Financial contents

Group financial review 2014

Business performance Order intake was 0.9% up on the previous year at CHF 2 742.1 million. Adjusted for currency, acquisition and disposal effects, the Group recorded a slight decline of 0.4%. Net sales rose by 4.3% to CHF 2 805.6 million, equivalent to a 2.7% rise after adjustment for currency, acquisition and disposal effects. The net acquisition and disposal effect was 3.1%. The currency effect on sales amounted to 1.5%. With the exception of the Kuhn Group division, all the Group's divisions contributed to the growth trend. Kuhn Group reported a 1.9% drop in sales, primarily due to the declining agricultural markets. World market prices for soy, maize and wheat continued to fall, which had a negative impact on demand in the arable sector. Although demand in the markets served by Bucher Municipal stagnated, the division held its ground, partly thanks to a follow-up order from the city of Moscow, and recorded an increase in sales. The hydraulic components business developed well, particularly in the construction machinery, conveyor technology and industrial hydraulics segments. Thanks to the broad range of applications and long-term serial orders, Bucher Hydraulics succeeded in keeping the effects of the general downturn in the key agricultural machinery segment within bounds. The market for glass-forming and inspection machinery remained stable overall during the reporting year, despite marked regional differences. In China, investment in new glass production machinery remained very subdued. While demand in the project business stagnated, glass container manufacturers increasingly invested in the maintenance of existing plants, which resulted in strong growth for the spare parts and service business. The cooperation with Owens-Illinois also had a positive effect. As a result of these positive developments, Bucher Emhart Glass reported a marked increase in sales. The growth in order intake and sales at Bucher Specials was attributable mainly to the full-year consolidation of Jetter Automation Technology. The division also benfitted from the very good performance of the business with winemaking equipment as well as equipment and technologies for producing fruit juice and beer. The Swiss distributorship for tractors and agricultural machinery was unable to escape entirely the effects of the downturn in the agricultural machinery market. The Group's order book maintained a good level at CHF 788.9 million, which was CHF 61.5 million or 7.2% lower than the high level of the previous year. Adjusted for currency, acquisition and disposal effects, the decrease was 6.4%. The Group's order backlog at the end of the reporting year was equivalent to about 3.4 months' work based on full-year sales in 2014 (2013: 3.8 months). Compared with the previous year, the changes in the Swiss franc exchange rates were as follows: EUR down 1.1%, USD down 0.6%, GBP up 4.1%, SEK down 5.9%, BRL down 9.2% and AUD down 7.8%.

Net sales

CHF million	2014	2013	change in %
Net sales	2 805.6	2 690.8	4.3%
Net sales adjusted for currencies	2 846.4	2 690.8	5.8%
Net sales adjusted for acquisitions and disposals	2 727.7	2 688.5	1.5%
Net sales adjusted for currencies, acquisitions and disposals	2 761.6	2 688.5	2.7%

Operating performance Although the operating performance, with an EBIT margin of 9.2%, remained 1.5 percentage points down on the outstanding record level of the previous year, it continued the trend of steadily improving profitability, unbroken since the year 2010. The lower margin was partly due to the anticipated decline in agricultural machinery and the delayed effect of the measures relating to the realignment of the Bucher Emhart Glass division. Operating profit fell by 10.4% to CHF 257.2 million. Group EBITDA fell by 5.7% to CHF 349.8 million, corresponding to an EBITDA margin of 12.5% (2013: 13.8%). Other operating expenses amounted to 13.0% (13.2%) of sales. Thanks once more to the deployment of temporary staff, it was possible to adapt employment costs flexibly to the level of capacity utilisation. In relation to sales, employment costs amounted to 24.9% (24.3%).

Acquisitions At the end of March 2014, Bucher Industries acquired a 100% equity holding in Montana Indústria de Máquinas, Brazil (Kuhn-Montana), on behalf of the Kuhn Group division. The company has a strong presence in Mato Grosso, particularly, but also in other Brazilian states, with holdings in large agricultural enterprises. It has a strong market position in the big self-propelled crop-sprayer and fertiliser spreader segments. The acquisition of Kuhn-Montana represents an complement to the existing product portfolio of Kuhn Group in Brazil, giving it access to customers in the important and growing segment of large agricultural enterprises. The purchase price was CHF 65.6 million and comprises a cash component as well as deferred and contingent consideration. In the reporting year, Bucher Industries increased its holding in Jetter AG from 77.4% to 96.0%. The increase in the equity holding led to an outflow of funds amounting to CHF 5.1 million. The company was delisted from the Frankfurt Xetra exchange on 30 April 2014.

Bond issues In the reporting year, Bucher Industries issued two new bonds in Switzerland as well as in Brazil, totalling to CHF 200.0 million, respectively CHF 48.5 million (BRL 130.0 million). In Switzerland, two bonds each of CHF 100.0 million were issued, with terms of six and ten years and coupons of 0.625% and 1.375% respectively, enabling the Group to secure long-term refinancing of an existing bond of CHF 200.0 million, which was due for repayment on 2 October 2014. Issuing these two bonds enabled the Group to secure favourable market conditions and lengthen the average maturity of its financial liabilities. As part of the financing of Kuhn-Montana two local bonds totalling CHF 48.5 million (BRL 130.0 million) were issued. The interest is charged on the basis of the local interest index (CETIP) as well as the agreed loan margin.

Net financial items

CHF million

	2014	2013
Interest expense on financial liabilities	−18.2	−16.7
Interest income on financial assets	3.0	4.5
Net interest expense	**−15.2**	**−12.2**
Net gain on financial instruments	2.7	6.7
Financial foreign exchange gains and losses	0.4	−6.9
Share of profit/(loss) of associates	1.5	2.0
Other financial items	−2.6	−1.0
Net financial items	**−13.2**	**−11.4**

Net financial items Net financial items amounted to negative CHF 13.2 million, against negative CHF 11.4 million a year earlier. Net interest expense increased by CHF 3.0 million to negative CHF 15.2 million. The increase is essentially attributable to the local financing of Kuhn-Montana, but was partly offset by the improved credit conditions and the further reduction of bank loans. The beneficial effect of the refinancing of the existing Swiss bond will not be felt completely until the current business year. The net gain on financial instruments was CHF 2.7 million, CHF 4.0 million below the previous year's figure, which was affected by gains realised on the sale of bonds. The changes in the fair value of financial instruments recognised in the fair value reserve in equity increased by CHF 0.6 million to CHF 3.7 million. Foreign exchange gains and losses improved from a loss of CHF 6.9 million the previous year to a gain of CHF 0.4 million. Net financial items included foreign exchange gains and losses on financial transactions, whereas foreign exchange losses of CHF 3.0 million (2013: foreign exchange losses of CHF 9.6 million) were recognised in operating profit (EBIT). The Group's share of profit of associates amounted to CHF 1.5 million (CHF 2.0 million).

Tax rate and profit for the year Income tax expense fell by CHF 25.2 million to CHF 54.3 million (2013: CHF 79.5 million). The decrease is partly attributable to the lower pre-tax result, falling profits in countries with higher average tax rates as well as non-recurring effects. Amongst other factors, participation in an arbitration procedure in Brazil (the "REFIS" programme) resolved differences of opinion that had persisted over many years. As a consequence, the effective tax rate was 22.3%, well below the previous year's figure of 28.8%. Group profit for the year reached CHF 189.7 million, a decrease of 3.3% against the record level attained the previous year. The return on sales was 6.8% (7.3%). Based on a slightly lower profit for the year and the slightly higher average number of outstanding shares compared with the previous year, earnings per share sunk by 5.4% to CHF 18.58 (CHF 19.64).

Financial situation Net operating assets amounted to CHF 1 325.4 million, against CHF 1 080.8 million a year earlier. The 22.6% increase is mainly attributable to acquisitions, investments and advance payments of tax. In addition, the healthy business tendency in the second half of the year led to an increase in receivables and inventories. At the end of the year, net operating assets as a percentage of net sales were 47.2% (2013: 40.2%). The return on net operating assets (RONOA) after tax was 15.8%, close to the high target of 16% set by the Group. As part of sustainable corporate development, capital expenditure CHF 116.3 million (CHF 136.6 million) exceeded depreciation and amortisation by CHF 23.7 million (CHF 52.6 million). The most important single investments involved expansion projects at Kuhn Group in North America and the Netherlands, as well as the expansion of Bucher Hydraulics in Grand Rapids, USA. Operating free cash flow was CHF 53.7 million (CHF 91.7 million). Taking into account the higher dividend compared with the previous year of CHF 67.7 million (CHF 51.6 million), the negative free cash flow generated amounted to CHF 66.1 million (positive free cash flow CHF 61.5 million). The decrease is due to lower operational cash flow, higher expenses in connection with acquisitions and lower revenues from the sale of financial instruments and treasury shares. Net liquidity was negative CHF 85.0 million (negative CHF 0.1 million). The decrease in net debt by CHF 136.7 million since 30 June 2014 was mainly due to seasonal factors.

Return on net operating assets (RONOA) after tax

CHF million

	2014	2013
Trade receivables	478.5	437.5
Inventories	668.7	632.9
Property, plant and equipment	634.8	569.7
Intangible assets	252.9	181.5
Other operating receivables	91.0	55.6
Trade payables	−263.6	−261.2
Advances from customers	−198.7	−190.4
Provisions	−77.7	−71.5
Other operating liabilities	−260.5	−273.3
Net operating assets (NOA)	**1 325.4**	**1 080.8**
Net operating assets (NOA), average	1 268.0	1 061.3
Operating profit (EBIT)	**257.2**	**287.1**
Return on net operating assets (RONOA), after tax	**15.8%**	**19.3%**

Cash flow/free cash flow

CHF million

	2014	2013
Net cash flow from operating activities	**163.0**	**223.5**
Purchases of property, plant and equipment	– 112.1	– 132.6
Proceeds from sale of property, plant and equipment	7.0	4.8
Purchases of intangible assets	– 4.2	– 4.0
Operating free cash flow	**53.7**	**91.7**
Purchases of short-term investments and financial assets	– 1.0	– 2.9
Proceeds from sale of short-term investments and financial assets	3.7	30.5
Acquisition	– 62.7	– 54.9
Disposal	–	4.8
Acquisition of non-controlling interests	– 5.1	–
Purchases of treasury shares	– 2.8	–
Proceeds from sale of treasury shares	15.4	43.6
Dividend received	0.4	0.3
Dividend paid	– 67.7	– 51.6
Free cash flow	**– 66.1**	**61.5**

At the end of 2014, intangible assets amounted to CHF 252.9 million (2013: CHF 181.5 million). The increase is due primarily to the acquisitions made. Goodwill rose to CHF 133.3 million (CHF 80.3 million) because of the acquisition effect and the conversion rates applied. 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 21.0% (16.9%), while that of goodwill to equity was 11.1% (7.5%).

Equity increased by CHF 127.5 million to CHF 1 201.6 million at 31 December 2014. The profit for the year of CHF 189.7 million was mainly countered by increased dividends of CHF 67.7 million (2013: CHF 51.6 million). The equity ratio rose by 2.0 percentage points to 46.1% (44.1%) and the return on equity was 16.7% (20.0%). At the end of the year, the Group had cash and cash equivalents and short-term investments of CHF 369.2 million and financial liabilities of CHF 454.2 million. A total of CHF 285.0 million was available in unused committed credit facilities.

Employee numbers The number of employees rose by 5.8% year on year to 11 554 full-time equivalents at the reporting date. The average for the year was 7.8% higher than the previous year. Adjusted for the effects of acquisitions and disposals the increase at year-end was 1.2%. Thanks to the deployment of temporary staff, it was possible to adapt employment numbers with a high degree of flexibility to seasonal fluctuations and local economic trends. Group sales increased by 4.3%, while net sales per employee were CHF 241 000, below the previous year's figure (CHF 250 000). Adjusted for currencies, acquisitions and disposals, net sales per employee was at CHF 246 000.

