping occupancy of the posts of CEO and CFO for periods of four months and six months respectively.

Variable remuneration The variable remuneration of group management was CHF 2.242 million (2015: CHF 2.524 million), 11% below that of the previous year. Remuneration of the CEO increased by 8% compared with the previous year and that of the other members of group management decreased by 13%. The primary reasons for these changes were the lower degree of target achievement and personnel changes in group management. 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 2.578 million paid out to group management in the reporting year for the 2016 financial year is below the overall amount of CHF 2.700 million retrospectively approved by the 2016 annual general meeting.

In 2016, the level of target achievement for the performance-related cash bonus was between 80% and 111% and the level of target achievement for the Bucher Share Plan was 89% (2015: 99%). The level of target achievement in percentage terms was in most cases below 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 250.75. The number granted under the Bucher Share Plan for the CEO and the other members of the group management was 24% below the number for the previous year. The cash value of all the shares awarded under the new Bucher Share Plan was 16% lower than the previous year.

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

The following pages 59 to 61 are subject to examination by the auditors.

Directors' remuneration

CHF 1 000	Base compensation in cash	Share awards		Other remuneration	Overall remuneration
		Number	Value		
					2016
Rolf Broglie, chairman [1]	75.0	100	25.0	9.8	**109.8**
Philip Mosimann, chairman [2]	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**
					2015
Rolf Broglie, chairman	225.0	332	75.0	29.3	**329.3**
Anita Hauser, deputy chairman	52.5	232	52.5	23.8	**128.8**
Ernst Bärtschi	45.0	199	45.0	22.1	**112.1**
Claude R. Cornaz	45.0	199	45.0	22.1	**112.1**
Michael Hauser	45.0	199	45.0	22.1	**112.1**
Heinrich Spoerry	45.0	199	45.0	22.1	**112.1**
Valentin Vogt	46.0	204	46.0	20.4	**112.4**
Board of Directors	**503.5**	**1 564**	**353.5**	**161.9**	**1 018.9**
Approval by the annual general meeting 2015					**1 150.0**

[1] Until 15 April 2016
[2] From 15 April 2016

Directors' share awards were classified as directors' fees. Share awards and their valuation were calculated using the end-of-year share price of 250.75 (2015: CHF 226.30). Other remuneration included social contributions, expenses and fees for service on the board committees.

Group management remuneration

CHF 1 000	Base salary	Other remuneration	Fixed remuneration	Cash bonus	Share awards under share plans Number	Share awards under share plans Value	Other remuneration	Variable remuneration	Overall remuneration
									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			**5 500.0**					**n.a.**	
									2015
Philip Mosimann, CEO	860.0	244.6	**1 104.6**	412.8	2 258	510.8	80.7	**1 004.3**	**2 108.9**
Other members	2 740.4	801.2	**3 541.6**	854.5	2 248	508.2	156.5	**1 519.2**	**5 060.8**
Group management	**3 600.4**	**1 045.8**	**4 646.2**	**1 267.3**	**4 506**	**1 019.0**	**237.2**	**2 523.5**	**7 169.7**
Approval by the annual general meeting 2016			**n.a.**					**2 700.0**	

[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 CHF 250.75 (2015: CHF 226.30). Other remuneration included social contributions and expenses.

Loans and credits There were no outstanding loans or credits to active or former members of the board of directors or group management nor to persons close to them as per 31 December 2016.

Directors' interests in shares

	Number of shares	
	2016	**2015**
Philip Mosimann, chairman	66 174	63 916
Anita Hauser, deputy chairman	439 743	439 511
Ernst Bärtschi	567	628
Claude R. Cornaz	3 465	5 866
Michael Hauser	604 835	604 636
Heinrich Spoerry	3 453	3 254
Valentin Vogt	4 333	3 129
Board of directors	**1 122 570**	**1 120 940**

The directors did not hold any share options on 31 December 2016.

Group management's interests in shares and share options

		Number of shares		Number of options	
		2016	**2015**	**2016**	**2015**
Jacques Sanche	CEO	409	n.a.	–	–
Christina Johansson	CFO	450	n.a.	–	–
Roger Baillod		12 015	9 485	–	4 200
Stefan Düring	Bucher Specials	1 679	1 399	1 200	1 200
Martin Jetter	Bucher Emhart Glass	3 891	4 403	1 200	1 200
Thierry Krier	Kuhn Group	1 658	1 255	–	–
Aurelio Lemos	Bucher Municipal	152	n.a.	–	–
Daniel Waller	Bucher Hydraulics	13 575	11 380	–	7 200
Group management		**33 829**	**27 922**	**2 400**	**13 800**

		Number of options			
Grant year		**2009**	**2008**	**2007**	**Total**
Exercise price (CHF)		115.00	149.00	221.00	
Stefan Düring	Bucher Specials	1 200	–	–	**1 200**
Martin Jetter	Bucher Emhart Glass	–	–	1 200	**1 200**
Group management		**1 200**	**–**	**1 200**	**2 400**

No share options have been granted since the 2010 financial year. Share options with a term of ten years granted in respect of previous reporting years remain valid as originally provided and can be exercised at any time. Each option entitles 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 (pages 59 to 61) of Bucher Industries AG for the year ended 31 December 2016. 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.

Opinion In our opinion, the remuneration report of Bucher Industries AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Christian Kessler	Fabian Schläpfer
Audit expert	Audit expert
Auditor in charge	

Zurich, 27 February 2017

Financial contents

Group financial review

Business performance Bucher Industries recorded falls of 2.2% in order intake and 4.4% in sales in the reporting year. Adjusted for currency and acquisition effects, the decreases were 4.0% and 6.7% respectively. The reasons for the downward trend lay in the continuing decline in the market for agricultural machinery. Once again, Kuhn Group held up well in this difficult market environment but was nevertheless affected by the weakness in the market. Bucher Municipal defended its position in the European market for municipal vehicles, in which there was a dearth of major tenders. Bucher Hydraulics performed above the level of a generally flat market, which was characterised by pressure on prices. Bucher Emhart Glass delivered a pleasing performance in a stable market environment for glass-forming and inspection machinery. In varying market conditions, Bucher Specials achieved a pleasing increase in order intake and sales. The Group's order book remained sound, standing at CHF 727.7 million, a 5.7% increase on the previous year. Adjusted for currency and acquisition effects the increase was 2.5%. The order backlog at the end of the reporting year was around 3.7 months of the full-year sales (2015: 3.3 months). Compared with the previous year, the changes in the average exchange rates against the Swiss franc were as follows: EUR up 1.4%, USD up 2.4%, GBP down 9.1%, SEK up 0.3%, BRL down 3.4% and AUD up 1.2%.

Acquisitions As of 4 March 2016, Bucher Industries acquired a 100% equity holding in J. Hvidtved Larsen A/S (JHL) on behalf of the Bucher Municipal division. The company, established in 1915 and headquartered in Silkeborg, Denmark, is a technology leader in sewer cleaning and holds strong market positions in Scandinavia and Great Britain. For Bucher Municipal, the takeover of JHL represented the acquisition of highly specialised engineering know-how and technology in the area of sewer-cleaning equipment. On 19 September 2016, Bucher Industries acquired the operating activities of PakMor Waste Equipment Australia Pty Ltd, Sydney, on behalf of the Bucher Municipal division. The acquisition strengthened the presence of Bucher Municipal in the waste disposal segment in Australia. Since the date of acquisition, JHL and PakMor have generated revenues of CHF 51.7 million.

Net sales

CHF million	2016	2015	change in %
Net sales	2 380.4	2 490.4	−4.4%
Net sales adjusted for currencies	2 375.4	2 490.4	−4.6%
Net sales adjusted for acquisitions	2 328.7	2 490.4	−6.5%
Net sales adjusted for currencies and acquisitions	2 324.2	2 490.4	−6.7%

Operating performance The Group EBIT margin came to 7.1%, a fall of 1.2 percentage points on the previous year. The decrease in the margin was mainly the result of the decline in sales of agricultural machinery and one-off costs affecting Bucher Municipal and Bucher Emhart Glass. Adjusted for the one-off costs of CHF 9.0 million, the EBIT margin amounted to 7.5%. Group EBITDA fell by 11.4% to CHF 262.5 million, which resulted in an EBITDA margin of 11.0% (2015: 11.9%). Other operating expenses came to 13.5% (12.9%) 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 27.4% (26.0%).

Net financial items Net financial items amounted to negative CHF 8.7 million, compared with negative CHF 13.3 million in 2015. Net interest expense improved by CHF 5.6 million to negative CHF 6.7 million, the improvement being largely attributable to the repayment of high-interest financial liabilities in Brazil. The net gain of financial instruments was CHF 1.6 million, the same as the previous year's level. Changes in the fair value of financial instruments recognised in the fair value reserve in equity increased by CHF 0.5 million to CHF 4.7 million. The negative currency effect on the financial result amounted to CHF 2.7 million (2015: CHF 1.0 million) and is largely the result of foreign exchange losses on loans to Group entities. The Group's share of profit/(loss) of associates was a profit of CHF 0.6 million (CHF 0.4 million).

