

Report to shareholders

Dear Shareholders

The 2019 financial year was influenced by a challenging market environment. Demand eased at a very high level. Sales were up again slightly over the excellent previous year, thanks to the strong order book at the start of the reporting period and a significant increase at Bucher Emhart Glass. The Group's operating profit margin was 9.2%. Profit for the year amounted to CHF 228 million and earnings per share were CHF 21.92.

Philip Mosimann,
Chairman of the Board of Directors,
and Jacques Sanche,
Chief Executive Officer



Good result despite lower demand Demand for Bucher Industries' products and services declined in the challenging market environment that defined 2019. The Group's order intake was down 6% from the previous year's very high level. Kuhn Group, Bucher Municipal and Bucher Hydraulics all reported a downturn, while the order intake at Bucher Emhart Glass and Bucher Specials was up again. Group sales rose again slightly by 1% to reach a new high, thanks to the exceptionally strong order book at the start of the reporting period, good delivery capacity and a marked increase at Bucher Emhart Glass. Operating profit amounted to CHF 285 million and the operating profit margin was down slightly at 9.2%. Profit for the year of CHF 228 million was in line with the previous year and earnings per share were CHF 21.92.

Solid financial situation with brisk investment activity In 2019, the Group significantly increased its capital expenditure on expanding production infrastructure and modernising and automating the production equipment to CHF 125 million. The most important individual projects concerned the extension projects of Kuhn Group in France and Bucher Municipal in Latvia, as well as the expansion of Bucher Hydraulics' production capacity in India and Italy. A further CHF 20 million was invested in acquisitions. Brisk investment activity led to a slight increase in net operating assets as a percentage of sales. At 19.0%, the return on net operating assets (RONOA) after tax once again significantly exceeded the cost of capital and was thus only slightly below the long-term target of 20%. In spite of brisk investment activity and the higher dividend payment compared to the previous year, the free cash flow was positive, leading to an increase of net cash/debt to CHF 215 million. With an equity ratio of 55% and a continued high level of liquid assets, the financial independence of Bucher Industries and opportunities for further growth remain intact.

Strengthening the divisions The Group carried out some smaller but strategically important acquisitions in 2019, and a divestment for the purpose of focusing on the core business. Bucher Municipal acquired 100% of Zynkon, a Chinese manufacturer of sewer cleaning vehicles. This gives the division a platform in China, access to this growth market and an opportunity to strengthen its presence in Asia. Towards the end of the reporting period, Bucher Municipal announced it would acquire its former distributor Eurovoirie SAS, France. It completed the acquisition in January 2020. The acquisition will enable Bucher Municipal to sell its entire portfolio of municipal vehicles directly to French customers and offer them better service. Bucher Emhart Glass reinforced its business with the acquisition of Symplex Vision Systems. The Munich-based company specialises in inspection equipment and cameras for gob forming. In order to focus on the core business of manufacturing and inspection of glass containers, the division sold its profitable refractory business to the Austrian Rath Group. Bucher Specials' business unit Jetter acquired the Hungarian company Elan Sytems. This gives Jetter additional engineering expertise and access to a network of software and hardware specialists in Central Eastern Europe. At the beginning of February 2020, the business unit Bucher Unipektin acquired the Spanish company Luzzysa, a manufacturer of equipment for processing citrus fruit. As a result, Bucher Unipektin is able to provide its customers with entire processing lines for citrus fruit.

Kuhn Group The division was faced with heterogeneous and increasingly challenging markets overall in the reporting period. The situation in the USA deteriorated further. Chinese tariffs introduced in the course of the trade dispute impacted the demand for US agricultural products. This was compounded by extreme weather events, which resulted in smaller harvests. This development kept net income of small and medium-sized agricultural producers in particular under pressure, which increased the pace of farm consolidation. The division introduced phases of furlough at both its US production sites. Demand for agricultural machinery for the dairy and livestock industry in Europe was satisfactory, with France and Poland providing positive impetus. Farmers in the arable sector were less willing to invest owing to the drought in northern Europe in 2018 and the heatwave of summer 2019. The division performed well in Brazil. In this mixed but increasingly demanding

environment, Kuhn Group's order intake fell by 6% and sales by 2%. The operating profit margin of 8.3% was slightly below the level of 2018. Efficiency gains in Europe and Brazil and higher prices in Europe were not sufficient to offset the impact of the difficult North American market situation.

Bucher Municipal Demand for municipal vehicles declined in 2019 compared with the very strong previous year. Bucher Municipal's order intake fell by 6%, with all product groups except winter maintenance equipment recording a decline. However, thanks to the strong order book at the beginning of the year and good delivery capacity, sales maintained the exceptionally high level of the previous year. Capacity utilisation was good at all production sites and the high order book was reduced. The operating profit margin decreased to 8.4%, due to the consolidation of Zynkon, integration costs and higher expenditure for research and development.