Selected financial data

CHF million

	2014	2013
Net tangible worth (equity less goodwill)	1 068.3	993.8
Gearing ratio (net debt to equity)	7.1%	–
Return on equity (ROE)	16.7%	20.0%
Interest coverage ratio (EBITDA to net interest expense)	23.0	30.5
Debt payback period (net debt to EBITDA)	0.2	–

Shareholder value In a generally positive stock market, the performance of Bucher's share price compared to the SPI showed a slightly weaker development in the reporting year. The year-end price was CHF 248.90 (2013: CHF 259.00). The 52-week high was CHF 314.30, with a 52-week low of CHF 218.20. 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 were CHF 18.58, against CHF 19.64 a year earlier.

Dividend In view of the virtually unchanged Group profit for the year in 2014 as well as a consistent dividend policy, the board of directors is proposing that the annual general meeting on 14 April 2015 approve payment of a dividend of CHF 6.50 per registered share, equivalent to last year's payment. Based on the average share price of CHF 269.00 for 2014, the board's proposal represents a dividend yield of 2.4% (2013: 2.9%).

Discontinuation of the minimum euro rate In mid-January 2015, the Swiss National Bank discontinued the minimum euro rate of CHF 1.20, which led to a massive appreciation of the Swiss franc against the Group's principal trading currencies. In view of the internationalisation of the Group's business over many years – with less than 10% of the workforce now employed in Switzerland – the exchange-rate shock mainly affects currency translation of sales and results. In addition, profitability at the production plants in Switzerland will come under pressure, which is why corrective action has been taken. With the exchange rates pertaining at the end of February 2015, on Group level the negative currency effects on sales in Swiss francs will be over 10% and on operating profit around 15%, also due to one-off devaluation effects on balance sheet items. The operating profit margin should be around 0.5 percentage points down on the previous year's level because of currency effects.

Consolidated balance sheet at 31 December 2014

CHF million	Note	31 December 2014	31 December 2013
Cash and cash equivalents		337.8	423.1
Short-term investments	3	31.4	32.6
Trade receivables	4	478.5	437.5
Current income tax assets		30.8	10.4
Other receivables	4	56.5	50.6
Inventories	5	668.7	632.9
Current assets		**1 603.7**	**1 587.1**
Long-term receivables	4	5.6	3.3
Property, plant and equipment	6	634.8	569.7
Intangible assets	7	252.9	181.5
Other financial assets	8	31.4	33.0
Investments in associates	9	12.3	11.5
Deferred income tax assets	20	63.8	50.2
Non-current assets		**1 000.8**	**849.2**
Assets		**2 604.5**	**2 436.3**
Financial liabilities	10	106.1	283.4
Trade payables		263.6	261.2
Advances from customers		198.7	190.4
Provisions	11	61.5	60.3
Other liabilities	13	220.5	214.3
Current income tax liabilities		23.5	49.5
Current liabilities		**873.9**	**1 059.1**
Financial liabilities	10	348.1	172.4
Provisions	11	16.2	11.2
Other liabilities	13	24.8	12.6
Deferred income tax liabilities	20	57.2	54.5
Retirement benefit obligations	21	82.7	52.4
Non-current liabilities		**529.0**	**303.1**
Attributable to owners of Bucher Industries AG		1 159.8	1 030.2
Attributable to non-controlling interests		41.8	43.9
Equity		**1 201.6**	**1 074.1**
Liabilities and equity		**2 604.5**	**2 436.3**

Consolidated income statement for the year ended 31 December 2014

CHF million	Note	2014	%	2013	%
Net sales	**1**	**2 805.6**	**100.0**	**2 690.8**	**100.0**
Changes in inventories of finished goods and work in progress		3.9		22.1	
Raw materials and consumables used		– 1 422.1		– 1 361.9	
Employment costs	15	– 698.9		– 652.9	
Other operating income	16	26.7		28.2	
Other operating expenses	17	– 365.4		– 355.2	
Operating profit before depreciation and amortisation (EBITDA)		**349.8**	**12.5**	**371.1**	**13.8**
Depreciation	6	– 70.9		– 66.7	
Amortisation	7	– 21.7		– 17.3	
Operating profit (EBIT)		**257.2**	**9.2**	**287.1**	**10.7**
Share of profit/(loss) of associates	19	1.5		2.0	
Finance costs	19	– 20.9		– 18.1	
Finance income	19	6.2		4.7	
Profit before tax		**244.0**	**8.7**	**275.7**	**10.2**
Income tax expense	20	– 54.3		– 79.5	
Profit/(loss) for the year		**189.7**	**6.8**	**196.2**	**7.3**
Attributable to owners of Bucher Industries AG		187.4		194.5	
Attributable to non-controlling interests		2.3		1.7	
Basic earnings per share in CHF	14	18.58		19.64	
Diluted earnings per share in CHF	14	18.50		19.53	

Consolidated statement of comprehensive income for the year ended 31 December 2014

CHF million

	2014	2013
Profit/(loss) for the year	**189.7**	**196.2**
Change in actuarial gains/(losses) on defined benefit pension plans	–31.4	3.3
Income tax	7.3	–1.1
Change in actuarial gains/(losses) on defined benefit pension plans, net of tax	**–24.1**	**2.2**
Items that will not be transferred subsequently to income statement	**–24.1**	**2.2**
Change in fair value reserve	0.9	1.8
Transfer to income statement	–	–6.5
Income tax	–0.3	1.2
Change in fair value reserve, net of tax	**0.6**	**–3.5**
Change in cash flow hedge reserve	–9.9	4.0
Transfer to income statement	4.1	–5.5
Income tax	0.9	0.7
Change in cash flow hedge reserve, net of tax	**–4.9**	**–0.8**
Change in currency translation reserve	25.0	–9.5
Transfer to income statement	–0.1	1.6
Change in currency translation reserve	**24.9**	**–7.9**
Items that may be transferred subsequently to income statement	**20.6**	**–12.2**
Other comprehensive income	**–3.5**	**–10.0**
Comprehensive income	**186.2**	**186.2**
Attributable to owners of Bucher Industries AG	182.2	184.3
Attributable to non-controlling interests	4.0	1.9

Consolidated cash flow statement for the year ended 31 December 2014

CHF million	Note	2014	2013
Profit/(loss) for the year		**189.7**	**196.2**
Income tax expense	20	54.3	79.5
Net interest expense	19	15.2	12.2
Share of profit/(loss) of associates	19	–1.5	–2.0
Depreciation and amortisation	6, 7	92.6	84.0
Other operating cash flow items		3.1	3.4
Gain on sale of non-current assets and subsidiaries	16	–2.3	–7.5
Gain on sale of short-term investments and financial assets		–	–6.5
Interest received		2.8	4.0
Interest paid		–19.8	–15.0
Income tax paid		–100.7	–63.9
Change in provisions and retirement benefit obligations		–10.9	1.2
Change in receivables		–26.2	–12.2
Change in inventories		–12.4	–38.6
Change in advances from customers		10.2	–25.3
Change in payables		–19.5	27.0
Other changes in working capital		–11.6	–13.0
Net cash flow from operating activities		**163.0**	**223.5**
Purchases of property, plant and equipment	6	–112.1	–132.6
Proceeds from sale of property, plant and equipment		7.0	4.8
Purchases of intangible assets	7	–4.2	–4.0
Purchases of short-term investments and financial assets		–1.0	–2.9
Proceeds from sale of short-term investments and financial assets		3.7	30.5
Acquisition	2	–62.7	–54.9
Disposal	2	–	4.8
Dividend received	9	0.4	0.3
Net cash flow from investing activities		**–168.9**	**–154.0**
Purchases of treasury shares	14	–2.8	–
Proceeds from sale of treasury shares		15.4	43.6
Proceeds from non-current financial liabilities		242.3	54.0
Repayment of non-current financial liabilities		–1.8	–5.6
Proceeds from current financial liabilities		115.5	79.7
Repayment of current financial liabilities		–371.6	–191.7
Acquisition of non-controlling interests	2	–5.1	–
Dividend paid		–67.7	–51.6
Net cash flow from financing activities		**–75.8**	**–71.6**
Effect of exchange rate changes		–3.6	0.6
Net change in cash and cash equivalents		**–85.3**	**–1.5**
Cash and cash equivalents at 1 January		423.1	424.6
Cash and cash equivalents at 31 December		**337.8**	**423.1**

Consolidated statement of changes in equity for the year ended 31 December 2014

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 2013	**2.1**	**1 127.5**	**−21.2**	**−262.0**	**6.6**	**1.9**	**854.9**	**35.4**	**890.3**
Profit/(loss) for the year		194.5					194.5	1.7	**196.2**
Other comprehensive income		2.2		−8.1	−3.5	−0.8	−10.2	0.2	**−10.0**
Comprehensive income		**196.7**		**−8.1**	**−3.5**	**−0.8**	**184.3**	**1.9**	**186.2**
Change in treasury shares		26.5	7.4				33.9		**33.9**
Share-based payments		6.5	3.4				9.9		**9.9**
Change in non-controlling interests		−3.2					−3.2	8.6	**5.4**
Dividend		−49.6					−49.6	−2.0	**−51.6**
Balance at 31 December 2013	**2.1**	**1 304.4**	**−10.4**	**−270.1**	**3.1**	**1.1**	**1 030.2**	**43.9**	**1 074.1**
Profit/(loss) for the year		187.4					187.4	2.3	**189.7**
Other comprehensive income		−24.0		23.1	0.6	−4.9	−5.2	1.7	**−3.5**
Comprehensive income		**163.4**		**23.1**	**0.6**	**−4.9**	**182.2**	**4.0**	**186.2**
Change in treasury shares		4.3	−1.7				2.6		**2.6**
Share-based payments		8.6	2.9				11.5		**11.5**
Change in non-controlling interests		−1.1					−1.1	−4.0	**−5.1**
Dividend		−65.6					−65.6	−2.1	**−67.7**
Balance at 31 December 2014	**2.1**	**1 414.0**	**−9.2**	**−247.0**	**3.7**	**−3.8**	**1 159.8**	**41.8**	**1 201.6**

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 Bucher Industries Group comprises five specialised divisions. The Group's operations are organised as follows: specialised agricultural machinery (Kuhn Group); municipal vehicles (Bucher Municipal); hydraulic components (Bucher Hydraulics); manufacturing equipment for the glass container industry (Bucher Emhart Glass); systems and technologies for the production of wine, fruit juice, instant products and beer, as well as for dewatering sewage sludge, a Swiss distributorship for tractors and specialised agricultural machinery, and control systems for automation technology (Bucher Specials).

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 2014 had no significant impact on the consolidated financial statement presented here. Published standards or interpretations that will only come into effect for the financial years from 1 January 2015 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 2017	2017
Revised standards			
Var.	Various amendments and annual improvements to IFRS / IAS		

Bucher Industries continually assesses the possible impact of the new and revised standards and interpretations. At the present, the impact of the new standards 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 consolidated financial statement.

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. More information about the areas described below is disclosed in the notes to the consolidated financial statements.

Impairment of assets Goodwill is tested for impairment at least annually, while other assets are reviewed for impairment whenever there is an indication that they may be impaired. To determine whether assets are impaired, various assumptions and estimates of future cash flows expected from their use and eventual disposal are made and discounted. Group management bases its assessments on past performance and on estimated future performance for at least the next three years based on its expectations of market development. The discount rate used is a pre-tax interest rate that reflects specific risks relating to the individual operating segments. Actual cash flows may differ from those expected. Any impairment losses are recognised as an expense in the income statement. The carrying amount of goodwill and details of the valuation parameters and sensitivity analyses used are set out in note 7.

