

ANNUAL REPORT 2017

Bobst Group SA

KEY FIGURES

In million CHF		2017		2016		2015	
Assets	Non-current assets	451.3	28%	413.0	29%	419.7	31%
	Current assets	1 142.7	72%	989.7	71%	928.6	69%
		1 594.0	100%	1 402.7	100%	1 348.3	100%
Liabilities	Equity	559.4	35%	477.5	34%	421.8	31%
	Non-current liabilities	381.7	24%	388.9	28%	391.7	29%
	Current liabilities	652.9	41%	536.3	38%	534.8	40%
		1 594.0	100%	1 402.7	100%	1 348.3	100%
Net cash/Net debt		132.9		51.3		-1.7	
Sales		1 528.6		1 446.6		1 330.9	
Operating result (EBIT)		118.7		103.7		83.9	
As % of sales			7.8%		7.2%		6.3%
Net result		106.9		84.3		67.1	
As % of sales			7.0%		5.8%		5.0%
As % of equity			19.1%		17.7%		15.9%
Capital expenditure (CAPEX)		53.4		27.0		20.9	
Return on capital employed (ROCE)		23.2%		19.9%		16.0%	
Share income							
Share price at the end of the year		129.6		70.8		42.0	
Market capitalization		2 140.8		1 169.5		693.0	
EPS (16 518 478 shares)		6.93		5.08		4.02	
Price-earnings ratio		18.7		13.9		10.4	
Dividend paid:							
– total, in million CHF		42.9		28.1		20.6	
– payout ratio			40.1%		33.3%		30.7%
– dividend yield			2.0%		2.4%		3.0%
Headcount		5 397		5 055		4 907	
% change compared to previous year			6.8%		3.0%		1.4%

MID- TO LONG-TERM FINANCIAL TARGETS

Sales (in million CHF)	1 600 – 1 700
Operating result (EBIT)	min. 8%
Return on capital employed (ROCE)	min. 20%
Payout ratio	30 – 50%
Equity ratio	40 – 45%

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ANNUAL REPORT 2017

Bobst Group SA

DEAR SHAREHOLDERS

LEADING INNOVATION

In the course of 2017 and for the first time in its history, BOBST has increased its market capitalization up to CHF 2 billion, with a share price moving up from CHF 70.– to CHF 130.–. We are proud to have achieved more than 8% EBIT (without restructuring costs) almost two years earlier than expected.

This performance secures us a strong financial position and reveals our real potential. It also demonstrates the increased level of confidence of our investors towards our industry.

These good results are mainly due to three factors:

- The state of the global economy is good in most regions, hence an increased consumption of packaging and labels.
- With a high level of investments, our innovation drive is proving effective as the products we develop correspond to market needs and the quality of our services is improving and more adapted.
- We continue to invest for growth, while improving our processes and keeping costs under control.

This performance is also the result of the work of good and dedicated people throughout the Group – congratulations to all of them.

Our strong strategy and consistent value creation effort is generating cash and a robust return on capital employed. We are focusing on creating a better customer experience and financial value for our stakeholders.

For decades, we have been pursuing with passion our quest for innovation and excellence. We are inventors and one of the world leaders in our industrial sector – in packaging and label solutions.

Our expertise is not limited to producing the machines which have made our reputation, we have also developed a range of services which cover the entire conversion process and its optimization and furthermore increase competencies in the application, chemistry and software domains.

Digital printing, applications and software, a strong focus towards our future

Digital printing is on all the lips around the world. It opens up good opportunities using pioneering digital technology in a variety of industrial applications. Nowadays, digital techniques

can be used to print on a wide range of materials, such as glass, plastic, paper, aluminum and fabric. We find in our environment numerous objects including components printed using this technology such as dashboards, upholstery and so many other things.

Since July 6, 2017 our own vision of innovation has a name, Mouvent, Bobst Group's new Swiss based start-up company. With a staff of around 100 employees, it covers the entire chain of design, integration and production of inkjet printing engines or clusters, chemicals, pre-coating, varnish, inks and software. BOBST will not have to rely on the strategy of just one supplier anymore. This venture will also become the digital printing Competence Center and solutions provider of Bobst Group.

Mouvent will operate independently allowing it to focus on new business models and new competitors' landscapes. In terms of strategy, we will be able to move into new markets with unique products tailored for digital printing. The Mouvent technology's USPs are numerous: innovative, compact, high print quality, reliable, easy to use and also impressively advantageous with regard to total cost of ownership.

At LabelExpo Europe 2017 in September, Mouvent revealed its new range of highly innovative digital label printers. They can print up to seven colors on a large variety of substrates – paper, self-adhesive and wet-glue labelstock and flexible materials – at production speeds of up to 100 m/min with a native resolution of 1 200x1 200 and optical 2 000 dpi.

Central to the digital innovation of these machines is the Mouvent™ Cluster, an ingenious digital printing technology based on a highly integrated component cluster, which represents a quantum leap for the industry.

- The **LB701-UV** mini label press is the smallest high productivity label press on the market. It is extremely compact and ergonomic, with a very low TCO (total cost of ownership), which means even the smallest print shops can take on high quality and highly flexible label production.
- The **LB702-WB** label press is a game-changer in digital label production, using 100% water-based Mouvent™ Inks, making it 100% free of VOCs (volatile organic compounds) and 100% food safe. This is a paradigm shift in high-volume label production, making possible the production of long lasting, high-quality labels, using an environmentally-friendly printing method, all at a very economical cost.

In November 2017 at ShanghaiTex, Mouvent made its textile debut and showcased its ground-breaking 8-color multi-pass digital textile printer TX801.

To boost productivity up to 200 m²/h, the TX801 also utilizes the Mouvent™ Cluster technology. This is associated with speed, precision and scalability, deploying up to 16 g/m² of ink in a single pass. The TX801 prints with an optical resolution of up to 2000 dpi, resulting in the highest print quality of the finished product. The machine can process knitted, woven and non-woven textiles with a maximum fabric width of 1820 mm with roll diameters of up to 400 mm. The TX801 is a very durable, compact and accessible printer and has a very competitive price performance ratio compared with basic digital printers, and unrivalled print quality.

To drive and lead innovation, we are focusing on a four step approach in our core business:

Learn. BOBST tracks today's needs and packaging trends to develop innovative solutions for the world market and create value for its customers.

Innovate. BOBST invests up to 6% of its turnover into R&D every year. We have a global reputation for delivering innovations that drive performance and quality.

Industrialize. BOBST transforms today's packaging trends into outstanding packaging solutions. For more than 125 years we have successfully taken innovations from prototyping to market serialization. We have however to increase our focus and efficiency.

Implement. BOBST production lines are designed to deliver accuracy, flexibility, performance, and ease of use, while the wide variety of processes, sizes and levels of automation available suit the needs of a huge range of users.

As a proof of our search for excellence in innovation, we are proud to say that BOBST was presented in October with the coveted FEFCO Gold Award for Best Innovation 2017 for its PREMIUM GAP CONTROL, an independent unit positioned after the counter ejector on the Flexo Folder-Gluers. It ensures that 100% of delivered boxes are folded with total quality and to exact specifications, bringing total control of the folding process and major resource savings.

MyBOBST, our online B2B services site, has revolutionized the way we do business. It is more than simple e-commerce, it will monitor all customer transactions, allowing us to become more knowledgeable about customers' needs, anticipate them and reply faster.

Each customer can find what he or she needs, be it a quote, equipment documentation or maintenance reports; he or she

can monitor production performance remotely, or place an order and even make appointments for a technician to install ordered spare parts.

Order Entries

The Group started 2017 with a lower machine backlog than the year before and order entries during 2017 have been higher than in the previous year for both of the machinery Business Units and particularly for the Business Unit Sheet-fed.

Globally, order entries increased by nearly 17% compared to the previous year, driven by very high activity in Europe. The Americas, Asia and Africa remained stable. The Group finished the reporting year with a more than 20% higher machine backlog than in 2016.

Turnover

Consolidated sales for the full year 2017 amounted to CHF 1 529 million, representing an increase of CHF 82 million, or 5.7%, compared to 2016. All three Business Units have experienced good growth during 2017. Business Unit Services is up CHF 30 million, or 7.1%. Business Unit Web-fed sales increased by CHF 21 million, or 6.9%, and Business Unit Sheet-fed increased its sales by 31 million, or 4.4%.

Profitability

The operating profit (EBIT) for the Group was CHF 119 million, representing an increase of CHF 15 million, or 14.5%, compared to the previous year. At CHF 107 million, our consolidated net result represents an increase of CHF 23 million, or 26.8%, compared to 2016. This includes a CHF 15 million favorable one-time impact due to tax law changes. The successful business operations, as well as continued efforts to optimize net working capital and capital employed, resulted in an increase of the net cash position of CHF 82 million in 2017.

The return on capital employed (ROCE) increased to 23.2% compared to 19.9% in 2016 and consequently the Group has again created significant value for its stakeholders.

In line with the continued strong underlying performance of the Group, the Board of Directors proposes to the Annual General Meeting of Shareholders a dividend for 2017 of CHF 2.60 per share (CHF 1.70 for 2016).

Board of Directors re-election/election

The mandates of all the members of the Board of Directors become due for renewal for a one-year period. At the forthcoming Annual General Meeting of Shareholders, on 28 March 2018, Alain Guttmann, Thierry de Kalbermatten, Jürgen Brandt, Gian-Luca Bona, Philip Mosimann and Patrice Bula will be proposed for re-election for a new period of one year.

The Board of Directors wishes to propose Alain Guttmann as Chairman.

Outlook and strategy

We are living in a fast moving world and the markets are challenging. We need strong leaders to adapt to new business models and seize the many opportunities which constant change offers. The packaging and label industries keep good perspectives and will support the growth of BOBST markets in the coming years. We are tailoring our Group for the future as we adapt and innovate continuously to keep our place at the top, with the best products and services, while expanding our innovation in digital printing and software offering. To support our strategic ambition, we have developed a program called Ambition 2020 with the following priorities and focus:

- **Increase customer satisfaction.** We will recruit and train technicians to support growth and customer satisfaction initiatives. Effective design to cost, good installation, fast snag list clearance and improved time to market will be our focus to reach our target.
- **Expand the Group's presence.** We will increase market share and profitability through investments to build up an enlarged product portfolio and increased services capabilities, to implement our Group strategy in South-East Asia, Africa and North America, and to give our business in China a new impulse.

We are setting up new Competence Centers by technology in 2018 in Lyon (France), in China, and in 2019 in San Giorgio (Italy).

- **Improve business processes.** We are developing a common business process / IT backbone called Bobst Business Systems (BBS) which is establishing the Group business blueprint for processes and applications. Once fully deployed, it will run all our local entities across the world in an efficient and harmonized way, whether they are production sites or local sales and service entities.
- **Digitalization development through Mouvent.** We aim to play a leading role in the fourth emerging printing technology in packaging after offset, flexo and gravure, and increase our offering in connectivity and software.

Vision

Bobst Group's new developments are reinforcing our position as a technical trendsetter and contributing to the expansion of our market presence in the packaging and label industries.

Our vision is one of "leading innovation" for machines and services, while we are focusing strongly on future technical breakthroughs in digital printing applications, software and connectivity. Our vision will evolve into its final shape within the next two years and BOBST should become the preferred supplier for machines, services, digital print and software offerings.

We prepare ourselves carefully for each challenging technology shift coming our way, with their ensuing opportunities and risks. Our success will strongly depend on our capabilities to reinvent BOBST with dedicated leadership while instilling value creation into our Group.

We wish to thank all our collaborators for their stalwart support, their dedication, professionalism and their determination to accomplish the company strategy in a constructive and progressive spirit. We also thank our shareholders, suppliers and financial partners for their unwavering, and long-standing support. They can count on our commitment to further strengthening the position of Bobst Group during the years to come.



Alain Guttmann
Chairman of the Board



Jean-Pascal Bobst
Chief Executive Officer

CORPORATE GOVERNANCE

1. GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Bobst Group, supplier of equipment and services for printing, coating & laminating, cutting, folding and gluing, as well as other processes linked to the manufacturing of packaging and labels, is organized by technical processes in three Business Units (BU):

- BU Sheet-fed: combines the product lines for the folding carton and corrugated board industries.
- BU Web-fed: combines the product lines for the flexible materials and label industries and the Web-fed Solutions product line for the folding carton industry.
- BU Services: with a worldwide network of service centers, provides spare parts and services to customers in the packaging industries and offers a full range of solutions allowing them to get the most from their equipment.

The sales organization is organized by industries – folding carton, corrugated board flexible materials, and labels – and aligned with the activities of customers.

Bobst Group SA, based in Mex, Switzerland, is the holding company listed on the SIX Swiss Exchange and owns a number of non-listed companies as shown on page 59.

SIX SWISS EXCHANGE: BOBNN or 1268465 – ISIN: CH0012684657 – SIX TELEKURS: BOBNN,4 or 1268465,4 – BLOOMBERG: BOBNN SW – REUTERS: BOBNN.S. Market capitalization of Bobst Group SA CHF 2.14 billion as at 31 December 2017.

BOARD OF DIRECTORS

Alain Guttman

Chairman.
1958, Swiss national.

MScE, University of Lausanne, Switzerland (HEC).

Since 2005
Managing partner of CapDconsulting, Switzerland.

2000 – 2004
Founder of SFF Financial Services, Switzerland, and manager of a private equity vehicle.

1996 – 2000
Ernst & Young Consulting: Executive Vice President Central Europe and CEO for Switzerland.

1986 – 1996
Director and partner of ICME management consulting Lausanne, Switzerland, and Paris, France.

1983 – 1986
Marketing brand manager for Jacobs Suchard, Switzerland.

Other Board Memberships in Switzerland:
Alpavest, Lausanne; Bertrams, Muttentz; Biokema, Crissier; Cluster, Lausanne, Chairman; CIEL Electricité, Lausanne; JBF Finance, Buchillon; Origins Holdings, Zug; LBIS, Buchillon; Voxia communication, Genève; Wider, Montreux.

Thierry de Kalbermatten

Vice Chairman.
1954, Swiss national.

MSc, University of Lausanne (HEC). MBA, IMD Lausanne, Switzerland.

1994 – 2005
Member of Bobst Group Executive Committee, Switzerland.

1990 – 1994
Head of Logistics Department at Bobst SA, Switzerland.

1986 – 1990
Marketing Manager at Bobst Group Inc., Roseland, USA.

1984 – 1986
Rolex SA, Geneva, Switzerland.

1980 – 1982
UBS, Lausanne and Zurich, Switzerland.

Other Board Memberships in Switzerland:
JBF Finance SA, Buchillon, Chairman; PKB Alasia SA, Lausanne; Origins Holdings, Zug.

Jürgen Brandt

1956, German national.

Bachelor of Science in Economic Engineering (Dipl. Wirtschafts-Ingenieur), Esslingen, Germany.

Since 2015
Owner of Brandt International Consulting GmbH, Switzerland.

2010 – 2014
CFO of Sulzer Ltd, Winterthur, Switzerland.

2007 – 2010
CFO and Member of the Management Board, Austrian Energy & Environment Group GmbH, Austria.

2006 – 2007
CFO of Von Roll Inova AG, Zurich, Switzerland.