CHF million

	2016	2015
Interest expense on financial liabilities	– 8.1	– 14.1
Interest income on financial assets	1.4	1.8
Net interest expense	**– 6.7**	**– 12.3**
Net gain on financial instruments	1.6	1.4
Financial foreign exchange gains and losses	– 2.7	– 1.0
Share of profit/(loss) of associates	0.6	0.4
Other financial items	– 1.5	– 1.8
Net financial items	**– 8.7**	**– 13.3**

Tax rate and profit for the year Income tax expense decreased to CHF 42.2 million (2015: CHF 53.8 million) because of the lower profits from Group entities. Due to lower results in countries with higher tax rates, the effective tax rate of 26.3% was slightly below the previous year's level of 27.8%. Group profit for the year reached CHF 118.4 million, a decrease of 15.4% over the previous year. The return on sales was 5.0% (5.6%). As a result of the lower profit for the year, earnings per share decreased by 14.3% to CHF 11.73 (CHF 13.69).

Financial situation Net operating assets amounted to CHF 1 228.4 million, compared with CHF 1 217.2 million the previous year. Adjusted for currency and acquisition effects, the decrease was 5.3%. Systematic management of the working capital was a factor in this positive trend. The volume-related decrease in receivables and inventories was, in the main, offset by lower liabilities. At CHF 1 293.1 million, average net operating assets for the year are only slightly below the previous year's level. This development was largely due to investments and the high level of receivables and inventories at the beginning of the year; as a percentage of sales, the figure increased to 54.3%. As a consequence of the lower profitability and affected by acquisition effects, return on net operating assets (RONOA) after tax was 9.7%, still higher than the cost of capital yet below the long-range target of 16%. Investments of CHF 78.2 million were slightly below the previous year's level. The most important single projects were the expansion of Kuhn Group in Saverne, the renovation of the Bucher Hydraulics buildings in Klettgau and the expansion of the plant in India. Additional investments were made in machinery at various Group companies.

Return on net operating assets (RONOA) after tax

CHF million

	2016	2015
Trade receivables	389.5	428.5
Inventories	600.1	602.8
Property, plant and equipment	595.1	588.9
Intangible assets	246.4	205.6
Other operating receivables	83.7	68.1
Trade payables	– 215.6	– 220.7
Advances from customers	– 164.7	– 167.3
Provisions	– 72.9	– 62.3
Other operating liabilities	– 233.2	– 226.4
Net operating assets (NOA)	**1 228.4**	**1 217.2**
Net operating assets (NOA) average	1 293.1	1 295.7
Operating profit (EBIT)	169.3	207.1
Effective tax rate	26.3%	27.8%
Return on net operating assets (RONOA) after tax	**9.7%**	**11.5%**

Intangible assets increased to CHF 246.4 million (2015: CHF 205.6 million) because of acquisitions. Goodwill increased to CHF 137.8 million (CHF 113.5 million) because of acquisitions. The annual impairment tests of intangible assets were based on the cash flow projections of the individual cash-generating units. Based on the ongoing assessment of the outlook for the years ahead, the impairment test did not indicate any need for an impairment charge. The ratio of intangible assets to equity was 20.1% (17.8%), while that of goodwill to equity was 11.3% (9.8%). Equity increased by CHF 69.5 million to CHF 1 223.6 million at 31 December 2016. The increase was largely attributable to the Group profit of CHF 118.4 million and the positive currency effects of CHF 14.0 million, as opposed to a dividend of CHF 56.5 million. The equity ratio rose by 1.6 percentage points to 50.6% (49.0%) and the return on equity was 10.0% (11.9%). At the end of the year, the Group had cash and liquid assets of CHF 417.9 million to financial liabilities of CHF 356.5 million, leading to net liquidity of CHF 61.4 million. The increase in net liquidity by CHF 210.0 million since 30 June 2016 is mainly due to seasonal factors. A total of CHF 230.0 million was available in unused committed credit facilities. The syndicated loan facility amounting to CHF 200.0 million became due for repayment on 30 June 2016. The Group took advantage of the favourable financial situation and reduced the newly concluded syndicated loan facility to CHF 150.0 million. The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 31 December 2016.

Cash flow/free cash flow

CHF million

	2016	2015
Net cash flow from operating activities	**262.9**	**236.8**
Purchases of property, plant and equipment	−75.8	−74.9
Proceeds from sale of property, plant and equipment	4.8	2.9
Purchases of intangible assets	−2.4	−7.0
Operating free cash flow	**189.5**	**157.8**
Proceeds from sale of other financial assets	3.4	2.7
Acquisition	−50.7	−3.0
Acquisition of non-controlling interests	–	−2.3
Purchases of treasury shares	−7.4	−4.5
Proceeds from sale of treasury shares	5.4	2.9
Dividend received	0.1	0.3
Dividend paid	−56.5	−67.6
Free cash flow	**83.8**	**86.3**

Operational free cash flow amounted to CHF 189.5 million (2015: CHF 157.8 million). After deducting expenditure on acquisitions and dividends a positive free cash flow of CHF 83.8 million remained, which was only slightly below the positive result of the previous year. The decrease was the result of higher expenditure on acquisitions. This was almost offset by the lower commitment of capital in the free cash flow and a lower dividend.

Number of employees The number of employees increased by 0.9% year on year to 11 175 full-time equivalents at the reporting date. Adjusted for acquisitions, the full-time equivalents fell by 1.5%. On average for the year, the decrease was 2.0%, adjusted for acquisition effects it was 3.7%. Bucher Industries adopted a range of measures to adjust the number of employees to take account, as far as possible, of seasonal influences and local economic developments. However, the adjustments were not sufficient to offset the fall in sales of 4.4%. As a result, net sales per employee, at CHF 212 000, was slightly down on the previous year's figure of CHF 217 000. Adjusted for currency and acquisition effects, the decrease was 3.2%.

Shareholder value In a highly volatile stock market, the performance of Bucher's share price was positive, closing at CHF 250.75, above the previous year's figure of CHF 226.30. The 52-week high reached CHF 252.50, with a 52-week low of CHF 194.70. The company's market capitalisation reached CHF 2.6 billion at the year-end, representing a price/book ratio of 2.2. Earnings per share reached CHF 11.73, against CHF 13.69 a year earlier.

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 19 April 2017 approve payment of a dividend of CHF 5.00 per registered share. Based on the average share price of CHF 231.85 for 2016, the board's proposal represents a dividend yield of 2.2% (2015: 2.4%).

Consolidated balance sheet as per 31 December 2016

CHF million	Note	31 December 2016	31 December 2015
Cash and cash equivalents		390.6	346.2
Other financial assets	7	27.3	28.6
Trade receivables	3	389.5	428.5
Current income tax assets		24.9	21.5
Other receivables	3	53.4	48.6
Inventories	4	600.1	602.8
Current assets		**1 485.8**	**1 476.2**
Long-term receivables	3	8.4	2.8
Property, plant and equipment	5	595.1	588.9
Intangible assets	6	246.4	205.6
Other financial assets	7	11.5	12.9
Investments in associates	8	11.6	11.2
Deferred income tax assets	17	60.8	56.0
Non-current assets		**933.8**	**877.4**
Assets		**2 419.6**	**2 353.6**
Financial liabilities	9	40.7	26.0
Trade payables		215.6	220.7
Advances from customers		164.7	167.3
Provisions	10	58.5	50.5
Other liabilities	12	189.9	196.5
Current income tax liabilities		28.3	16.3
Current liabilities		**697.7**	**677.3**
Financial liabilities	9	315.8	359.2
Provisions	10	14.4	11.8
Other liabilities	12	20.1	18.7
Deferred income tax liabilities	17	51.4	51.7
Retirement benefit obligations	18	96.6	80.8
Non-current liabilities		**498.3**	**522.2**
Attributable to owners of Bucher Industries AG		1 187.9	1 116.0
Attributable to non-controlling interests		35.7	38.1
Equity		**1 223.6**	**1 154.1**
Liabilities and equity		**2 419.6**	**2 353.6**

Consolidated income statement for the year ended 31 December 2016

CHF million	Note	2016	%	2015	%
Net sales	1	**2 380.4**	**100.0**	**2 490.4**	**100.0**
Changes in inventories of finished goods and work in progress		– 17.5		– 14.7	
Raw materials and consumables used		– 1 148.3		– 1 232.2	
Employment costs	14	– 652.2		– 648.7	
Other operating income	15	20.3		22.7	
Other operating expenses	15	– 320.2		– 321.3	
Operating profit before depreciation and amortisation (EBITDA)		**262.5**	**11.0**	**296.2**	**11.9**
Depreciation	5	– 73.8		– 69.2	
Amortisation	6	– 19.4		– 19.9	
Operating profit (EBIT)		**169.3**	**7.1**	**207.1**	**8.3**
Share of profit/(loss) of associates	16	0.6		0.4	
Finance costs	16	– 12.4		– 15.9	
Finance income	16	3.1		2.2	
Profit before tax		**160.6**	**6.7**	**193.8**	**7.8**
Income tax expense	17	– 42.2		– 53.8	
Profit/(loss) for the year		**118.4**	**5.0**	**140.0**	**5.6**
Attributable to owners of Bucher Industries AG		118.7		138.3	
Attributable to non-controlling interests		– 0.3		1.7	
Basic earnings per share in CHF	13	11.73		13.69	
Diluted earnings per share in CHF	13	11.71		13.65	