Provisions Provisions are formed for a number of events where it is probable that an outflow of resources will be required. The provision for warranty claims is measured on the basis of historical data for the last two years, which are applied to current sales and weighted by warranty period. Management estimates the other provisions realistically based on information currently available. However, actual cash outflows and their timing may differ significantly depending on the outcome of events. The carrying amounts of provisions are set out in note 11.

Income tax expense Assumptions and estimates are required to determine the amount of current and deferred income tax assets and liabilities. Deferred tax assets are recognised for temporary differences and for tax losses carried forward to the extent that the realisation of the related tax benefit is probable. Their measurement is based on forecasts by the entities concerned and on assessments of tax legislation and regulations. If these forecasts and assessments prove to be incorrect, then impairment may result. More details are given in note 20.

Pension plans Most of the pension plans operated by the Group are of the defined contribution type, but defined benefit plans are provided in some countries. 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. The assumptions are reviewed at the end of each year based on observable market data. If any of these factors differs from the underlying assumptions, this may have a significant impact on the amount of benefit obligations and assets of the pension plans. More details are given in note 21.

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. Each of the segments is distinct from the others, providing different products and services for different customer groups. Assets, liabilities, income and expenses can be clearly allocated to the 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 included in cash and cash equivalents, and derivative financial instruments are measured at fair value, with changes in fair value recognised in the income statement. Derivative financial instruments are recorded as other receivables or other payables as applicable.

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.

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

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.

Other financial assets These assets include long-term investments (of less than 20%), long-term loans and other miscellaneous financial assets. Long-term loans are carried as “loans and receivables” and valued at amortised cost. The other financial assets can additionally be classified as “available-for-sale” and correspondingly measured at fair value. Charges and credits to the income statement are recorded in finance income.

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. Changes in fair value are recorded in the income statement. Unrealised gains and losses on contracts to hedge operating cash flows are taken to operating profit, while those on contracts to hedge financing activities are taken to finance income and finance costs. Derivative financial instruments are recorded in the balance sheet 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. 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. 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. The Group has determined the following useful lives:

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

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. Intangible assets that are subject to amortisation are reviewed for impairment only when there is an indication that the carrying amount may not be recoverable. Impairment losses are recognised directly through the income statement. 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

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. 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, commissions, 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. 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 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 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 defined contribution pension plans as well as past service costs and benefit entitlements arising from changes in the plans are charged directly to the income statement. In application of IAS 19, employer contribution reserves and assets of voluntary employer-sponsored funds are recognised as assets. 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 payments In 2010, the share-based payment schemes were replaced by new share plans. Share options granted in earlier years under the previous share option plans remain valid. More information is given in note 22.

Bucher Executive Share Plan The Bucher Executive Share Plan is a share-based, performance-related component of remuneration for the members of group management. The shares awarded are calculated using the average share price for the reporting year. The shares awarded are valued using the average share price during the first three weeks of January in the financial year following the reporting year. The costs are recognised in the income statement on an accrual basis.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, division management and selected specialists. The shares awarded are calculated and valued using the average share price during the first three weeks of January in the financial year following the reporting year. The costs are recognised in the income statement on an accrual basis.

Share option plans In 2009 (last award), share options were valued using the so-called Enhanced American model (EA model). Employment costs associated with the outstanding share options are recognised pro rata over the periods to vesting.

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. 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 specialised divisions in related areas of mechanical and vehicle engineering. 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. The following summary describes the operations of each of the reportable segments:

Kuhn Group is the world's leading supplier of specialised agricultural machinery for tillage, seeding, fertilisation, spraying, landscape maintenance, hay and forage harvesting, livestock bedding and feeding.

Bucher Municipal is the European and Australian market leader in municipal vehicles for cleaning and clearing snow from public and private spaces, offering a wide range of compact and truck-mounted sweepers, winter maintenance equipment and refuse collection vehicles.

Bucher Hydraulics is a leading international manufacturer of advanced hydraulic systems. The wide range of products includes pumps, motors, valves, power units, cylinders, elevator drives and control systems with integrated electronics.

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

Net sales and assets by region

CHF million	Net sales		Property, plant and equipment and intangible assets	
	2014	2013	2014	2013
Switzerland	126.8	131.0	105.3	105.8
Germany	411.8	377.2	91.0	101.5
France	374.3	439.5	140.1	137.3
Rest of Europe	789.8	721.3	185.0	175.0
North America	568.6	532.1	150.4	124.0
Central and South America	175.7	100.0	118.3	17.9
Asia	220.2	237.4	83.0	75.9
Other	138.4	152.3	14.6	13.8
Total	**2 805.6**	**2 690.8**	**887.7**	**751.2**

Net sales have been allocated to the countries of destination.

Segment information

CHF million	Net sales		Depreciation		Amortisation		Operating profit (EBIT)	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Kuhn Group	1 261.9	1 285.8	30.3	28.3	12.5	10.2	152.7	191.2
Bucher Municipal	418.7	383.2	7.0	6.2	0.7	0.8	32.2	33.1
Bucher Hydraulics	475.4	453.3	17.6	17.0	2.3	2.2	48.5	42.4
Bucher Emhart Glass	389.2	346.6	10.0	9.8	2.4	2.0	15.2	16.7
Bucher Specials	304.5	244.0	3.8	2.5	3.8	2.1	27.1	24.4
Reportable segments	**2 849.7**	**2 712.9**	**68.7**	**63.8**	**21.7**	**17.3**	**275.7**	**307.8**
Other/consolidation	– 44.1	– 22.1	2.2	2.9	–	–	– 18.5	– 20.7
Group	**2 805.6**	**2 690.8**	**70.9**	**66.7**	**21.7**	**17.3**	**257.2**	**287.1**

CHF million	Capital expenditure		Goodwill		Operating assets		Operating liabilities	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Kuhn Group	65.9	60.2	77.7	28.8	977.4	763.4	478.6	454.0
Bucher Municipal	9.8	22.5	5.9	4.9	247.0	241.6	97.6	95.5
Bucher Hydraulics	20.2	31.1	4.5	4.6	315.6	315.7	59.1	58.5
Bucher Emhart Glass	10.8	14.0	23.2	21.8	385.6	352.3	105.9	110.3
Bucher Specials	3.9	4.6	4.3	4.3	166.8	173.1	70.7	71.0
Reportable segments	**110.6**	**132.4**	**115.6**	**64.4**	**2 092.4**	**1 846.1**	**811.9**	**789.3**
Other/consolidation	5.7	4.2	17.7	15.9	33.5	31.1	– 11.4	7.1
Group	**116.3**	**136.6**	**133.3**	**80.3**	**2 125.9**	**1 877.2**	**800.5**	**796.4**

The performance of each of the divisions is evaluated based on operating profit or loss, which is measured consistently for management reporting and in the consolidated financial statements. 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 11.9 million (2013: CHF 12.7 million) for Kuhn Group, CHF 4.3 million (CHF 4.3 million) for Bucher Hydraulics and CHF 27.8 million (CHF 4.8 million) for Bucher Specials. The other divisions had only marginal intersegment sales.

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

Reconciliation of segment profit

CHF million

	2014	2013
Segment operating profit (EBIT)	275.7	307.8
Other/consolidation	– 18.5	– 20.7
Group operating profit (EBIT)	**257.2**	**287.1**
Share of profit/(loss) of associates	1.5	2.0
Finance costs	– 20.9	– 18.1
Finance income	6.2	4.7
Profit before tax	**244.0**	**275.7**

Reconciliation of segment assets

CHF million

	2014	2013
Segment operating assets	**2 092.4**	**1 846.1**
Other/consolidation	33.5	31.1
Group operating assets	**2 125.9**	**1 877.2**
Cash and cash equivalents and short-term investments	369.2	455.7
Other financial assets	31.4	33.0
Other assets	1.9	8.7
Investments in associates	12.3	11.5
Deferred income tax assets	63.8	50.2
Group assets	**2 604.5**	**2 436.3**

Reconciliation of segment liabilities

CHF million

	2014	2013
Segment operating liabilities	**811.9**	**789.3**
Other/consolidation	– 11.4	7.1
Group operating liabilities	**800.5**	**796.4**
Current financial liabilities	106.1	283.4
Non-current financial liabilities	348.1	172.4
Other payables	8.3	3.1
Deferred income tax liabilities	57.2	54.5
Retirement benefit obligations	82.7	52.4
Group liabilities	**1 402.9**	**1 362.2**

2 Acquisitions and disposals

Acquisition Montana Indústria de Máquinas At the end of March 2014, Bucher Industries acquired a 100% equity holding in Montana Indústria de Máquinas, São José dos Pinhais, near Curitiba, Brazil, on behalf of the Kuhn Group division. The company has a strong presence in Mato Grosso, Brazil, particularly, but also in other states, with holdings in large agricultural enterprises. It has a strong market position in the self-propelled crop-sprayer segment. The acquisition represents an excellent complement to the existing product portfolio of Kuhn Group in Brazil, giving it access to customers in the important and growing segment of large agricultural enterprises. The combination of the current and future product portfolios of Kuhn and Montana makes Kuhn Group an attractive partner for the dealership network. The purchase price was CHF 65.6 million and comprises a cash component of CHF 59.8 million, deferred consideration of CHF 3.5 million, as well as contingent consideration of CHF 2.3 million. To determine the estimated contingent consideration, the expected future payments were discounted at the time of the acquisition. The payments totalling a maximum of CHF 7.7 million will take place over the next three years and are contingent on the annual sales targets being met. The cash and cash equivalents taken over amounted to CHF 4.3 million. The value of receivables acquired reflected their 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 48.4 million. This goodwill represents the entry into the markets and the synergy potential from the merger as well as the employees' expertise. Kuhn-Montana has generated sales of CHF 56.3 million and a result of CHF 8.3 million since the date of the acquisition. The result was significantly influenced by positive non-recurring effects arising from the participation in an arbitration procedure in Brazil ("REFIS" programme). If the acquisition would have been completed by 1 Januar 2014, sales would amount to CHF 61.9 million, the profit/loss for the year cannot be estimated with any certainty at present owing to adjustments in the first quarter. The acquisition costs totalling CHF 1.2 million were recognised on an accrual basis in 2013 and 2014 under other operating expenses.

Net assets acquired Kuhn-Montana

CHF million	Fair value
Cash and cash equivalents	4.3
Trade receivables	10.9
Inventories	14.5
Property, plant and equipment	23.5
Intangible assets	34.1
Deferred income tax assets	11.6
Current financial liabilities	–15.8
Trade payables	–12.5
Current provisions	–10.0
Current other liabilities	–12.1
Current income tax liabilities	–7.4
Non-current provisions	–6.5
Deferred income tax liabilities	–11.6
Other net assets	–5.8
Net assets	**17.2**
Goodwill	48.4
Total purchase consideration	**65.6**

Other acquisitions At the end of September 2014, Bucher Industries acquired a 100% equity holding in Rever S.r.l. on behalf of the Bucher Municipal division for a total consideration of CHF 3.4 million. The fair value of net assets acquired was CHF 2.3 million, comprising essentially cash and cash equivalents worth CHF 1.2 million and property, plant and equipment worth CHF 1.1 million.