2006
CFO of Power Group Europe, Foster Wheeler, Finland.

2005 – 2006
CFO of Sylvania Lighting International Ltd, Germany.

1999 – 2004
Senior Vice President Finance Power and Environment Division, Alstom Power, France and Belgium.

1997 – 1999
CFO of Alstom Boilers GmbH, Germany.

Bruno de Kalbermatten

Honorary Chairman.

Gian-Luca Bona

1957, Swiss national.

Prof. Dr. for Photonics ETH Zurich and EPF Lausanne, Switzerland.

Since 2009
Director Empa – Material Science & Technology, Switzerland.

2008 – 2009
Director Tape Storage Solutions, IBM Server and Technology Group, Tucson, USA.

2004 – 2008
Research Manager Science & Technology, IBM San Jose and Tucson, USA.

1987 – 2004
Research Staff member and Research Manager Photonics, IBM Research Laboratory, Rüschlikon, Switzerland.

Other board Memberships in Switzerland:
Comet Group, Flamatt; Technopark Zurich Foundation, Chairman; Technopark Alliance, Zurich, Chairman; Glatec Technology Center, Dübendorf; Swiss Innovation Park Foundation Zurich.

Member of the scientific advisory boards of: CSEM Neuchâtel, Switzerland; Bundesanstalt für Materialien (BAM), Berlin, Germany; National Institute for Materials Science (NIMS), Tsukuba, Japan.

Philip Mosimann

1954, Swiss national.

Master degree of Mechanical Engineering, ETH Zurich, Switzerland.

Since 2016
Chairman of the board of directors at Bucher Industries AG, Niederweningen, Switzerland.

2002-2016
CEO at Bucher Industries AG, Niederweningen, Switzerland.

1997-2001
Executive Director at Sulzer Textil AG, Winterthur, Switzerland.

1982 – 1997
Engineer and Division Head at Sulzer AG, Winterthur, Switzerland.

Other Board Memberships in Switzerland:
Conzzeta AG, Zurich; Uster Technologies AG, Uster, Chairman; Ammann Group Holding AG, Langenthal.

Vanderlande Holding B.V., Veghel, Netherlands

Patrice Bula

1956, Swiss national.

Graduated from the HEC University of Lausanne in Economic Sciences (MSc) and attended the Program for Executive Development, IMD, Switzerland.

2011
Member of the Executive Board of Nestlé SA: Head of Strategic Business Units, Marketing & Sales and Chairman of Nespresso, Vevey, Switzerland.

2007 – 2011
Market Head of Nestlé Greater China Region.

2003 – 2007
Market Head of Nestlé Germany.

2000 – 2003
Head of the Confectionery & Biscuits Strategic Business Unit at Nestlé Headquarters, Switzerland.

1997 – 2000
Regional Head of Nestlé Southern African Region.

1992 – 1995
Market Head of Nestlé Taiwan.

Other Board Memberships in Switzerland:
Schindler Holding Ltd, Ebikon.

Member of various boards within the Nestlé organization.

Significant shareholders

JBF Finance SA, Buchillon, announced on 11 January 2014 holding 50.01% of Bobst Group SA's share capital (see also page 71). Apart from the foregoing, Bobst Group SA is not aware of any other shareholder holding Bobst Group SA shares in excess of 3% of the share capital, as at 31 December 2017.

During 2017, the Company published on the electronic publication platform of the SIX Swiss Exchange disclosure notifications pertaining to the holding of Bobst Group SA shares by Silchester International Investors LLP which reported holdings of 4.94% on 31 March 2017, and 2.98% on 17 May 2017.

Disclosure office of SIX Swiss Exchange weblink:
www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html.

Cross-shareholdings

There are no cross-shareholdings with other companies.

2. CAPITAL STRUCTURE

Capital

The amount of the ordinary share capital is CHF 16 518 478.–.

The ordinary share capital is divided into 16 518 478 registered shares.

The share capital of Bobst Group SA is structured in registered shares of CHF 1.–.

Authorized and conditional capital/Shares and participation certificates/

Dividend-right certificates

There is no authorized and conditional capital, and there are no participation certificates, nor profit sharing certificates.

Changes in capital within the last three years

See notes to the statutory accounts, page 71.

Limitations on transferability and nominee registrations

According to Article 11 of the Articles of Association (investors.bobst.com/documents) the number of shares registered in the name of nominees shall not exceed 20% of the shares issued by the Company.

Convertible bonds and warrants/options

There are no convertible bonds or warrants/options.

3. BOARD OF DIRECTORS

Members of the Board of Directors/Other activities and vested interest

This information is available on pages 8–9 under the individual CV's of the Board members. The members of the Board are all non-executive and none of them has operational management tasks for Bobst Group SA, or for any subsidiary. None of the members of the Board has been a member of the management of Bobst Group SA, or of any subsidiary, for the last three years.

Mr. Alain Guttmann was mandated as support for various projects. Refer to the Remuneration report, Part B, page 83. No other member of the Board has significant business connections with Bobst Group SA or any subsidiary.

Number of permitted activities pursuant to the Ordinance against Excessive Remuneration

Pursuant to Article 25 ter of the Articles of Association, each member of the Board of Directors may accept up to twenty functions in the supreme governing body of legal entities which are required to be registered in the commercial register in Switzerland or in a comparable foreign register. Among those twenty functions, up to five functions may be in legal entities listed on a stock exchange, of which no more than three functions as chairman of the board. Up to five functions in different legal entities which are subject to joint control are deemed to constitute one function.

No members of the Board of Directors exceeds the set limits for functions outside Bobst Group SA.

Elections and terms of office (see table below)

The members of the Board are elected or re-elected for periods of one year.

Members of the Board	Since	To be re-elected
Alain Guttman, Chairman	2009	2018
Thierry de Kalbermatten, Vice Chairman ²⁾	2005	2018
Ulf Berg ⁴⁾ ⁵⁾ (until 06.04.2017)	2006	–
Jürgen Brandt ³⁾ , ⁵⁾ since 06.04.2017	2013	2018
Gian-Luca Bona ¹⁾	2015	2018
Philip Mosimann ⁴⁾	2016	2018
Patrice Bula ⁴⁾ (since 06.04.2017)	2017	2018

¹⁾ Chairman of the Remuneration and Nomination Committee.

²⁾ Member of the Remuneration and Nomination Committee.

³⁾ Chairman of the Audit Committee.

⁴⁾ Member of the Audit Committee.

⁵⁾ Independent Director.

Internal organizational structure

The **Board** has a Chairman, a Vice Chairman, an independent Director and a Secretary.

The Board meets at least five times per year in order to deal with the items on the agenda prepared by the Chairman. In 2017, the Board met six times – two meetings of a day, three half-day meetings and one conference call. Five meetings were attended by all Board members, and one meeting by five out of six Board members.

For each meeting, Board members receive the necessary documents in advance. The Board meetings are usually held at the head office of Bobst Group SA but, occasionally, the Board convenes at the site of one of the Group companies, or at any other business-related location. While, from time to time, the Board meets with only its members present, as a rule the members of the Group Executive Committee are present and inform the Board about the activity in their respective areas of responsibility.

The **Remuneration and Nomination Committee** is composed of members elected by the General Assembly and assumes the functions defined in the Remuneration and Nomination Committee Charter (investors.bobst.com/documents).

The Remuneration and Nomination Committee meets at least twice a year. In 2017, its members met for three one hour meetings. Three meetings were attended by all Committee members, and all meetings were attended by the Chairman of the Board, the Chief Executive Officer and the Head of Group HR, who acted as Secretary of the Committee.

The **Audit Committee** is composed of Board members designated by the Board and assumes the functions defined in the Audit Committee Charter under investors.bobst.com/documents.

In 2017, three half-day meetings were attended by all Audit Committee members and by the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. The General Counsel and the lead external auditor attended all meetings.

Definition of areas of responsibility

Pursuant to the Organization Regulations of the Company (investors.bobst.com/documents), the Board delegates the management of the Company and the Group to the CEO who chairs the Group Executive Committee.

The Board retains the attributions which are expressly conferred to it by law or the Articles of Association (investors.bobst.com/documents), and the attributions which cannot be delegated pursuant to Article 716a of the Swiss “Code des Obligations”.

In addition, pursuant to the Organization Regulations of the Board (investors.bobst.com/documents), the Board retains certain key responsibilities, in particular: to determine the strategy and the goals of the Company and of the Bobst Group, and to determine the financial strategy; to approve the annual budget of the Company and the consolidated budget of the Group; the competence to approve the procurement of credit by the Company or any of its majority-owned affiliates if the amount exceeds CHF 30 million or if the total of credit procurement per financial year exceeds CHF 50 million, or if such approval is a condition by the creditor; supervision of the execution by the CEO of the management duties delegated to him; verification of the Internal Control System and the Risk Evaluation Process; implementation of the remuneration systems for the members of the Board and the GEC pursuant to Articles 23 ter through 23 quinquies of the Articles of Association (investors.bobst.com/documents), and the supervision of the application of corporate governance principles throughout the Group.

The responsibilities of the Chief Executive Officer are defined in the Organization Regulations of the Company (investors.bobst.com/documents).

The Group Executive Committee (GEC) consists of:

- the Chief Executive Officer (CEO);
- the Chief Financial Officer (CFO);
- the managers of the Business Units.

Its responsibilities are defined in the Organization Regulations of the Company (investors.bobst.com/documents).

Information and control instruments vis-à-vis the GEC

Except for the months of January, July and October 2017, for which a lighter close process is applied, the GEC and the Board receive a monthly detailed **financial report** presenting business activity and profitability, the evolution of the key items on the balance sheet and the treasury situation. The report compares the actual figures with the budget, the forecast and prior year. In November and December, the budget and the medium-term business plan of the Group are reviewed in detail and presented for approval. The Group has internal control procedures which are regularly analyzed by the external auditors.

The **internal audit** function provides separate evaluations of the effectiveness and efficiency of the internal control systems at the level of the Group companies. On the basis of these evaluations, recommendations for improvement are formulated. Resources for this function are organized by project with multidisciplinary teams created in relation to the type of engagement. When needed, external resources are involved. The Head of Internal Audit establishes an annual engagement plan to determine the priorities of the internal audit activity, along with the companies to be analyzed. The plan is submitted to the Audit Committee for approval. Audit results are discussed with the management of the companies concerned, who have to define deadlines and actions for the implementation of the recommendations. The Head of Internal Audit regularly reports to the Audit Committee on performance relative to the initial audit plan, as well as any significant risk exposures and control issues.

The Board of Directors and the GEC attach great importance to the thorough handling of risks, in particular in the areas of markets, operations, finance, R&D, resources and environment, and the continuous development of the **risk management system**. The GEC conducted a review of our current approach with the objective to verify and improve the risk management system in place. The GEC discussed methodologies and the scope of the system, risk identification and categories, assessments, mitigation measures, organization, processes and adequate reporting at the various levels of the Group. The Board of Directors dealt with the continuous development of the risk management systems and the findings presented by the GEC in two separate meetings. The Board of Directors furthermore approved board regulations on risk management including methodologies, organization, processes and reporting. The group-wide risk management is currently based on the COSO Enterprise Risk Management as well as the ISO9001 frameworks. It is closely aligned with the Group's strategy and business planning process. A senior member of the Group finance management acts as Head of Group Risk Management. The Head of Group Risk Management is supported by various Business Unit representatives and internal experts of the corporate management.

Risk dialogues with Group managers and Business Unit representatives serve the Group risk management function as an important means to identify and assess risks. In close cooperation with the respective risk owners, key risks and appropriate mitigation measures are defined. A bi-annual internal risk report, presented to the Board of Directors and the GEC, is used to document the risk management process and to provide risk transparency. An internal risk report was prepared on the basis of the refined risk management system in the second half of the business year and reviewed by the Board of Directors in December.

The handling of financial and operational risks is explained in the financial statements in the separate chapter "Risk management and capital structure".

4. GROUP EXECUTIVE COMMITTEE (GEC)

Members of senior management/Other activities and vested interest

This information is available on pages 14–15 under the individual CV's of the GEC members.

GROUP EXECUTIVE COMMITTEE (GEC)

Jean-Pascal Bobst

Chief Executive Officer
since 07.05.2009.
1965, Swiss national.

Mechanical Engineer HES (University of Applied Sciences), INSEAD: Service for Executive and PED (Program for Executive Development), Switzerland.

Since 1994 with Bobst: various Management positions.

1991
Schindler Berlin, Production Eastern Europe.

Board Memberships in Switzerland:
JBF Finance SA, Buchillon; Foundation Aslane, Corseaux, Chairman; Foundation Lumière & Vie, Epalinges; Foundation ESBS, Oron, Chairman.

Member of various boards within the Bobst Group organization.

Attilio Tissi

Chief Financial Officer
since 08.11.2011.
1968, Swiss and Italian national.

Lic. oec. HSG, University of St. Gallen, Switzerland.

Since 2008 with Bobst, Switzerland as Controller Group Supply Production and Logistics, Managing Director Bobst SA, and CFO ad interim from May until October 2011.

2002 – 2007
Associate of MCC Management Consulting & Coaching, Schaffhausen, Switzerland.

1998 – 2001
SIG Positec International AG, Neuhausen, Switzerland, successively as Head Mergers & Acquisitions, CFO.

1994 – 1997
Assistant to the Group CFO at SIG Holding AG, Neuhausen, Switzerland.

Board Memberships:
Member of various boards within the Bobst Group organization.

Philippe Milliet

Head of Business Unit Sheet-fed since 08.11.2011.
1963, Swiss national.

Pharmacy degree. MBA, University of Lausanne, Switzerland.

Since June 2011 with Bobst.

2004 – 2010
Head of Health Division at Galenica Holding Ltd, Bern, Switzerland. Member of the Corporate Executive Committee.

2002 – 2003
CEO of Unicable Ltd, Lausanne, Switzerland.

1996 – 2001
CEO of Galexis Ltd, Schönbühl, Switzerland. Member of the Executive Management Group of Galenica Holding Ltd, Bern, Switzerland.

1992 – 1996
Associate, Engagement Manager at McKinsey & Company, Inc., Geneva, Switzerland.

Board Memberships in Switzerland:
Swiss Post, Bern.

Member of various boards within the Bobst Group organization.

Erik Bothorel

*Head of Business Unit
Web-fed since 01.01.2010.
1962, French national.*

Master degree in Mechanical Engineering, Saint-Etienne National School, France. University third cycle in Automation and Artificial Intelligence, IIRIAM, France.

Since 2004 with Bobst successively as Managing Director and Head of gravure product line at Rotomec SpA then Bobst Group Italia SpA, Italy.

2001 – 2003
Barbieri & Tarozzi, Italy,
Group General Manager.

1998 – 2001
SASIB, Italy, General and Business Unit Manager.

1987 – 1998
Jobs, France and Italy,
successively Sales Manager,
General Manager.

Board Memberships:
Member of various boards
within the Bobst Group
organization.

Stephan März

*Head of Business Unit
Services since 01.04.2011.
1971, German national.*

Mechanical Engineer,
Technical University, Munich,
Germany (TUM). Business
administration studies
(TUM).

Since April 2011 with Bobst.

2006 – 2011
GF Agie Charmilles Group,
Switzerland, successively
as Head of Business
Development, Head of
Customer Services, Group
Management Member.

