

Report to shareholders

Dear Shareholders,

In the course of the reporting period, demand for our products and services normalised after the extraordinarily dynamic previous year. Thanks to our employees' hard work, the divisions again coped very well with the difficulties in the supply chain and they increased their sales by 13%. The operating profit margin rose to a very good 11.8%. Profit for the year amounted to CHF 335 million, significantly higher than the previous year, and earnings per share were a high CHF 32.36.

Strong business result

While the markets that our divisions operate in weakened over the course of 2022, sentiment remained positive overall. Order intake continued to rise until mid-year, but it declined in the second half of the year and ended at the same high level as last year overall. The difficulties in the supply chain remained challenging due to the COVID-19 measures in China and the tense energy situation. It was also difficult to recruit qualified employees, particularly in the USA. Although this negatively impacted process efficiency, sales increased by 13% due to increased prices and higher volumes. The Group's order book remained very strong, with seven months of sales. The operating profit rose to CHF 425 million and the operating profit margin to a very good 11.8%. Profit for the year amounted to CHF 335 million, which was significantly higher than in the previous year, and earnings per share were a high CHF 32.36.

Further increase in return on invested capital

The return on net operating assets after tax (RONOA) increased again and reached a very high 28.6%. This is due to the strong sales growth and the resulting further increase in the operating profit margin. Net operating assets increased markedly year on year due to volume-related factors. The increase was exacerbated by the difficulties in the supply chain and logistics, as well as price increases for purchased parts, and had a negative impact on free cash flow. The reporting period saw the Group make further investments in projects aimed at securing its long-term success. The main focus was on the start of Kuhn Group's implementation of the ERP system and the construction projects of Bucher Hydraulics and Jetter in Germany. With three acquisitions, further investments were made in external growth. The financial position remains very solid, with net liquidity of CHF 457 million at the end of the year and an equity ratio of 57%.

Kuhn Group

Agricultural machines remained in strong demand during the reporting period. Prices for agricultural products stayed at a good level, which ensured high farm incomes despite rising cost pressures. Dealers, however, reported slightly weaker machinery purchases by farmers from mid-2022. Kuhn Group's order intake fell 4% below the previous year's exceptionally high level, mainly due to currency effects; its order book increased further. Supply chain and recruitment difficulties persisted. Capacity utilisation was very high



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

throughout the whole year. The high production volumes, combined with price increases, led to a significant increase in sales of 15%, especially in Brazil. The operating profit margin of 11.7% was only slightly below the previous year's high level and included impairments of CHF 6 million for the business activities in Russia.

Bucher Municipal

After a very dynamic first half of the year, order intake began to normalise from mid-year onwards and it increased by 3% overall. As in the previous year, production in 2022 was severely impacted by bottlenecks in global supply chains. This had a negative impact on production efficiency, especially in the first half of the year. Production volumes increased in the second half of the year and sales ended in line with the previous year overall. The operating profit margin decreased slightly to 6.0% due to the delivery delays, the reduction of operations in Russia and the challenging business environment in China.

Bucher Hydraulics

Order intake declined by 11% from a very high level. This decline was particularly pronounced in China. Normalisation of demand also set in during the second half of the year in parts of Europe and in North America. While there was a clear decline in the important materials handling and construction machinery segments, demand remained at a high level for hydraulic solutions in agricultural machinery. Capacity utilisation was high throughout the whole year. The division's sales rose by 11%, partly due to price increases, especially in North America. The operating profit margin rose to 13.4% due to higher sales, the good cost structure and price adjustments.

Bucher Emhart Glass

Glass containers enjoyed strong demand and customers' production capacities remained tight. The rapid upturn in investments in plant for the production of glass containers therefore continued, despite high energy prices particularly in Europe. Bucher Emhart Glass' order intake rose by 11% from a very high level. The production capacity was heavily utilised at all locations. Sales grew by 33% compared with the low level of the previous year. The operating profit margin increased further from an already high level and reached an excellent 18.6%. This was due to the division's high sales volume and continued low cost base, combined with its improved efficiency and positive currency effects.

Bucher Specials

The reporting period was characterised by positive market sentiment overall. Only the markets of Bucher Landtechnik declined from their high level after several years of very good performance. Bucher Specials' order intake was in line with the previous year. All four business units continued to struggle with bottlenecks on the supplier side. Sales increased by 8%, partly due to the strong order book at the beginning of the year. The operating profit margin remained stable at 8.6% despite a significant increase in material costs and expenditure on acquisitions.

