Report to shareholders

Dear Shareholders,

The past year brought a very strong upturn in the markets in which we operate. Order intake grew by more than a third. The divisions were faced with major challenges in the supply chain and logistics as well as staff shortages yet succeeded in coping with these challenges very well. Sales increased substantially as a result and ended the year slightly ahead of the high 2019 figures. The operating profit margin rose to a very good 11.1% and profit for the year increased to CHF 269 million. Earnings per share amounted to CHF 25.96.

Marked increase in sales and operating profit margin

Our products and services enjoyed very strong demand during the reporting period. Order intake rose markedly in all five divisions and overall exceeded the high level of 2019 by nearly a third. That was largely attributable to the very good economic development but also to catch-up effects and precautionary orders. Like the entire industrial sector worldwide, the divisions found themselves faced with bottlenecks and delays in the supply chain and logistics as well as rising material and transport costs. While these resulted in production challenges that intensified over the course of the reporting period, the divisions managed to cope with those challenges very well. Recruiting qualified employees became increasingly difficult. The divisions enlarged their workforce primarily by means of temporary workers but were unable to fill vacancies to the desired extent, particularly in the USA. Accordingly, the Group's order book grew by more than two thirds. Sales were up 16% year on year and slightly exceeded the 2019 figures. Operating profit amounted to CHF 352 million. The operating profit margin rose to a very good 11.1% and profit for the year increased to a pleasing CHF 269 million. Earnings per share amounted to CHF 25.96.

Significant increase in return on invested capital

The return on net operating assets after tax (RONOA) was 25.6%, above the long-term target of 20% and therefore also far above the cost of capital of 8%. The high return is mainly attributable to the marked increase in the operating profit margin and the level of invested capital, which remained low. Average net operating assets were reduced even further year on year thanks to shorter payment periods by customers and significantly increased advances from customers. The good operating performance and lower dividend payment for 2020 had a positive effect on free cash flow and thus on net cash/debt. This amounted to CHF 551 million. The equity ratio remained nearly unchanged at 55%. The reporting period saw the Group make further investments in projects aimed at securing its long-term success. The main focus was on the construction projects of Kuhn Group in Russia, Bucher Municipal in the UK and Bucher Hydraulics in Germany. Investments were also made in external growth through several acquisitions.

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

Strengthening of the divisions

In the past 14 months, three smaller acquisitions strengthened the business activities of Kuhn Group in Brazil and of Bucher Unipektin in the areas of vacuum belt drying technology and of beer filtration. Furthermore, Bucher Hydraulics acquired the mobile electric drive technology business from Lenze Schmidhauser in Romanshorn, Switzerland. Renamed "Bucher Mobile Drives", this business unit develops and delivers frequency converters for mobile applications. This move enables Bucher Hydraulics to combine both its hydraulic and electrotechnical expertise to position itself in the rapidly growing market for electrohydraulic solutions. Integration of the business and its approximately 30 employees is proceeding on schedule.

Kuhn Group

Demand for the division's products was very strong, driven by farmers' higher income. Dealers' low inventory levels prompted substantial early order placements. The trend was also underpinned by a major need for new, more productive machines in the arable sector after the extended low cycle. This upswing was particularly pronounced in North America. Europe reported good development and demand was extraordinarily high in Brazil. Order intake rose by 30%. At the same time, the division found itself faced with challenges in the supply chain and logistics, which it was able to cope with very successfully. Recruiting additional qualified employees was difficult, particularly in the USA. Nevertheless, sales rose by a pleasing 21% over 2020 and considerably exceeded the high level of 2019. The very good capacity utilisation and the pricing measures implemented to absorb the massive increases in material and transport costs caused the operating profit margin to rise markedly to 12.2%.

Bucher Municipal

Activity on the market for Bucher Municipal's products was very brisk. Order intake rose by 30%. This positive trend was driven largely by truck-mounted sweepers and the new modular line of "CityCat V20" compact sweepers together with the fully electric model. Production was greatly hampered by bottlenecks among suppliers, particularly those of chassis and other components. Strict COVID-19 measures continued to pose a challenge, especially in Australia. In November, the division was forced to temporarily shut down its IT infrastructure following the early detection of a malware attack, which was blocked thanks to the immediate, secured system shutdown. Bucher Municipal's sales still rose by 13% and ended the year just below the high level of 2019. Compared to 2020, the operating profit margin rose only marginally to 6.3% due to difficulties in the supply chain and production.

Bucher Hydraulics

Developments in the hydraulics markets were very dynamic. The division reported exceptionally high demand for components and solutions. One reason for this, apart from strong economic development, was the fact that customers were placing precautionary orders due to the generally long delivery times in the industrial sector. Order intake rose strongly by 53%.

Making the necessary adjustments to production capacities was very challenging and huge growth was seen in the order book, which rose by 139% year on year. The division increased its sales by 27%, thereby exceeding the high level of 2019. One major driver of this was Asia, which reported above-average growth in China and India. Thanks to the higher sales and good cost structure, the operating profit margin grew to 12.9%.