Consolidated statement of comprehensive income for the year ended 31 December 2016

CHF million

	2016	2015
Profit/(loss) for the year	**118.4**	**140.0**
Change in actuarial gains/(losses) on defined benefit pension plans	− 10.5	− 15.8
Income tax	2.9	3.1
Change in actuarial gains/(losses) on defined benefit pension plans net of tax	**− 7.6**	**− 12.7**
Items that will not be transferred subsequently to income statement	**− 7.6**	**− 12.7**
Change in fair value reserve	0.7	0.6
Transfer to income statement	–	–
Income tax	− 0.2	− 0.1
Change in fair value reserve net of tax	**0.5**	**0.5**
Change in cash flow hedge reserve	0.7	− 6.4
Transfer to income statement	0.5	8.8
Income tax	0.2	− 0.6
Change in cash flow hedge reserve net of tax	**1.4**	**1.8**
Change in currency translation reserve	14.0	− 109.3
Transfer to income statement	–	–
Change in currency translation reserve	**14.0**	**− 109.3**
Items that may be transferred subsequently to income statement	**15.9**	**− 107.0**
Other comprehensive income	**8.3**	**− 119.7**
Comprehensive income	**126.7**	**20.3**
Attributable to owners of Bucher Industries AG	128.3	21.1
Attributable to non-controlling interests	− 1.6	− 0.8

Consolidated cash flow statement for the year ended 31 December 2016

CHF million	Note	2016	2015
Profit/(loss) for the year		**118.4**	**140.0**
Income tax expense	17	42.2	53.8
Net interest expense	16	6.7	12.3
Share of profit/(loss) of associates	16	–0.6	–0.4
Depreciation and amortisation	5, 6	93.2	89.1
Other operating cash flow items		1.5	2.4
Gain on sale of non-current assets	15	–0.8	–0.7
Interest received		1.3	1.6
Interest paid		–6.9	–11.7
Income tax paid		–31.2	–39.8
Change in provisions and retirement benefit obligations		14.0	–6.1
Change in receivables		44.6	24.3
Change in inventories		18.8	18.7
Change in advances from customers		–5.6	–12.5
Change in payables		–19.3	–23.1
Other changes in working capital		–13.4	–11.1
Net cash flow from operating activities		**262.9**	**236.8**
Purchases of property, plant and equipment	5	–75.8	–74.9
Proceeds from sale of property, plant and equipment		4.8	2.9
Purchases of intangible assets	6	–2.4	–7.0
Proceeds from sale of other financial assets		3.4	2.7
Acquisition	2	–50.7	–3.0
Dividend received	8	0.1	0.3
Net cash flow from investing activities		**–120.6**	**–79.0**
Purchases of treasury shares	13	–7.4	–4.5
Proceeds from sale of treasury shares		5.4	2.9
Proceeds from non-current financial liabilities		4.4	30.5
Repayment of non-current financial liabilities		–26.1	–1.9
Proceeds from current financial liabilities		29.2	14.1
Repayment of current financial liabilities		–44.2	–89.6
Acquisition of non-controlling interests		–	–2.3
Dividend paid		–56.5	–67.6
Net cash flow from financing activities		**–95.2**	**–118.4**
Effect of exchange rate changes		–2.7	–31.0
Net change in cash and cash equivalents		**44.4**	**8.4**
Cash and cash equivalents at 1 January		346.2	337.8
Cash and cash equivalents at 31 December		**390.6**	**346.2**

Consolidated statement of changes in equity for the year ended 31 December 2016

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 2015	**2.1**	**1 414.0**	**–9.2**	**–247.0**	**3.7**	**–3.8**	**1 159.8**	**41.8**	**1 201.6**
Profit/(loss) for the year		138.3					138.3	1.7	**140.0**
Other comprehensive income		–12.7		–106.8	0.5	1.8	–117.2	–2.5	**–119.7**
Comprehensive income		**125.6**		**–106.8**	**0.5**	**1.8**	**21.1**	**–0.8**	**20.3**
Change in treasury shares		0.6	–4.4				–3.8		**–3.8**
Share-based payments		4.7	1.2				5.9		**5.9**
Change in non-controlling interests		–1.3					–1.3	–1.0	**–2.3**
Dividend		–65.7					–65.7	–1.9	**–67.6**
Balance at 31 December 2015	**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**

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 2016 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 2017 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
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. Bucher Industries has yet to complete its detailed analysis of the new IFRS 9 standard (financial instruments) and IFRS 15 (revenue from contracts with customers). However, they are not expected to have any significant effect on the consolidated financial statements. 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 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, 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.

Associates 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%. Investments in associates are initially recognised at cost. Cost comprises the proportionate net asset and any goodwill. 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. Adjustments are made if there is any objective evidence of a permanent impairment in value.

Foreign currency translation The individual financial statements of each of the Group's foreign entities are presented 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 that are not quoted in an active market. Such financial assets 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” Held-to-maturity 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 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. They are initially recognised in the balance sheet and subsequently remeasured at fair value based on quoted market prices at the reporting date. 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 payables 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 payables. 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 and associated companies 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 to 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, with a corresponding entry 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-rate 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. 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, fruit juice, instant products and beer, and for dewatering sewage sludge, a Swiss distributorship for tractors and agricultural machinery, and control systems for automation technology (Bucher Specials).

Segment information

CHF million	Net sales		Depreciation		Amortisation		Operating profit (EBIT)	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Kuhn Group	930.0	1 068.3	– 32.4	– 30.3	– 8.9	– 11.2	74.2	108.6
Bucher Municipal	389.2	384.4	– 7.8	– 7.3	– 2.5	– 0.6	14.5	32.5
Bucher Hydraulics	475.2	461.4	– 17.3	– 16.6	– 2.2	– 2.1	56.6	53.1
Bucher Emhart Glass	370.8	359.8	– 9.5	– 9.4	– 3.1	– 2.4	26.3	23.8
Bucher Specials	263.3	257.2	– 3.1	– 3.3	– 2.7	– 3.6	21.1	12.9
Reportable segments	**2 428.5**	**2 531.1**	**– 70.1**	**– 66.9**	**– 19.4**	**– 19.9**	**192.7**	**230.9**
Other/consolidation	– 48.1	– 40.7	– 3.7	– 2.3	–	–	– 23.4	– 23.8
Group	**2 380.4**	**2 490.4**	**– 73.8**	**– 69.2**	**– 19.4**	**– 19.9**	**169.3**	**207.1**

The performance of each of the divisions is evaluated on the basis of operating profit or loss which is measured consistently for management reporting. The figures reported as “other/consolidation” comprise the results of the holding, finance and management companies, as well as consolidation adjustments for intersegment transactions. Intersegment sales amounted to CHF 11.5 million (2015: CHF 10.6 million) for Kuhn Group, CHF 3.1 million (CHF 3.6 million) for Bucher Hydraulics and CHF 33.4 million (CHF 26.3 million) for Bucher Specials. Intersegment sales in the other divisions were only marginal.

CHF million	Capital expenditure		Goodwill		Operating assets		Operating liabilities	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Kuhn Group	30.7	30.5	69.9	61.7	800.4	817.5	– 369.1	– 387.9
Bucher Municipal	5.0	9.2	20.8	5.1	294.4	227.3	– 95.1	– 86.0
Bucher Hydraulics	20.6	28.9	3.7	3.0	314.2	312.2	– 62.0	– 58.8
Bucher Emhart Glass	13.7	8.7	21.2	22.0	334.6	362.4	– 111.1	– 106.6
Bucher Specials	4.3	2.6	3.9	3.9	143.4	146.0	– 55.1	– 51.3
Reportable segments	**74.3**	**79.9**	**119.5**	**95.7**	**1 887.0**	**1 865.4**	**– 692.4**	**– 690.6**
Other/consolidation	3.9	2.0	18.3	17.8	27.8	28.5	6.0	13.9
Group	**78.2**	**81.9**	**137.8**	**113.5**	**1 914.8**	**1 893.9**	**– 686.4**	**– 676.7**

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 payables and provisions.

Reconciliation of segment results

CHF million

	2016	2015
Segment operating profit (EBIT)	192.7	230.9
Other/consolidation	– 23.4	– 23.8
Operating profit (EBIT)	**169.3**	**207.1**
Share of profit/(loss) of associates	0.6	0.4
Finance costs	– 12.4	– 15.9
Finance income	3.1	2.2
Profit before tax	**160.6**	**193.8**

Reconciliation of segment assets

CHF million

	2016	2015
Segment operating assets	**1 887.0**	**1 865.4**
Other/consolidation	27.8	28.5
Operating assets	**1 914.8**	**1 893.9**
Cash and cash equivalents and other financial assets – current	417.9	374.8
Other financial assets – non-current	11.5	12.9
Other assets	3.0	4.8
Investments in associates	11.6	11.2
Deferred income tax assets	60.8	56.0
Assets	**2 419.6**	**2 353.6**

Reconciliation of segment liabilities

CHF million

	2016	2015
Segment operating liabilities	**– 692.4**	**– 690.6**
Other/consolidation	6.0	13.9
Operating liabilities	**– 686.4**	**– 676.7**
Financial liabilities – current liabilities	– 40.7	– 26.0
Financial liabilities – non-current liabilities	– 315.8	– 359.2
Other payables	– 5.1	– 5.1
Deferred income tax liabilities	– 51.4	– 51.7
Retirement benefit obligations	– 96.6	– 80.8
Liabilities	**– 1 196.0**	**– 1 199.5**

Net sales and assets by region

CHF million	Net sales		Property, plant and equipment and intangible assets	
	2016	**2015**	**2016**	**2015**
Switzerland	102.8	105.2	89.8	98.0
Germany	345.3	341.6	78.7	79.2
France	297.6	308.8	125.9	123.2
Rest of Europe	679.1	695.3	199.6	168.9
North America	476.2	575.9	156.7	157.7
Central and South America	133.1	129.7	91.4	76.5
Asia	210.6	208.5	76.6	77.8
Other	135.7	125.4	22.8	13.2
Total	**2 380.4**	**2 490.4**	**841.5**	**794.5**

Net sales have been allocated to the countries of destination.