2004 – 2005
Georg Fischer AG,
Switzerland, Head of
Strategic Projects.

1997 – 2004
Roland Berger Strategy
Consultants, Germany,
Senior Project Manager.

Board Memberships:
ISLA (International Service
Logistics Association,
Munich, Germany, Chairman.

Member of various boards
within the Bobst Group
organization.

Number of permitted activities pursuant to the Ordinance against Excessive Remuneration

Pursuant to Article 25 ter of the Articles of Association, each member of the GEC may accept up to three non-executive functions in the supreme governing body of legal entities which are required to be registered in the commercial register in Switzerland or in a comparable foreign register, of which no more than one function in a legal entity listed on a stock exchange, but not as chairman of the board. Up to two functions in different legal entities which are subject to joint control are deemed to constitute one function.

The following functions are exempt from the restrictions in the preceding paragraphs:

- functions in legal entities that are controlled by the Company or that control the Company;
- up to ten functions in non-commercial or charitable legal entities;
- up to five functions in legal entities not belonging to the Group that are accepted at the request or order of the Company or one of the legal entities which it controls.

No members of the GEC exceeds the set limits for functions outside Bobst Group SA.

Management contracts

There are no management contracts with legal entities or individuals outside the Bobst Group.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

Remuneration and Shareholding Programs

The principles are stated in the Articles of Association pursuant to Articles 23 ter, 23 quater, and 23 quinquies.

The members of the Board of Directors receive a fixed remuneration.

The members of the GEC receive a fixed remuneration and a variable remuneration. The variable remuneration can reach 120 percent of the fixed annual remuneration. The variable remuneration is paid according to the degree of achievement of individual quantitative and qualitative objectives. The objectives and the level of achievement are determined by the Board of Directors upon recommendation by the Remuneration and Nomination Committee. Up to 30 percent of the variable remuneration can be paid in the form of shares of the Company. These shares are allocated definitely, but are blocked in general for three years. They are allocated at their fair market value at grant. The Board of Directors further determines the blocking conditions.

See Remuneration Report 2017, Part A, pages 78 to 81.

Performance Related Pay

See Remuneration Report 2017, Part A, page 80 and Part B, page 82.

See Articles 23 ter 23 quater, 23 quinquies of the Articles of Association (investors.bobst.com/documents).

Loans, credits, post-employment benefits

See Remuneration Report 2017, Part A, page 81 and Part B, page 83.

See Article 23 sexes of the Articles of Association (investors.bobst.com/documents).

Vote on Remuneration by the General Assembly

See Articles 23 and 23 ter of the Articles of Association (investors.bobst.com/documents).

The General Meeting approves annually the proposals of the Board of Directors with regard to the remuneration as follows:

- The maximum aggregate amount of remuneration for the members of the Board of Directors for a period from one Annual General Meeting to the following Annual General Meeting;
- The maximum aggregate amount of remuneration for the members of the GEC for the following financial year.

The above aggregate amounts are adopted by the General Meeting separately.

6. SHAREHOLDERS' PARTICIPATION

Voting rights restrictions and representation

Only shareholders registered with voting rights and the Independent Representative elected by the General Meeting may represent shareholders at the General Meeting of Shareholders. See Articles 18 and 23 bis of the Articles of Association (investors.bobst.com/documents).

Instructions to Independent Representative

The invitation to the Annual General Meeting of Shareholders indicates the procedure by which registered shareholders can give their voting instructions to the Independent

Representative in electronic form. Shareholders may continue to provide voting instructions in writing. See Articles 21 and 23 bis of the Articles of Association (investors.bobst.com/documents).

Statutory quorums

The decisions by the General Meeting of Shareholders which require a qualified majority are mentioned in Article 22 of the Articles of Association (investors.bobst.com/documents).

Agenda

Article 17 of the Articles of Association (investors.bobst.com/documents) stipulates that requests for including items in the agenda of the General Meeting of Shareholders have to be made at least forty days prior to the date of the meeting.

Shareholders who represent shares with a total nominal value of one million Francs (CHF 1 000 000.–) can ask for the inclusion of an item on the agenda.

Inscriptions into the share register

The share register is closed for new registrations a few days prior to the date of the General Meeting of Shareholders.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

Duty to make an offer

Article 12 of the Articles of Association (investors.bobst.com/documents) contains an opting-out clause: the obligation to present an offer to purchase all the listed securities of the Company (Article 135 of the Federal Act on Financial Markets Infrastructure of 19 June 2015), does not apply to the owners and purchasers of shares of the Company (Article 125 and Article 163 of the Act).

8. AUDITORS

Duration of the mandate and term of office of the lead auditor

The auditors of Bobst Group SA are PricewaterhouseCoopers SA who is acting as statutory auditors of the holding company Bobst Group SA, as auditors of the consolidated financial statements of Bobst Group and as auditors of the Swiss affiliated companies. For the affiliated companies abroad, functions of auditors are assumed mainly by PwC. The auditors were reappointed by the Annual General Meeting of Shareholders of Bobst Group SA of 6 April 2017. PwC's mission started with the audit of the fiscal year 2016.

The responsibility of the engagements is assumed by one head auditor. The current PwC head auditor has been in charge since the audit of the 2016 financial statements. Pursuant to Article 730a of the Swiss "Code des Obligations", a head auditor may be in charge of an audit for seven years at most.

Auditing fees/Additional fees

Fees billed by Pricewaterhouse Coopers (worldwide) for the audit of the individual statements of Bobst Group SA and its subsidiaries, on the one hand, and for the audit of the consolidated financial statements on the other hand, for the year 2017, amounted to CHF 956 337.–.

For other professional services, additional fees billed by Pricewaterhouse Coopers (worldwide), for the same period, amounted to CHF 373 172.–, of which CHF 287 884.– was for tax advice and compliance and CHF 85 288.– for audit related services.

Informational instruments pertaining to the external audit

In 2017, Pricewaterhouse Coopers participated in each of the following three Audit Committee meetings held during the year and, in addition, held three sessions with members of the Audit Committee without management presence. The Reports to the Audit Committee prepared by the external auditors are the basis for discussions on the annual financial statements.

Once a year, the Audit Committee reviews the performance, independence and remuneration (based on a benchmark) of the external auditors, and submits a proposal to the Board of Directors on which auditing company should be nominated for election at the General Meeting of Shareholders.

On an annual basis, the Audit Committee also reviews the scope of external auditing, approves the audit plan, and discusses the corresponding audit results with the external auditors.

9. INFORMATION POLICY

Bobst Group SA publishes:

an *annual report* in English, together with the financial statements as at 31 December, the consolidated financial statements, source and utilization of funds, notes to the consolidated financial statements, statutory accounts with notes, auditors' reports, a *remuneration report*, an *annual profile* in English and French, and a *half-year report* in English. All these documents are available on the website (investors.bobst.com/publications), along with a *sustainable development report* in English and French (investors.bobst.com/documents).

Press releases, available on the same day on the website (investors.bobst.com/publications) – traditionally one when publishing the annual report and the remuneration report, one when publishing the half-year report, and others as the need may occur pursuant to rules on ad hoc publicity.

Conferences for financial analysts and the media: one is held on the day of the publication of the annual financial statements, another takes place in November.

Presentations are available on the same day on the website (investors.bobst.com/publications).

Annual General Meeting of Shareholders.

Teleconferences for financial analysts and the media, available next day on the website (investors.bobst.com/publications): one when publishing the half-year report and the related press release, and others as the need may occur.

Website links and contact

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www.bobst.com – to reach the site home page.

investors.bobst.com – to reach the investors pages directly and get the press releases and ad hoc publicity (investors.bobst.com/adhocreleases), the agenda of events (investors.bobst.com/agenda), the annual, remuneration, and half-year reports, the teleconferences and the presentations for financial analysts and the media (investors.bobst.com/publications), the Articles of Association of Bobst Group SA (investors.bobst.com/documents), the Organization Regulations of Bobst Group SA, the Remuneration and Nomination Committee Charter and the Audit Committee Charter.

investors.bobst.com – to find or order financial information and to subscribe to our newsletter.

investors@bobst.com – to mail questions not addressed in the above documentation.

Disclosure of shareholdings

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Share Register
P.O. Box
CH-1001 Lausanne
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Fax +41 21 621 20 37
E-mail: shareholders@bobst.com

FINANCIAL STATEMENTS

CONTENTS

The consolidated financial statements have been structured in order to provide users with financial information which is more understandable and better structured to explain the performance and financial position of the Group. The notes have been grouped in 5 sections. Each section starts with an introduction which explains the purpose and content of that section. Accounting policies and accounting judgments and estimates applied to the preparation of the consolidated financial statements are at the beginning of the note to which they relate in order to provide appropriate context.

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COMMENTS

ORDER ENTRIES AND BACKLOG

The Group started 2017 with a lower machine backlog than the year before and order entries during 2017 have been higher than in the previous year for both of the machinery Business Units and particularly for Business Unit Sheet-fed. Globally, order entries increased by nearly 17% compared to the previous year, driven by very high activity in Europe. The Americas, Asia and Africa remained stable. The Group finished the reporting year with a more than 20% higher machine backlog than in 2016.

SALES

For the full year 2017, consolidated sales increased by CHF 82 million or 5.7% to CHF 1 529 million. Adjusted for currency effects and acquisitions, organic sales were up CHF 68 million or 4.7% in 2017. Boxplan GmbH acquired in 2017 and the new company Mouvent (digital printing) created in June 2017 contributed CHF 3 million to the sales increase. Exchange rate variances increased sales by CHF 11 million.

	In million CHF	In %
Increase in volume	68.0	4.7
Change in scope of consolidation	3.4	0.2
Exchange rate variance	10.6	0.8
Increase in sales	82.0	5.7

Sales reached CHF 885 million in the second half of 2017 compared with CHF 643 million in the first six months of the year, and to CHF 847 million in the second semester of 2016.

Sales of Sheet-fed products increased by 4.4% to CHF 745 million. This growth was once more driven by a very strong demand for products for the corrugated industry. The demand for products for the folding carton industry remained stable. Sales of Web-fed products increased by 6.9% reaching CHF 330 million for the year 2017. The growth came mainly from gravure printing and coating equipment. The demand for special machines and complex lines remained at a similarly low level as in 2016. Sales of Services and spare parts increased by 7.1% to CHF 453 million.

	2017		2016		Variance in %
	In million CHF	In %	In million CHF	In %	
Europe	684.8	44.8	661.4	45.7	3.5
Americas	438.7	28.7	426.6	29.5	2.8
Asia & Oceania	363.2	23.7	307.3	21.2	18.2
Africa	41.9	2.8	51.3	3.6	-18.3
Total	1 528.6	100.0	1 446.6	100.0	5.7

COMMENTS

OPERATING RESULT (EBIT)

The operating result (EBIT) was CHF 119 million or 7.8% of sales compared to CHF 104 million or 7.2% of sales in 2016. The increase in operating result was driven by higher sales, optimal utilization of the Group's industrial capacities as well as by improvement measures to continuously increase our competitiveness.

Significant investments to sustain the growth and digital printing activities, pressure on margins, and the costs for restructuring measures in a German plant decided at the end of the year had a negative impact of more than CHF 10 million on the operating result (EBIT) of Business Unit Web-fed, resulting in a CHF 7 million loss for the year 2017 compared to a CHF 11 million positive operating result (EBIT) in 2016. Business Unit Services further improved its profitability. Operating profit (EBIT) reached CHF 63 million compared to CHF 54 million in previous year. 2017 was an excellent year for Business Unit Sheet-fed. Operating profit (EBIT) reached CHF 64 million compared to CHF 40 million in 2016.

NET RESULT

The net result reached CHF 107 million (CHF 84 million in 2016). The increase came from higher operating result as well as from lower tax expense, mostly thanks to the impact on the evaluation of deferred tax assets and liabilities of lower future tax rates in Canton Vaud, Switzerland and the new tax law approved in the USA at the end of 2017 (a net impact of CHF 15 million).

BALANCE SHEET

The higher net result, as well as continued efforts to optimize net working capital, resulted in a high cash inflow from operating activities of CHF 150 million (CHF 108 million in 2016). This contributed to a net cash position of CHF 133 million in the reporting year compared to CHF 51 million in 2016. The return on capital employed (ROCE) increased to 23.2% compared to 19.9% in 2016 and the shareholders' equity ratio increased to 35.6% from 33.9% in the previous year.

DIVIDEND PROPOSAL

The Board of Directors proposes to the Annual General Meeting of Shareholders the payment of a dividend of CHF 2.60 per share (CHF 1.70 in 2016). This proposal is in line with the Group's dividend policy which recommends a payout ratio between 30–50% of the net consolidated profit after tax.

CONSOLIDATED PROFIT AND LOSS

In million CHF	Notes	2017	2016
Sales	04	1 528.6	1 446.6
Other operating income	05	23.9	14.5
Raw materials and services	06	-923.9	-887.8
Changes in inventories		-0.6	23.2
Personnel costs	07	-454.3	-443.2
Depreciation and amortization	12, 15	-41.2	-34.7
Other operating expenses	09	-13.8	-14.9
Operating result (EBIT)		118.7	103.7
Share of net result in associates	14	10.7	8.4
Interest expenses	10	-6.1	-6.0
Other financial income	10	8.0	9.4
Other financial expenses	10	-5.5	-7.1
Result before income tax		125.8	108.4
Income tax	11	-18.9	-24.1
Net result		106.9	84.3
Attributable:			
To shareholders		114.4	83.8
To non-controlling interest		-7.5	0.5
Earnings per registered share (in CHF)	27	6.93	5.08
Diluted earnings per registered share (in CHF)	27	6.93	5.08

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

In million CHF	Notes	31 December 2017	31 December 2016
Intangible fixed assets	12	36.5	32.0
Tangible fixed assets	15	260.6	250.8
Financial assets other		23.3	15.9
Investments in associates	14	50.2	38.7
Employer contribution reserves	22	25.8	25.8
Receivables	16	4.8	5.6
Finance lease receivables	18	7.8	4.4
Prepaid expenses and accrued income		1.4	1.5
Deferred tax assets	11	40.9	38.3
Non-current assets		451.3	413.0
Inventories	20	391.2	331.7
Receivables	16	311.3	301.4
Finance lease receivables	18	2.7	6.5
Income tax receivables		15.8	12.1
Prepaid expenses and accrued income		15.5	6.4
Derivative financial instruments	24	3.4	6.1
Cash and cash equivalents		402.8	325.5
Current assets		1 142.7	989.7
Total assets		1 594.0	1 402.7

In million CHF	Notes	31 December 2017	31 December 2016
Share capital		16.5	16.5
Reserves		436.9	375.0
Net result		114.4	83.8
Shareholders' equity		567.8	475.3
Non-controlling interest		-8.4	2.2
Equity		559.4	477.5
Borrowings	25	263.1	264.1
Provisions	21	9.4	15.6
Employee benefits	22	41.1	39.3
Trade and other payables		27.1	19.1
Deferred tax liabilities	11	41.0	50.8
Non-current liabilities		381.7	388.9
Borrowings	25	6.8	10.1
Provisions	21	54.0	50.2
Employee benefits	22	5.2	4.9
Trade and other payables		441.7	360.9
Accrued expenses and deferred income		110.8	91.1
Income tax payables		20.1	13.6
Derivative financial instruments	24	14.3	5.5
Current liabilities		652.9	536.3
Total liabilities and equity		1 594.0	1 402.7

The accompanying notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In million CHF		2017	2016
Net result		106.9	84.3
Elimination of net result in associates		-10.7	-8.4
Elimination of income taxes		18.9	24.1
Elimination of depreciation, amortization and provisions		38.4	36.6
Elimination of the result on disposal of assets		0.5	2.5
Elimination of interest expenses(income)		3.7	3.0
Elimination of derivative financial instruments results		1.4	-4.4
Changes in inventories		-48.8	-10.0
Changes in receivables		-17.2	4.6
Changes in payables		85.1	8.4
Paid taxes		-28.1	-32.5
Cash flow from operating activities	Total A	150.1	108.2
Acquisition of subsidiaries, net of cash acquired		-1.4	-8.9
Purchase of intangible fixed assets		-14.7	-15.0
Purchase of tangible fixed assets		-39.1	-10.9
Purchase of investments in associates		-1.0	-0.7
Loans and advances made		-0.4	-0.1
Proceeds from sale of tangible fixed assets		4.0	1.1
Proceeds from sale of financial assets		0.0	0.0
Loan repayments and advances received		0.2	1.7
Interest received		2.4	3.0
Dividends received		3.9	3.2
Cash flow from (used in) investing activities	Total B	-46.1	-26.6
Proceeds of non-controlling interest		0.2	0.0
Proceeds from borrowings		0.8	3.4
Repayments of borrowings		-8.0	-10.9
Interest paid		-6.1	-6.0
Dividends paid to Group shareholders		-28.1	-20.6
Dividends paid to non-controlling interest		-0.3	0.0
Cash flow from (used in) financing activities	Total C	-41.5	-34.1
Effects of exchange variances	Total D	14.8	-1.2
Change in cash and cash equivalents	A+B+C+D	77.3	46.3
Cash and cash equivalents at beginning of period		325.5	279.2
Cash and cash equivalents at end of period		402.8	325.5
Variance		77.3	46.3

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are easily and quickly convertible to a known amount of cash.