Bucher Emhart Glass

The division experienced a rapid upturn on the heels of the slump of the previous year. Over the course of the year, customers started investing again in modernising and expanding their plant and in completely new production sites. The order intake of Bucher Emhart Glass grew by 65%, putting it back at the pleasingly high level of 2019. Over the course of the reporting period, production capacity utilisation rose sharply from a low level in the first quarter. Bottlenecks for raw materials, components, and in logistics, as well as government-imposed COVID-19 restrictions in Malaysia posed major challenges. All this caused sales to decline by 6% year on year. At 15.8%, the operating profit margin was outstanding. This was mainly due to a favourable product mix as well as the cost base, which remained low throughout the entire reporting period.

Bucher Specials

The division's financial year was characterised by dynamic developments in its markets. The easing of restrictions in the gastronomic sector and at major public events over the course of 2021 had a positive impact on the business units serving the beverage industry. Customers approved projects that they had postponed in the previous year. Catch-up effects kept business in the Swiss market for agricultural machinery very brisk and demand for mobile and industrial automation solutions also picked up strongly again. Overall, order intake was up by 40%. Sales rose by 18% and ended the period slightly above the high 2019 level. The operating profit margin increased to a solid 8.6% due to better capacity utilisation and cost-savings measures put in place in the previous year.

Consistent dividend policy

The board of directors proposes a dividend of CHF 9.50 per share to the annual general meeting on 12 April 2022. The dividend paid in the previous year was CHF 6.50 per share. This proposal is in keeping with a consistent dividend policy and takes account of the profit for the year 2021, the solid financial position, the outlook for the current year as well as internal and external investment opportunities.

Board of directors

Heinrich Spoerry, who has served since 2006 as a member of the board of directors, will not stand for re-election due to the age limit set in the internal rules of organisation. We thank him for his dedicated service, in particular during his many years as chairman of the audit committee. The board of directors proposes to the annual general meeting on 12 April 2022 the election of Stefan Scheiber, CEO of Bühler Group, as a new board member. With more than 30 years of experience in a global plant and mechanical engineering company, Stefan Scheiber will be a valuable addition to the board of Bucher Industries.

Thanks to our employees

Our employees have once again achieved great things under difficult conditions. Whereas the focus in the previous year had been on health measures that protect against COVID-19, the difficulties related to the supply chain and logistics intensified in 2021. Employees did everything in their power to ensure that customers received the products and services they ordered at the desired point in time – despite bottlenecks, very long lead times and delays for raw materials and components as well as the fact that ocean freight containers and other means of transport for delivery were scarce. For that we are very grateful. This annual report features five stories in which we hand the floor to our employees so they can explain what fuels their motivation, how they think their work contributes to the world and how they create value for society.

Outlook for 2022

The Group expects demand to weaken at a very high level. The extraordinarily strong order book at the end of 2021 means that capacity utilisation will remain high, particularly in the first half of the year. Difficulties in procurement and logistics are likely to at least persist for the time being. The resulting inefficiencies in production and the rising cost base will increase pressure on the margins. In addition, the shortage of skilled labour will make it difficult to work through the record-high order book. Kuhn Group anticipates that demand for agricultural machines will normalise, especially in North and South America, following a year where it was at an extremely high level, in part due to catch-up demand. Difficulties in the supply chain and logistics will continue, at least during the first half of the year. Thanks in part to the full order book, the division expects sales to rise slightly. Despite higher material and personnel costs, the operating profit margin is likely to remain in the double digits. Bucher Municipal expects demand for municipal vehicles to remain high. Supply chain challenges are likely to persist with delays, in particular, in the delivery of chassis. The division therefore expects sales to be on a par with those of 2021. Improved production efficiency should lead to a higher operating profit margin. Bucher Hydraulics expects demand to be weaker yet still at a very high level. Capacity utilisation will remain high, in part due to the very good order book, and shortages of staff will persist. Accordingly, the division expects ongoing production challenges and a moderate increase in sales. The operating profit margin is likely to be at a similar level to that of 2021. Bucher Emhart Glass expects demand to remain good. Production capacity utilisation will be at an extremely high level due to the very high order book, and the division expects sales to rise considerably as a result. Due to the change in the product mix and the general increase in the cost base, the operating profit margin is likely to be lower, but still markedly above the long-term target of 10%. Bucher Specials expects a good market environment overall. Thanks to the well-filled order book at the start of the year, the division is forecasting a modest increase in sales. The operating profit margin is likely to be on a par with that of 2021, since the major part of the increase in material, personnel and other costs can be compensated. The Group expects to see slightly higher sales and a slightly lower operating profit margin in the double-digit range. The Group's profit for the year is expected to be almost on a par with the high 2021 figures.

Niederweningen, 2 March 2022

Philip Mosimann
Chairman of the Board of Directors

Jacques Sanche
Chief Executive Officer