

## Report to shareholders

### Dear Shareholders

We are pleased to report that the 2013 business year was a successful one. The developments in our main markets showed a varied, but mostly favourable, picture. Order intake increased by 9% and sales by 3%. The good operating performance across all divisions, particularly at Kuhn Group, resulted in an outstanding operating profit margin of 10.7%. Group profit for the year was CHF 196 million, a 26% rise on the previous year, while earnings per share reached CHF 19.64.

**Market trends** In the reporting year, the market for agricultural machinery developed well and the healthy level of farmers' incomes boosted investment confidence. Demand for municipal vehicles remained at a low but stable level because of the austerity measures adopted in the public sector. Market trends at Bucher Hydraulics showed clear regional variations, but demand grew strongly, particularly in the mobile machinery segment. Measures to curb economic growth in China had an impact on the business with glass-forming machinery for the glass container industry. Demand for winemaking equipment did not pick up until the second half of the year. On the other hand, the business with equipment and technologies for processing fruit juice and the Swiss distributorship for specialised agricultural machinery and tractors benefited from a strong market dynamic. Currency effects were marginal in the reporting year.

**Outstanding operating result** The Group took advantage of the generally favourable market conditions, increasing order intake by 9%. More than two-thirds of this improvement was attributable to organic growth. Sales increased by 3% year on year. Kuhn Group benefited from solid demand in its principal markets in Europe and in North and South America, while Bucher Municipal was able to increase market share thanks to flexible production capacity. Bucher Hydraulics and Bucher Specials both gained ground, while Bucher Emhart Glass saw the expected decrease in sales. The Group's operating profit rose by 24% to CHF 287 million and the operating profit margin was 10.7%. This record result was possible thanks to substantial growth at Kuhn Group and systematic cost management across all divisions. Group profit for the year showed a marked rise of 26%, reaching CHF 196 million. Earnings per share came in at CHF 19.64.

**Further improvement in financial situation** As part of sustainable business development, Bucher Industries increased capital expenditure to CHF 137 million. The most important single project was the expansion of Kuhn Group in France and the Netherlands, as well as the merger of three Bucher Municipal production plants in Dorking, Great Britain. In view of the acquisitions and investments, net operating assets as a percentage of net sales increased to 40%, compared with 35% in 2012. The return on net operating assets (RONOA) after tax was 19.3%, which was above the figure for 2012 and exceeded the high long-term target of 16% set by the Group. Free cash flow came to CHF 62 million, on a par with the previous year's level. Cash and cash equivalents amounted to CHF 456 million, which was exactly the same as the financial liabilities, so the Group ended the year with zero net debt. The equity ratio increased from 39% to 44%.

**Acquisitions and disposals** The acquisitions of Filtrox Engineering AG, Switzerland, and Ölhydraulik Altenerding Dechamps & Kretz GmbH & Co. KG, Germany, announced in 2012, were brought to a successful conclusion in the reporting year. This strengthened the beverage technologies portfolio at Bucher Unipektin, while Bucher Hydraulics filled a gap in its product offering by the addition of hydraulic cylinder technologies in the high-pressure segment. Through the acquisition of Eco Sistemas Indústria de Máquinas Ltda., Brazil, in July 2013, Bucher Hydraulics gained entry to the largest market in Latin America for mobile and industrial hydraulics applications. At the end of September, Bucher Industries launched a voluntary public tender offer for the purchase of all the shares in Jetter AG, Ludwigsburg, Germany, at a price of 7.00 euros per share. During the period of the tender offer, the Group was able to increase its holding in Jetter AG to 77.35% of the share capital at the end of 2013. The goal is to acquire all the Jetter AG shares. In the last two years, Jetter has generated around half its sales with the Bucher Group, principally with Bucher Emhart Glass. Through the takeover of Jetter, the Group gained valuable expertise in the area of control and automation technology. As an industrial partner with a long-term perspective, the Group will support Jetter with the know-how and financial resources it needs to improve operating efficiency and profitability, building on its high level of technical expertise and strengthening its market position with third-party customers. Jetter was consolidated with effect from 1 November 2013 and integrated into the Bucher Specials division. In May of the reporting year, Bucher Municipal sold the ancillary hand-drier business in Australia, resulting in a gain of around CHF 4 million. This profitable business generated sales of about CHF 10 million in 2012.

**Kuhn Group** In the reporting year, the principal markets for agricultural machinery in Europe and in North and South America showed pleasing advances overall and the healthy level of farmers' income boosted investment confidence. In North America and western Europe, the start of the growing seasons was delayed by adverse weather conditions, but recovered quickly in the course of the reporting year. In the second half of the year, prices for soy, maize and wheat fell back, though this

did not significantly affect Kuhn Group. In this market environment, the division increased both order intake and sales by 5%. Thanks to lower purchasing prices and other positive operational factors, the division achieved an outstanding operating profit margin of 14.9%. In the reporting year, Kuhn Group invested in capacity expansion, improvements in productivity, customer training and the efficiency of its logistics systems.

**Bucher Municipal** The European market for municipal vehicles and winter maintenance equipment remained stable at a low level. Despite the difficult and highly competitive environment, Bucher Municipal held its ground well and was able to further increase its share in various markets. Order intake increased year on year by 8%. As expected, sales decreased from the high level of the previous year, which was still influenced by a major order worth CHF 50 million from the city of Moscow. Thanks to the efficient handling of the order, the division was awarded a follow-up order in the reporting year. The division achieved a gratifying operating profit margin of 8.6%. This success is the result of ongoing increases in efficiency and structural improvements through consolidation of plants in recent years. To remain competitive in the Russian winter maintenance market for spreaders and snowploughs, the division opened an assembly plant for local production in Kaluga, Russia.