The accompanying notes form an integral part of the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY

In million CHF	Share capital	Hedge reserve	Translation reserve	Other reserves	Goodwill offset	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 January 2016	16.5	-1.5	-36.0	0.4	-133.6	573.7	419.5	2.3	421.8
Result for the period						83.8	83.8	0.5	84.3
Currency translation differences			-0.5				-0.5	-0.1	-0.6
Net gain/(loss) on cash flow hedges reclassified to profit and loss during the year		2.3					2.3		2.3
Net gain/(loss) on cash flow hedges during the year		0.1					0.1		0.1
Income tax		-1.0					-1.0		-1.0
Acquisition of non-controlling interests						0.5	0.5	-0.5	0.0
Share-based payments				0.1			0.1		0.1
Dividends						-20.6	-20.6		-20.6
Goodwill on acquisition					-8.9		-8.9		-8.9
Balance at 31 December 2016	16.5	-0.1	-36.5	0.5	-142.5	637.4	475.3	2.2	477.5
Balance at 1 January 2017	16.5	-0.1	-36.5	0.5	-142.5	637.4	475.3	2.2	477.5
Result for the period						114.4	114.4	-7.5	106.9
Currency translation differences			21.2				21.2	0.2	21.4
Net gain/(loss) on cash flow hedges reclassified to profit and loss during the year		-0.1					-0.1		-0.1
Net gain/(loss) on cash flow hedges during the year		-9.9					-9.9		-9.9
Income tax		-0.1					-0.1		-0.1
Non-controlling interests arising on business combinations						0.0	0.0	-3.1	-3.1
Share-based payments				0.0			0.0		0.0
Dividends						-28.1	-28.1	-0.2	-28.3
Goodwill on acquisition					-4.9		-4.9		-4.9
Balance at 31 December 2017	16.5	-10.2	-15.3	0.5	-147.4	723.7	567.8	-8.4	559.4

Retained earnings include non-distributable, statutory or legal reserves amounting to CHF 7.2 million (2016: CHF 7.2 million).

ACCOUNTING INFORMATION AND POLICIES

This section describes the basis of preparation of the consolidated financial statements and the Group's accounting policies that are applicable to the financial statements as a whole. Accounting policies, critical accounting estimates and judgements that are specific to a note are included in the note to which they relate. This section also explains new accounting principles that the Group has adopted in the current financial year. The notes on pages 28 to 59 are in integral part of these consolidated financial statements.

NOTE 1

GENERAL INFORMATION

Bobst Group SA, a company incorporated in Switzerland and having its main offices at 3, Route de Faraz, in Mex, Switzerland, is the holding company of the Bobst Group, one of the world's leading suppliers of equipment and services to packaging and label manufacturers in the folding carton, corrugated board and flexible materials industries.

NOTE 2

ACCOUNTING INFORMATION AND POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with the entire existing accounting principles of Swiss GAAP FER (Generally Accepted Accounting Principles FER) and are based upon the financial statements of the Group companies as at 31 December which are prepared using uniform classification and accounting policies. The consolidated financial statements have been prepared in accordance with the historical acquisition costs principle with the exception of securities and derivative financial instruments which are measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Bobst Group SA and its subsidiaries (the Group).

The subsidiaries are those companies controlled, directly or indirectly, by Bobst Group SA. The control is effective when Bobst Group SA is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary to direct the relevant activities.

Group companies are consolidated from the date on which control is transferred to the Group, while subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-Group transactions, balances, income and expenses (including dividends) are eliminated during the consolidation.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of control. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Within the scope of acquisitions, potentially existing but until now not capitalized intangible assets such as brand names, distribution channels and technologies are not recognized separately but instead remain part of goodwill. Goodwill may also arise from investments in associated companies and is defined as the difference between the acquisition costs of the investment and its proportional revalued net assets. The goodwill resulting from acquisitions is offset directly in Group equity. The Note 13 discloses the effects that a theoretical capitalization and amortization of the acquired goodwill would have.

ACCOUNTING INFORMATION AND POLICIES

In the event that shares of Group or associated companies are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the profit and loss statement.

Companies over which the Group has the power to exercise significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights are classified as associates and accounted for using the equity method.

Non-controlling interests are presented separately in the consolidated balance sheet and the consolidated income statement but as a component of consolidated equity and consolidated net result.

Scope of consolidation

The changes in the scope of consolidation with respect to the prior year are shown in Note 29. The consolidated companies are listed on Note 35. The closing date of the companies is 31 December.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Swiss Francs, which is the functional currency of Bobst Group SA and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, all items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Exchange differences arising from the settlement of monetary items, and from the retranslation of monetary items, are included in profit and loss for the period, except when deferred in equity as qualifying cash flow hedges.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see Note 24 for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign currency operations (including comparatives) are translated into Swiss Francs using exchange rates prevailing on the balance sheet date. Income, expense and cash flow items (including comparatives) are translated at the average exchange rates for the period. The exchange differences arising on translation for consolidation are recognized in equity.

The principal foreign exchange rates used in the translation of financial statements for the two years ended 31 December 2017 and 2016 were as follows:

		Balance sheet		Profit & loss statement	
		2017	2016	2017	2016
Main exchange rates					
Euro zone	1 EUR	1.17	1.07	1.12	1.09
USA	1 USD	0.98	1.02	0.98	0.99
United Kingdom	1 GBP	1.32	1.26	1.28	1.33
China	1 CNY	0.15	0.15	0.15	0.15

ACCOUNTING INFORMATION AND POLICIES

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in accordance with Swiss GAAP FER requires the use of certain assumptions and estimates that influence the figures presented in this report. They are based on analyses and judgements which are continuously reviewed and adapted if necessary.

RESULTS FOR THE YEAR

This section explains the results and performance of the Group for the two financial years 2016 and 2017. Disclosures are provided for segment reporting, operating expenses and income, financial expenses and income and taxation. For taxation, balance sheet disclosures are also provided in this section. The disclosures for the Group's share of net result in associates are provided in the operating assets and liabilities section.

NOTE 3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Committee (GEC). The GEC is responsible for allocating resources and assessing performance of the operating segment.

The GEC is identified as chief operating decision-maker and reviews the Group's internal reporting in order to assess performance and allocate resources.

Internal reporting is based on the same accounting principles as the ones used to establish these financial statements and segment performance is assessed based on the operating result (EBIT).

Group financing (including finance costs and financial income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The reportable segments of the Group are as follows:

- BU Sheet-fed combines machine sales of all product lines in the folding carton and corrugated board industries;
- BU Web-fed covers machine sales activities linked to the flexible materials industry, including the Web-fed Solutions product line;
- BU Services expands Bobst Group's service offering by developing the sale of supplies and by supporting customers in their operational activities;
- the segment "Other" includes secondary activities which are not significant for the Group.

RESULTS FOR THE YEAR

NOTE 3 (CONTINUED) SEGMENT REPORTING

No operating segments were aggregated to form the above reportable operating segments.

Inter-segment operations correspond to the contribution paid by the Business Unit Services to the other Business Units for the right to sell spare parts and services for their equipment. These contributions do not generate internal margin.

In million CHF	2017	2016
Revenue		
Sheet-fed third party sales	745.3	714.1
Sheet-fed inter-segment	23.0	21.4
Sheet-fed total revenue	768.3	735.5
Web-fed third party sales	330.2	308.8
Web-fed inter-segment	4.2	4.0
Web-fed total revenue	334.4	312.8
Services third party sales	452.5	422.6
Other third party sales	0.6	1.1
Eliminations inter-segment	-27.2	-25.4
Total third party sales	1 528.6	1 446.6

In million CHF	Sheet-fed		Web-fed		Services		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Results										
Total segment operating result (EBIT)	64.0	39.5	-7.1	10.9	63.1	54.4	-1.3	-1.1	118.7	103.7
Share of result of associates	10.7	8.4							10.7	8.4
Financial result									-3.6	-3.7
Result before income tax									125.8	108.4

GEOGRAPHIC INFORMATION

In million CHF	2017		2016	
Revenue from external sales				
Europe	684.8	44.8%	661.4	45.7%
Americas	438.7	28.7%	426.6	29.5%
Asia & Oceania	363.2	23.8%	307.3	21.2%
Africa	41.9	2.7%	51.3	3.6%
Total	1 528.6	100.0%	1 446.6	100.0%

Revenues are allocated to countries on the basis of the client's location.

RESULTS FOR THE YEAR

NOTE 4 SALES

Accounting policies

Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, rebates and other sales taxes or duty.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Sale of goods – machines. Revenue from the sale of machines is recognized when the significant risks and rewards have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the machines and the amount of revenue can be measured reliably.

Sale of goods – spare parts. Spare parts revenue is mainly recognized upon shipment representing the time of transfer of significant risks and rewards.

Sale from services. Revenue from services rendered include various services, such as maintenance contracts, reactive services and upgrades. Sales of services are recognized as revenue in the accounting period in which the services are rendered, which means that they are allocated over the contractual period.

If a machine sale includes subsequent delivery of parts and/or service, the corresponding amount is deferred and recognized as revenue when the recognition criteria are met for the corresponding category.

Business segment information is stated in Note 3.

In million CHF	2017	2016
Distribution by business activity:		
Machines	1 072.6	1 020.6
Spare parts and services	456.0	426.0
Total	1 528.6	1 446.6

RESULTS FOR THE YEAR

NOTE 5

OTHER OPERATING INCOME

In million CHF	2017	2016
Resolved disputes	2.4	0.0
Gain on sales of assets	5.8	0.0
Government grants	3.0	1.1
Transfer of operating charges	4.7	5.3
Commissions on sales	1.1	0.6
Income from leased machines	0.1	0.0
Other	6.8	7.5
Total	23.9	14.5

NOTE 6

RAW MATERIALS AND SERVICES

In million CHF	2017	2016
Material costs	661.1	647.4
Rent, Maintenance, Energy	39.4	35.7
Marketing, Communication, Travel	69.9	65.9
External staff	23.1	18.9
Transport, Customs, Insurance	46.6	45.0
Administration and other costs	83.8	74.9
Total	923.9	887.8

NOTE 7

PERSONNEL COSTS

In million CHF	2017	2016
Wages and salaries	357.1	348.7
Social expenses and other personnel expenses	97.2	94.5
Total	454.3	443.2

RESULTS FOR THE YEAR

NOTE 8

RESEARCH & DEVELOPMENT

Accounting policies

Internal research costs are costs incurred to gain new technical knowledge and understanding. These costs are charged directly to profit and loss.

Internal development costs are incurred for the application of research findings to plan and develop new products for commercial production. These costs would qualify for capitalization as intangible assets only if the Group can demonstrate all of the following criteria:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

The development projects undertaken by the Group are subject to technical and other uncertainties such that, in the opinion of the management, the criteria for capitalization are not met unless prior products have been successfully launched in the market. Internal development costs that do not meet criteria are charged to profit and loss.

CHF 80.3 million was spent on Research & Development (CHF 68.8 million in 2016). These costs were not capitalized in 2017 and 2016. All three business segments have focused their efforts on the improvement of existing models, on the development of new products, as well as on research for the standardization of the components of manufactured products of the Group.

RESULTS FOR THE YEAR

NOTE 9

OTHER OPERATING EXPENSES

In million CHF	2017	2016
Taxes on capital and other taxes	8.3	9.7
Non-recurrent charges	0.5	2.5
Other	5.0	2.7
Total	13.8	14.9

The non-recurrent charges relate exclusively to the write-off of fixed assets which were no longer used.

NOTE 10

FINANCIAL RESULT

Accounting policies

Interest income is accrued on a time basis, by reference to the principal outstanding.

In million CHF	2017	2016
Interest expenses	-6.1	-6.0
Interest income	2.4	3.0
Exchange rate gains	3.1	0.0
Gains on derivative financial instruments	0.0	4.3
Other financial income	2.5	2.1
Total other financial income	8.0	9.4
Exchange rate loss	0.0	-3.9
Losses on derivative financial instruments	-1.4	0.0
Other financial expenses	-4.1	-3.2
Total other financial expenses	-5.5	-7.1

RESULTS FOR THE YEAR

NOTE 11 TAXATION

Income tax

Accounting policies

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit and loss statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates prevailing at the balance sheet date.

Accounting judgements and estimates

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretations may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

In million CHF	2017	2016
Result before income tax (including result of associates)	125.8	108.4
Result of associates	-10.7	-8.4
Result before income tax (excluding result of associates)	115.1	100.0
Weighted applicable tax rate	26.4%	27.8%
Tax calculated at applicable tax rate	30.4	27.8
Current income taxes	30.9	24.4
Deferred income taxes	-12.0	-0.3
Income taxes	18.9	24.1
Difference between applicable and effective income taxes	-11.5	-3.7
The above difference for each year can be reconciled as follows:		
Tax effect of utilization of tax losses not previously recognized	0.0	-2.2
Adjustments in respect of current income tax of previous year	0.0	-1.8
Tax loss for which no deferred tax asset was recognized during the year	3.7	0.0
Changes in tax rates	-15.0	0.0
Other effects	-0.2	0.3
Difference between applicable and effective income taxes	-11.5	-3.7

RESULTS FOR THE YEAR

NOTE 11 (CONTINUED)

TAXATION

The weighted average income tax rate based on rates prevailing in the different jurisdictions reached 26.4% in 2017 (27.8% in 2016). The decrease of the applicable weighted average tax rate was caused by a change in the profitability mix of the Group's subsidiaries in the different countries. For 2017 and 2016, losses were realized mainly by companies having lower tax rates thus negatively impacting the weighted average tax rate.