2 Change in scope

Acquisitions J. Hvidtved Larsen A/S (JHL) As of 4 March 2016, Bucher Industries acquired a 100% equity holding in J. Hvidtved Larsen A/S (JHL) on behalf of the Bucher Municipal division. The company, established in 1915 and headquartered in Silkeborg, Denmark, is a technology leader in sewer cleaning and holds strong market positions in Scandinavia and Great Britain. For Bucher Municipal, the takeover of JHL represents the acquisition of highly specialised engineering know-how and technology in the area of sewer-cleaning equipment. The acquisition price was CHF 43.9 million, which was paid in its entirety from liquid funds. The value of the acquired trade receivables corresponded to the fair value. On the balance sheet date, the process to determine the fair values of identifiable assets, goodwill, liabilities and contingent liabilities was not yet completed. Based on the preliminary purchase price allocations, the goodwill from the acquisition was CHF 15.9 million, which represents the entry into the markets and the synergy potential from the merger as well as the employees' expertise. Since the date of acquisition, JHL has generated revenues of CHF 50.1 million, an EBITDA margin of 1.2% and a company result of negative CHF 0.9 million. This is largely due to the negative impact of acquisition and integration costs. If the acquisition had been completed on 1 January 2016, the additional sales would have totalled CHF 58.2 million and the share of profit/(loss) for the period negative CHF 1.3 million. The acquisition costs totalling CHF 0.5 million were recognised in 2016, in the period they occurred, under other operating expenses.

Net assets acquired in J. Hvidtved Larsen A/S

CHF million	Fair value
	2016
Cash and cash equivalents	2.0
Trade receivables	6.2
Inventories	16.6
Property, plant and equipment	5.0
Intangible assets	24.1
Current financial liabilities	− 2.4
Trade payables	− 4.6
Advances from customers	− 4.5
Current other liabilities	− 6.3
Current income tax liabilities	− 0.8
Non-current financial liabilities	− 2.5
Deferred income tax liabilities	− 5.9
Other net assets	1.1
Net assets	**28.0**
Goodwill	15.9
Total purchase consideration	**43.9**
Cash and cash equivalents	− 2.0
Net cash flow on acquisitions	**41.9**

Other acquisitions On 19 September 2016, Bucher Industries acquired the operating activities of Pak-Mor Waste Equipment Australia Pty Ltd, Sydney on behalf of the Bucher Municipal division. The acquisition strengthens the presence of Bucher Municipal in the waste disposal segment in Australia. The purchase price of CHF 9.5 million comprises a cash component of CHF 8.8 million as well as deferred payments of CHF 0.7 million. The deferred payments will be due in the next two years. The fair value of the acquired net assets was CHF 9.5 million and essentially comprises inventories of CHF 1.7 million, property, plant and equipment of CHF 4.6 million and intangible assets of CHF 5.4 million. These will be fully amortised in the next few years.

Net assets and cash flow from acquisitions

CHF million	2016	2015
Current assets	27.7	–
Non-current assets	39.3	0.2
Current liabilities	– 19.2	– 0.1
Non-current liabilities	– 10.3	0.2
Net assets	**37.5**	**0.3**
Goodwill	15.9	– 0.3
Total purchase consideration	**53.4**	**–**
Cash and cash equivalents	– 2.0	–
Deferred consideration	– 0.7	–
Contingent consideration relating to previous years	–	0.1
Deferred consideration relating to previous years	–	2.9
Net cash flow on acquisitions	**50.7**	**3.0**

3 Receivables

CHF million	Current	Non-current	Total	Current	Non-current	Total
			2016			2015
Trade receivables	377.6	3.9	381.5	412.7	0.9	413.6
Notes receivable	11.9	–	11.9	10.0	–	10.0
Finance lease receivables	–	–	–	5.8	0.8	6.6
Trade receivables, net	**389.5**	**3.9**	**393.4**	**428.5**	**1.7**	**430.2**
Other receivables	37.0	4.2	41.2	32.7	1.0	33.7
Prepayments to suppliers	4.6	–	4.6	4.4	–	4.4
Derivative financial instruments	2.6	0.3	2.9	4.7	0.1	4.8
Accrued income	9.2	–	9.2	6.8	–	6.8
Other receivables	**53.4**	**4.5**	**57.9**	**48.6**	**1.1**	**49.7**
Receivables	**442.9**	**8.4**	**451.3**	**477.1**	**2.8**	**479.9**

Ageing analysis of trade receivables

CHF million

	2016	2015
Trade receivables, gross	421.9	451.4
Amount provided for	− 28.5	− 21.2
Receivables, net	**393.4**	**430.2**
Not due	328.1	356.0
Not due, amount provided for	− 6.0	− 4.2
Past due, within 30 days	42.7	36.5
Past due, from 31 to 90 days	17.9	18.4
Past due, more than 90 days	33.2	40.5
Past due, amount provided for	− 22.5	− 17.0

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

	2016	2015
Balance at 1 January	21.2	21.1
Exchange differences	0.6	− 2.9
Provision for receivables impairment	9.3	6.8
Unused amounts reversed	− 1.8	− 2.2
Receivables written-off during the year as uncollectible	− 0.8	− 1.6
Balance at 31 December	**28.5**	**21.2**

4 Inventories

CHF million

	2016	2015
Raw materials and consumables	155.2	144.1
Work in progress	147.4	154.9
Finished goods and goods for resale	297.5	303.8
Inventories	**600.1**	**602.8**
Change of write-downs	4.7	11.0

In the reporting period as in 2015, CHF 0.2 million was written off directly via the income statement.

5 Property, plant and equipment

CHF million	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Prepayments and assets under construction	Total
					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**
					2015
Cost at 1 January	603.9	506.6	218.5	51.8	1 380.8
Exchange differences	– 44.9	– 37.9	– 15.7	– 4.2	– 102.7
Acquisition/disposal of subsidiaries	–	0.2	–	–	0.2
Additions	20.4	25.7	13.2	15.6	74.9
Disposals	– 1.2	– 11.1	– 14.1	– 0.8	– 27.2
Transfers	16.3	24.9	2.3	– 43.5	–
Cost at 31 December	**594.5**	**508.4**	**204.2**	**18.9**	**1 326.0**
Accumulated depreciation at 1 January	– 227.2	– 357.6	– 161.2	–	– 746.0
Exchange differences	14.8	26.8	11.5	–	53.1
Acquisition/disposal of subsidiaries	–	–	–	–	–
Disposals	0.5	10.6	13.9	–	25.0
Depreciation for the year	– 20.9	– 32.0	– 16.3	–	– 69.2
Accumulated depreciation at 31 December	**– 232.8**	**– 352.2**	**– 152.1**	**–**	**– 737.1**
Net book value at 31 December	**361.7**	**156.2**	**52.1**	**18.9**	**588.9**

The net book value of assets under finance leases amounted to CHF 16.2 million in the reporting year (2015: CHF 19.8 million).

6 Intangible assets

CHF million	Goodwill	Trademarks	Customer relation	Licences/ Patents	Other	Total
						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**
						2015
Cost at 1 January	229.6	45.2	70.9	183.2	24.0	552.9
Exchange differences	– 27.3	– 6.2	– 6.8	– 18.7	– 2.4	– 61.4
Acquisition/disposal of subsidiaries	– 0.3	–	–	–	–	– 0.3
Additions	–	–	–	6.6	0.4	7.0
Disposals	–	–	–	– 0.6	– 0.8	– 1.4
Cost at 31 December	**202.0**	**39.0**	**64.1**	**170.5**	**21.2**	**496.8**
Accumulated amortisation at 1 January	– 96.3	– 18.8	– 15.8	– 150.2	– 18.9	– 300.0
Exchange differences	7.8	1.1	0.7	16.1	1.6	27.3
Acquisition/disposal of subsidiaries	–	–	–	–	–	–
Disposals	–	–	–	0.6	0.8	1.4
Amortisation for the year	–	– 3.3	– 4.6	– 10.2	– 1.8	– 19.9
Impairment charge	–	–	–	–	–	–
Accumulated amortisation at 31 December	**– 88.5**	**– 21.0**	**– 19.7**	**– 143.7**	**– 18.3**	**– 291.2**
Net book value at 31 December	**113.5**	**18.0**	**44.4**	**26.8**	**2.9**	**205.6**

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 99.4 million (2015: CHF 96.1 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 (2017–2019). 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
	%	**%**	**2016**	**%**	**%**	**2015**
Kuhn Group	1.7	8.1	69.9	2.3	8.6	61.7
Bucher Municipal	1.4	7.2	20.8	1.6	7.5	5.1
Bucher Hydraulics [2]	0.5	6.7	22.0	1.1	7.3	20.8
Bucher Emhart Glass	1.1	6.7	21.2	1.5	7.1	22.0
Bucher Specials	0.0-0.3	5.8-6.6	3.9	0.2-1.6	6.0-7.1	3.9
Goodwill			**137.8**			**113.5**

[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

	2016	2015
Money market investment	1.0	2.8
Bonds	26.3	25.8
Pension asset	1.3	1.1
Long-term loans	8.4	10.4
Other	1.8	1.4
Other financial assets	**38.8**	**41.5**
Current portion	27.3	28.6
Non-current portion	11.5	12.9

Changes in bond values are recognised in other comprehensive income and amounted to CHF 0.7 million (2015: CHF 0.6 million).