Net assets and cash flow from acquisitions and disposals

CHF million	Fair value on acquisition	Fair value on acquisition	Disposal
	2014		**2013**
Current assets	36.2	53.9	−0.8
Non-current assets	71.1	63.2	−0.1
Current liabilities	−59.5	−24.5	0.2
Non-current liabilities	−28.3	−24.7	–
Net assets	**19.5**	**67.9**	**−0.7**
Shares previously held	–	−8.4	–
Non-controlling interests	–	−5.4	–
Goodwill	49.5	8.4	–
Gain on disposal	–	–	−4.1
Total purchase consideration	**69.0**	**62.5**	**−4.8**
Cash and cash equivalents	−5.5	−9.0	–
Contingent consideration	−2.3	−1.3	–
Deferred consideration	−3.5	–	–
Contingent consideration relating to previous years	5.0	0.4	–
Deferred consideration relating to previous years	–	2.3	–
Net cash flow on acquisition/disposal	**62.7**	**54.9**	**−4.8**

The contingent considerations relating to previous years arose in connection with the 2011 acquisition of Kuhn Krause. For further information on the conditional purchase price liabilities see note 26.

Acquisition of non-controlling interest Jetter AG Through the purchase of further shares, Bucher Industries' stake increased by 18.6% to 96.0%. The purchase price amounting to CHF 5.1 million was recognised as "acquisition of non-controlling interests" in "net cash flow from financing activities". The increase led to a change in non-controlling interests in the statement of equity in the amount of CHF 4.0 million. The difference between the purchase price and the pro-rata carrying amount of CHF 1.1 million was recognised in retained earnings. The company was delisted from the Frankfurt Xetra exchange as of 30 April 2014.

3 Short-term investments

CHF million	2014	2013
Money market investment	3.4	4.9
Bonds	28.0	27.7
Short-term investments	**31.4**	**32.6**

Changes in fair value recognised in other comprehensive income, net of tax, amounted to CHF 0.6 million (2013: CHF 1.0 million).

4 Receivables

CHF million	Current	Non-current	Total	Current	Non-current	Total
			2014			**2013**
Trade receivables	462.1	0.1	462.2	421.2	1.9	423.1
Notes receivable	12.4	–	12.4	16.3	–	16.3
Finance lease receivables	4.0	4.1	8.1	–	–	–
Trade receivables, net	**478.5**	**4.2**	**482.7**	**437.5**	**1.9**	**439.4**
Other receivables	40.8	1.3	42.1	29.5	1.2	30.7
Prepayments to suppliers	7.5	–	7.5	5.2	–	5.2
Derivative financial instruments	1.8	0.1	1.9	8.5	0.2	8.7
Accrued income	6.4	–	6.4	7.4	–	7.4
Other receivables	**56.5**	**1.4**	**57.9**	**50.6**	**1.4**	**52.0**
Receivables	**535.0**	**5.6**	**540.6**	**488.1**	**3.3**	**491.4**

Ageing analysis of trade receivables

CHF million

	2014	2013
Trade receivables, gross	503.8	456.3
Amount provided for	– 21.1	– 16.9
Receivables, net	**482.7**	**439.4**
Not due	410.0	337.7
Not due, amount provided for	– 6.1	– 5.5
Past due, within 30 days	40.2	54.3
Past due, from 31 to 90 days	19.5	23.7
Past due, more than 90 days	34.1	40.6
Past due, amount provided for	– 15.0	– 11.4

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

	2014	2013
Balance at 1 January	16.9	16.6
Exchange differences	– 0.5	–
Acquisition/disposal of subsidiaries	2.3	0.2
Provision for receivables impairment	5.8	4.3
Unused amounts reversed	– 2.9	– 2.5
Receivables written-off during the year as uncollectible	– 0.5	– 1.7
Balance at 31 December	**21.1**	**16.9**

5 Inventories

CHF million

	2014	2013
Raw materials and consumables	156.7	138.5
Work in progress	146.5	142.9
Finished goods and goods for resale	365.5	351.5
Inventories	**668.7**	**632.9**
Change of write-downs	11.5	6.7

In the reporting period, CHF 0.1 million was written off directly via the income statement (2013: CHF 0.3 million).

6 Property, plant and equipment

CHF million	Land and buildings	Plant and machinery	Furniture, fixtures and equipment	Prepayments and assets under construction	Total property, plant and equipment
					2014
Cost at 1 January	556.6	472.7	206.2	25.9	1 261.4
Exchange differences	1.9	– 1.8	0.8	0.7	1.6
Acquisition/disposal of subsidiaries	19.4	7.6	3.4	1.0	31.4
Additions	26.6	22.7	15.7	47.1	112.1
Disposals	– 8.4	– 6.5	– 10.6	– 0.2	– 25.7
Transfers	7.8	11.9	3.0	– 22.7	–
Cost at 31 December	**603.9**	**506.6**	**218.5**	**51.8**	**1 380.8**
Accumulated depreciation at 1 January	210.8	330.2	150.7	–	691.7
Exchange differences	– 0.1	– 2.2	– 0.1	–	– 2.4
Acquisition/disposal of subsidiaries	1.1	3.3	2.4	–	6.8
Disposals	– 5.0	– 5.9	– 10.1	–	– 21.0
Depreciation for the year	20.4	32.2	18.3	–	70.9
Accumulated depreciation at 31 December	**227.2**	**357.6**	**161.2**	**–**	**746.0**
Net book value at 31 December	**376.7**	**149.0**	**57.3**	**51.8**	**634.8**
					2013
Cost at 1 January	459.9	429.1	182.0	39.5	1 110.5
Exchange differences	– 2.1	– 1.5	– 0.7	– 0.2	– 4.5
Acquisition/disposal of subsidiaries	21.6	18.4	16.7	0.9	57.6
Additions	40.2	31.1	20.4	40.9	132.6
Disposals	– 5.1	– 12.6	– 17.1	–	– 34.8
Transfers	42.1	8.2	4.9	– 55.2	–
Cost at 31 December	**556.6**	**472.7**	**206.2**	**25.9**	**1 261.4**
Accumulated depreciation at 1 January	193.0	300.1	139.4	–	632.5
Exchange differences	0.3	– 0.2	– 0.3	–	– 0.2
Acquisition/disposal of subsidiaries	1.8	11.2	13.1	–	26.1
Disposals	– 4.9	– 12.1	– 16.4	–	– 33.4
Depreciation for the year	20.6	31.2	14.9	–	66.7
Accumulated depreciation at 31 December	**210.8**	**330.2**	**150.7**	**–**	**691.7**
Net book value at 31 December	**345.8**	**142.5**	**55.5**	**25.9**	**569.7**

The net book value of assets under finance leases amounted to CHF 24.9 million (2013: CHF 29.7 million). The fire insurance value of the assets amounted to CHF 1 804.2 million (CHF 1 708.8 million), equivalent, as a rule, to its replacement value or value as new.

7 Intangible assets

CHF million	Goodwill	Trademarks	Customer relation	Licences/ Patents	Other	Total intangible asssets
						2014
Cost at 1 January	173.2	27.1	51.7	183.5	22.3	457.8
Exchange differences	6.9	0.7	3.3	–2.6	–0.4	7.9
Acquisition/disposal of subsidiaries	49.5	17.4	15.9	–	1.3	84.1
Additions	–	–	–	3.3	0.9	4.2
Disposals	–	–	–	–1.0	–0.1	–1.1
Cost at 31 December	**229.6**	**45.2**	**70.9**	**183.2**	**24.0**	**552.9**
Accumulated amortisation at 1 January	92.9	14.1	10.1	142.0	17.2	276.3
Exchange differences	3.4	0.8	1.1	–2.4	–0.3	2.6
Acquisition/disposal of subsidiaries	–	–	–	–	0.4	0.4
Disposals	–	–	–	–0.9	–0.1	–1.0
Amortisation for the year	–	3.9	4.6	11.5	1.7	21.7
Impairment charge	–	–	–	–	–	–
Accumulated amortisation at 31 December	**96.3**	**18.8**	**15.8**	**150.2**	**18.9**	**300.0**
Net book value at 31 December	**133.3**	**26.4**	**55.1**	**33.0**	**5.1**	**252.9**
						2013
Cost at 1 January	168.9	20.6	39.9	172.0	9.3	410.6
Exchange differences	–4.1	–0.2	–0.9	0.3	–0.1	–4.9
Acquisition/disposal of subsidiaries	8.4	6.7	12.7	8.3	12.8	48.9
Additions	–	–	–	3.7	0.3	4.0
Disposals	–	–	–	–0.8	–	–0.8
Cost at 31 December	**173.2**	**27.1**	**51.7**	**183.5**	**22.3**	**457.8**
Accumulated amortisation at 1 January	95.6	12.0	7.2	128.7	7.9	251.3
Exchange differences	–2.7	–0.1	–0.3	–0.2	–0.1	–3.3
Acquisition/disposal of subsidiaries	–	–	–	3.3	8.5	11.8
Disposals	–	–	–	–0.8	–	–0.8
Amortisation for the year	–	2.2	3.2	11.0	0.9	17.3
Impairment charge	–	–	–	–	–	–
Accumulated amortisation at 31 December	**92.9**	**14.1**	**10.1**	**142.0**	**17.2**	**276.3**
Net book value at 31 December	**80.3**	**13.0**	**41.6**	**41.5**	**5.1**	**181.5**

Goodwill is allocated to the cash-generating units that are expected to benefit from the respective business combination. Annually or whenever there is an indication of possible impairment, goodwill is tested for impairment.

Bucher Industries uses the discounted cash flow (DCF) method to assess the recoverability of goodwill, based on value in use. The calculations used projections based on financial budgets approved by management for at least the next three years (2015 – 2017). Cash flows beyond the budget period were determined using a sales growth rate generally based on the current inflation rate in each country. The discount rates were determined based on the Group's weighted cost of capital adjusted to reflect specific country and currency risks. The cost of equity was determined using the capital-asset pricing model (CAPM).

Allocation of goodwill to cash-generating units

CHF million	Growth rates	WACC	Goodwill	Growth rates	WACC	Goodwill
			2014			**2013**
Kuhn North America, Inc., USA	1.7%	9.8%	18.6	1.2%	10.3%	16.7
Kuhn-Geldrop B.V., Netherlands	1.1%	6.6%	8.0	1.6%	7.9%	8.2
Kuhn Krause, Inc., USA	1.7%	9.8%	4.3	1.2%	10.3%	3.9
Kuhn-Montana Indústria de Máquinas S/A, Brazil	6.4%	19.0%	46.8			–
Kuhn Group			**77.7**			**28.8**
Gmeiner GmbH, Germany	0.8%	7.4%	3.2	1.2%	8.5%	3.2
Giletta S.p.A., Italy	0.1%	10.5%	2.7	0.8%	11.5%	1.7
Bucher Municipal			**5.9**			**4.9**
Bucher Hidráulica Ltda., Brazil	6.6%	20.3%	4.5	5.7%	23.5%	4.6
Bucher Hydraulics			**4.5**			**4.6**
Emhart Glass SA, Switzerland	0.4%	7.4%	4.4	0.7%	8.5%	4.5
Shandong Sanjin Glass Machinery Co. Ltd., China	1.6%	9.4%	18.8	3.2%	13.1%	17.3
Bucher Emhart Glass			**23.2**			**21.8**
Bucher Landtechnik AG, Switzerland	1.0%	5.7%	1.2	1.0%	6.3%	1.2
Jetter AG, Germany	0.8%	7.1%	3.1	1.2%	8.5%	3.1
Bucher Specials			**4.3**			**4.3**
Bucher Industries US Inc., USA	1.7%	10.4%	17.7	1.2%	10.9%	15.9
Other			**17.7**			**15.9**
Goodwill			**133.3**			**80.3**

Due to the favourable business performance and the cautiously optimistic outlook, the annual impairment tests of intangible assets, as in the previous year, did not indicate any need for impairment charges on capitalised goodwill for 2014. A reduction in the growth rate of 4.3 percentage points at Kuhn-Montana, Brazil, and 2.6 percentage points at Bucher Idraulica, Brazil, would result in the values in use just covering the carrying amounts. For the other positions, neither an increase of 0.5 percentage points in the weighted cost of capital nor a reduction in the residual value growth rate to 0% would give rise to impairment of a cash-generating unit.