Deferred tax

Accounting policies

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising from investments in subsidiaries and associates, as well as from interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority, within the same taxable entity, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Accounting judgements and estimates

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax strategies.

On the balance sheet date, the Group has unused tax losses of CHF 81.2 million (2016: CHF 57.3 million) available to offset against future profits, for which no deferred tax is recognized. Included in these unrecognized tax losses are losses of CHF 1.4 million (2016: CHF 1.4 million) that will expire within two to five years, whereas others may be carried forward indefinitely.

No material additional tax liabilities due to dividend payments from subsidiaries and associates are expected.

OPERATING ASSETS AND LIABILITIES

This section describes the assets used to generate the Group's performance and the liabilities incurred. Liabilities relating to the Group's financing activities are included in section 'Risk management and capital structure' and balance sheet information in respect of taxation are covered in section 'Results for the year'. This section also provides detailed disclosures on the Group's employee benefits.

NOTE 12

INTANGIBLE FIXED ASSETS

Accounting policies

Brands and Patents. Brands and patents are measured initially at purchase cost and are amortized on a straight-line basis over the shorter of their contractual or useful economic lives (10–20 years).

Computer Software. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and put into service the specific software. These costs are amortized on a straight-line basis over their estimated useful life (3–7 years).

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

In million CHF	Brands and Patents	Software	Other	In progress	Total
Gross value					
At the beginning of the year 2017	22.6	99.3	4.8	15.6	142.3
Additions	0.2	10.0	1.0	3.5	14.7
Disposals and decreases	-0.3	-0.4	0.0	0.0	-0.7
Change in the scope of consolidation	0.0	0.1	0.0	0.0	0.1
Currency variances	0.6	0.5	0.2	0.0	1.3
Transfers	0.0	9.7	0.0	-9.7	0.0
At year-end 2017	23.1	119.2	6.0	9.4	157.7
Accumulated amortization					
At the beginning of the year 2017	-21.3	-87.4	-1.6	0.0	-110.3
Additions	-0.7	-9.7	-0.2	0.0	-10.6
Disposals and decreases	0.3	0.4	0.0	0.0	0.7
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0
Currency variances	-0.5	-0.4	-0.1	0.0	-1.0
Transfers	0.0	0.0	0.0	0.0	0.0
At year-end 2017	-22.2	-97.1	-1.9	0.0	-121.2
Net value at year-end 2017	0.9	22.1	4.1	9.4	36.5

There is an impairment charge of CHF 3.4 million (no reversals) included in the 2017 amortization charge.

OPERATING ASSETS AND LIABILITIES

NOTE 12 (CONTINUED)

INTANGIBLE FIXED ASSETS

In million CHF	Brands and Patents	Software	Other	In progress	Total
Gross value					
At the beginning of the year 2016	21.6	106.9	4.6	5.9	139.0
Additions	1.1	2.9	0.3	10.7	15.0
Disposals and decreases	0.0	-11.7	0.0	0.0	-11.7
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0
Currency variances	-0.1	0.2	-0.1	0.0	0.0
Transfers	0.0	1.0	0.0	-1.0	0.0
At year-end 2016	22.6	99.3	4.8	15.6	142.3
Accumulated amortization					
At the beginning of the year 2016	-21.1	-89.4	-1.3	0.0	-111.8
Additions	-0.3	-8.6	-0.3	0.0	-9.2
Disposals and decreases	0.0	10.9	0.0	0.0	10.9
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0
Currency variances	0.1	-0.3	0.0	0.0	-0.2
Transfers	0.0	0.0	0.0	0.0	0.0
At year-end 2016	-21.3	-87.4	-1.6	0.0	-110.3
Net value at year-end 2016	1.3	11.9	3.2	15.6	32.0

There is no impairment charges or reversals included in the 2016 amortization charge.

OPERATING ASSETS AND LIABILITIES

NOTE 13 GOODWILL

Goodwill is fully offset against equity at the time of purchase of a subsidiary or an investment in an associated company. Goodwill is theoretically amortized on a straight-line basis over 5 years. The carrying amounts of goodwill existing on conversion from IFRS to Swiss GAAP FER at 1 January 2015 have been included in the theoretical movement schedule below using the closing rates prevailing at 1 January 2015. Goodwill from new acquisitions is converted once to Swiss Francs using the rate as at acquisition date. With this procedure no exchange differences result in the movement schedule.

The impact of the theoretical capitalization and amortization of goodwill is disclosed below:

In million CHF	2017			2016		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
Cost						
As of 1 January	110.1	32.4	142.5	101.2	32.4	133.6
Additions	4.9	0.0	4.9	8.9	0.0	8.9
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
As of 31 December	115.0	32.4	147.4	110.1	32.4	142.5
Accumulated amortization						
As of 1 January	-89.8	-32.4	-122.2	-85.3	-32.4	-117.7
Additions	-5.9	0.0	-5.9	-4.5	0.0	-4.5
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
As of 31 December	-95.7	-32.4	-128.1	-89.8	-32.4	-122.2
Theoretical net book value at year-end	19.3	0.0	19.3	20.3	0.0	20.3

Addition 2017 of 4.9 million is related to the acquisition of Boxplan GmbH and Mouvent AG. The addition 2016 of 8.9 million was related to additional payment for the acquisition of Nuova Gidue.

In million CHF	2017	2016
Theoretical impact on equity		
Equity per balance sheet	559.4	477.5
Theoretical capitalization of net book value of goodwill	19.3	20.3
Theoretical equity including net book value of goodwill	578.7	497.8
Theoretical impact on net result		
Net result per profit and loss statement	106.9	84.3
Theoretical amortization of goodwill	-5.9	-4.5
Theoretical net result after goodwill amortization	101.0	79.8

OPERATING ASSETS AND LIABILITIES

NOTE 14

INVESTMENTS IN ASSOCIATES

Accounting policies

An associate is an entity over which the Group has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

If an associate is over-indebted and the Group's interest is reduced to zero, additional losses are provided for only to the extent that the Group has a legal or constructive obligation.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate, recognized at the date of acquisition, is recognized as goodwill. The goodwill is offset directly in Group equity.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In million CHF	2017	2016
Changes over the period are the following:		
Beginning of the year	38.7	33.2
Share of net result of associates	10.7	8.4
Dividends received	-3.9	-3.2
Acquisition	1.0	0.6
Exchange differences	3.7	-0.3
Total	50.2	38.7

There are no unrecognized losses on investments in associates.

OPERATING ASSETS AND LIABILITIES

NOTE 15

TANGIBLE FIXED ASSETS

Accounting policies

Land is booked at purchase cost and is not depreciated.

The other tangible fixed assets are booked at purchase or manufacturing costs less accumulated depreciation and accumulated impairment. Depreciation on other tangible fixed assets is calculated using the straight-line method as follows:

Buildings (including investment properties)	10–30 years
Technical installation, industrial equipment	7–20 years
Machines leased to customers	According to their useful life
IT equipment	4 years
Other	5–7 years
In progress	Not depreciated

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss statement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor. Bobst Group companies may act as direct lessor to customers. Leases where the Group transfers substantially all risks and benefits of ownership of the leased machine are disclosed as finance lease receivables.

Amounts due from lessees under finance leases are recorded as finance lease receivables at the amount of the Group's net present value for expected lease payments.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Leases where the Group does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Tangible assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

OPERATING ASSETS AND LIABILITIES

NOTE 15 (CONTINUED) TANGIBLE FIXED ASSETS

In million CHF	Land and buildings	Technical instal., industrial equipment	Machines leased to customers	IT equipment	Other	In progress	Total
Gross value							
At the beginning of the year 2017	473.1	150.5	0.0	28.7	20.6	5.9	678.8
Additions	11.4	2.6	0.1	7.4	2.5	14.6	38.6
Disposals and decreases	-5.5	-3.9	0.0	-2.7	-1.7	0.0	-13.8
Change in the scope of consolidation	0.0	0.1	0.0	0.1	0.1	0.0	0.3
Currency variances	7.3	2.5	0.0	0.5	0.4	0.3	11.0
Transfers	3.0	0.9	0.0	1.5	0.7	-6.1	0.0
At year-end 2017	489.3	152.7	0.1	35.5	22.6	14.7	714.9
Accumulated depreciation							
At the beginning of the year 2017	-272.7	-112.8	0.0	-25.3	-17.2	0.0	-428.0
Additions	-18.8	-7.9	0.0	-2.5	-1.4	0.0	-30.6
Disposals and decreases	3.7	3.0	0.0	2.5	1.3	0.0	10.5
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency variances	-3.9	-1.7	0.0	-0.4	-0.2	0.0	-6.2
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At year-end 2017	-291.7	-119.4	0.0	-25.7	-17.5	0.0	-454.3
Net value at year-end 2017	197.6	33.3	0.1	9.8	5.1	14.7	260.6

There were no borrowing costs capitalized during the years ended 31 December 2016 and 2017.

OPERATING ASSETS AND LIABILITIES

NOTE 15 (CONTINUED) TANGIBLE FIXED ASSETS

In million CHF	Land and buildings	Technical instal., industrial equipment	Machines leased to customers	IT equipment	Other	In progress	Total
Gross value							
At the beginning of the year 2016	471.6	153.5	0.0	35.3	21.7	4.0	686.1
Additions	1.9	2.6	0.0	1.5	1.0	5.1	12.1
Disposals and decreases	-2.0	-6.5	0.0	-8.7	-2.4	0.0	-19.6
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency variances	-0.1	0.5	0.0	-0.1	-0.1	0.0	0.2
Transfers	1.7	0.4	0.0	0.7	0.4	-3.2	0.0
At year-end 2016	473.1	150.5	0.0	28.7	20.6	5.9	678.8
Accumulated depreciation							
At the beginning of the year 2016	-255.9	-112.5	0.0	-32.8	-17.7	0.0	-418.9
Additions	-18.3	-4.9	0.0	-1.3	-1.0	0.0	-25.5
Disposals and decreases	1.3	5.1	0.0	8.7	1.5	0.0	16.6
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency variances	0.2	-0.5	0.0	0.1	0.0	0.0	-0.2
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At year-end 2016	-272.7	-112.8	0.0	-25.3	-17.2	0.0	-428.0
Net value at year-end 2016	200.4	37.7	0.0	3.4	3.4	5.9	250.8

There is an impairment charge of CHF 2.5 million (2016: CHF 0.0 million) included in the annual depreciation charge of CHF 30.6 million (2016: CHF 25.5 million).

There is no impairment reversal included in the 2017 and 2016 depreciation charge.

There are no significant tangible fixed assets financed with leases.

OPERATING ASSETS AND LIABILITIES

NOTE 16 RECEIVABLES

In million CHF	2017			2016		
	Current	Non-cur- rent	Total	Current	Non-cur- rent	Total
Trade receivables from third parties	269.3	1.6	270.9	266.3	1.4	267.7
Receivables from the sale of fixed assets	0.0	0.0	0.0	1.3	0.0	1.3
Various receivables from third parties	55.0	3.8	58.8	45.9	4.8	50.7
Total gross	324.3	5.4	329.7	313.5	6.2	319.7
Less provision for impairment	-13.0	-0.6	-13.6	-12.1	-0.6	-12.7
Total net	311.3	4.8	316.1	301.4	5.6	307.0

NOTE 17 TRANSFER OF ASSETS

Finance lease receivables include discounted receivables with recourse amounting to CHF 0.3 million (2016: CHF 4.4 million). The Group remains responsible until the transferred receivables are paid in full. The corresponding liability appears under trade and other payables.

The carrying amount of the original receivables before the transfer amounted to CHF 0.3 million (2016: CHF 4.4 million)

NOTE 18 FINANCE LEASE RECEIVABLES

The discounted receivables with recourse (see Note 17) are not included in the following analysis.

In million CHF	2017	2016
Maturity within one year	2.6	2.2
Maturity between one to five years	8.2	4.6
Maturity after five years	0.0	0.1
Total	10.8	6.9
Less: unearned finance income	-0.6	-0.4
Total	10.2	6.5
Analyzed as:		
Recoverable within one year	2.4	2.1
Recoverable between one and five years	7.8	4.3
Recoverable after five years	0.0	0.1
Total	10.2	6.5

The Group enters into finance lease arrangements with clients for the machines sold.

The weighted average term of finance lease contracts is 3.9 years (2016: 3.8 years).
The average interest rate of all the lease contracts is approximately 3.7% (2016: 3.9%) per annum.

OPERATING ASSETS AND LIABILITIES

NOTE 19

CREDIT RISK RELATED TO CLIENT RECEIVABLES

Credit risks are linked with the inability or unwillingness of counterparties to a transaction to fulfill their obligations.

Customers: determination of the payment conditions resulting in the trade receivables takes into consideration the country risk as well as solvency of the counterparty. Reserve of property clauses are also utilized until final payment.

In relation to longer-term payment conditions agreed upon, and depending on the negotiations with the customer, guarantees including, among others, export credit agencies and private insurers are used.

When risk conditions allow it, it is also regular practice to discount without recourse amounts due by customers. There is no particular risk concentration on the customer receivables. Local and Group finance members monitor the payment conditions.

Banks and counterparties: for other financial assets the concern of credit risk imposes the use of good quality counterparties. Cash is deposited with a variety of well established banks to protect against any concentration risk.

In million CHF	2017	2016
Trade receivables	270.9	267.7
Finance lease receivables	10.2	6.5
Total gross value	281.1	274.2
Less provision for impairment	-13.0	-11.8
Total for the analysis	268.1	262.4
The aging of the amounts past due but not impaired is as follows:		
< 2 months	39.7	43.0
2–6 months	25.3	20.6
> 6 months	18.7	14.1
+ not yet due	184.4	184.7
Total	268.1	262.4

The maximum exposure to credit risk at the reporting date is the carrying amount of client receivables mentioned above.

OPERATING ASSETS AND LIABILITIES

NOTE 20 INVENTORIES

Accounting policies

Raw materials are stated at the lower of either the cost or the net realizable value, using the weighted average method. Work in progress and finished products are stated at the lower of the production costs or the net realizable value. Production costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Accounting judgements and estimates

Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Valuation adjustments are made for slow-moving items and excess stock.

In million CHF	2017	2016
Raw materials	171.8	148.3
Work in progress	122.5	107.1
Finished products*	96.9	76.3
Total	391.2	331.7

* Including CHF 34.7 million (2016: CHF 31.9 million) for demonstration machines.

The amount for write-down recognized as expense during the year is CHF 6.2 million (2016: CHF 6.8 million).

NOTE 21 PROVISIONS

Accounting policies

Provisions are recognized when the Group has a present obligation as a result of a past event, and when it is probable that the Group will be required to settle that obligation. Provisions are evaluated based upon the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Provisions are classified as warranties/product liabilities, litigations, restructuring and other.