8 Investments in associates

CHF million

	2016	2015
Balance at 1 January	11.2	12.3
Exchange differences	−0.1	−1.2
Additions	–	–
Disposals	–	–
Share of profit/(loss)	0.6	0.4
Share of other comprehensive income	–	–
Dividends received	−0.1	−0.3
Balance at 31 December	**11.6**	**11.2**

Aggregated financial information – associates

CHF million

	2016	2015
Profit/(loss) for the year	2.0	1.5
Other comprehensive income	–	–
Comprehensive income	**2.0**	**1.5**

9 Financial liabilities

CHF million	2016	2015
Bonds and private placements	199.6	219.5
Other bank borrowings	116.5	117.8
Finance lease liabilities	13.6	17.2
Loans and other financial liabilities	26.8	30.7
Financial liabilities	**356.5**	**385.2**
Current portion	40.7	26.0
Non-current portion	315.8	359.2

Bonds

CHF million	Company	Term	Currency	Nominal value	Effective interest rate	Total 2016	Total 2015
Bond, Switzerland 0.625%	Bucher Industries AG	2014–2020	CHF	100.0	1.3% [1]	99.6	99.5
Bond, Switzerland 1.375%	Bucher Industries AG	2014–2024	CHF	100.0	1.4%	100.0	100.0
Bond, Brazil, CETIP + margin	Kuhn do Brasil S/A	2014–2017	BRL	80.0	15.3%	–	20.0
Bonds and private placements						**199.6**	**219.5**

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

The Group took advantage of the generally favourable financial situation and paid the bond placed in Brazil early, in August 2016.

Other bank borrowings include CHF 75.0 million (no change from previous year) in bilateral loans from committed credit facilities as well as CHF 41.5 million (2015: CHF 42.8 million) from uncommitted credit facilities. The syndicated loan facility amounting to CHF 200.0 million became due for repayment on 30 June 2016. The newly concluded syndicated loan facility was reduced to CHF 150.0 million. The term is five years. The bilateral loans bear interest at rates of between 0.75% and 1.37% and are due for repayment from 2017 to 2022. Undrawn committed credit facilities on 31 December totalled CHF 230.0 million (CHF 280.0 million).

The financial covenants are reviewed every six months. All terms of credit were complied with on the reporting date of 31 December 2016.

10 Provisions

CHF million	Warranties	Legal claims	Other	Total 2016	Total 2015
Balance at 1 January	37.4	17.6	7.3	62.3	77.7
Additional provisions	34.4	4.2	7.2	45.8	37.3
Unused amounts reversed	− 2.7	− 3.8	− 1.1	− 7.6	− 8.0
Used during year	− 27.4	− 1.1	− 0.8	− 29.3	− 34.8
Acquisition/disposal of subsidiaries	0.4	–	–	0.4	–
Exchange differences	− 0.2	1.6	− 0.1	1.3	− 9.9
Balance at 31 December	**41.9**	**18.5**	**12.5**	**72.9**	**62.3**
Current portion	40.6	12.6	5.3	58.5	50.5
Non-current portion	1.3	5.9	7.2	14.4	11.8

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 charged against the provision 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. Costs relating to the relocation of sweeper production to Latvia and Great Britain amounted to CHF 3.2 million in the reporting year, which included CHF 1.7 million as current provisions. Further provisions amounting to CHF 2.0 million concern the dismantling of the buildings in Niederweningen. These are recognised in their full amount in property, plant and equipment and will be written off during the remaining term of one-and-a-half years. Provisions of CHF 2.2 million were created for the restructuring measures at Bucher Emhart Glass in China. These essentially include estimated one-off costs for redundancy plans which will be paid out in the next two years.

11 Contingent liabilities and other committments

Contingent liabilities As in the previous year, contingent liabilities consisting of guarantees given in respect of goods sold and services provided amounted to CHF 0.9 million. The amount represents the maximum amount of the obligations assumed. It is not anticipated that any outflows of funds will arise from these contingent liabilities.

Other committments 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 payables

CHF million

	2016	2015
Accruals and deferred income	124.9	133.0
Social security and pensions	22.7	24.0
Sales and capital tax liabilities	29.2	29.8
Derivative financial instruments	4.8	4.4
Other liabilities	28.4	24.0
Other payables	**210.0**	**215.2**
Current portion	189.9	196.5
Non-current portion	20.1	18.7

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

	2016	2015
Profit/(loss) attributable to owners of Bucher Industries (CHF million)	118.7	138.3
Average number of shares outstanding (undiluted)	10 118 625	10 106 029
Average number of shares outstanding (diluted)	10 137 303	10 135 083
Basic earnings per share (CHF)	11.73	13.69
Diluted earnings per share (CHF)	11.71	13.65
Dividend per registered share (CHF) [1]	5.00	5.50
Total dividend (CHF million) [1]	51.3	56.4

[1] 2016: 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

		2016	2015
Par value	CHF	0.20	0.20
Outstanding shares	number	10 126 129	10 110 161
Treasury shares	number	123 871	139 839
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	2016	Number of shares	2015
Balance at 1 January	139 839	12.4	149 450	9.2
Purchases of treasury shares	31 470	7.4	19 271	4.5
Sales of treasury shares	–	–	– 3 588	– 0.1
Reissued for share-based payment schemes	– 47 438	– 2.1	– 25 294	– 1.2
Balance at 31 December	**123 871**	**17.7**	**139 839**	**12.4**

14 Employment costs

CHF million	2016	2015
Wages and salaries	– 473.7	– 468.2
Share awards	– 2.0	– 2.3
Social security costs	– 80.6	– 79.5
Defined contribution costs	– 27.4	– 26.0
Defined benefit costs	– 15.4	– 12.0
Other employment costs	– 53.1	– 60.7
Employment costs	**– 652.2**	**– 648.7**

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

	2016	2015
Own work capitalised	0.3	0.3
Gain on sale of non-current assets	0.8	0.7
Other income	19.2	21.7
Other operating income	**20.3**	**22.7**
Energy, maintenance and repairs	– 92.2	– 98.4
Charges, taxes, levies and consulting fees	– 36.5	– 35.9
Marketing and distribution costs	– 104.5	– 111.3
Insurance expenses	– 6.7	– 7.0
Operating leasing expenses	– 10.8	– 10.4
Miscellaneous operating expenses	– 69.5	– 58.3
Other operating expenses	**– 320.2**	**– 321.3**

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

	2016	2015
Interest expense on financial liabilities	– 8.1	– 14.1
Financial foreign exchange gains and losses	– 2.7	–
Other finance costs	– 1.6	– 1.8
Finance costs	**– 12.4**	**– 15.9**
Interest income on financial assets	1.4	1.8
Net gain on financial instruments	1.6	1.4
Financial foreign exchange gains and losses	–	– 1.0
Other finance income	0.1	–
Finance income	**3.1**	**2.2**
Share of profit/(loss) of associates	0.6	0.4
Net financial items	**– 8.7**	**– 13.3**
Of which financial items relating to:		
Financial instruments; at amortised cost	– 10.5	– 17.0
Financial instruments; fair value through profit or loss	1.0	3.3
Financial instruments; available-for-sale	0.2	–

In the reporting year, as in the previous year, no disposals on the sale of "available-for-sale" securities were effected, which would have led to a realisation, nor were any borrowing costs capitalised.

