

Report to shareholders

Dear Shareholders

The five divisions of Bucher Industries delivered an overall pleasing performance in 2017. Order intake surged 20% and sales were up 11% year on year. This success was driven by improved overall conditions on the agricultural equipment market and a very upbeat business trend for hydraulic components, along with strong demand for municipal vehicles and for machinery for forming glass containers. The operating profit margin was 8.6%. Profit for the year amounted to CHF 168 million, and earnings per share was CHF 16.81.

Positive market development There was a sharp increase in demand for Bucher Industries' specialised products during the reporting year. Thanks to higher prices in the dairy and livestock industries, the important market of agricultural equipment started to rebound after three difficult years. Municipal vehicles were able to benefit from the improving economy and the associated investments made by cities and municipalities. The market for hydraulic system solutions and components performed very well, and the glass container industry in the emerging countries invested more in production facilities. The business units of Bucher Specials presented a mixed picture.

Successful business performance In a largely favourable market environment, the order intake at group level was CHF 2 871 million, an increase of 20% year on year. Sales rose by 11% to CHF 2 647 million. The operating profit reached CHF 226 million, resulting in an operating profit margin of 8.6%. The profit for the year amounted to CHF 168 million, resulting in earnings per share of CHF 16.81. The rebound that has begun in the agricultural equipment market was reflected in the significant increase in sales and profitability at Kuhn Group. Bucher Municipal also grew on the strength of the upturn in its markets, recording a strong order intake. Bucher Hydraulics posted an outstanding performance in most regions. The division skilfully handled its growing number of orders and drove both sales and the operating profit margin sharply higher. Bucher Emhart Glass saw a strong increase in order intake, while sales increased only modestly due to the lead times associated with the project business and the postponement of some projects to the 2018 reporting year. The business units of Bucher Specials were confronted in part with difficult market conditions. Nevertheless, the division was able to record a slight increase in sales.

Financial situation In the wake of the long-term corporate development, Bucher Industries increased its spending on innovation by CHF 11 million. In addition, CHF 76 million was invested in expanding production infrastructure and in modernising and automating the means of production. Net operating assets were reduced by 6 percentage points to 48.1% of net sales. Due to the increased profitability and lower capital commitment, the return on net operating assets after tax (RONOA) was 13.2% (2016: 9.7%). This was still significantly higher than the cost of capital, but below the long-range target of 16%. The positive free cash flow resulted in net liquidity of CHF 214 million. With an equity ratio of 52.7% and high liquid assets, the Group's financial independence and opportunities for further growth remain secure.

Kuhn Group After three difficult years, the agricultural equipment market staged a recovery. Higher prices for milk and meat in Europe boosted demand for machinery for hay and forage harvesting and livestock bedding and feeding. The arable sector, however, continued to suffer from full inventories and from low and volatile prices. This prompted farmers in North America in particular, due to low income, to be cautious about investing. France, the home market of Kuhn Group, was still struggling with the impact of the previous year's poor harvests. Apart from that, the market conditions in Europe were favourable, prompting farmers to invest in new machinery and distributors to build up their inventories again. Order intake was up 22% year on year and sales were up 16%. In light of rising material costs and lower sales in North America, the operating profit margin was modestly higher than the previous year at 8.6%.

Bucher Municipal Economic conditions in the markets served by Bucher Municipal improved considerably in the reporting year, especially in Europe and Australia. Demand for sweeper rose in France, Germany and Russia, and some major orders for refuse collection vehicles were won in Australia. The early arrival of winter in Europe boosted the market for winter maintenance equipment. In this positive environment, Bucher Municipal increased its order intake by 28%. Sales were up 9% year on year. The concentration of sweeper production in Latvia and Great Britain temporarily limited productive capacity and put pressure on the operating profit margin, although the latter did improve to 6.1%. The concentration of sweeper production was brought to a conclusion as planned at the end of the year.

Bucher Hydraulics Demand for hydraulic system solutions and components rose sharply in the construction machinery, industrial hydraulics, agricultural engineering and materials handling segments, which are the most important for Bucher Hydraulics. The German market saw strong growth after five years of stagnation, and demand in North America, India and China also rose significantly. Bucher Hydraulics was able to cope with the increase in orders and the expansion of production capacity to meet these orders, without any delays for customers. The good position of the division and the adjustments to the product mix also contributed to the successful business year, in which order intake rose by 21%, sales increased by 15% and the operating profit margin moved up to 13.7%.