8 Other financial assets

CHF million

	2014	2013
Pension asset	14.9	15.3
Long-term loans	13.8	16.4
Other	2.7	1.3
Other financial assets	**31.4**	**33.0**

As in 2013, employer contribution reserves totalling CHF 13.5 million were capitalised in pension fund assets as a result of applying IAS 19.

9 Investments in associates

CHF million

	2014	2013
Balance at 1 January	11.5	16.1
Exchange differences	− 0.3	0.2
Additions	–	–
Disposals	–	− 8.4
Share of profit/(loss)	1.5	1.2
Share of other comprehensive income	–	–
Revaluation	–	2.7
Dividends received	− 0.4	− 0.3
Balance at 31 December	**12.3**	**11.5**

Aggregated financial information – associates

CHF million

	2014	2013
Profit/(loss) for the year	5.5	5.0
Other comprehensive income	–	–
Comprehensive income	**5.5**	**5.0**

10 Financial liabilities

CHF million	2014	2013
Bonds and private placements	267.6	219.7
Other bank borrowings	138.3	182.8
Finance lease liabilities	22.9	28.2
Loans and other financial liabilities	25.4	25.1
Financial liabilities	**454.2**	**455.8**
Current portion	106.1	283.4
Non-current portion	348.1	172.4

Bonds and private placements

CHF million	Term	Currency	Nominal value	Effective interest rate	2014	2013
Private placement, US 4.290%	2003 – 2015	CHF	20.0	4.3%	20.0	20.0
Bond, Switzerland 3.125%	2009 – 2014	CHF	200.0	3.2%	–	199.7
Bond, Switzerland 0.625%	2014 – 2020	CHF	100.0	1.3%	99.4	–
Bond, Switzerland 1.375%	2014 – 2024	CHF	100.0	1.4%	100.0	–
Bond, Brazil, CETIP + margin	2014 – 2015	BRL	50.0	12.9%	18.5	–
Bond, Brazil, CETIP + margin	2014 – 2017	BRL	80.0	13.0%	29.7	–
Bonds and private placements					**267.6**	**219.7**

In the reporting period, Bucher Industries issued two Swiss bonds, each of CHF 100.0 million, with terms of six and ten years and coupons of 0.625% and 1.375% respectively. The two bonds enabled the Group to secure long-term refinancing of the existing bond of CHF 200.0 million, which was due for repayment on 2 October 2014. Issuing the bonds enabled the Group to secure favourable market conditions and lengthen the average maturity of its financial liabilities. In conjunction with the refinancing, interest rate contracts with a contract volume of CHF 75.0 million were entered into the previous year. As a result the effective interest rate increased by 0.7 percentage points to 1.4%. The reserve from hedge accounting, recognised in equity, will be transferred to finance costs over the five-year term to maturity of the contracts. As part of the financing of Kuhn-Montana acquisition two bonds amounting to BRL 50.0 million and BRL 80.0 million, respectively, were issued. The interest is charged on the basis of the local index (CETIP) and the agreed loan margin.

Other bank borrowings contains CHF 85.0 million (2013: CHF 150.0 million) in bilateral loans from committed credit facilities as well as 53.3 million (CHF 32.8 Mio.) from uncommitted credit facilities. The bilateral loans bear interest at rates of between 0.65% and 3.09% and are due for repayment from 2015 to 2018. Undrawn committed credit facilities on 31 December totalled CHF 285.0 million (CHF 265.0 million).

The financial covenants are reviewed every six months. As of the reporting date on 31 December 2014, all the credit conditions had been fulfilled.

11 Provisions

CHF million	Warranties	Legal claims	Other	Total 2014	Total 2013
Balance at 1 January	41.9	12.6	17.0	71.5	71.5
Additional provisions	37.7	6.3	1.7	45.7	41.8
Unused amounts reversed	– 3.0	– 5.8	– 4.7	– 13.5	– 8.7
Used during year	– 34.5	– 1.7	– 5.5	– 41.7	– 34.6
Acquisition/disposal of subsidiaries	2.1	12.1	2.3	16.5	1.4
Exchange differences	– 0.3	– 0.6	0.1	– 0.8	0.1
Balance at 31 December	**43.9**	**22.9**	**10.9**	**77.7**	**71.5**
Current portion	42.7	15.3	3.5	61.5	60.3
Non-current portion	1.2	7.6	7.4	16.2	11.2

A provision for product warranties is recognised when the products are sold, based on estimated claims. 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, including environmental protection measures. With the acquisition of Kuhn-Montana, other provisions totalling CHF 2.3 million were taken over. The provisions were fully utilised in connection with participation in an arbitration procedure (the "REFIS" programme) in Brazil.

12 Contingent liabilities and other commitments

Contingent liabilities amounting to CHF 1.2 million (2013: CHF 3.2 million) consist of guarantees given in respect of goods sold and services provided. 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 commitments As in the previous year, the Group did not enter into any commitments to purchase plant and equipment. Commitments relating to operational leases are disclosed in note 25.

13 Other payables

CHF million	2014	2013
Accruals and deferred income	145.8	147.9
Social security and pensions	27.8	26.1
Sales and capital tax liabilities	32.9	20.6
Derivative financial instruments	7.7	2.4
Other liabilities	31.1	29.9
Other payables	**245.3**	**226.9**
Current portion	220.5	214.3
Non-current portion	24.8	12.6

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.

14 Share capital

		2014	2013
Par value	CHF	0.20	0.20
Outstanding shares	number	10 100 550	10 022 093
Treasury shares	number	149 450	227 907
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	2014	Number of shares	2013
Balance at 1 January	227 907	10.4	465 073	21.2
Purchases of treasury shares	9 800	2.8	–	–
Sales of treasury shares	– 24 173	– 1.1	– 164 536	– 7.4
Reissued for share-based payment schemes	– 64 084	– 2.9	– 72 630	– 3.4
Balance at 31 December	**149 450**	**9.2**	**227 907**	**10.4**
Reserved for written call options	–		20 000	

Earnings and dividend per share

	2014	2013
Profit/(loss) attributable to owners of Bucher Industries (CHF million)	187.4	194.5
Average number of shares outstanding (undiluted)	10 082 508	9 904 173
Average number of shares outstanding (diluted)	10 129 330	9 957 904
Basic earnings per share (CHF)	18.58	19.64
Diluted earnings per share (CHF)	18.50	19.53
Dividend per registered share (CHF)[1)]	6.50	6.50
Total dividend (CHF million)[1)]	66.6	66.6

[1)] 2014: 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. The inclusion of outstanding share options diluted earnings per share by CHF 0.08 (2013: CHF 0.11).

15 Employment costs

CHF million

	2014	2013
Wages and salaries	498.7	463.4
Share awards	2.9	2.5
Share option plan	–	0.4
Social security costs	90.3	82.0
Defined contribution costs	24.3	26.2
Defined benefit costs	13.8	10.6
Other employment costs	68.9	67.8
Employment costs	**698.9**	**652.9**

The revision of the remuneration package in 2010 resulted in the replacement of the stock option plans by the Bucher share plans. Accordingly, no more options have been awarded since then. The costs of share option plans were recognised as employment costs pro rata over the periods to vesting, based on options granted in previous periods. In October 2013, the periods to vesting expired on the last share options issued. Other employment costs comprise incidental costs of staff recruitment, training and development as well as external staff costs.

16 Other operating income

CHF million

	2014	2013
Own work capitalised	0.6	1.7
Gain on sale of non-current assets and disposals	2.3	7.5
Other income	23.8	19.0
Other operating income	**26.7**	**28.2**

Other operating income comprises revenue from sales of goods and services that are outside the normal course of the Group's business. The gain on sale of non-current assets and disposals essentially comprises the gain on the sale of the Bucher Municipal division's plants in Ash Vale and Sittingbourne in Great Britain.

17 Other operating expenses

CHF million

	2014	2013
Energy, maintenance and repairs	108.6	103.4
Charges, taxes, levies and consulting fees	39.5	36.2
Marketing and distribution costs	129.6	121.1
Insurance expenses	7.7	6.8
Operating leasing expenses	12.1	10.5
Miscellaneous operating expenses	67.9	77.2
Other operating expenses	**365.4**	**355.2**

Charges, taxes, levies and consulting fees include CHF 17.9 million (2013: CHF 18.4 million) in capital tax. Other operating expenses include operating foreign exchange items and changes in necessary provisions for operating liabilities that cannot be charged to an appropriate expense account.

18 Research and development costs

Research and development costs of CHF 102.4 million (2013: CHF 90.5 million) were charged to the income statement for 2014. In the reporting year, research and development costs of CHF 0.1 million (CHF 0.1 million) 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.

19 Net financial items

CHF million	2014	2013
Interest expense on financial liabilities	– 18.2	– 16.7
Other finance costs	– 2.7	– 1.4
Finance costs	**– 20.9**	**– 18.1**
Interest income on financial assets	3.0	4.5
Net gain on financial instruments	2.7	6.7
Financial foreign exchange gains and losses	0.4	– 6.9
Other finance income	0.1	0.4
Finance income	**6.2**	**4.7**
Share of profit/(loss) of associates	1.5	2.0
Net financial items	**– 13.2**	**– 11.4**
Of which financial items relating to:		
Financial instruments; at amortised cost	– 20.3	– 26.4
Financial instruments; fair value through profit or loss	5.3	6.5
Financial instruments; available-for-sale	0.3	6.5

In the reporting year, no disposals on the sale of “available-for-sale” securities which would have led to a realisation were effected; consequently there was no transfer from equity to the income statement (2013: CHF 6.5 million). As in the previous year, no borrowing costs were capitalised.

20 Income tax expense

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

Current income tax

CHF million	2014	2013
Current income tax	57.6	76.8
Deferred income tax	– 3.3	2.7
Income tax expense	**54.3**	**79.5**
Reconciliation:		
Profit before tax	244.0	275.7
Weighted average tax rate	29.9%	33.2%
Theoretical income tax charge	**73.0**	**91.5**
Utilisation of unrecognised tax loss carryforwards	– 2.3	– 1.2
Reassessment of tax loss carryforwards with tax asset adjustment	1.6	– 0.9
Changes in valuation allowances on losses and on deferred tax assets	3.4	2.2
Expenses not deductible for tax purposes/income not subject to tax	– 5.1	– 3.1
Under/(over) provided in prior years	– 11.8	– 4.9
Other differences	– 4.5	– 4.1
Effective income tax expense	**54.3**	**79.5**
Effective tax rate	22.3%	28.8%

The increase in prior-period tax income is in part due to participation in an arbitration procedure (the “REFIS” programme) in Brazil.

Deferred income tax

CHF million	Assets	Liabilities	Assets	Liabilities
		2014		2013
Property, plant and equipment	0.8	26.5	0.6	24.7
Other non-current assets	5.0	37.4	5.0	25.7
Inventories	36.7	6.6	31.6	6.9
Other current assets	3.9	7.2	2.4	12.6
Provisions	8.0	4.8	5.1	5.9
Other liabilities	29.0	3.7	21.7	2.4
Tax loss carryforwards	9.4	–	7.5	–
Deferred income tax assets and liabilities	**92.8**	**86.2**	**73.9**	**78.2**
Offset amounts	– 29.0	– 29.0	– 23.7	– 23.7
Deferred income tax assets	**63.8**		**50.2**	
Deferred income tax liabilities		**57.2**		**54.5**

In the reporting period, current income tax of CHF 1.5 million (2013: CHF 2.7 million) arising from the sale of treasury shares was recognised directly in equity. The tax expenses in other comprehensive amounted to CHF 7.9 million (CHF 0.8 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.