17 Income tax expense

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	2016	2015
Current income tax	–51.3	–50.9
Deferred income tax	9.1	–2.9
Income tax expense	**–42.2**	**–53.8**
Reconciliation:		
Profit before tax	160.6	193.8
Weighted average tax rate	27.7%	29.9%
Theoretical income tax charge	**–44.5**	**–57.9**
Utilisation of unrecognised tax loss carryforwards	0.7	3.1
Reassessment of tax loss carryforwards with tax asset adjustment	0.4	–1.1
Changes in valuation allowances on losses and on deferred tax assets	–2.4	–5.2
Expenses not deductible for tax purposes/income not subject to tax	0.9	3.9
Under/(over) provided in prior years	–1.4	–
Other differences	4.1	3.4
Effective income tax expense	**–42.2**	**–53.8**
Effective tax rate	26.3%	27.8%

Deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2016		**2015**
Property, plant and equipment	0.6	–28.8	0.6	–27.9
Other non-current assets	2.8	–33.2	3.3	–27.4
Inventories	34.9	–3.4	34.9	–5.9
Other current assets	3.8	–7.2	3.0	–6.5
Provisions	6.5	–3.3	5.4	–4.4
Other liabilities	35.6	–5.6	28.7	–6.0
Tax loss carryforwards	6.7	–	6.5	–
Deferred income tax	**90.9**	**–81.5**	**82.4**	**–78.1**
Offset amounts	–30.1	30.1	–26.4	26.4
Deferred income tax assets/liabilities	**60.8**	**–51.4**	**56.0**	**–51.7**

Movements in deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2016		**2015**
Balance at 1 January	56.0	−51.7	63.8	−57.2
Transfer from income tax liabilities	0.1	−0.1	0.3	−0.3
Charged/credited to income statement	–	9.1	−3.6	0.7
Charged/credited to other comprehensive income	2.7	0.2	2.6	−0.2
Acquisition/disposal of subsidiaries	–	−7.5	–	0.2
Exchange differences	2.0	−1.4	−7.1	5.1
Balance at 31 December	**60.8**	**−51.4**	**56.0**	**−51.7**

In the reporting period, current income tax of CHF 0.6 million (2015: CHF 0.5 million) arising from the sale of treasury shares was recognised directly in equity. The tax expenses in other comprehensive income amounted to CHF 2.9 million (CHF 2.4 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	2016	2015
Tax loss carryforwards	103.0	99.5
Of which recognised in deferred income tax	−41.8	−26.5
Unrecognised tax loss carryforwards	**61.2**	**73.0**
Of which expiring:		
Within 1 year	0.2	–
From 1 to 5 years	26.6	47.1
More than 5 years	0.8	7.9
Available indefinitely for offset	33.6	18.0
Tax effect on unrecognised tax loss carryforwards	14.7	11.8

18 Retirement benefits

Most employees are covered by pension schemes in accordance with the relevant national regulations. The majority 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 82% of the retirement benefit obligations and 89% of the plan assets. The "international plans" category mainly comprises the plans in North America (7% of the retirement benefit obligations, 4% of the plan assets) and France (5% of the retirement benefit obligations, 6% of the plan assets).

Swiss plan The Angestellten-Pensionskasse Bucher Schweiz (Bucher Switzerland employee pension fund, APK) has the legal form of a semi-autonomous foundation and is subject to the minimum legal requirements for pension 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 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 contribution. In the event of a deficit, additional contributions can be levied from both employer and employee to make up the shortfall. The risks covered are chiefly demographic (life expectancy) and financial (discount rate, future salary increases and rates of return on plan assets) in nature. These risks are regularly reassessed by the foundation board.

Interational 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. 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
			2016			**2015**
Fair value of plan assets	318.8	40.7	359.5	300.4	48.9	349.3
Present value of funded obligations	−372.1	−62.0	−434.1	−343.8	−63.6	−407.4
Funding surplus/(deficit)	**−53.3**	**−21.3**	**−74.6**	**−43.4**	**−14.7**	**−58.1**
Present value of unfunded obligations	–	−22.0	−22.0	–	−22.7	−22.7
Surplus/(deficit)	**−53.3**	**−43.3**	**−96.6**	**−43.4**	**−37.4**	**−80.8**

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
				2016	**2015**
Balance at 1 January	**349.3**	**–430.1**	**–**	**–80.8**	**–69.2**
Current service cost		–13.6		–13.6	–13.0
Service cost related to plan amendments		–		–	2.8
Interest income/(expense)	3.8	–5.2	–	–1.4	–1.4
Administration expenses, taxes and premium paid	–0.4			–0.4	–0.4
Defined benefit expense recognised in profit or loss	**3.4**	**–18.8**	**–**	**–15.4**	**–12.0**
Return on plan assets (excluding interest based on discount rate)	13.7			13.7	–2.5
Actuarial gains/(losses) arising from changes					
– in demographic assumptions	–	0.7		0.7	6.9
– in financial assumptions	–	–14.8		–14.8	–15.0
Experience gains/(losses)	–	–10.1		–10.1	–5.2
Change in actuarial gains/(losses) on defined benefit pension plans in other comprehensive income	**13.7**	**–24.2**	**–**	**–10.5**	**–15.8**
Employer contributions	8.8			8.8	12.3
Employee contributions	4.5	–4.5		–	–
Benefits paid	–11.9	13.2		1.3	1.0
Plan curtailments/settlements	–7.7	7.7		–	–
Exchange differences	–0.6	0.6		–	2.9
Balance at 31 December	**359.5**	**–456.1**	**–**	**–96.6**	**–80.8**

Categories of plan assets

CHF million	Swiss	International	Total	%	Swiss	International	Total	%
				2016				**2015**
Equities	108.4	10.0	118.4	32.9	106.0	16.6	122.6	35.1
Bonds	111.3	5.0	116.3	32.4	108.4	4.0	112.4	32.2
Assurances	3.8	23.0	26.8	7.4	–	22.3	22.3	6.4
Property	70.4	–	70.4	19.6	64.9	0.5	65.4	18.7
Cash	1.0	0.3	1.3	0.4	0.7	4.5	5.2	1.5
Other assets	23.9	2.4	26.3	7.3	20.4	1.0	21.4	6.1
Plan assets	**318.8**	**40.7**	**359.5**	**100.0**	**300.4**	**48.9**	**349.3**	**100.0**

The shares and bonds are mainly listed investments.

Breakdown of defined benefit obligations by category

CHF million	Swiss	International	Total	Swiss	International	Total
			2016			**2015**
Obligation active insured members	250.0	47.6	297.6	247.9	44.9	292.8
Obligation former members with vested benefits	–	16.7	16.7	–	21.8	21.8
Obligation members receiving pensions	124.9	19.7	144.6	101.5	19.6	121.1
Obligation taxes and risk sharing	−2.8	–	−2.8	−5.6	–	−5.6
Defined benefit obligations	**372.1**	**84.0**	**456.1**	**343.8**	**86.3**	**430.1**
Term of obligations in years (duration)	16.3	13.2	15.7	16.3	13.7	15.8

Actuarial assumptions

Weighted averages in %	Swiss	International		Swiss	International	
			2016			**2015**
Discount rate	0.6	2.1	0.9	0.8	2.8	1.2
Future salary increases	1.0	1.4	1.0	1.0	1.9	1.1
Future pension increases	–	0.7	0.1	–	1.0	0.1
Inflation rate	1.0	2.2	1.2	1.0	2.3	1.3

For the 2017 business year, contributions for defined benefit pension plans are expected to total CHF 14.2 million (2015: CHF 15.1 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
				2016			**2015**
Discount rate:	+25 basis points	−14.4	−2.2	−16.6	−13.3	−2.6	−15.9
Discount rate:	−25 basis points	15.4	2.4	17.8	14.2	2.9	17.1
Future salary increases:	+100 basis points	0.9	0.1	1.0	1.3	0.1	1.4
Future salary increases:	−100 basis points	−0.9	−0.1	−1.0	−1.3	–	−1.3
Life expectancy:	+1 year	3.9	0.9	4.8	3.3	0.7	4.0

19 Share-based payments/share option plan

Bucher Share Plan Eligible employees were awarded a total of 6 002 shares for the reporting year (2015: 8 508 shares). The shares awarded and valuation are calculated using the share price of CHF 250.75. The valuation totalled CHF 1.5 million (CHF 1.9 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 231.90 (2015: CHF 232.90).

Movements in the number of share options outstanding

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
		2016		**2015**
Outstanding options at 1 January	71 884	153.5	89 580	146.8
Exercised	– 37 484	143.0	– 17 696	119.7
Expired	–	–	–	–
Outstanding options at 31 December	**34 400**	**164.5**	**71 884**	**153.5**
Option expiry date:				
Year 2016	–	116.0	9 900	116.0
Year 2017	12 600	221.0	19 800	221.0
Year 2018	10 800	149.0	19 300	149.0
Year 2019	11 000	115.0	22 884	115.0

20 Related party transactions

Remuneration of directors and members of group management

CHF million	2016	2015
Salaries	– 5.6	– 5.5
Post-employment benefits	– 1.2	– 1.3
Share awards	– 1.3	– 1.4
Key management remuneration	**– 8.1**	**– 8.2**

Salaries include variable remuneration, fees and expense allowances paid in cash. For the reporting year, group management members were awarded 3 417 registered shares with a par value of CHF 0.20 each in Bucher Industries AG (2015: 4 506 registered shares) under the share plans. 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	2016	2015
Receivables from pension funds	1.3	1.1
Receivables from associates	0.2	0.1
Payables to pension funds	−6.4	−10.1
Payables to associates	−1.3	−1.2

In 2016, products worth CHF 31.1 million (2015: CHF 32.5 million) were purchased from associates. The sales generated with associates amounted to CHF 1.0 million as in the previous year, and other expenditure with associated companies CHF 0.5 million.

21 Pledged assets

The book value of assets pledged or assigned to secure the Group's obligations was CHF 7.6 million (2015: CHF 4.6 million).

22 Leasing

Finance leases, lessor In the reporting period the outstanding receivables from leases of CHF 6.6 million were paid in full. The receivables were related to one-off lease contracts for inspection machinery between Bucher Emhart Glass and a major customer.