Bucher Emhart Glass The reporting year started on a cautious note, but over its course the demand for glass-forming machinery increased in almost every market. In North America in particular, the producers of glass bottles invested more, while the beer market in Mexico expanded its capacities and even China showed a modest improvement. The trend in Europe was solid and stable. The division benefited from the favourable market development, posting a strong 28% increase in order intake and a 64% jump in the order book. Due to the lead times associated with the project business and the postponement of some projects to 2018, sales were up only modestly year on year by 3%. The measures implemented at the joint venture Sanjin weighed on the operating profit margin, which came in at 6.6%.

Bucher Specials Under mixed market conditions for its business units, the division saw a 5% decline in order intake year on year. Nevertheless, sales rose by 3%. The operating profit margin, impacted by material costs, was at 8.1% and at previous year's level. Europe was hit by negative weather conditions, which resulted in smaller harvests for grapes and apples. This suppressed demand for winemaking equipment and fruit juice presses in the main markets of France, Spain and Italy. Falling demand for winemaking equipment was offset by other regions, so that a positive order intake was nevertheless achieved. Sales remained stable despite the reduced harvests. The market for beverage technology recovered over the course of the year, but remained volatile. Project delays and financing bottlenecks at clients weighed on order intake; nevertheless, sales were higher. The Swiss market for agricultural machinery was slightly lower, pulling down order intake and sales as well. Favourable market conditions in mobile and industrial automation boosted both order intake and sales at Jetter.

Dividend The board of directors will propose a dividend of CHF 6.50 per share to the annual general meeting on 18 April 2018. The dividend paid in 2017 was CHF 5.00 per share. This proposal is in keeping with a consistent dividend policy and takes account of the group profit for 2017.

Board of directors and group management In the reporting year, Ernst Bärtschi did not stand for re-election after serving on the board of directors for 12 years. The board of directors is proposing that the annual general meeting on 18 April 2018 should elect Martin Hirzel, CEO of Autoneum Holding AG, as a new board member. Manuela Suter took over the position of CFO on 1 January 2018. The previous CFO, Christina Johansson, left the Group at the end of the reporting year.

Thanks to our employees Bucher Industries has been a successful company for more than 200 years thanks to the expertise and creativity of its employees, their knowledge and dedication, and their loyalty and service orientation. Thanks to its employees, Bucher holds a leading position in the manufacturing of specialised machinery and vehicles and is able to continually bring new and innovative products and services to the market. Our employees create genuine added value for our customers that will continue in future. You can read more about this in the reports on the individual divisions. We would like to sincerely thank our employees for their consistently manifest desire to develop, create and act in the interests of the customer. And we would also like to thank our customers and partners for their cooperation over the last year, a cooperation marked by trust and based on a long-term relationship. After all, we are well aware that our success can continue only with the contribution of each individual.

Outlook 2018 For the current year, the Group is reckoning with a mostly positive market environment. The improved market conditions in the dairy and livestock industries will continue, while the arable sector will need more time to recover, especially in North America, due to high inventories and good harvests. Against this background, Kuhn Group is forecasting that sales and the operating profit margin will rise. The robust order book for sweepers in Europe and refuse collection vehicles in Australia will ensure significant sales growth for Bucher Municipal in the first half of 2018. The concentration of sweeper production in Europe in 2017 will allow cost savings. For the entire year, the division anticipates an increase in sales and an improved operating profit margin. Bucher Hydraulics expects demand to remain healthy in 2018 and sales to enjoy continued growth. The operating profit margin is likely to remain at the previous year's high level, despite ongoing price pressure and higher costs for research and development. Market sentiment in the glass container industry looks set to stay optimistic in 2018. Bucher Emhart Glass started the current year with a robust order book. It expects sales to rise and the operating profit margin to improve

significantly. Sales and the operating profit margin at Bucher Specials should increase, although the performance of the individual business units will likely be mixed. In light of the robust order book and the positive market environment, the Group is forecasting both sales and the profit for the year to increase for 2018 as a whole.

Niederweningen, 6 March 2018



Philip Mosimann
Chairman of the Board of Directors



Jacques Sanche
Chief Executive Officer

Left:
Philip Mosimann
Chairman of the Board of Directors

Right:
Jacques Sanche
Chief Executive Officer