Movements in deferred income tax balances

CHF million	Assets	Liabilities	Assets	Liabilities
		2014		**2013**
Balance at 1 January	50.2	54.5	44.0	43.9
Charged/credited to income statement	–4.6	–7.9	4.1	6.8
Charged/credited to other comprehensive income	6.8	–1.1	–0.3	–1.1
Acquisition/disposal of subsidiaries	11.6	11.8	2.7	5.0
Exchange differences	–0.2	–0.1	–0.3	–0.1
Balance at 31 December	**63.8**	**57.2**	**50.2**	**54.5**

Tax loss carryforwards

CHF million		
	2014	**2013**
Total tax loss carryforwards	125.9	123.6
Of which recognised in deferred income tax	–34.1	–49.0
Unrecognised tax loss carryforwards	**91.8**	**74.6**
Of which expiring:		
Within 1 year	15.3	–
From 1 to 5 years	32.1	38.5
More than 5 years	22.9	8.6
Available indefinitely for offset	21.5	27.5
Tax effect on unrecognised tax loss carryforwards	13.5	13.1

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. This also includes deferred tax assets arising from tax loss carryforwards and expected tax credits.

21 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 schemes are those in Switzerland, covering 80% of the retirement benefit obligations and 86% of the plan assets. The employees in Switzerland are not all covered by the same pension scheme. Roughly 45% of them belong to the Bucher-Guyer AG employee pension fund – Angestellten-Pensionskasse der Bucher-Guyer AG (APK) – while the other 55% are covered by various collective foundations. Bucher Industries has set itself the goal of harmonising the pension arrangements within the Group and having all employees covered by a single pension scheme, namely APK Bucher-Guyer AG. The new pension arrangements will become effective as of 1 January 2015. The “international plans” category mainly comprises the plans in North America (6% of the retirement benefit obligations, 5% of the plan assets) and France (6% of the retirement benefit obligations, 6% of the plan assets).

Swiss plans The minimum legal requirements for pension schemes are governed by the Federal Law on Occupational Retirement, Survivors’ and Disability Pension Plans (BVG). Among its stipulations are that pension plans must be managed by independent, legally separate units and must be subject to state supervision. The supreme governing body is the foundation board. It comprises equal numbers of employee and employer representatives. Under the terms of statutory provisions and pension plan regulations, the foundation board is under obligation to act in the interests of the foundation and the beneficiaries. Plan participants are insured against the economic consequences of old age, invalidity and death. 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. Other measures may include adjustment of the pension commitment by means of changes to the conversion rates. The joint liability of employer and employee in contributing to any restructuring measures is specified by the BVG.

The APK has the legal form of a semi-autonomous foundation. The foundation covers all underwriting risks except death and invalidity, which are separately reinsured. 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. It is also responsible for the investment of assets. The investment strategy is reviewed at least once a year by the foundation board, taking account of targets for returns, benefit obligations and the risk capacity of the foundation. Decisions take account of significant market trends and changes in the composition of the plan participants. Responsibility for implementing and monitoring the investment strategy and investment guidelines is delegated to an investment committee. Plan assets are managed as part of a long-term investment strategy by a number of external fund managers.

International plans

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

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
			2014			**2013**
Fair value of plan assets	318.1	50.4	368.5	295.7	41.4	337.1
Present value of funded obligations	−348.2	−65.1	−413.3	−296.9	−53.1	−350.0
Funding surplus/(deficit)	**−30.1**	**−14.7**	**−44.8**	**−1.2**	**−11.7**	**−12.9**
Present value of unfunded obligations	–	−24.4	−24.4	–	−21.1	−21.1
Impact of minimum funding requirement/asset ceiling	–	–	–	−4.6	–	−4.6
Surplus/(deficit)	**−30.1**	**−39.1**	**−69.2**	**−5.8**	**−32.8**	**−38.6**
Other financial assets	13.5	–	13.5	13.5	0.3	13.8
Retirement benefit obligations	−43.6	−39.1	−82.7	−19.3	−33.1	−52.4

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 defined benefit obligations and plan assets
				2014
Balance at 1 January	**337.1**	**–371.1**	**–4.6**	**–38.6**
Current service cost		–8.9		–8.9
Past service cost		–2.8		–2.8
Interest income/(expense)	7.8	–9.2	–0.2	–1.6
Administration expenses, taxes and premium paid	–0.5			–0.5
Defined benefit expense recognised in profit or loss	**7.3**	**–20.9**	**–0.2**	**–13.8**
Return on plan assets (excluding interest based on discount rate)	16.4			16.4
Actuarial gains/(losses) arising from changes in demographic assumptions		6.7		6.7
Actuarial gains/(losses) arising from changes in financial assumptions		–50.1		–50.1
Experience gains/(losses)		–9.2		–9.2
Change in asset ceiling excluding amounts included in interest expenses			4.8	4.8
Defined benefit expense recognised in other comprehensive income	**16.4**	**–52.6**	**4.8**	**–31.4**
Employer contributions	14.2			14.2
Employee contributions	4.6	–4.6		–
Benefits paid	–12.7	13.7		1.0
Plan curtailments/settlements	–	–		–
Acquisition/disposal of subsidiaries	–	–		–
Exchange differences	1.6	–2.2		–0.6
Balance at 31 December	**368.5**	**–437.7**	**–**	**–69.2**

For the 2015 business year, contributions for defined benefit pension plans are expected to total CHF 14.1 million (2013: CHF 11.1 million).

CHF million	Fair value of plan assets	Present value of retirement obligation	Impact of minimum funding requirement/ asset ceiling	Total defined benefit obligations and plan assets
				2013
Balance at 1 January	**309.2**	**−338.9**	**−2.8**	**−32.5**
Current service cost		−9.0		−9.0
Interest income/(expense)	6.2	−7.2	−0.1	−1.1
Administration expenses, taxes and premium paid	−0.5			−0.5
Defined benefit expense recognised in profit or loss	**5.7**	**−16.2**	**−0.1**	**−10.6**
Return on plan assets (excluding interest based on discount rate)	13.8			13.8
Actuarial (gains)/losses arising from changes in demographic assumptions		−19.0		−19.0
Actuarial (gains)/losses arising from changes in financial assumptions		18.2		18.2
Experience gains/(losses)		−8.0		−8.0
Change in asset ceiling excluding amounts included in interest expenses			−1.7	−1.7
Defined benefit expense recognised in other comprehensive income	**13.8**	**−8.8**	**−1.7**	**3.3**
Employer contributions	7.3			7.3
Employee contributions	4.5	−4.5		–
Benefits paid	−9.2	10.2		1.0
Plan curtailments/settlements	–	−0.4		−0.4
Acquisition/disposal of subsidiaries	5.9	−12.6		−6.7
Exchange differences	−0.1	0.1		–
Balance at 31 December	**337.1**	**−371.1**	**−4.6**	**−38.6**

Categories of plan assets

CHF million	Swiss	International	Total	%	Swiss	International	Total	%
				2014				**2013**
Equities	81.6	17.0	98.6	26.7	71.1	14.2	85.3	25.3
Bonds	89.2	4.6	93.8	25.5	82.9	4.5	87.4	25.9
Assurances	66.3	23.7	90.0	24.4	62.0	21.1	83.1	24.7
Property	67.2	0.5	67.7	18.4	60.3	0.5	60.8	18.0
Cash	2.7	4.7	7.4	2.0	3.8	1.0	4.8	1.4
Other financial assets	11.1	−0.1	11.0	3.0	15.6	0.1	15.7	4.7
Plan assets	**318.1**	**50.4**	**368.5**	**100.0**	**295.7**	**41.4**	**337.1**	**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
			2014			**2013**
Obligation active insured members	241.0	48.7	289.7	200.6	44.1	244.7
Obligation former members with vested benefits	–	21.6	21.6	–	14.5	14.5
Obligation members receiving pensions	112.8	19.2	132.0	97.9	15.5	113.4
Obligation taxes and risk sharing	– 5.6	–	– 5.6	– 1.6	0.1	– 1.5
Defined benefit obligations	**348.2**	**89.5**	**437.7**	**296.9**	**74.2**	**371.1**
Term of obligations in years (duration)	16.5	15.4	16.0	16.2	13.4	15.6

Actuarial assumptions

Weighted averages in %	Swiss	International		Swiss	International	
			2014			**2013**
Discount rate	1.1	2.8	1.5	2.1	3.8	2.4
Future salary increases	1.0	2.1	1.1	1.0	2.4	1.1
Future pension increases	–	1.1	0.2	–	2.2	2.2
Inflation rate	1.0	2.3	1.3	1.0	2.3	1.3

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
			2014			**2013**
Discount rate						
Increase by 25 basis points	– 12.6	– 3.7	– 16.3	– 10.7	– 1.7	– 12.4
Decrease by 25 basis points	13.5	4.1	17.6	10.9	1.9	12.8
Future salary increases						
Increase by 100 basis points	1.3	0.1	1.4	0.8	0.1	0.9
Decrease by 100 basis points	– 1.2	– 0.1	– 1.3	– 0.8	– 0.1	– 0.9
Life expectancy						
Increase in longevity by one additional year	11.1	1.0	12.1	8.8	1.1	9.9

22 Share-based payments/share option plan

Shares awarded under the Bucher share plans are subject to a vesting period of three years. The costs are recognised in the income statement on an accrual basis, 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.

Bucher Executive Share Plan The Bucher Executive Share Plan is a share-based, performance-related component of remuneration for the members of group management. The financial targets for awarding shares are set by the board of directors at the beginning of each reporting year based on 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 base salary and on the achievement of the Group's annual financial "earnings per share" target. The number of shares to be awarded is calculated using the average share price for the reporting year and valued at the average share price during the first three weeks of January in the financial year following the reporting year.

Bucher Share Plan The Bucher Share Plan is a share-based, performance-related component of remuneration for the members of group management, division managements and selected specialists. The amount of the company's investment depends on the amount of the personal investments that eligible employees make in the company's shares and on the achievement of the Group's annual financial "earnings per share" target set by the board of directors for the Bucher share plans. The relevant number of shares is calculated and valued using the average share price during the first three weeks of January in the financial year following the reporting year.

Eligible employees were awarded a total of 7 009 shares for the reporting year (2013: 9 494 shares). Shares under the Bucher share plans were valued at a share price of CHF 235.80 (CHF 266.00) and represented a total value of CHF 1.6 million (CHF 2.5 million). The number of shares awarded under the Bucher Executive Share Plan was calculated using a share price of CHF 268.95 (CHF 226.00) and those under the Bucher Share Plan using a share price of CHF 235.80 (CHF 266.00).

Share option plans No share options have been granted since 2010. Share options granted in respect of previous periods remain valid as originally provided. One option entitles the holder to purchase one registered share of Bucher Industries AG. The options are not negotiable and have a life of ten years.

Movements in the number of share options outstanding

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
		2014		**2013**
Outstanding at 1 January	142 805	155.7	202 240	148.7
Exercised	– 53 225	170.8	– 59 285	131.9
Expired	–	–	– 150	115.0
Outstanding at 31 December	**89 580**	**146.8**	**142 805**	**155.7**
Exercisable	89 580		142 805	

In October 2013, the vesting periods expired on the last share options issued. Accordingly, no further employment costs have been recognised since then (2013: CHF 0.4 million). The average share price for options exercised was CHF 268.95 (CHF 226.00).

Option expiry dates

	Number of options	Average exercise price in CHF	Number of options	Average exercise price in CHF
		2014		2013
Year 2015	7 030	108.0	9 000	108.0
Year 2016	15 300	116.0	17 000	116.0
Year 2017	19 800	221.0	44 405	221.0
Year 2018	23 050	149.0	34 050	149.0
Year 2019	24 400	115.0	38 350	115.0
Outstanding at 31 December	**89 580**	**146.8**	**142 805**	**155.7**

23 Related party transactions

Key management remuneration

CHF million	2014	2013
Salaries	5.7	5.6
Post-employment benefits	1.3	1.5
Share awards	1.5	1.9
Share option plan	–	0.1
Key management remuneration	**8.5**	**9.1**

Salaries include variable remuneration, fees and expense allowances paid in cash. For the reporting year, group management members were awarded 4 710 registered shares with a par value of CHF 0.20 each in Bucher Industries AG (2013: 5 911 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 the year end, there were no loans outstanding to the company's governing bodies. Directors' fees were paid in the form of cash and shares.