Bucher Hydraulics The reporting period was characterised by a significant drop in demand for hydraulic solutions and components compared with an exceptionally dynamic previous year. Order intake at Bucher Hydraulics was down in most markets and segments, falling by 20%. The decline was particularly strong in the first half of the year. Thanks to the strong order book at the start of the reporting period and the full-year consolidation of Bucher Hydraulics Wuxi, sales increased by 4% over the very good prior year. Bucher Hydraulics started reducing the number of temporary workers towards the end of the reporting period to adjust its capacities to the lower order volume. At the same time, the division continued to invest in the future, creating new positions for engineers and technicians to drive forward the current innovation projects. Despite being a pleasing 12.5%, the operating profit margin was lower than in 2018, due to higher material prices and costs relating to product development and capacity expansion, as well as to the integration of Bucher Hydraulics Wuxi.

Bucher Emhart Glass Strong demand for glass containers outstripped the manufacturers' capacities again in the reporting period, leading them to invest further in expanding and modernising their production lines. Momentum eased off in the last few months of 2019 at a very high level, although this trend varied from region to region. In this very favourable environment, order intake at Bucher Emhart Glass rose 5% to reach a new record level. Thanks to increased capacities through production optimisation, the division was able to further raise sales significantly by 9%. A recovery in the business with inspection equipment supported this growth. The operating profit margin reached a record 13.5%. This figure includes one-time effects from the divestment of the refractory business and an adjustment to pension costs, which together made a net positive contribution of CHF 5 million to operating profit. Even without these one-time effects, the operating profit margin once again significantly exceeded the previous year's very good level, thanks to the fully utilised production capacities, technologically sophisticated project business and efficiency gains in China.

Bucher Specials The financial year for Bucher Specials was characterised by low order intake and sales in Bucher Unipektin's project business at the beginning of the reporting period. Demand picked up again in the second half of the year. Bucher Vaslin, Bucher Landtechnik and Jetter performed positively overall. The division's order intake and sales rose accordingly over the previous year, by 8% and 2% respectively, supported by the acquisition of the import business of Grunderco as well as Elan Systems. Due to the challenging environment for Bucher Unipektin and acquisition-related integration costs, as well as higher expenditure for the development of new products and solutions, the operating profit margin of 6.2% was significantly below the prior-year figure.

Consistent dividend policy The board of directors proposes a dividend of CHF 8.00 per registered share to the annual general meeting on 24 April 2020. This is unchanged compared with the previous year. This proposal is in keeping with a consistent dividend policy and takes account of both the profit for the year 2019 and the outlook for the current year.

Thanks to our employees In 2019 we had a number of challenges to overcome. In an environment of falling demand, the committed efforts of our roughly 13'100 employees were all the more important. Our company's success depends on their commitment day after day, their enthusiasm for our products and the interest they have in continuously developing them. We produce and sell our machinery and systems around the world. The pre-sale advisory process is central to meeting the very diverse requirements and needs of our customers. Besides digital tools, systematised processes and a global presence, another key factor is the advice provided by our employees, who know their customers very well, understand their needs and identify the best possible solutions working together with them. We show you how they do this by way of an example given for each division in this annual report. A more detailed description can be found on our website. We would like to thank all of our employees for their untiring commitment to the company. We firmly believe that we can successfully tackle this year's challenges together.

Outlook for 2020 The Group continues to expect economic uncertainties and diverging market developments for the divisions this year. Demand for the Group's products is expected to remain at a solid level overall. Kuhn Group anticipates another challenging year with sales coming in somewhat below 2019. With a marginal improvement expected in the US market from the current very low level, the division's operating profit margin is likely to increase slightly. Bucher Municipal anticipates that demand in 2020 will weaken from the strong levels seen in previous years but will remain good. Thanks to a number of new, innovative products and the full-year consolidation of Zynkon and Eurovoirie, the division expects to achieve sales in line with 2019. The operating profit margin should increase slightly due to the cost optimisation measures initiated and the streamlining of the product range. Bucher Hydraulics anticipates a further downward trend in the hydraulics market in the current year. The division therefore expects a decline in sales in the high single-digit percentage figures. The operating profit margin is thus also likely to be down on 2019. Bucher Emhart Glass expects demand to normalise in 2020, following the extraordinary momentum of the last two years. Thanks to the record order book and continued strong demand, the division anticipates sales in line with the previous year. The operating profit margin is likely to be down on the record result of 2019 after adjusting for one-time effects. Bucher Specials anticipates diverging market developments. Overall, the division expects moderate growth in sales for 2020, supported by the acquisition of Elan and Luzzysa. The operating profit margin is likely to recover from the low level seen in 2019. The Group's sales for 2020 are expected to be slightly below 2019's record figure, while the operating profit margin is likely to be in line with that of 2019. The profit for the year is expected to be below the prior-year level.

Niederweningen, 4 March 2020



Philip Mosimann
Chairman of the Board of Directors



Jacques Sanche
Chief Executive Officer