**Bucher Hydraulics** In the reporting year, developments in the markets served by Bucher Hydraulics showed wide regional variations. Demand for hydraulic systems and components in North America and Europe was encouraging overall. Brisk demand for hydraulic systems for selected mobile machinery more than compensated for the general decline in construction machinery and industrial hydraulics. Order intake rose by 17% and sales by 11%. The acquisition of the German company Ölhydraulik Altenerding in the high-pressure cylinder segment made a significant contribution to this positive trend. Underpinned by a high level of capacity utilisation at the plants in Europe and the USA, Bucher Hydraulics achieved an operating profit margin of 9.4%. The acquisition of Eco Sistemas near Porto Alegre, Brazil, in the reporting year enabled the division to establish a local base with engineering, production, sales and service capabilities.

**Bucher Emhart Glass** At Bucher Emhart Glass, the market environment was initially subdued. The project business with machinery for manufacturing glass containers and with inspection machinery gained momentum in the second half of the year. Investment confidence in Europe and America was at a normal level. The Chinese market suffered a sharp drop as a result of government measures aimed at dampening economic growth. Nevertheless, Bucher Emhart Glass was able to increase order intake by 5%. Sales fell by 5% compared with the high level posted in 2012, which was influenced by a major order from India worth CHF 19 million. As a result of the first measures to realign the division, the operating profit margin increased to 4.8%. Bucher Emhart Glass is aiming to realign its global presence and gear itself more effectively to changed market requirements. The worldwide collaboration with Owens-Illinois overcame an important operational hurdle at the beginning of September with the takeover of the spare parts business.

**Bucher Specials** Overall, the various market segments served by Bucher Specials developed very positively. Demand for winemaking equipment picked up in the second half of the reporting year in the European market, particularly in France, the main market. The business with production equipment for fruit juice benefitted significantly from the good harvest, low inventories at fruit juice producers and attractive prices for apple juice concentrate. In equipment for dewatering sewage sludge, sales exceeded CHF 10 million for the first time. The beer and microfiltration business of Bucher Filtrix Systems, acquired at the beginning of the reporting year, contributed to this growth. The Swiss distributorship for tractors and agricultural machinery took advantage of the friendly market environment. In this positive climate, Bucher Specials increased its order intake by 27% and sales by 19%. The division also achieved an operating profit margin of 10%. The influence of Jetter's automation technology, consolidated under Bucher Specials since November 2013, was minimal.

**Dividend** In view of the Group's solid profit for the year, the stable outlook for the current business year and a consistent dividend policy, the board of directors is proposing that the annual general meeting on 10 April 2014 approves payment of a dividend of CHF 6.50 per registered share. The previous year's dividend was CHF 5.00.

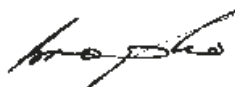
**Board of directors and group management** In April 2013, Thomas Bechtler decided not to stand for re-election after 25 years as a member of the board of directors. The Ordinance against Excessive Compensation in Listed Corporations came into force in Switzerland on 1 January 2014. Based on this legislation, the board of directors is proposing to the annual general meeting on 10 April 2014 that all members of the board be re-elected, with Rolf Broglie as chairman and Rolf Broglie, Claude R. Cornaz and Anita Hauser as members of the remuneration committee, and Valentin Vogt elected as a new member of the board, all to serve for a term of one year. Valentin Vogt has many years' international experience in industry. Among other positions he holds, he is chairman of the board of directors at the publicly listed company Burckhardt Compression, which he previously led for ten years as CEO. With effect from 1 January 2014, Stefan Düring was named as a member of group management and also as head of the Bucher Specials division. He will continue in his role as head of group development. Jean-Pierre Bernheim, head of Bucher Vaslin and a member of group management, retired at the end of the reporting year having reached the age of 65. The board of directors of Bucher Industries wishes to thank Jean-Pierre Bernheim on behalf of all employees and business partners for his great contribution to the development of Bucher Vaslin.

**Thanks to our employees and partners** In a market environment characterised by diverse trends, the Group achieved the best result in its more than 200-year history. We are particularly grateful to our employees who once more showed enormous commitment and professionalism during the past year in working to achieve this outstanding performance. Another mainstay of Bucher's success is the great trust and confidence placed in us by our business partners, shareholders and other stakeholders. Together with all our employees, they make a vital contribution to the Group. We wish to express our respect and appreciation to all concerned.

**Outlook for 2014** The Group is not anticipating any fundamental change in the macroeconomic environment during the current year. Kuhn Group is forecasting slower growth in demand for agricultural machinery. Bucher Municipal expects the stable but low market volume to be sustained. The market environment for Bucher Hydraulics and Bucher Emhart Glass is unlikely to change significantly. Measures adopted by Bucher Emhart Glass to leverage its global presence should have a positive influence on operating profit. Bucher Specials expects the upward trend in its markets to continue, with the acquisition of Jetter having a positive effect on divisional

sales. For the current year as a whole, the Group is expecting a slight increase in sales and a moderate decrease in profitability from the record high of 2013.

Niederweningen, 6 March 2014



Rolf Broglie  
Chairman of the Board



Philip Mosimann  
Chief Executive Officer

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Chairman of the Board

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Chief Executive Officer