Finance leases, lessee

CHF million	Minimum lease payments	Finance lease liabilities	Minimum lease payments	Finance lease liabilities
		2016		2015
Within 1 year	3.8	3.4	3.9	3.5
From 1 to 5 years	8.0	7.6	11.0	10.3
More than 5 years	2.8	2.6	3.7	3.4
Balance at 31 December	**14.6**	**13.6**	**18.6**	**17.2**
Finance charge	−1.0	–	−1.4	–
Finance lease liabilities	**13.6**	**13.6**	**17.2**	**17.2**

Operating leases, lessor

CHF million

	2016	2015
Within 1 year	0.9	–
From 1 to 5 years	1.3	–
More than 5 years	–	–
Minimum lease payments	**2.2**	**–**

Minimum lease payments from non-redeemable operating lease contracts relate to hiring contracts for equipment to customers of the newly acquired business of PakMor Waste Equipment Australia Pty Ltd, Sydney.

Operating leases, lessee

CHF million

	2016	2015
Within 1 year	7.0	6.6
From 1 to 5 years	11.6	9.1
More than 5 years	9.7	10.9
Minimum lease payments	**28.3**	**26.6**

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, the calculation of the provision for impairment and movements in the provision are set out in note 3. Bucher Industries invested its free cash and cash equivalents in the form of short-term money-market investments with banking institutions that have a very good international risk rating. The Group had no concentration of credit risk associated with receivables from banks. Its banking relationships included relationships with local banks so they were widely spread geographically. 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
					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**
					2015
Trade payables	–220.7	–	–	**–220.7**	–220.7
Other liabilities	–15.4	–3.5	–5.1	**–24.0**	–24.0
Financial liabilities	–32.3	–254.6	–125.4	**–412.3**	–385.2
Non-derivative financial instruments	**–268.4**	**–258.1**	**–130.5**	**–657.0**	**–629.9**
Currency contracts – assets	410.2	36.9	–	**447.1**	
Currency contracts – liabilities	–409.6	–37.1	–	**–446.7**	
Derivative financial instruments	**0.6**	**–0.2**	**–**	**0.4**	**0.4**

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. 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. These are analysed by means of risk simulations and then reported to group management.

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. Hedging transactions are entered into only with financial institutions that have solid credit ratings. In the reporting period foreign exchange profits of CHF 0.1 million (2015: foreign exchange losses of CHF 8.2 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 average rates		Balance sheet closing rates	
	2016	2015	2016	2015
1 EUR	1.0903	1.0752	1.0739	1.0835
1 GBP	1.3413	1.4761	1.2543	1.4763
1 USD	0.9897	0.9663	1.0188	0.9952
1 BRL	0.2846	0.2947	0.3130	0.2513
1 AUD	0.7341	0.7254	0.7357	0.7273
1 CNY	0.1490	0.1538	0.1467	0.1535
1 SEK	0.1154	0.1151	0.1124	0.1179
1 RUB	0.0148	0.0157	0.0167	0.0134

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

	2016	2015
Currency risk	– 9.7	– 23.8
Interest risk	– 2.2	– 4.8
Correlation effect	7.2	14.4
VaR–transaction risk	**– 4.7**	**– 14.2**
NAVaR–translation risk	**– 84.4**	**– 104.5**

The reduction in the transaction risk was mainly due to the marked decrease in exchange-rate and interest-rate volatilities. In addition, the shortening of the residual terms of the fixed-interest financial liabilities had a mitigating effect on the interest risk. The correlation effect in relation to the overall transaction risk was 61% (2015: 50%). The increase was attributable to a high level of diversification of the foreign-currency portfolio and lower correlations against the Swiss franc. The decrease in the translation risk was primarily due to the reduction in foreign-currency exchange rate volatilities and the likewise high 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.

	2016	2015
Interest coverage ratio (EBITDA to net interest expense)	39.2	24.1
Debt payback period (net debt to EBITDA)	– 0.2	–
Gearing ratio (net debt to equity)	– 5.0%	0.9%
Equity ratio (equity to total assets)	50.6%	49.0%
Quick ratio (current assets less inventory to current liabilities)	127.0%	129.0%

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	Carrying amount
					2016	**2015** [1]
Cash and cash equivalents	–	390.6	–		390.6	346.2
Other financial assets	26.5	1.0	10.0		37.5	40.4
Trade receivables	–	–	393.4		393.4	430.2
Other receivables	–	–	41.2		41.2	33.7
Trade payables		–	–215.6		–215.6	–220.7
Other liabilities		–	–28.4		–28.4	–24.0
Financial liabilities		–	–356.5		–356.5	–385.2
Non-derivative financial instruments	**26.5**	**391.6**	**–155.9**		**262.2**	**220.6**
Currency contracts – assets		1.2		1.7	2.9	4.8
Currency contracts – liabilities		–4.1		–0.7	–4.8	–4.4
Derivative financial instruments		**–2.9**		**1.0**	**–1.9**	**0.4**

[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 26.0 million were available for sale and CHF 0.3 million in currency contracts was held for hedge accounting.

Fair values With the exception of the financial liabilities with a fair value of CHF 368.9 million (2015: CHF 396.9 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 Kuhn-Montana, Brazil, and Bucher Hidráulica, Brazil, acquisitions (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 Kuhn-Montana until 2017 and for Bucher Hidráulica until 2018. For Kuhn-Montana as for Bucher Hidráulica, the payments have an upper limit, and the maximum amount that can be paid out is CHF 2.5 million (2015: CHF 4.2 million). As in the previous year, liabilities were valued at nil, so there was no change to the value in the reporting period (decrease of CHF 3.4 million).

24 Events after the reporting date

On 24 February 2017, the board of directors approved the consolidated financial statements for publication, subject to formal approval by the annual general meeting on 19 April 2017.

25 Group companies

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2016	2015
Bucher Industries Ltd, Niederweningen	CH	CHF	2 050 000	O			S		
Bucher-Guyer Ltd, 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 Ltd, 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	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 Ltd., 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	–
Bucher Industries Danmark ApS, Them	DK	DKK	51 000	O			S	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	98
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	99
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 Servicess

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in %	
								2016	**2015**
Bucher Municipal Ltd, Niederweningen	CH	CHF	10 000 000	BM	P	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	–
J. Hvidtved Larsen Australia Pty Ltd., Sydney	AU	AUD	1	BM		D		100	–
J. Hvidtved Larsen AB, Eslöv	SE	SEK	500 000	BM		D		100	–
J. Hvidtved Larsen UK Ltd, Coalville	GB	GBP	1	BM		D		100	–
J. Hvidtved Larsen US Inc., Chicago IL	US	USD	10 000	BM		D		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
Suzhou Bucher Hydraulics 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 Ltd., New Delhi	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	6 830 000	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 %	
								2016	2015
Emhart Glass SA, Steinhausen	CH	CHF	10 000 000	BEG		D	S	100	100
Emhart Glass Manufacturing Inc., Elmira 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	92 400 000	BSp	P	D		100	100
Bucher Unipektin Ltd., 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	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

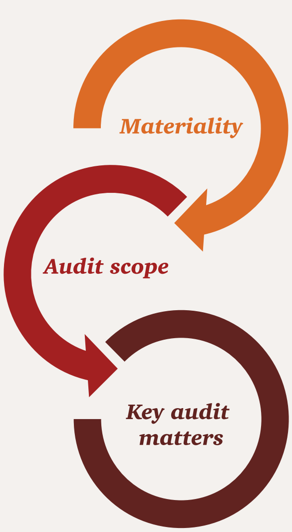
to the annual general meeting of Bucher Industries AG, Niederweningen

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 2016 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 68 to 111) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Our audit approach

Overview



- Overall Group materiality: CHF 9.5 million

- We concluded full scope audit work at 32 reporting units in various countries.
- Our audit scope addressed 85% of net sales and 80% of the total assets of the Group.
- Additionally, individually defined audit procedures and reviews were concluded at other reporting units in various countries, which cover a further 2% of net sales and 8% of the total assets of the Group.

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

- Impairment testing of goodwill

Audit scope We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated 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. 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.

