

Report to shareholders

Dear Shareholders

In a challenging market environment order intake and sales both fell by 11%. Currency effects of around 7% were the main reason for the decrease. The operating profit margin of 8.3% was 0.9 percentage points below the previous year's level. There was a corresponding decrease in profit for the year, which came in at CHF 140 million. Earnings per share were CHF 13.69.

Market trends Business performance in the reporting year was influenced by the sluggish economy in Europe, geopolitical uncertainties in the CIS countries and the strong Swiss franc. The slowdown in the market for agricultural machinery continued, intensifying from mid-year onwards. The arable sector was worst hit, but the dairy industry also saw falling prices. The market for municipal vehicles and winter maintenance equipment remained stable at a low level. The only positive impetus came from Great Britain and the USA. The demand for hydraulic systems in North America was very encouraging, resulting in a high level of sales growth in the region. In Europe, by contrast, there was an overall weakening of demand, despite brisk business in industrial applications. The market for glass-forming and inspection machinery benefitted from lively investments in South America. In winemaking equipment, industrial and automation solutions as well the Swiss market for agricultural machinery, demand remained stable overall and in line with expectations. The project business in fruit juice and beer production was adversely affected by numerous delays to projects and the worldwide downturn in beer consumption.

Business performance In this challenging market environment, order intake and sales both declined by 11%. This development was driven by negative currency effects amounting to around 7% and the general slowdown in the economy. Kuhn Group felt the effects of the marked downswing in agriculture, although the division significantly outperformed the market as a whole. Sales at Bucher Municipal almost compensated for the CHF 23 million lower value of the follow-up order from the city of Moscow. Bucher Hydraulics held up well thanks to its strong position in North America and new serial orders.

Although Bucher Emhart Glass started the reporting year with a low order book, business with glass-forming and inspection machinery improved steadily during the year. However, the business performance of Bucher Specials declined. The main reasons were increased competitive pressure in fruit juice processing equipment and numerous project delays due to the uncertain economic situation. The fall in beer consumption worldwide for the first time in many years was a further negative influence on demand for beer filtration systems. These factors led to a 19% decline in operating profit, which came in CHF 207 million, while the operating profit margin decreased to 8.3%. The profit for the year fell to CHF 140 million and earnings per share were CHF 13.69.

Currency effects After discontinuation of the minimum euro rate by the Swiss National Bank in mid-January 2015, the Swiss franc appreciated massively against the Group's main operating currencies. In view of the internationalisation of the Group's business over many years, the exchange-rate shock mainly affected the translation of foreign currencies into Swiss francs. The annual average decline in the euro against the Swiss franc was 11%. The depreciation was only partly offset by the recovery of the US dollar. In the reporting year, the negative currency effect on sales was 7%, on operating profit 12% and on the operating profit margin 0.5 percentage points. The main reasons for this were currency-translation effects on receivables and inventories as well as price discounts. Cost-saving measures and strong market positions helped to cushion the adverse influences. The negative currency effect on the financial result was CHF 1 million. The translation of the various balance sheet items reduced equity by CHF 109 million and increased net debt by CHF 12 million.

Financial situation In the reporting year, net operating assets decreased by CHF 108 million. On average, however, they rose by CHF 28 million to CHF 1 296 million. As a consequence of the lower profitability, return on net operating assets (RONOA) after tax was 11.5%, still significantly higher than the cost of capital, but below the long-range target of 16%. The free cash flow improved by CHF 152 million, reaching CHF 86 million. This was achieved by lower expenditure for net working capital, investments and acquisitions. At the end of the reporting year, the Group was virtually debt-free, with net debt standing at only CHF 10 million. The equity ratio rose from 46% to 49%.

Kuhn Group Kuhn Group performed remarkably well in a challenging market environment. The worldwide decline in agriculture steepened from the middle of the reporting year, with the arable sector particularly hard hit. But the dairy sector also experienced falling prices, resulting in a marked decline in farmers' incomes, placing significant constraints on their willingness to invest. By contrast, demand in the meat sector remained stable. The market in Eastern Europe slumped because of the unstable geopolitical situation as well as financing issues. Kuhn Group was unable to escape completely from the effects of these challenges. Currency-adjusted order intake decreased by 9%, and sales by 8%, with a corresponding decline in operating profit margin to 10.2%.

Bucher Municipal Bucher Municipal's markets did not change significantly in the reporting year, with demand for sweepers and winter maintenance equipment remaining stable at a low level. The division successfully defended its good market positions. Business in Great Britain and the USA surpassed expectations, thanks to the pressing need of private service providers to renew their vehicle fleets. The subdued pace of economic activity in Australia resulted in a slight fall in demand for refuse collection vehicles. The follow-up order from the city of Moscow, which was CHF 23 million lower than the previous year, resulted in a currency-adjusted fall of 4% in order intake and 2% in sales. Thanks to good capacity utilisation and strict cost discipline, the division increased the operating profit margin to 8.4%.