Accounting judgements and estimates

Provisions are created for a variety of possible events. However, by definition, provisions contain a higher degree of estimates than other balance sheet items, since the estimated obligations can cause greater or less cash drain depending on how the situation materializes.

OPERATING ASSETS AND LIABILITIES

NOTE 21 (CONTINUED) PROVISIONS

In million CHF	Warranties/ Product liabilities	Litigations	Restructuring	Other	Total
At the beginning of the year 2017	37.6	18.2	2.6	7.4	65.8
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0
Additions	29.4	5.4	5.6	3.0	43.4
Utilizations	-23.3	-4.2	-2.6	-2.2	-32.3
Releases	-7.9	-6.7	0.0	-1.7	-16.3
Currency translation adjustment	2.0	0.3	0.4	0.1	2.8
Transfers	0.0	0.1	-0.1	0.0	0.0
At year-end 2017	37.8	13.1	5.9	6.6	63.4
Of which non-current	1.0	8.4	0.0	0.0	9.4
Of which current	36.8	4.7	5.9	6.6	54.0
At year-end 2017	37.8	13.1	5.9	6.6	63.4
At the beginning of the year 2016	36.3	22.9	0.9	3.4	63.5
Change in the scope of consolidation	0.0	0.0	0.0	0.0	0.0
Additions	30.2	2.4	2.8	5.5	40.9
Utilizations	-21.1	-4.1	-1.1	-0.1	-26.4
Releases	-7.6	-3.6	0.0	-0.7	-11.9
Currency translation adjustment	-0.2	0.0	0.0	-0.1	-0.3
Transfers	0.0	0.6	0.0	-0.6	0.0
At year-end 2016	37.6	18.2	2.6	7.4	65.8
Of which non-current	0.9	14.6	0.0	0.1	15.6
Of which current	36.7	3.6	2.6	7.3	50.2
At year-end 2016	37.6	18.2	2.6	7.4	65.8

Warranties/Product liabilities include provisions for technical risks, customer claims and penalties in the context of product deliveries and services. The provision is based on expected claims for product liabilities on sales that have already taken place, on historical warranty data and a weighting of all possible outcomes against their associated probabilities. Warranty expenses are expected before expiration of the granted warranty period.

Litigations include provisions for current and probable legal proceedings related to events in the past. A number of subsidiaries are subject to various legal proceedings that arise including product liability, commercial, employment and tax litigations or intellectual property disputes. The expected timing of future cash outflows is uncertain as it will depend upon the outcome of the legal proceedings.

For restructuring provisions, constructive obligation to restructure arises only when a detailed formal plan exists which identifies at least the business or part of the business concerned, the principal sites affected, the location, function and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and the timing of the implementation; and when the features of this plan have been communicated in a manner that raised a valid expectation in those affected by it that the restructuring plan will be carried out.

OPERATING ASSETS AND LIABILITIES

NOTE 22

EMPLOYEE BENEFITS

Accounting policies

Pension obligations

The Group operates various employee benefits plans in and outside Switzerland for employees who satisfy the participation criteria. The pension and retirements benefits are based on the regulations and practices in the respective countries. They are financed either by means of contribution to legally independent pension/insurance funds, or by recognition as liabilities in the balance sheet of the respective Group companies. An economical obligation or a benefit from Swiss pension schemes is determined from the financial statements of such pension schemes prepared in accordance with Swiss GAAP FER 26 "Accounting of Pension Plans" and recognized in the balance sheet accordingly.

Other post-employment benefits

Other employee benefits represent amounts due to employees under deferred compensation arrangements such as long-service awards, jubilee premiums and end of service indemnities depending upon certain seniority criteria.

Post-employment health care plans are limited to the USA.

The employee benefits situation of the Swiss pension schemes is as follows:

In million CHF	Nominal value 31.12.2017	Waiver of use	Balance sheet 31.12.2017	Increase / decrease in 2017	Balance sheet 31.12.2016	Income statement impact	
						2017	2016
Employer contributions reserves							
Patronage funds	25.8	0.0	25.8	0.0	25.8	0.0	-0.1
Pension plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	25.8	0.0	25.8	0.0	25.8	0.0	-0.1

The table below shows the economic benefit and the economic obligation at the end of the year under review and for the previous year, as well as the development of pension benefit expenses.

In million CHF	Surplus/ deficit 2017	Group's economic share		Changes from previous year with impact on income	Contribu- tions for the period	Pension costs in personnel expenses	
		2017	2016			2017	2016
Patronage funds	8.9	0.0	0.0	0.0	0.0	0.0	0.0
Pension plans	0.0	0.0	0.0	0.0	12.9	12.9	12.3
Total	8.9	0.0	0.0	0.0	12.9	12.9	12.3

The surplus of the pension fund does not result in an economic benefit to the Group and is therefore not recognized as an asset in the balance sheet.

The technical interest rate used is 2.25% in 2017 (2016: 2.25%).

The life table used in 2017 and 2016 is LPP2015 (P2018).

RISK MANAGEMENT AND CAPITAL STRUCTURE

This section sets out the policies and procedures applied to manage the Group's capital structure and the risks the Group is exposed to. Bobst Group considers as permanent financing or capital resources the following: borrowings and equity. Bobst Group manages its permanent financing or capital resources to achieve capital efficiency, provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels.

NOTE 23

RISK MANAGEMENT

Risk assessment

In the context of the defined, Group-wide risk management process (see "Risk Management" part in the "Corporate Governance" section), Bobst Group in 2017 identified, assessed and reported key risks to the Board of Directors and the GEC. Risk catalogues and maps were prepared by the Business Units and Corporate functions. The probability of the risks enlisted were classified into various categories. The risk descriptions contained measures, and where appropriate and possible, the risks identified were accompanied by a quantified assessment. The GEC and the Board of Directors treated the risk management system in several meetings. The internal risk report provided under the revised risk management system was reviewed by the GEC and the Board of Directors. The Board of Directors thereby in particular analyzed the Corporate and Business Unit risk maps, the defined key risks, the mitigation measures and the risk management process. The risk management process and the review of the internal risk report are closely aligned with the Group's strategy and business planning process.

The activities of Bobst Group are subject to various risks. Key risks were identified as political and economic risks on a global scale, currency fluctuations, disruptive technologies and supply chain. Measures to reduce these and other risks were defined and are being implemented in accordance with the strategic priorities of the Group and its Business Units.

Financial risk management

The Bobst Group's way of managing financial matters aims for strong decentralization, whether for cash management, short and long-term borrowing, or foreign exchange risks. Decentralization enables a more rapid local reaction, with the result of more cost-efficient transactions. Moreover, it enables the use of natural hedge at the level of the Group companies. There is strict regular reporting on such matters to the Group treasury.

Finally, given the tight management of the balance sheet structures of the individual Group companies, Group treasury is systematically involved to bring in global expertise when negotiating credit lines and other borrowings, with the aim of ensuring conditions in line with the rating of the Group.

Liquidity risk

Sufficient reserve of cash is maintained at all times to meet the Group's liquidity requirements. Cash is managed in a decentralized way, but under strict reporting and forecasting to the Group treasury, which enables quick reactions when necessary.

RISK MANAGEMENT AND CAPITAL STRUCTURE

NOTE 23 (CONTINUED) RISK MANAGEMENT

The table below summarizes the maturity profile of the Group's financial liabilities, based on contractual undiscounted payments.

In million CHF	2017	Less than 1 year	Between 1 and 5 years	Over 5 years	2016	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	276.2	8.8	267.4	0.0	285.2	12.1	273.1	0.0
Trade and other payables	256.1	229.0	27.1	0.0	227.4	208.3	19.1	0.0
Accrued expenses	98.5	98.5	0.0	0.0	79.8	79.8	0.0	0.0
Derivative financial instruments	14.4	14.3	0.1	0.0	5.5	5.5	0.0	0.0
Total	645.2	350.6	294.6	0.0	597.9	305.7	292.2	0.0

Foreign exchange risks

Transaction risks: as per Group policy, companies are instructed to hedge significant transaction risks with the appropriate derivatives when they arise, with the aim of guaranteeing margins achieved when selling products.

Translation risks: are not hedged and the relative amounts end up in equity under translation reserve. The Group utilizes natural hedge in order to offset some of these risks.

NOTE 24 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policies

The Group uses derivative financial instruments (forward currency contracts) to manage its exposure to foreign exchange rate risk, according to Group's management policies. The Group does not use derivative financial instruments for speculative purposes.

The Group may hedge certain cash flows for projected intra or extra-Group transactions. This is documented accordingly upon conclusion of the transaction. In this case, the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion of the hedging instrument is recognized in the profit and loss statement under financial result.

Amounts recognized in equity are recycled in the profit and loss statement in the periods when the hedged item affects gain or loss. The gain or loss from the effective portion of the hedging instrument related to purchase of goods is recognized in the profit and loss statement under raw material and services and under sales if the hedging related to sale of goods.

In million CHF	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Current forward foreign exchange contracts	3.4	14.3	6.1	5.5
Non-current forward foreign exchange contracts	0.0	0.1	0.0	0.0
Total	3.4	14.4	6.1	5.5

RISK MANAGEMENT AND CAPITAL STRUCTURE

NOTE 24 (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

Currency derivatives (forwards)

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts to manage its exchange exposures. The instruments purchased are primarily denominated in the invoicing currencies of the Group. The forwards are in principle designated to address exchange rate exposures for the following twelve months and are renewed on a revolving basis as required.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed amounts to CHF 531.0 million (2016: CHF 373.1 million).

The fair value of currency derivatives that are designated and effective as cash flow hedges (hedge accounting) representing a net liability of CHF 9.9 million (2016: a net asset of CHF 0.1 million) is recorded in equity. This represents a variation of CHF 10.0 million (2016: CHF 2.4 million) when compared with the previous year.

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Offsetting Financial assets and Financial liabilities

The Group is subject to a cash pooling agreement in Italy. As a consequence, a current borrowing amounting to CHF 7.9 million (2016: CHF 5.0 million) has been offset with cash and cash equivalents.

RISK MANAGEMENT AND CAPITAL STRUCTURE

NOTE 25 BORROWINGS

Accounting policies

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

In million CHF	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
Bank borrowings	6.6	1.3	7.9	9.8	3.9	13.7
Debenture bonds	0.0	260.0	260.0	0.0	260.0	260.0
Other borrowings	0.2	1.8	2.0	0.3	0.2	0.5
Total	6.8	263.1	269.9	10.1	264.1	274.2
Those due in < 1 year	6.8	0.0	6.8	10.1	0.0	10.1
Those due in 1–5 years	0.0	263.1	263.1	0.0	264.1	264.1
Those due in > 5 years	0.0	0.0	0.0	0.0	0.0	0.0
Total	6.8	263.1	269.9	10.1	264.1	274.2
Currency composition of borrowings:						
CHF			98.1%			95.9%
EUR			0.9%			1.7%
USD			0.6%			1.9%
Other			0.4%			0.5%
Total			100.0%			100.0%
The effective interest rates at the balance sheet date (current and non-current) were as follows:						
Bank and other borrowings			2.9%			3.1%
Debenture bonds			1.8%			1.8%
Borrowings:						
Borrowings at floating rate			4.3			5.1
Borrowings at fixed rate			265.6			269.1
Total			269.9			274.2

The main borrowings are:

- a debenture bond issued by Bobst Group SA of CHF 110 million, maturing in February 2019, fixed interest rate of 2.125%, no clause of anticipated repayment, quoted at SIX Swiss Exchange;
- a debenture bond issued by Bobst Group SA of CHF 150 million, maturing in September 2020, fixed interest rate of 1.5%, no clause of anticipated repayment, quoted at SIX Swiss Exchange;
- various utilizations under bank facilities, such as current account overdrafts and fixed term loans, most of them non-secured. The assets pledged for this purpose are tangible assets and inventory for CHF 1.9 million in 2017 (2016: CHF 2.2 million).

RISK MANAGEMENT AND CAPITAL STRUCTURE

NOTE 26

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to maintain an optimal capital structure to reduce cost of the capital.

In order to maintain or adjust the capital structure, the Group may adapt the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of the equity ratio. This ratio is calculated as equity divided by the total assets of the balance sheet. Equity is defined as shown in the consolidated balance sheet. The Group's policy is to maintain an equity ratio of 40%–45% as per the Group's mid- to long-term management objectives.

In million CHF	2017	2016
Total equity	559.4	477.5
Total balance sheet	1 594.0	1 402.7
Equity ratio	35.1%	34.0%

NOTE 27

EARNINGS PER SHARE

	2017	2016
Net result attributable to shareholders (in million CHF)	114.4	83.8
Average number of registered shares	16 518 478	16 518 478
Earnings per registered share (in CHF)	6.93	5.08
Diluted earnings per registered share (in CHF)	6.93	5.08

The average number of outstanding registered shares is calculated based on the number of shares issued, less the weighted average of own shares. Since there were no conversion rights and no option rights outstanding, earnings per registered share have not been diluted.

NOTE 28

DIVIDENDS

On 12 April 2017, a dividend of CHF 1.70 per share was paid to shareholders.

On 12 April 2016, a dividend of CHF 1.25 per share was paid to shareholders.

A dividend of CHF 2.60 will be proposed by the Board of Directors. This proposal is subject to approval by the shareholders at the Annual General Meeting of Shareholders on 28 March 2018.

OTHER FINANCIAL INFORMATION

This section includes additional financial information that are either required by the accounting standards or management considers these to be relevant information for shareholders.

NOTE 29 CHANGES IN THE SCOPE OF CONSOLIDATION

Company	Transaction	Acquired %	Business unit	Country	Date
2017					
Boxplan GmbH	Acquisition	75.0%	Services Sheet-fed, Web-fed,	DE	01.01.2017
Mouvent AG	Acquisition	50.1%	Services	CH	01.06.2017
2016					
Bobst Lagos	Creation	100.0%	Services	NG	20.07.2016

On 1 January 2017, the Group acquired 75% of Boxplan GmbH and on 1 June 2017, the Group acquired 50.1% of Mouvent AG. Total acquired assets and liabilities are as follow:

- Fixed assets CHF 0.3 million,
- Current assets including cash CHF 3.2 million,
- Current liabilities CHF 3.3 million.

The purchase agreement of Mouvent AG and Boxplan GmbH also comprise an earn-out clause depending on the financial performance of the acquired business. As of 31 December 2017, these contingent liabilities cannot be estimated reliably and are therefore not recorded on the consolidated balance sheet.

NOTE 30 SHARE-BASED PAYMENT COMPENSATION

Accounting policies

The Group uses share-based awards for the compensation (Variable Pay Plan – VPP) of the GEC. The cost of equity-settled compensation is measured by reference to the market value of the shares at the date on which they are granted. This cost is included in the personnel expenses.

A predefined portion of the bonus of key executives is share-settled. All the rights attached to the shares are definitely transferred at the grant date (no vesting conditions), except sale, which is blocked for a period of three years. The number of shares granted depends on the share market price at the grant date. For the performance period that ended 31 December 2017, 3 892 shares have been granted (2016: 6 570). The expense recorded in 2017 in the personnel costs amounts to CHF 0.5 million (2016: CHF 0.5 million).