Consistent dividend policy

The board of directors proposes a dividend of CHF 13.00 per share to the annual general meeting on 19 April 2023. The dividend paid in the previous year was CHF 9.50 per share. The proposal takes into account a consistent dividend policy, the profit for the year 2022, the solid financial position, the outlook for the current year as well as internal and external investment opportunities.

Board of directors

The annual general meeting elected Stefan Scheiber, CEO of Bühler Group, as a new member of the board of directors on 12 April 2022. Valentin Vogt, who has been a member of the board of directors since 2014, will not stand for re-election. We would like to thank him for his dedicated service, in particular as the long-standing chairman of the compensation committee, and for his valued entrepreneurial spirit. The board of directors proposes to the annual general meeting on 19 April 2023 the election of Urs Kaufmann as a new board member. Urs Kaufmann is chairman of Huber+Suhner's board of directors and has many years of experience in the manufacturing industry in an international environment. With long-term succession planning in mind, the board has also nominated Urs Kaufmann to the annual general meeting in 2024 as successor to Philip Mosimann for chairman of the board of directors. Philip Mosimann will not stand for re-election in 2024 as he will have reached the age limit set in the rules of organisation.

Our long-term and sustainable contribution

Our strategy has always been geared to the long term and we further refined and formalised that strategy over the past year with a view to economic, ecological and social considerations. The foundation of our Group are the products and solutions with which we make our contribution to society, responsible corporate governance and sustainable economic value creation. In addition to these three principles, we have defined eleven topics in the area of environment, social affairs and ethics that are material for us, with corresponding ambitions, key indicators and goals. With this annual report, we are therefore moving to combined reporting that provides information on the four areas of finance, environment, social affairs and ethics.

Innovative solutions with added value for customers and the environment

Our divisions once again launched new products and services that will make work easier for our customers, increase their efficiency and have less impact on the environment. Kuhn Group's modern high-performance baler-wrapper combination enables farmers to produce uniformly shaped, compact bales of all materials and under all operating conditions. Bucher Municipal launched the world's first all-electric sewer cleaning vehicle which, with its compact size and reduced emissions, is suitable for use in urban, densely populated areas. Bucher Hydraulics continued to expand its range of electrohydraulic drive systems during the reporting period. Bucher Emhart Glass' latest artificial-intelligence-based technology for the fully automated setup of sidewall inspection systems is another milestone in glass container inspection.

A big thank you to our employees

We know that our success is due to our employees' expertise and high level of commitment. They proved this once again during the reporting period by performing outstandingly under very difficult circumstances. They did all they could to ensure that our customers received their orders on time wherever possible and in the quality they are accustomed to, despite the bottlenecks in the supply chain. We would like to sincerely thank our employees for their continued commitment. In the reporting period, we documented our long-standing values, principles and standards for dealing with our employees in a policy.

Reducing our ecological footprint

We continuously optimise our products to reduce their environmental impact during operation, and also strive to reduce the carbon footprint at our own sites. We have developed, initiated or already implemented various measures for this purpose. They are aimed at optimising the energy efficiency of buildings and building management, increasing energy efficiency in production and generating solar power. Energy consumption and CO₂ emissions fell by 4% overall compared to 2021. This was also due to the mild winter months and the higher awareness for the need to save energy. We have included five stories in this annual report that provide an insight into our efforts. We documented the basis for our environmental management activities in another policy.

Outlook for 2023

We expect demand to continue to normalise starting from a very high level in the course of this year. The extraordinarily strong order book at the end of 2022 means that capacities will remain highly utilised, particularly in the first half of the year. Increased personnel and other operating costs can only be absorbed in part through price increases and are therefore likely to intensify pressure on margins. All the divisions are impacted by these challenges but to different degrees. **Kuhn Group** expects sales and the operating profit margin to be roughly in line with 2022. **Bucher Municipal** anticipates that sales will grow slightly and the operating profit margin will recover. **Bucher Hydraulics** expects similar sales as in 2022 and a slightly lower operating profit margin. **Bucher Emhart Glass** anticipates that sales will be in line with the very high level of 2022. The operating profit margin should be in the range of the 2021 value. **Bucher Specials** expects sales to increase, partly as a result of an acquisition made in the reporting period, and the operating profit margin to be roughly in line with 2022. The **Group** anticipates that sales will be roughly in line with 2022, with offsetting price and currency effects. The operating profit margin will come under pressure, mainly due to higher personnel costs, and should be slightly below 2022. As a result, the profit for the year is likely to be slightly lower.

Niederweningen, 24 February 2023



Philip Mosimann
Chairman of the Board of Directors



Jacques Sanche
Chief Executive Officer