Bucher Hydraulics Demand for hydraulic systems in the European market declined overall; in North America, by contrast, there were positive stimuli, particularly in mobile hydraulics applications. Economic activity in China slowed and Brazil entered a deep recession, while India profited from sales in its home market as well as from exports. The construction machinery segment developed well in the first half, but slowed in the second half. The division was also affected by the worldwide decline in the agricultural machinery market. Bucher Hydraulics almost managed to compensate for this trend through new business with system solutions and current series products. Overall, on a currency-adjusted basis, sales were slightly higher than the previous year and order intake slightly lower. Thanks to its very solid operating performance, the division increased the operating profit margin to 11.5%.

Bucher Emhart Glass The market for glass-forming and inspection machinery remained largely unchanged in the reporting year. There was high demand from beer brewers in South America who invested in the production of glass containers. The project business continued at a moderate level in Europe; the Middle East saw a decline, mainly due to the political situation, while in China the market remained at a low level because of surplus capacity. Sales of inspection machinery decreased after a run of good years, while the spare parts business held up very well. Bucher Emhart Glass increased order intake by 21% and sales by 2% adjusted for currencies. The measures to realign the division resulted in a clear increase in operating profit margin to 6.6%.

Bucher Specials The very brisk demand for winemaking equipment seen in 2014 returned to a normal level in the reporting year. In the fruit juice processing equipment segment, competitive pressure increased significantly and the division experienced many project delays owing to the uncertain economic situation. The worldwide beer market declined for the first time since 1992. As a result, order intake and sales declined by 16% and 11% respectively on a currency-adjusted basis. The operating profit margin fell from 8.9% to 5.0% as a result of underutilisation of capacity and massive currency effects affecting the Swiss plants. Despite the disadvantages of the currency hedging transactions entered into, the Swiss distributorship for tractors and agricultural machinery held up well by immediately passing on currency advantages to customers. Industrial and mobile automation developed in line with expectations.

Dividend In keeping with a consistent dividend policy, the board of directors is proposing that the annual general meeting on 15 April 2016 approve payment of a dividend of CHF 5.50 per registered share. In the previous year, the dividend was CHF 6.50 per share.

Board of directors and group management At the end of 2014, the board of directors announced the appointment of a new chief executive, well in advance of the actual succession. Jacques Sanche took up his appointment as CEO designate on 1 September of the reporting year, three months earlier than planned, with an intensive induction programme. He is due to succeed long-standing CEO Philip Mosimann at the annual general meeting on 15 April 2016; at the same time, the general meeting will vote on a proposal that Philip Mosimann be appointed as the new chairman of the board of directors. Rolf Broglie is due to step down at the annual general meeting in April 2016 having served for 20 years as a member of the board of directors and since 2011 as its chairman. The board of directors would like to take this opportunity to thank Rolf Broglie – also on behalf of the entire workforce – for his many years of committed service to Bucher Industries and wish him all the best for the future and this new chapter in his life.

In December 2015, the Group made an early announcement about the forthcoming change of CFO, due in the current year. Christina Johansson, Group CFO at SR Technics, will join Bucher Industries on 1 July 2016 as CFO designate and member of group management, assuming full responsibility as CFO in the fourth quarter of 2016. After 20 years of service as CFO at Bucher Industries, Roger Baillod is becoming independent to pursue his career as a professional board member.

After 15 years as a member of group management and head of the Bucher Municipal division, Michael Häusermann left the Group in August 2015 to seek a new professional challenge. On 1 March of the current year, Aurelio Lemos took over as head of Bucher Municipal and was simultaneously appointed as a member of group management. Aurelio Lemos, who had previously held a number of managerial posts in international companies, joined the Group in 2003 and was appointed head of Bucher Hydraulics Switzerland in 2012.

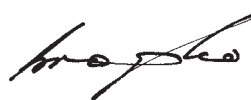
The Group was thus able to fill all the vacancies resulting from the changes at board and group management level with experienced internal and external candidates.

Thanks to our employees and partners The Group has a challenging year in a demanding economic environment behind it. We wish to thank our customers, employees and business partners who have all played their part in helping us overcome many challenges in difficult times. They all deserve our recognition and sincere thanks.

Outlook for 2016 For the year in progress, the Group is expecting the volatile economic climate to persist. Kuhn Group expects a further weakening of demand in the arable sector as well as the dairy and meat industries. Bucher Municipal is not counting on a significant recovery and will also have to manage without the CHF 30 million boost to sales that a follow-up order from the city of Moscow provided the previous year. Bucher Hydraulics is anticipating modest growth in Europe and the USA, with the exception of the agricultural machinery segment. The market launch of a new generation of inspection machinery and the cooperation with O-I should have a positive impact on demand

at Bucher Emhart Glass. Bucher Specials reckons with an unchanged market environment, though demand for equipment and technologies for processing fruit juice and beer is likely to improve. For the current year as a whole, the Group expects a slight downturn in sales and an operating profit and profit for the year on a par with the previous year.

Niederweningen, 8 March 2016



Rolf Broglie
Chairman of the Board



Philip Mosimann
Chief Executive Officer

Rolf Broglie
Chairman of the Board

Philip Mosimann
Chief Executive Officer