OTHER FINANCIAL INFORMATION

NOTE 31

CONTINGENT LIABILITIES

In million CHF	2017	2016
Guarantee obligations in favor of third parties	13.9	11.5

Contingent liabilities are mentioned for the full nominal amount.

NOTE 32

RELATED PARTIES

Investments in associates	BHS Group, D-Weiherhammer. Duo-Technik GmbH, D-Lauterbach. IVG Weiherhammer GmbH, Weiherhammer.
Main shareholder	JBF Finance SA, CH-Buchillon.
Key management personnel	Board members of Bobst Group SA. Thierry de Kalbermatten, as <i>Vice Chairman of our Board</i> and <i>Chairman of the Board of JBF Finance SA</i> . Alain Guttman, as <i>Chairman of our Board</i> , and <i>member of the Board of JBF Finance SA</i> . GEC members. Jean-Pascal Bobst, as <i>CEO of our GEC</i> , and <i>member of the Board of JBF Finance SA</i> .
BOBST employee benefit plans	
Entities controlled by members of key management personnel	CapDconsulting Guttman, CH-Vufflens-le-Château. Alpavest SA CH-Vufflens-le-Château

Transactions with related parties during 2017 and 2016:

In million CHF	2017	2016
Investments in associates		
Sales	0.0	0.1
Purchases	5.5	5.0
Receivables and prepaid expenses	1.0	0.1
Trade and other payables	0.4	0.5
Rendering or receiving of services/transfer of R&D	0.1	0.2

Sales were made at usual list prices, discounted, to reflect the quantity of goods in question and the relationships between parties at market prices.

OTHER FINANCIAL INFORMATION

NOTE 32 (CONTINUED)

RELATED PARTIES

In million CHF	2017	2016
Key management personnel compensation		
Short-term benefits	6.0	5.8
Post-employment benefits	0.3	0.3
Share-based compensation	0.5	0.5
Bobst employee benefit institutions		
Open payables due to them at year-end	0.0	2.6
Entities controlled by members of key management personnel		
Honorarium billed to Bobst Group SA	0.0	0.0

There is no commitment with related parties.

NOTE 33

CAPITAL COMMITMENTS

As at 31 December 2017, the Group has no capital commitments.

NOTE 34

SUBSEQUENT EVENTS

The consolidated financial statements were approved for publication by the Board of Directors on 26 February 2018. They are also subject to approval by the Annual General Meeting of Shareholders.

No events have occurred up to 26 February 2018 that would necessitate additional adjustments to the book values of the Group's assets or liabilities, or which require disclosure.

OTHER FINANCIAL INFORMATION

NOTE 35

LIST OF GROUP COMPANIES

		Currency	Share capital in local currency	Ownership and voting %	Consolidation	Production	Sales and services	Other
Holding company								
Switzerland	Bobst Group SA, Mex	CHF	16 518 478					■
Affiliated companies								
Belgium	Bobst Benelux NV, Berchem	EUR	1 624 000	100.0	C		■	
Brazil	Bobst Latinoamerica do Sul Ltda, Itatiba	BRL	20 672 014	100.0	C	■	■	
	BG Properties, Campinas	BRL	14 025 027	100.0	C			■
China	Bobst (Shanghai) Ltd, Shanghai	CNY	52 216 742	100.0	C	■	■	
	Gordon Ltd, Hong Kong	HKD	10 681	100.0	C	■	■	
	Bobst (Changzhou) Ltd, Changzhou	CNY	39 000 000	100.0	C	■	■	
Czech Republic	Bobst Central Europe s.r.o., Brno	CZK	100 000	100.0	C		■	
Denmark	Bobst Scandinavia ApS, Brøndby	DKK	125 000	100.0	C		■	
France	Bobst Paris SAS, Villeurbanne	EUR	611 289	100.0	C		■	
	Bobst France Participations SAS, Villeurbanne	EUR	612 289	100.0	C			■
	Bobst Lyon SAS, Villeurbanne	EUR	11 360 000	100.0	C	■	■	
Germany	Bobst Beteiligungsgesellschaft mbH, Meerbusch	EUR	9 407 771	100.0	C			■
	Bobst Meerbusch GmbH, Meerbusch	EUR	2 000 000	100.0	C		■	
	Bobst Stuttgart GmbH, Meerbusch	EUR	5 601 000	100.0	C		■	
	Bobst Bielefeld GmbH, Bielefeld	EUR	1 534 000	100.0	C	■	■	
	Boxplan GmbH & Co.KG, Radolfzell am Bodensee	EUR	1 000	75.0	C	■	■	
India	Bobst India Private Ltd, Pune	INR	235 311 400	100.0	C	■	■	
Indonesia	PT. Bobst Jakarta, Jakarta	IDR	923 613 969	100.0	C		■	
Italy	Bobst Italia SpA, Piacenza	EUR	6 486 000	100.0	C	■	■	
	Bobst Firenze S.r.l., Campi Bisenzio (FI)	EUR	110 000	65.0	C	■	■	
Japan	Bobst Japan Ltd, Tokyo	JPY	200 000 000	100.0	C		■	
Malaysia	Bobst Malaysia Sdn. Bhd., Petaling Jaya	MYR	500 000	100.0	C		■	
Mexico	Bobst Latinoamerica Norte SA de CV, Mexico	MXN	394 165	100.0	C		■	
Nigeria	Bobst Lagos Ltd, Ilupeju	NGN	10 000 000	100.0	C		■	
Poland	Bobst Polska Sp. z o.o., Lodz	PLN	50 000	100.0	C		■	
Russia	Bobst CIS LLC, Moscow	RUB	200 000	100.0	C		■	
Spain	Bobst Ibérica, S.L., Barcelona	EUR	700 000	100.0	C		■	
Switzerland	Bobst Grenchen AG, Grenchen	CHF	1 000 000	100.0	C	■	■	
	Bobst Mex SA, Mex	CHF	30 409 730	100.0	C	■	■	
	Mouvent AG, Solothurn	CHF	221 536	50.1	C	■	■	
Thailand	Bobst (Thailand) Ltd, Bangkok	THB	15 000 000	100.0	C		■	
Tunisia	Bobst Africa & Middle East Ltd, Tunis	TND	10 000	100.0	C		■	
Turkey	Bobst Istanbul Ambalaj A.Ş., Istanbul	TRY	50 000	75.0	C		■	
United Kingdom	Bobst UK Holdings Ltd, Redditch	GBP	100 000	100.0	C			■
	Bobst UK & Ireland Ltd, Redditch	GBP	2	100.0	C		■	
	Bobst Manchester Ltd, Heywood	GBP	4 000 100	100.0	C	■	■	
United States	Bobst North America Inc., Roseland	USD	575 960	100.0	C		■	
Associated companies								
Germany	Duo-Technik GmbH, Lauterbach	EUR	72 000	40.0	E	■		
	BHS Corr. Maschinen- und Anl. GmbH, Weiherhammer	EUR	6 000 000	30.0	E	■	■	■
	IVG Weiherhammer GmbH, Weiherhammer	EUR	25 000	30.0	E			■

C = Full consolidation method E = Equity method



Report of the statutory auditor to the General Meeting of Bobst Group SA

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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bobst Group SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 24 to 59) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

<p>Overview</p>	<p>Overall Group materiality: CHF 6'250'000</p> <p>We concluded full scope audit work at 5 reporting units in 4 countries.</p> <p>Our audit scope addressed over 72.7 % of the Group's revenue and 69.4 % of the Group's assets.</p> <p>In addition, specified procedures were performed on balances at a further 3 reporting units in 2 countries addressing a further 9.0 % of the Group's revenue and 9.1% of the Group's assets.</p> <p>As key audit matter the following area of focus has been identified: Revenue recognition.</p>
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Audit scope

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

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

Following our assessment of the risk of material misstatement in the Group financial statements, we selected 8 components which represent the principal business units within the Group’s reportable segments. Five of these components were subject to a full scope audit and 3 were subject to specified procedures. The extent of work for the specified procedures was based on our assessment of the risks of material misstatement outlined below and the materiality of the location’s business operations relative to the Group. The group audit team directed the component teams at all stages of the audit by sending audit instructions, having phone calls with all, and visiting the key component teams. The work performed at specified procedures components does not include testing of all significant accounts at the location but only accounts that contribute to the required coverage over significant accounts at a Group level. For the remaining components, we performed other procedures to test or assess that there were no significant risks of material misstatement in these components in relation to the Group financial statements.

The components subject to a full scope audit together with the balances subject to specified procedures addressed 81.7% of Group revenue and 78.5% of the Group’s assets.

The group audit team was directly responsible for auditing 2 components, both of which were subject to a full scope audit.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<i>Overall Group materiality</i>	CHF 6'250'000
<i>How we determined it</i>	5% of profit before tax
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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



Revenue Recognition

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The machine industry is characterized by client projects that can include multiple elements, such as the manufacture and delivery of the machine, the provision of spare parts, the installation and commissioning of the machine at the client’s premises and the related training.</p> <p>The Group has 3 operating segments, 2 of which engage in such projects. The revenue from these projects amounted to CHF 1’102 million during the year (refer note 3). The Group’s accounting policies for revenue recognition are described in note 4 to the financial statements. The attribution of the revenue to the different elements of the contract, and the timing of the recognition of that revenue, can involve significant use of management judgement and for this reason we consider this to be a key audit matter. Management estimates typically include the revenue and cost for each component.</p> <p>The sales of machines can be complex and include installation and training that can take from some days to several weeks to be completed. The machines are recognized upon transfer of the significant risks and reward to the buyer as per incoterms, whilst the revenue from training and installation are deferred until delivery of these services. The sale of spare parts and services are identified in one single contract and usually recognized upon shipment for the spare parts and over the contractual period for the services</p> <p>Accounting for multiple element contracts is a complex area as it involves the allocation of revenues to the individual elements and the timing of their recognition; there is an opportunity to misstate the allocation of revenue and costs between the machine and the installation and training.</p>	<p>We obtained an understanding of the Group’s revenue recognition policy and confirmed that it complies with Swiss GAAP FER.</p> <p>We focused on assessing whether the judgements taken and estimates used in the allocation of revenue amongst the various elements of the contracts were reasonable, supportable, in accordance with the Group’s accounting policies and reflected the underlying contracts.</p> <p>Our work on the revenue recognition of the client projects and related receivables involved work over a randomly selected sample of contracts.</p> <p>We obtained an understanding of the terms and conditions of the selected contracts. We tested the transactions to ensure that the amount of revenue and costs deferred were accurately calculated and appropriately allocated to the various elements of the contract (based on historical data, similar type of machines or stand-alone contracts).</p> <p>We reconciled the revenue and costs from training and installation with the figures derived from calculations based on the contracts. We also tested whether each single element of the multiple element contract was recorded in the appropriate period.</p> <p>We obtained sufficient audit evidence to address the risk of revenue recognition in the sales of machines area.</p>

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to read 'C. Pointet'.

Corinne Pointet Chambettaz
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'S. Jaquet'.

Stéphane Jaquet
Audit expert

Lausanne, 26 February 2018

STATUTORY ACCOUNTS

BALANCE SHEET AS AT 31 DECEMBER OF BOBST GROUP SA

In million CHF		2017	2016
Assets	Cash and cash equivalents	14.5	13.7
	Miscellaneous receivables	0.0	0.9
	Prepaid expenses and accrued income	0.5	1.2
	Current assets	15.0	15.8
	Investments in subsidiaries	378.2	371.7
	Loans to affiliated companies	117.0	122.8
	Financial fixed assets	495.2	494.5
	Total assets	510.2	510.3
Liabilities	Interest-bearing debts to affiliated companies	44.4	32.5
	Other debts to affiliated companies	2.0	5.0
	Short-term debts	30.4	36.4
	Current liabilities	76.8	73.9
	Debenture bonds	260.0	260.0
	Provisions	1.7	1.7
	Non-current liabilities	261.7	261.7
	Share capital	16.5	16.5
	Legal reserve from retained earnings	7.2	7.2
	Available earnings		
	– balance carried forward	122.9	127.7
	– profit for the year	25.1	23.3
	Equity	171.7	174.7
	Total liabilities and equity	510.2	510.3

PROFIT AND LOSS STATEMENT OF BOBST GROUP SA

In million CHF		2017	2016
Income	Income from affiliated companies	39.1	37.1
	Financial income	1.1	0.6
	Total	40.2	37.7
Costs	Administration and other costs	-10.1	-8.9
	Financial costs	-5.1	-5.2
	Total	-15.2	-14.1
	Profit before direct taxes	25.0	23.6
	Direct taxes	0.1	-0.3
	Net profit	25.1	23.3

NOTES TO THE FINANCIAL STATEMENTS AND PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS (BOBST GROUP SA)

ACCOUNTING PRINCIPLES

General

Bobst Group SA is the holding company of the Bobst Group. The annual accounts are prepared in accordance with Swiss law and with generally accepted accounting principles.

The Company does not and did not have any employees.

Conversion of foreign currencies

Transactions in foreign currencies are converted to Swiss Francs (CHF) at the prevailing rate on the date of the transaction.

Investments in subsidiaries and receivables related to investments

Investments in subsidiaries and loans are carried at their gross acquisition values, reduced by necessary provisions.

EXPLANATORY NOTES FOR VARIOUS ELEMENTS

BALANCE SHEET

Debenture bonds

Amount: CHF 110.0 million
Length: Five years, fixed
Maturity: 20 February 2019
Rate: 2.125%
Quotation: SIX Swiss Exchange

Amount: CHF 150.0 million
Length: Six years, fixed
Maturity: 30 September 2020
Rate: 1.5%
Quotation: SIX Swiss Exchange

Financial guarantees

2017: CHF 165.2 million
2016: CHF 170.3 million

Investments in subsidiaries

Direct and indirect investments in Corporate Companies of Bobst Group SA include the companies listed on page 59 of the Annual Report.

PROFIT AND LOSS STATEMENT

All income and expenses exclusively concern the activities of the holding company and require no special comments.

NOTES TO THE FINANCIAL STATEMENTS AND PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS (BOBST GROUP SA)

BOARD AND EXECUTIVE REMUNERATION DISCLOSURES

The disclosures required by Swiss Law on Board and Executive remuneration are shown in the remuneration report.

Proposal for the appropriation of available earnings

In million CHF	2017	2016
Carried forward	122.9	127.7
Profit for the year	25.1	23.3
Total	148.0	151.0
The proposal is as follows:		
Dividend of CHF 2.60 / CHF 1.70 per share	42.9	28.1
Balance to retained earnings	105.1	122.9
Total	148.0	151.0

NOTES TO THE FINANCIAL STATEMENTS AND PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS (BOBST GROUP SA)

SHARE CAPITAL

	2017		2016		2015	
	Number of registered shares par value CHF 1.–		Number of registered shares par value CHF 1.–		Number of registered shares par value CHF 1.–	
Issued shares						
Balance at 1 January	16 518 478		16 518 478		16 518 478	
Reduction						
Balance at 31 December	16 518 478		16 518 478		16 518 478	

Significant shareholders

Shareholders as per Share Register as at 31 December 2017

	2017		2016		2015	
	Number of registered shares par value CHF 1.–		Number of registered shares par value CHF 1.–		Number of registered shares par value CHF 1.–	
JBF Finance SA	8 709 040	52.72%	8 759 040	53.03%	8 859 040	53.63%
Nortrust Nominees Ltd*	337 448	2.04%	1 434 327	8.68%	1 828 537	11.07%
Public Shareholders	7 471 990	45.24%	6 325 111	38.29%	5 830 901	35.30%
Total shares outstanding	16 518 478		16 518 478		16 518 478	
Treasury shares	0	0.00%	0	0.00%	0	0.00%
Total shares issued	16 518 478	100.00%	16 518 478	100.00%	16 518 478	100.00%

* Nortrust Nominees Ltd is registered as nominee of a number of shareholders.