Remuneration to former directors and group management members No former directors and group management members or persons connected with them received any remuneration or fees during the year.

Year-end balances with related parties

CHF million

	2014	2013
Receivables from pension funds	14.9	15.3
Receivables from associates	–	0.3
Payables to pension funds	2.4	2.9
Payables to associates	1.6	1.3
Payables to other related parties	–	1.1

2014, products worth CHF 42.6 million (2013: CHF 61.7 million) were purchased from associates. The sales generated with associates amounted to CHF 2.1 million (CHF 2.1 million) as in the previous year. Cost of materials with associated companies amounted to CHF 1.4 million (CHF 1.4 million).

In the reporting period, Martin Jetter sold his remaining shares in Jetter AG to Bucher Industries at a price of EUR 7.00 per share and a total value EUR 2.2 million (CHF 2.6 million). Further information is given in note 2.

24 Pledged assets

The Group had no assets pledged in the reporting year.

25 Leasing

Liabilities on finance leases, lessor

CHF million

	2014	2013
Future minimum lease payments	8.5	–
Unguaranteed residual value	–	–
Gross investments in finance lease	8.5	–
Unrealised finance income	–0.4	–
Net investments in finance lease	8.1	–
Present value of the unguaranteed residual value	–	–
Finance lease receivables	**8.1**	**–**

Receivables from finance leases relate to one-off lease contracts for inspection machinery between Bucher Emhart Glass and a major customer. The leases were concluded in the reporting period.

Maturity analysis of liabilities on finance leases, lessor

CHF million	Gross investments in finance lease	Finance lease receivables	Gross investments in finance lease	Finance lease receivables
		2014		**2013**
Within 1 year	4.3	4.0	–	–
From 1 to 5 years	4.2	4.1	–	–
More than 5 years	–	–	–	–
Balance at 31 December	**8.5**	**8.1**	**–**	**–**

Liabilities on finance leases, lessee

CHF million	Minimum lease payments	Finance lease liabilities	Minimum lease payments	Finance lease liabilities
		2014		**2013**
Within 1 year	4.4	3.8	5.5	4.7
From 1 to 5 years	15.2	13.8	16.8	14.9
More than 5 years	5.7	5.3	9.2	8.6
Balance at 31 December	**25.3**	**22.9**	**31.5**	**28.2**
Finance charge	– 2.4	–	– 3.3	–
Finance lease liabilities	**22.9**	**22.9**	**28.2**	**28.2**

Liabilities on operating leases, lessee

CHF million	**2014**	**2013**
Within 1 year	7.8	7.7
From 1 to 5 years	13.8	14.3
More than 5 years	11.8	12.8
Minimum lease payments	**33.4**	**34.8**

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

26 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 4.

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. Group treasury is responsible for liquidity management. In its function as an in-house bank, its role is to provide the Group with sufficient liquidity at all times and in the currency required. The necessary funds are raised as and when required in the money and capital markets. 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

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.

Liquidity analysis

CHF million	Within 1 year	From 1 to 5 years	More than 5 years	Total	Carrying amount
					2014
Trade payables	– 263.6	–	–	**– 263.6**	– 263.6
Other liabilities	– 19.9	– 5.6	– 5.6	**– 31.1**	– 31.1
Financial liabilities	– 116.9	– 163.2	– 214.5	**– 494.6**	– 454.2
Non-derivative financial instruments	**– 400.4**	**– 168.8**	**– 220.1**	**– 789.3**	**– 748.9**
Forward currency contract (asset)	615.8	64.4	–	**680.2**	
Forward currency contract (liability)	– 621.2	– 64.8	–	**– 686.0**	
Derivative financial instruments	**– 5.4**	**– 0.4**	**–**	**– 5.8**	**– 5.8**
					2013
Trade payables	– 261.2	–	–	**– 261.2**	– 261.2
Other liabilities	– 21.4	– 2.5	– 6.5	**– 30.4**	– 29.9
Financial liabilities	– 292.2	– 171.6	– 10.9	**– 474.7**	– 455.8
Non-derivative financial instruments	**– 574.8**	**– 174.1**	**– 17.4**	**– 766.3**	**– 746.9**
Forward currency contract (asset)	582.9	53.4	–	**636.3**	
Forward currency contract (liability)	– 577.0	– 53.3	–	**– 630.3**	
Interest rate contract (asset)	0.4	–	–	**0.4**	
Interest rate contract (liability)	– 0.1	–	–	**– 0.1**	
Derivative financial instruments	**6.2**	**0.1**	**–**	**6.3**	**6.3**

Market risk Market risk comprises three types of risk: price risk, interest rate risk and foreign currency risk. Market risk may reduce the fair value 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 approach, analysed by means of risk simulations and then reported to group management.

Foreign currency risk Foreign currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency other than the local entity's functional currency. 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. Outstanding derivative financial instruments are recorded as current or non-current other receivables or payables as applicable. Derivative financial instruments are measured at fair value. Where hedge accounting is applied, value fluctuations are recognised in other comprehensive income and otherwise in the income statement. When the underlying transaction has been booked or the conditions for hedge accounting no longer apply, the corresponding amounts accumulated in other comprehensive income are transferred to the income statement. In the course of the reporting year, foreign exchange losses of CHF 4.0 million (2013: foreign exchange gain of CHF 5.5 million) were transferred from other comprehensive income to the income statement.

The Group has investments in foreign operations, whose assets and liabilities are exposed to foreign currency translation risk arising on translation into the Group's presentation currency (Swiss francs). This translation risk is not hedged. 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	
	2014	**2013**	**2014**	**2013**
1 EUR	1.2139	1.2274	1.2024	1.2276
1 GBP	1.5077	1.4486	1.5438	1.4725
1 USD	0.9174	0.9233	0.9904	0.8901
1 BRL	0.3894	0.4289	0.3733	0.3768
1 AUD	0.8221	0.8913	0.8109	0.7960
1 CNY	0.1489	0.1501	0.1596	0.1470
100 SEK	13.3400	14.1700	12.8100	13.8600
1 RUB	0.0240	0.0290	0.0166	0.0271

Interest and price risk Interest risks result from changes in market interest rates, which may be influenced by 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 deployed to hedge specific interest risks. In the reporting period, bonds with a total nominal value of CHF 200.0 million, which were due for payment, were refinanced. In conjunction with the refinancing, interest rate contracts with a contract volume of CHF 75.0 million were entered into the previous year. The change in value of CHF 3.0 million was carried as a hedged item under other comprehensive income. The reserve carried under equity will be transferred to finance costs over the five-year term to maturity of the contracts. In the course of the reporting year, finance costs of CHF 0.1 million was reclassified from other comprehensive income to the income statement. Further information is given in note 10.

Value at risk Value at risk (VaR) is a measure used to quantify likely future changes in the value of financial items. VaR shows the maximum loss in value of a risk factor portfolio that could arise with a given probability (confidence level) over a specific holding period. 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 figures are based on a confidence level of 90% and a holding period of 30 days.

CHF million

	2014	**2013**
Foreign currency risk	−8.7	−9.8
Interest risk	−1.8	−0.9
Correlation	7.6	4.9
Total VaR	**−2.9**	**−5.8**

The decrease in the overall VaR measure, in contrast to the previous year, is mainly due to the marked increase in correlation effects. The risk contribution from foreign currency positions decreased owing to the reduction in volatility, whereas the interest risk increased significantly, mainly because of the issue of long-term public bonds.

Carrying amounts/fair values of 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
					2014
Cash and cash equivalents	–	337.8	–		**337.8**
Short-term investments	28.0	3.4	–		**31.4**
Trade receivables	–	–	482.7		**482.7**
Other receivables	–	–	42.1		**42.1**
Other financial assets	0.2	–	16.3		**16.5**
Trade payables		–	–263.6		**–263.6**
Other liabilities		–	–31.1		**–31.1**
Financial liabilities		–	–454.2		**–454.2**
Non-derivative financial instruments	**28.2**	**341.2**	**–207.8**		**161.6**
Forward currency contract (asset)		1.9		–	**1.9**
Forward currency contract (liability)		–6.0		–1.7	**–7.7**
Derivative financial instruments		**–4.1**		**–1.7**	**–5.8**
					2013
Cash and cash equivalents	–	423.1	–		**423.1**
Short-term investments	27.7	4.9	–		**32.6**
Trade receivables	–	–	439.4		**439.4**
Other receivables	–	–	30.7		**30.7**
Other financial assets	0.2	–	17.5		**17.7**
Trade payables		–	–261.2		**–261.2**
Other liabilities		–	–29.9		**–29.9**
Financial liabilities		–	–455.8		**–455.8**
Non-derivative financial instruments	**27.9**	**428.0**	**–259.3**		**196.6**
Forward currency contract (asset)		6.7		1.6	**8.3**
Forward currency contract (liability)		–1.9		–0.4	**–2.3**
Interest rate contract (asset)		0.4		–	**0.4**
Interest rate contract (liability)		–0.1		–	**–0.1**
Derivative financial instruments		**5.1**		**1.2**	**6.3**

Fair Values With the exception of the financial liabilities with a fair value of CHF 466.6 million, (2013: CHF 466.1 million), the book values are roughly equivalent to the fair values. The fair values disclosed, with the exception of the contingent considerations from acquisitions of CHF 3.5 million (CHF 6.5 million), 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 primarily based 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 Bucher Hidráulica (Brazil) until 2016 and Kuhn-Montana until 2017. For Bucher Hidráulica as for Kuhn-Montana, the payments have an upper limit, and the maximum amount that can be paid out is CHF 3.2 million and CHF 7.7 million respectively. Revaluation of the payment obligations led to a decrease of CHF 0.2 million, which was recognised under other operating expenses. Settlement of the outstanding commitments arising from the purchase by Kuhn Kraus in 2011 led to a final payment of CHF 5.0 million.

CHF million

	2014	2013
Balance at 1 January	6.5	7.2
Acquisition/disposal of subsidiaries	2.3	1.3
Revaluation	−0.2	−1.3
Paid during year	−5.0	−0.4
Exchange differences	−0.1	−0.3
Balance at 31 December	3.5	6.5

27 Capital management

The capital managed by Bucher Industries represents consolidated equity. The Group's objectives when managing its capital structure are to:

- ensure that the Group will have sufficient liquidity to meet its financial obligations at all times, while maintaining a healthy and solid balance sheet structure
- secure adequate credit facilities and maintain its high credit rating
- ensure the necessary financial flexibility to fund organic growth, as well as future capital expenditure and acquisitions
- provide an adequate return to capital providers commensurate with the level of risk

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.

	2014	2013
Interest coverage ratio (EBITDA to net interest expense)	23.0	30.5
Debt payback period (net debt to EBITDA)	0.2	–
Gearing ratio (net debt to equity)	7.1%	–
Equity ratio (equity to total assets)	46.1%	44.1%
Quick ratio (current assets less inventory to current liabilities)	107.0%	90.1%

28 Events after the reporting period

On 27 February 2015, the board of directors approved the consolidated financial statements for publication, subject to formal approval by the annual general meeting on 14 April 2015.