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 9.5 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. 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 0.475 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 137.8 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 74 and 78 (notes to the consolidated financial statements, accounting principles for the consolidated financial statements) and pages 89 and 90 (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. We compared the consistency of the assumptions presented on pages 89 and 90 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, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

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

PricewaterhouseCoopers AG

Christian Kessler Audit expert Auditor in charge	Fabian Schläpfer Audit expert

Zurich, 27 February 2017

Balance sheet of Bucher Industries AG at 31 December 2016

CHF million	Note	2016	2015
Cash and cash equivalents		116.9	70.5
Other receivables		23.1	124.1
Accrued income		11.9	11.9
Current assets		**151.9**	**206.5**
Financial assets			
Loans		577.8	504.8
Investments		811.4	765.7
Intangible assets		0.3	0.1
Non-current assets		**1 389.5**	**1 270.6**
Assets		**1 541.4**	**1 477.1**
Interest-bearing liabilities			
Loans and other bank borrowings	2	20.0	–
Other interest-bearing liabilities	2	126.9	92.7
Other liabilities		11.0	10.1
Accruals and deferred income		5.4	7.7
Current liabilities		**163.3**	**110.5**
Interest-bearing liabilities			
Bonds and private placements	2	200.0	200.0
Loans and other bank borrowings	2	314.5	339.0
Other liabilities		0.4	–
Provisions		4.5	0.1
Non-current liabilities		**519.4**	**539.1**
Share capital	5	2.1	2.1
Statutory reserve		70.6	70.6
Distributable reserve		611.8	526.8
Retained earnings		86.7	72.3
Profit/(loss) for the year		87.5	155.7
Equity		**858.7**	**827.5**
Liabilities and equity		**1 541.4**	**1 477.1**

Income statement of Bucher Industries AG for the year ended 31 December 2016

CHF million

	2016	2015
Income from investments	63.5	166.1
Royalty income	13.5	13.3
Administrative expenses	−5.9	−5.9
Impairment charges	−0.3	4.0
Operating profit (EBIT)	**70.8**	**177.5**
Finance costs	−65.4	−161.9
Finance income	87.4	140.7
Profit before tax	**92.8**	**156.3**
Income tax expense	−5.3	−0.6
Profit/(loss) for the year	**87.5**	**155.7**

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 Obligation. 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 payables, and are used to hedge exposure to interest rate and foreign currency fluctuations. They are initially recognised in the balance sheet and subsequently remeasured at fair value based on quoted market prices at the reporting date. 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 109 to 111 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 investment income 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

	2016	2015
Other receivables	17.8	118.1
Accrued income	11.8	11.8
Financial assets	577.8	504.8
Interest-bearing liabilities	−126.9	−92.7
Other liabilities	−3.8	−4.0
Accruals and deferred income	−3.4	−3.5
Loans and other bank borrowings	−229.9	−234.5

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 92 of the annual report.

3 Assets and liabilities based on observable market data

CHF million

	2016	2015
Derivative financial instruments – assets	10.3	11.9
Derivative financial instruments – liabilities	–11.3	–10.1
Assets and liabilities based on observable market data	**–1.0**	**1.8**

4 Contingent liabilities

The company has mainly incurred contingent liabilities to cover group companies' obligations to banks in respect of credit and cash pool agreements. The maximum exposure was CHF 188.1 million (2015: CHF 254.8 million). The amount claimed at the reporting date was CHF 39.5 million (CHF 59.6 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, Bucher Beteiligungs-Stiftung held 1.2% of the issued share capital, the voting rights attached to such shares being suspended in accordance with article 659a paragraph 1 of the Swiss Code of Obligations. According to disclosure notifications submitted to Bucher Industries AG and SIX Swiss Exchange, Black Rock Inc., New York, USA, holds, 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	
	2016	**2015**
Philip Mosimann, chairman	66 174	63 916
Anita Hauser, deputy chairman	439 743	439 511
Ernst Bärtschi	567	628
Claude R. Cornaz	3 465	5 866
Michael Hauser	604 835	604 636
Heinrich Spoerry	3 453	3 254
Valentin Vogt	4 333	3 129
Board of directors	**1 122 570**	**1 120 940**

As part of their honoraria, the board of directors were allocated 1 674 shares (2015: 1 564 shares) worth CHF 0.4 million (CHF 0.4 million). The directors did not hold any share options on 31 December 2016. Further information is given in the remuneration report on pages 59 to 61.

Group management’s interests in shares and share options

		Number of shares		Number of options	
		2016	**2015**	**2016**	**2015**
Jacques Sanche	CEO	409	n.a.	–	–
Christina Johansson	CFO	450	n.a.	–	–
Roger Baillod		12 015	9 485	–	4 200
Stefan Düring	Bucher Specials	1 679	1 399	1 200	1 200
Martin Jetter	Bucher Emhart Glass	3 891	4 403	1 200	1 200
Thierry Krier	Kuhn Group	1 658	1 255	–	–
Aurelio Lemos	Bucher Municipal	152	n.a.	–	–
Daniel Waller	Bucher Hydraulics	13 575	11 380	–	7 200
Group management		**33 829**	**27 922**	**2 400**	**13 800**

		Number of options			
Grant year		**2009**	**2008**	**2007**	**Total**
Exercise price (CHF)		115.00	149.00	221.00	
Stefan Düring	Bucher Specials	1 200	–	–	**1 200**
Martin Jetter	Bucher Emhart Glass	–	–	1 200	**1 200**
Group management		**1 200**	**–**	**1 200**	**2 400**

No share options have been granted since the 2010 financial year. Share options with a term of ten years granted in respect of previous reporting years remain valid as originally provided and can be exercised at any time. Each option entitles the holder to purchase one share. Further information is given in the remuneration report on pages 59 to 61.

Board of directors' proposal

Appropriation of retained earnings

CHF	2016	2015
Retained profit carried forward as at January 1	228 035 469	188 919 613
Transfer to distributable reserve	– 85 000 000	– 50 000 000
Dividend	– 56 375 000	– 66 625 000
Profit/(loss) for the year	87 481 676	155 740 856
Retained earnings available for distribution	**174 142 145**	**228 035 469**

Board of directors' proposal

CHF	2016	2015
Retained earnings available for distribution	174 142 145	228 035 469
Transfer to distributable reserve	– 40 000 000	– 85 000 000
Dividend	– 51 250 000	– 56 375 000
Balance to be carried forward	**82 892 145**	**86 660 469**

Report of the statutory auditor

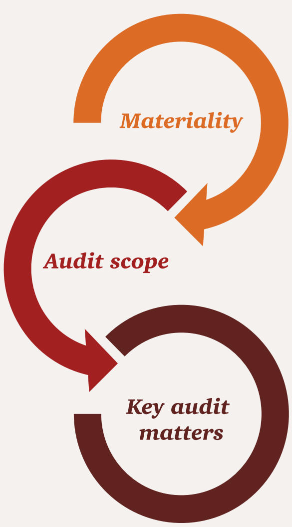
to the annual general meeting of Bucher Industries AG, Niederweningen

Opinion We have audited the financial statements of Bucher Industries AG, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies. In our opinion, the financial statements (pages 116 to 121) as at 31 December 2016 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 9.5 million

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

As key audit matter the following area of focus has been identified:
- Impairment of equity investments

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 9.5 million

- **How we determined it** 0.62% 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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.475 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 811.4 million or 53% 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 118 (notes to the financial statements) and pages 109 to 111 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 Audit expert Auditor in charge	Fabian Schläpfer Audit expert

Zurich, 27 February 2017

Five-year summary

Group

CHF million

	2016	2015	2014	2013	2012
Order intake	2 386.1	2 439.5	2 742.1	2 718.2	2 490.4
Net sales	2 380.4	2 490.4	2 805.6	2 690.8	2 609.0
Order book	727.7	688.4	788.9	850.4	795.3
Operating profit before depreciation and amortisation (EBITDA)	262.5	296.2	349.8	371.1	306.9
as % of net sales	11.0%	11.9%	12.5%	13.8%	11.8%
Operating profit (EBIT)	169.3	207.1	257.2	287.1	231.7
as % of net sales	7.1%	8.3%	9.2%	10.7%	8.9%
Net financial items	– 8.7	– 13.3	– 13.2	– 11.4	– 12.6
Income tax expense	– 42.2	– 53.8	– 54.3	– 79.5	– 63.1
as % of profit before tax	26.3%	27.8%	22.3%	28.8%	28.8%
Profit/(loss) for the year	118.4	140.0	189.7	196.2	156.0
as % of net sales	5.0%	5.6%	6.8%	7.3%	6.0%
Capital expenditure	78.2	81.9	116.3	136.6	96.5
Operating free cash flow	189.5	157.8	53.7	91.7	105.4
Research and development costs	– 99.4	– 96.1	– 102.4	– 90.5	– 80.8
Total assets	2 419.6	2 353.6	2 604.5	2 436.3	2 259.4
Cash and liquid assets	417.9	374.8	369.2	455.7	480.3
Receivables	467.8	498.6	565.8	498.5	458.7
Inventories	600.1	602.8	668.7	632.9	582.1
Investments and other financial assets – non-current	23.1	24.1	43.7	44.5	50.5
Property, plant and equipment	595.1	588.9	634.8	569.7	478.0
Intangible assets	246.4	205.6	252.9	181.5	159.3
Current liabilities	697.7	677.3	873.9	1 059.1	906.5
Non-current liabilities	498.3	522.2	529.0	303.1	462.6
Total liabilities	1 196.0	1 199.5	1 402.9	1 362.2	1 369.1
of which interest-bearing	356.5	385.2	454.2	455.8	499.7
Net cash/debt	61.4	– 10.4	– 85.0	– 0.1	– 19.4
Equity	1 223.6	1 154.1	1 201.6	1 074.1	890.3
Equity ratio	50.6%	49.0%	46.1%	44.1%	39.4%
Return on equity (ROE)	10.0%	11.9%	16.7%	20.0%	18.3%
Net working capital	413.0	450.3	472.6	416.0	347.5
Net operating assets (NOA) average	1 293.1	1 295.7	1 268.0	1 061.3	969.6
Return on net operating assets (RONOA) after tax	9.7%	11.5%	15.8%	19.3%	17.0%
Number of employees at 31 December [1]	11 175	11 072	11 554	10 916	10 166
Average number of employees during year [1]	11 251	11 486	11 631	10 788	10 383
Net sales per employee (CHF 1 000)	212	217	241	250	251

[1] Expressed as full-time equivalents

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