NOTES TO THE FINANCIAL STATEMENTS AND PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS (BOBST GROUP SA)

SHARE OWNERSHIP

The total number of Bobst Group SA shares owned as at 31 December 2017 by non-executive members of the Board of Directors, by GEC members, and by persons closely linked to them was as per the table below:

Non-executive Members of the Board of Directors	Number of shares owned	Group Executive Committee (GEC) Members	Number of shares owned
Thierry de Kalbermatten	90	Jean-Pascal Bobst	24 046
Jürgen Brandt	2 000	Attilio Tissi	7 895
Philip Mosimann	1 500	Philippe Milliet	4 297
		Erik Bothorel	2 348
		Stephan März	3 970
Total 2017	3 590	Total 2017	42 556

The total number of Bobst Group SA shares owned as at 31 December 2016 by non-executive members of the Board of Directors, by GEC members, and by persons closely linked to them was as per the table below:

Non-executive Members of the Board of Directors	Number of shares owned	Group Executive Committee (GEC) Members	Number of shares owned
Thierry de Kalbermatten	90	Jean-Pascal Bobst	22 605
Ulf Berg	18 000	Attilio Tissi	7 462
Jürgen Brandt	2 000	Philippe Milliet	3 808
Philip Mosimann	1 500	Erik Bothorel	4 738
		Stephan März	3 537
Total 2016	21 590	Total 2016	42 150

Persons closely linked to the non-executive members of the Board of Directors and to the GEC members are their spouses, their children under the age of eighteen, any legal entities that they own or otherwise control, or any legal or natural person who is acting as their fiduciary.



Report of the statutory auditor to the General Meeting of Bobst Group SA

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Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bobst Group SA, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 67 to 72) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Audit scope

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

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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<i>Overall materiality</i>	CHF 1'250'000
<i>How we determined it</i>	5% of profit before tax.
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and it is a generally accepted benchmark

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.



We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to read 'CPC'.

Corinne Pointet Chambettaz
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'S. Jaquet'.

Stéphane Jaquet
Audit expert

Lausanne, 26 February 2018

REMUNERATION REPORT 2017

Bobst Group SA

The Remuneration Report outlines the principles of the remuneration of the Board of Directors and the GEC as defined in Articles 23 ter, 23 quarter, 23 quinquies and 23 sexies of the Articles of the Association, in Article 2 of the Organization Regulation of the Board and in the Remuneration Committee Charter (investors.bobst.com/documents). The Remuneration Report is based on Articles 13 and 16 of the Federal Ordinance against Excessive Remuneration.

PART A

CONTENT AND METHOD OF DETERMINING REMUNERATION, SHAREHOLDING PROGRAMS AND THE GRANT OF LOANS

PRINCIPLES

The remuneration policy at BOBST for all employees, and in particular for the GEC members, focuses on achieving a high level of performance to ensure sustained growth of the Company and value creation. The remuneration of the GEC and of the members of the Board of Directors is reviewed on an annual basis by the Remuneration and Nomination Committee, which proposes appropriate measures to the Board of Directors.

All amounts stated are gross and include all fixed and variable remuneration allocated to the members of the Board and to the GEC for the year under review.

Board of Directors

The members of the Board of Directors receive a fixed remuneration and a representation allowance in cash. The remuneration of the members of the Board of Directors reflects their expected level of commitment and accountability.

Group Executive Committee (GEC)

The remuneration of the members of the GEC is designed to reward performance, and to be competitive and attractive in line with their responsibilities.

The remuneration of the members of the GEC is composed of the following components:

- a fixed annual base salary in cash;
- a variable component, linked to performance, paid part in cash and part in shares blocked for three years.

RESPONSIBILITY AND PROCEDURE FOR THE DETERMINATION OF REMUNERATION

PRINCIPLES

The Board of Directors has the power to implement the remuneration systems for the members of the Board and the GEC and to propose to the General Meeting the maximum aggregate amounts of remuneration for the members of the Board and the members of the GEC, pursuant to clause 23 ter through 23 quinquies of the Articles of Association (investors.bobst.com/documents).

The General Meeting annually approves the remuneration proposals of the Board of Directors as follows:

- The maximum aggregate amount of remuneration for the members of the Board of Directors for a period from one Annual General Meeting to the following Annual General Meeting;
- The maximum aggregate amount of remuneration for the members of the GEC for the following financial year.

Board of Directors

The Remuneration and Nomination Committee submits to the Board for approval a remuneration system for the Board which respects the principles defined in its charter (investors.bobst.com/documents).

Group Executive Committee (GEC)

The Remuneration and Nomination Committee submits the remuneration system for the GEC to the Board for approval, pursuant to the principles defined in its charter (investors.bobst.com/documents).

The Remuneration and Nomination Committee submits to the Board of Directors, upon proposal by the CEO, the total remuneration of each ordinary member of the GEC. The Remuneration and Nomination Committee submits to the Board of Directors for approval the total remuneration of the CEO.

REMUNERATION SYSTEM

Board of Directors

The amount of remuneration of the members of the Board is set by the Board at its discretion, pursuant to a proposal by the Remuneration and Nomination Committee.

The Board of Directors requests the General Meeting for approval of the maximum aggregate amount of remuneration for the members of the Board of Directors for a period from one Annual General Meeting to the following Annual General Meeting.

The members of the Board of Directors receive a fixed remuneration and a representation allowance in cash as detailed in the table below:

Annual remuneration of the members of the Board of Directors	Fixed remuneration in cash in CHF ¹⁾
Chairman of the Board ²⁾	325 000
Vice Chairman of the Board ³⁾	230 000
Member of the Board	140 000
Audit Committee – Chairman	30 000
Audit Committee – members	20 000
Remuneration and Nomination Committee – Chairman	20 000
Remuneration and Nomination Committee – members	10 000
Representation allowance for the Chairman of the Board of Directors	17 000
Representation allowance for the other members of the Board of Directors	12 000

¹⁾ Gross amount without social security contribution.

²⁾ The Chairman of the Board of Directors does not receive additional remuneration for Committee activities.

³⁾ The Vice Chairman of the Board of Directors does not receive additional remuneration for Committee activities.

Members of the Board do not receive variable remuneration. They are not affiliated to any company pension plan.

The members of the Board are all non-executive and none of them has operational management tasks within Bobst Group SA, nor any subsidiary. None of the members of the Board has been a member of the management of Bobst Group SA, or of any subsidiary in the last three years.

Group Executive Committee (GEC)

The remuneration of the GEC members is governed by a total reward policy. The remuneration system is reviewed by the Remuneration and Nomination Committee on an annual basis and approved by the Board of Directors based on a proposal by the Remuneration and Nomination Committee.

The Board of Directors requests the General Meeting for approval of the maximum aggregate amount of remuneration for the members of the GEC for the following financial year.

The remuneration of the members of the GEC is composed of the following components:

Annual remuneration system for the members of the Group Executive Committee (GEC)

Base remuneration	Variable remuneration (VPP)	
	Variable Pay Plan (Cash)	Variable Pay Plan (Shares)
— Base salary	— Incentive in cash ¹⁾	— Incentive in shares blocked for 3 years ²⁾
— Pension plan contributions		
— Representation allowances		
— Others		

¹⁾ The part of the VPP paid in cash represents between 70% and 90% of the whole variable remuneration for the GEC members and 70% for the CEO.

²⁾ The part of the VPP paid in shares blocked for 3 years represents up to 30% of the whole variable remuneration for the GEC members and 30% for the CEO.

Base salary

The level of the base salary is set at the discretion of the Board of Directors, pursuant to a proposal by the Remuneration and Nomination Committee. The remuneration of the members of the GEC is designed to be competitive and attractive in line with their responsibilities.

In addition, a yearly representation allowance of CHF 24 000.– is granted to the CEO and of CHF 21 000.– to the other members of the GEC.

Variable remuneration (VPP)

The annual target VPP corresponds to a percentage of the base annual salary – around 120% for the CEO and in the range of 66% for the other members of the GEC. The actual VPP paid depends on the achievement of the agreed targets which are set in January of each year.

For the CEO and the CFO, 70% of these targets are of a financial nature (such as Group operating profit and return on capital employed [ROCE]) and 30% are personal targets, which can be both qualitative and quantitative.

For the other members of the GEC, 65% of these objectives are of a financial nature (such as Group and Business Unit operating profits, Group and Business Unit return on capital employed [ROCE]) and 35% are individual objectives, which can be both qualitative and quantitative.

For each of the defined objectives, a target value as well as a “kick-in” and “ceiling” levels are set. No payout is granted if the “kick-in” level is not reached. The maximum payout is 1.5 times the target value when the “ceiling” level is attained or surpassed.

Exceptions to this policy may be adopted at the discretion of the Board.

Shareholding Program

The amount of the variable remuneration paid in the form of shares in Bobst Group SA is valued at fair market value close to the date when the Board approves the annual accounts. The shares are blocked at allocation for a period of three years.

Pension plan contributions

The members of the GEC are enrolled into the social security system and the local pension plan of an affiliate.

They are also affiliated to an additional dedicated pension scheme providing risk cover and a pension contribution. The annual pension amount covered is CHF 220 000.– for the CEO and CHF 100 000.– for other GEC members.

EMPLOYMENT CONTRACTS

The members of the GEC all have employment contracts with a notice period of twelve months.

LOANS

No loan or credits are granted to the members of the Board of Directors or of the GEC.

ADDITIONAL INFORMATION

The Group provides each member of the GEC with a company car.

No additional fee or remuneration (consulting, acquisition, divestment or others) is granted to the GEC members for activities within the Group.

The members of the Board of Directors and of the GEC do not, in principle, receive any component of remuneration other than those listed above.

The members of the Board of Directors and of the GEC do not contractually have severance pay.

PART B

BOARD OF DIRECTORS AND GROUP EXECUTIVE COMMITTEE (GEC) REMUNERATION

PRELIMINARY REMARK

The elements of the remuneration presented in this chapter have been determined by applying the principles described in Part A of this document.

All amounts stated are gross and include all fixed and variable remuneration allocated to the members of the Board of Directors and to the GEC for the year under review.

Board of Directors

In 2017, the members of the Board of Directors received a fixed remuneration and a representation allowance in cash as detailed in the table below:

Members of the Board of Directors	Revenue in CHF	Representation allowance in CHF	Cash in CHF
Alain Guttman, Chairman	325 000	17 000	342 000
Thierry de Kalbermatten, Vice Chairman ²⁾	230 000	12 000	242 000
Ulf Berg ^{4) 5)} (until 06.04.2017)	40 000	4 000	44 000
Jürgen Brandt ^{3), 5)} since 06.04.2017	170 000	12 000	182 000
Gian-Luca Bona ¹⁾	160 000	12 000	172 000
Philip Mosimann ⁴⁾	160 000	12 000	172 000
Patrice Bula ⁴⁾ (since 06.04.2017)	120 000	8 000	128 000
Total remuneration 2017	1 205 000	77 000	1 282 000

¹⁾ Chairman of the Remuneration and Nomination Committee.

²⁾ Member of the Remuneration and Nomination Committee.

³⁾ Chairman of the Audit Committee.

⁴⁾ Member of the Audit Committee.

⁵⁾ Independent Director.

In 2016, the members of the Board of Directors received a fixed remuneration and a representation allowance in cash as detailed in the table below:

Members of the Board of Directors	Revenue in CHF	Representation allowance in CHF	Cash in CHF
Alain Guttman, Chairman	325 000	17 000	342 000
Thierry de Kalbermatten, Vice Chairman ²⁾	230 000	12 000	242 000
Ulf Berg ^{4) 5)}	160 000	12 000	172 000
Michael W.O. Garrett ¹⁾ (until 06.04.2016)	50 000	4 000	54 000
Jürgen Brandt ³⁾	160 000	12 000	172 000
Gian-Luca Bona ¹⁾	150 000	12 000	162 000
Philip Mosimann ⁴⁾ (since 01.05.2016)	106 667	8 000	114 667
Total remuneration 2016	1 181 667	77 000	1 258 667

None of the Board members are affiliated to the Group's pension funds.

In addition, in 2017, the Group had to pay contributions for Federal Old Age, Survivor and Disability Insurance (AVS) and Unemployment Insurance and family LPC amounting to CHF 62 293.- (2016: CHF 68 582.-).

Group Executive Committee (GEC)

In 2017, the members of the GEC received the remuneration detailed in the table below:

	Base remuneration		Variable Pay Plan (VPP)		Pension plans	Payment in kind	Total 2017
	Cash CHF	Cash CHF	Shares*	Shares in CHF	CHF	CHF	CHF
Total remuneration:							
GEC	2 263 031	2 099 162	3 892	494 814	315 156	24 853	5 197 016
Highest remuneration:							
Jean-Pascal Bobst, CEO	681 501	823 957	2 778	353 125	90 463	7 956	1 957 002

In 2016, the members of the GEC received the remuneration detailed in the table below:

	Base remuneration		Variable Pay Plan (VPP)		Pension plans	Payment in kind	Total 2016
	Cash CHF	Cash CHF	Shares*	Shares in CHF	CHF	CHF	CHF
Total remuneration:							
GEC	2 248 180	1 977 600	6 570	419 018	314 317	24 453	4 983 568
Highest remuneration:							
Jean-Pascal Bobst, CEO	684 885	789 600	4 726	301 413	90 286	8 592	1 874 776

* The share price at the date of attribution was CHF 127.13 (2016: CHF 75.96).

In addition, the Group had to pay contributions for Federal Old Age, Survivor and Disability Insurance (AVS), Unemployment Insurance and family LPC amounting to CHF 277 302.– (2016: CHF 263 753.–).

REMUNERATION FOR FORMER MEMBERS OF GOVERNING BODIES

During the year under review, there was no other remuneration allocated to former members of governing bodies in relation with their former activity as governing bodies and/or which are not at arm's length, either by Bobst Group SA or its subsidiaries.

ADDITIONAL FEES AND REMUNERATIONS

Fees of CHF 8942.40, have been paid by Bobst Group SA to Alpavest SA, Vufflens-le-Château, owned by Mr. Alain Guttmann, Chairman of the Board of Directors of Bobst Group SA, for various consulting activities.



Report of the statutory auditor to the General Meeting of Bobst Group SA

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We have audited the remuneration report of Bobst Group SA for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in part B on pages 82 to 83 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Bobst Group SA for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

A handwritten signature in black ink, appearing to be 'CP'.

Corinne Pointet Chambettaz
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to be 'S. Jaquet'.

Stéphane Jaquet
Audit expert

Lausanne, 26 February 2018

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Potential risks and uncertainties include such factors as general economic conditions, foreign exchange rate and interest rate fluctuations, competitive product and pricing pressures, the Company’s operating conditions, and regulatory developments.

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