On 15 January 2015, the Swiss National Bank announced the discontinuation of the minimum rate of CHF 1.20 to the euro. The reported figures in this annual financial statement do not reflect any change in the exchange rates after 31 December 2014. In view of the fact that the Group uses Swiss francs as the presentation currency for its annual financial statements, any weakening of foreign currencies against the franc will have a negative translation effect on Group results as well as consolidated equity presented in francs. At the time of approval of the annual financial statements, the changes in exchange rates had not resulted in any significant foreign exchange gains or losses in the annual financial statements for 2015. Risk management for foreign currencies and currency sensitivity relating to changes in exchange rates are described in note 26.

29 Group companies

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in % 2014	2013
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	311 210 000	O			S	100	100
Bucher Beteiligungen GmbH, Klettgau	DE	EUR	4 500 000	O			S	100	100
Bucher Beteiligungsverwaltung AG, Munich	DE	EUR	50 000	O			S	100	100
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	300 100 000	O			S	100	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		98	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	136 657 000	KG	P	D		100	100
Kuhn-Montana Indústria de Máquinas S/A, São José	BR	BRL	230 000 000	KG	P	D		100	–
Kuhn-Montana Argentina S/A, Casilda	AR	ARS	350 000	KG		D		100	–
Kuhn MGM SAS, Monswiller	FR	EUR	2 000 000	KG	P	D		99	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 Services

Company, place of incorporation	Country	Currency	Share capital	Division	Activities			Group interest in % 2014	2013
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			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		D		100	100
Bucher Municipal Pty Ltd., Clayton North	AU	AUD	5 901 000	BM	P	D		100	100
Bucher Hydraulics GmbH, Klettgau	DE	EUR	4 000 000	BH	P	D		100	100
Bucher Hydraulics Dachau GmbH, Dachau	DE	EUR	30 000	BH	P	D		100	100
Bucher Hydraulics SAS, Rixheim	FR	EUR	200 000	BH		D		100	100
Bucher Hydraulics Ltd., Nuneaton	GB	GBP	10 000	BH		D		100	100
Bucher Hydraulics AG, Neuheim	CH	CHF	1 200 000	BH	P	D		100	100
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 %	
								2014	**2013**
Emhart Glass SA, Cham	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, Neuss	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[1)]	DE	EUR	3 241 061	BSp	P	D		96	77
futronic GmbH, Tettnang	DE	EUR	260 000	BSp	P	D		96	77

[1)] Jetter's shares are delisted since 30 April 2014 on the Xetra exchange in Frankfurt (ISIN: DE0006264005).

Report of the statutory auditor

To the general meeting of Bucher Industries AG, Niederweningen

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Bucher Industries AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 68 to 119), for the year ended 31 December 2014.

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

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

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

Opinion In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

PricewaterhouseCoopers AG

Christian Kessler Audit expert Auditor in charge	Ralf Zwick Audit expert

Zurich, 27 February 2015

Balance sheet of Bucher Industries AG at 31 December 2014

CHF 1 000	Note	2014	2013
Cash and cash equivalents		39 568	68 056
Receivables from group companies		101 971	55 704
Other receivables		6 139	10 437
Current assets		**147 678**	**134 197**
Loans to group companies	1	543 801	677 861
Investments	2	739 408	698 633
Intangible assets		247	412
Non-current assets		**1 283 456**	**1 376 906**
Assets		**1 431 134**	**1 511 103**
Bond	3	–	200 000
Private placements	3	19 983	–
Short-term bank borrowings		40 000	64 719
Current payables to group companies		157 730	455 831
Other current liabilities		11 842	7 517
Current liabilities		**229 555**	**728 067**
Bond	3	200 000	–
Private placements	3	–	19 983
Long-term bank borrowings		74 388	105 000
Loans from group companies		185 500	–
Provisions		3 277	4 526
Non-current liabilities		**463 165**	**129 509**
Share capital	4	2 050	2 050
Statutory reserve		70 610	70 610
Distributable reserve		476 834	476 834
Retained earnings		37 408	29 183
Profit/(loss) for the year		151 512	74 850
Equity		**738 414**	**653 527**
Liabilities and equity		**1 431 134**	**1 511 103**

Income statement of Bucher Industries AG for the year ended 31 December 2014

CHF 1 000	Note	2014	2013
Income from investments	6	118 500	70 546
Finance income	7	110 197	92 357
Royalty income from group companies	8	14 552	13 182
Gain on sale of non-current assets		–	2 012
Other income		2 000	–
Income		**245 249**	**178 097**
Administrative expenses		5 453	4 727
Finance costs	9	77 287	96 897
Impairment charges	10	8 000	–
Income tax expense		2 997	1 623
Expenses		**93 737**	**103 247**
Profit/(loss) for the year		**151 512**	**74 850**

Notes to the financial statements of Bucher Industries AG

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until 31 December 2012.

1 Loans to group companies

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

2 Investments

Information about Bucher Industries AG's direct and indirect investments in subsidiaries and associates is presented in the list of group companies on pages 117 to 119 of the annual report.

3 Bonds

In the reporting period, Bucher Industries issued two bonds, each of CHF 100.0 million, with terms of six and ten years and coupons of 0.63% and 1.38% respectively. The two bonds enabled the Group to secure long-term refinancing of the existing bond of CHF 200.0 million, which was due for repayment on 2 October 2014. Further information on the bond and private placements is disclosed on page 93 of the annual report.

4 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 shareolders and their investments A group of shareholders organised under a shareholders' agreement and 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 2015 and subsequent to the 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 1.46% 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, BlackRock Inc., New York, USA, hold, directly or indirectly via various subsidiaries, a stake in the registered share capital of Bucher Industries AG of more than 3% each. Up to the date of approval of the company's financial statements, the board of Bucher Industries AG was not aware of any other shareholders, or groups of shareholders subject to voting agreements, who held more than 3% of the total voting rights.

Directors' interests in shares

	Number of shares	
	2014	**2013**
Rolf Broglie, chairman	13 776	13 444
Anita Hauser, deputy chairman	439 315	439 082
Ernst Bärtschi	719	2 628
Claude R. Cornaz	5 698	5 498
Michael Hauser	604 468	604 268
Heinrich Spoerry	3 086	3 036
Valentin Vogt	1 050	170
Directors	**1 068 112**	**1 068 126**

The directors did not hold any share options on 31 December 2014.

Group management's interests in shares and share options

		Number of shares		Number of options	
		2014	**2013**	**2014**	**2013**
Philip Mosimann	CEO	61 508	55 642	–	10 800
Roger Baillod	CFO	8 938	11 135	4 200	5 400
Stefan Düring	Bucher Specials	1 048	849	1 200	3 300
Michael Häusermann	Bucher Municipal	7 505	6 894	1 800	5 400
Martin Jetter	Bucher Emhart Glass	2 050	2 121	1 200	3 000
Thierry Krier	Kuhn Group	749	1 989	–	4 100
Daniel Waller	Bucher Hydraulics	9 066	7 116	10 030	11 400
Group management		**90 864**	**85 746**	**18 430**	**43 400**

		Number of options					
Grant year		**2009**	**2008**	**2007**	**2006**	**2005**	**Total**
Exercise price (CHF)		115.00	149.00	221.00	116.00	108.00	
Roger Baillod	CFO	2 400	1 800	–	–	–	**4 200**
Stefan Düring	Bucher Specials	1 200	–	–	–	–	**1 200**
Michael Häusermann	Bucher Municipal	600	1 200	–	–	–	**1 800**
Martin Jetter	Bucher Emhart Glass	–	–	1 200	–	–	**1 200**
Daniel Waller	Bucher Hydraulics	2 400	2 400	2 400	2 400	430	**10 030**
Group management		**6 600**	**5 400**	**3 600**	**2 400**	**430**	**18 430**

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. Each option entitles the holder to purchase one share.

5 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 235.9 million (2013: CHF 89.0 million). The amount claimed at the reporting date was CHF 92.6 million (CHF 22.4 million).

6 Income from investments

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

7 Finance income

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

8 Royalty income

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

9 Finance costs

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

10 Impairment charges

This contains impairment of equity interests amounting to CHF 8.0 million.

11 Risk assessment procedure

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

Board of directors' proposal

Appropriation of retained earnings

CHF	
Profit for 2014	151 511 914
Retained earnings brought forward	37 407 699
Retained earnings available for distribution	**188 919 613**
The directors propose that the annual general meeting approve the payment of a dividend of CHF 6.50 per dividend-bearing share of CHF 0.20 each	66 625 000
Transfer to distributable reserve	50 000 000
Balance to be carried forward	72 294 613
Total	**188 919 613**

Report of the statutory auditor

To the general meeting of Bucher Industries AG, Niederweningen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Bucher Industries AG, which comprise the balance sheet, income statement and notes (pages 122 to 127), for the year ended 31 December 2014.

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

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

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

Opinion In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

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

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

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

PricewaterhouseCoopers AG

Christian Kessler
Audit expert
Auditor in charge

Ralf Zwick
Audit expert

Zurich, 27 February 2015

Five-year summary

Group

CHF million

		2014	2013	2012	2011	2010
Order intake		2 742.1	2 718.2	2 490.4	2 587.5	2 216.5
Net sales		2 805.6	2 690.8	2 609.0	2 336.0	2 033.7
Order book		788.9	850.4	795.3	923.0	663.0
Operating profit before depreciation and amortisation (EBITDA)		349.8	371.1	306.9	259.9	223.9
As % of net sales		12.5%	13.8%	11.8%	11.1%	11.0%
Operating profit (EBIT)		257.2	287.1	231.7	190.2	151.4
As % of net sales		9.2%	10.7%	8.9%	8.1%	7.4%
Net financial items		– 13.2	– 11.4	– 12.6	– 18.4	– 10.8
Income tax expense		– 54.3	– 79.5	– 63.1	– 44.4	– 42.9
As % of profit before tax		22.3%	28.8%	28.8%	25.8%	30.5%
Profit/(loss) for the year		189.7	196.2	156.0	127.4	97.7
As % of net sales		6.8%	7.3%	6.0%	5.5%	4.8%
Capital expenditure		116.3	136.6	96.5	118.3	65.8
Operating free cash flow		53.7	91.7	105.4	54.8	201.9
Research and development costs		102.4	90.5	80.8	74.4	73.2
Total assets		2 604.5	2 436.3	2 259.4	2 247.7	1 984.9
Cash and cash equivalents and short-term investments		369.2	455.7	480.3	467.1	548.4
Receivables		565.8	498.5	458.7	476.0	401.8
Inventories		668.7	632.9	582.1	587.9	451.3
Investments and other financial assets		43.7	44.5	50.5	49.0	46.8
Property, plant and equipment		634.8	569.7	478.0	449.2	366.1
Intangible assets		252.9	181.5	159.3	174.0	135.4
Current liabilities		873.9	1 059.1	906.5	877.4	646.0
Non-current liabilities		529.0	303.1	462.6	555.9	591.2
Total liabilities		1 402.9	1 362.2	1 369.1	1 433.3	1 237.2
Of which interest-bearing		454.2	455.8	499.7	538.6	529.4
Net cash/debt		– 85.0	– 0.1	– 19.4	– 71.5	19.0
Equity		1 201.6	1 074.1	890.3	814.4	747.7
Equity ratio		46.1%	44.1%	39.4%	36.2%	37.7%
Return on equity (ROE)		16.7%	20.0%	18.3%	16.3%	12.7%
Net working capital		472.6	416.0	347.5	314.5	271.1
Net operating assets (NOA), average		1 268.0	1 061.3	969.6	827.8	849.2
Return on net operating assets (RONOA), after tax		15.8%	19.3%	17.0%	17.0%	12.4%
Number of employees at 31 December[1]		11 554	10 916	10 166	10 136	7 899
Average number of employees during year[1]		11 631	10 788	10 383	9 380	7 639
Net sales per employee	CHF 1 000	241	250	251	249	266

[1] Expressed as full-time equivalents.

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