Report to shareholders

Dear Shareholders,

In the 2011 financial year, we achieved a substantial increase in sales and order intake in local currencies and further improved our earnings power in a generally favourable market environment. The performance was notable, given the significant negative currency effects.

Bucher Industries achieved a substantial increase in sales and order intake in the reporting year. Sales growth amounted to 27% in local currencies, and the Group entered the current year with the order book at a high level. The Group further increased profitability through rigorous cost discipline and lean processes. Operating profit rose by 26% and Group profit for the year was 30% higher than in 2010.

Favourable market environment The upturn in most of the main markets served by Bucher Industries was sustained in the reporting year. The very positive development of the markets for agricultural machinery and for equipment for the glass container industry was especially prominent. Demand for hydraulic systems, particularly in the construction and agricultural machinery segments, was highly dynamic up to the third quarter, but subsequently flattened out. The market for municipal vehicles was surprisingly stable because public sector budgets for cleaning and snow clearing remained largely unchanged. Winemaking equipment was the only market to register a downturn. The massive rise in the value of the Swiss franc against all the Group's main currencies had a significant negative effect on the reporting in Swiss francs and on the Swiss production facilities.

High organic growth Bucher Industries was able to take advantage of the positive market environment thanks to its closeness to customers and a product and service offering that is aligned with market requirements. In local currencies, the Group generated internal growth of 22%. The acquisition and disposal effect represented a further 5%, which contributed to the healthy sales growth of 27% in local currencies. In view of the strength of the Swiss franc, the negative impact of currency translation on sales was 12%. Nearly all the Group's production plants operated at a high level of capacity utilisation, some of them beyond their limits. The increase in the number of units manufactured and supplied was in some cases on a par with the record year of 2008. In spite of the currency-related disadvantages, Group operating profit rose by 26% and the operating profit margin reached 8.1%. Lower net gains on short-term investments resulted in a decline in net financial items year on year. Taxes remained practically unchanged on the previous year's level, despite the higher pre-tax result. The 30% improvement in Group profit for the year to CHF 127 million reflected a solid performance in the 2011 financial year.

Sound financial position Bucher Industries remains very solidly financed. Following the crisis years of 2009 and 2010, the Group invested CHF 178 million in internal and external growth in the reporting year. The main priorities were targeted expansion of the production infrastructure, modernisation and automation of the manufacturing equipment and selective acquisitions to strengthen the existing business activities. Despite the vigorous sales growth, the long-term investments and the share buy-back programme, the Group ended the year with high liquid funds of CHF 467 million, with lower net debt of CHF 72 million and an equity ratio of 36.2%.

Strengthening of market position In the reporting year, the Group continued its strategy of strengthening the market positions of its divisions worldwide. The focus was not only on organic growth of the existing businesses, but also selected acquisitions and partnerships. Kuhn Group gained entry to the North American grain farming market through the acquisition of Krause Corporation in Kansas, USA. Krause's tillage equipment and grain drills enjoy an excellent reputation, above all in the US Corn Belt. Kuhn Group consolidated its long-term partnership in the area of seeding and fertiliser technology through the purchase of a minority interest of 24% in Rauch Landmaschinenfabrik GmbH in Germany. The division's strategic partnership with John Deere in the area of large square balers represents a strengthening of the successful cooperation between the two companies dating back to the 1970s. With the takeover of a majority stake of 63% in Shandong Sanjin Glass Machinery Co., Ltd, headquartered in Zibo, Shandong Province, Emhart Glass reinforced its position in China and the Asian market region. Sanjin is the rapidly expanding and undisputed market leader in glass forming machinery in China. The purchase of Sutter wine presses by the winemaking equipment business represented an ideal match for Bucher Vaslin's product portfolio in a high-end market niche. Bucher Unipektin agreed a distribution partnership with Degrémont, a member of the Suez Environnement group, providing access to a worldwide distribution network in 33 countries for its technology for dewatering sewage sludge.

Kuhn Group In the reporting year, Kuhn Group was able to take advantage of the favourable conditions and rising demand in the principal markets of Western, Central and Eastern Europe, North America and Brazil. In local currencies, sales and order intake were significantly higher than the previous year, with sales actually rising by more than a third. The acquisition of the Krause Corporation in Kansas, USA, also contributed to the increase with CHF 55 million. This very pleasing business performance is only partly reflected in the results expressed in Swiss francs because of the significant negative currency effects. The division was able to cope with the strong rise in volumes thanks to the great flexibility of its plants, which were utilised to the limits of their capacity in Western Europe and beyond that in North America. Kuhn Group succeeded in generating a more than 40% rise in operating profit, accompanied by another marked improvement in the operating profit margin, from 9.2% to 11.3%. The basis for this very pleasing performance was once again clear customer focus, the great commitment and cost-consciousness of all employees, as well as rigorous innovation and process management.

Bucher Municipal In the reporting year, the market for municipal vehicles in Western Europe was surprisingly stable, though at a low level. Competition for some tenders was fierce, while competitive and pricing pressure remained high. The market for winter maintenance vehicles was slightly up on the previous year. Demand was strong in the markets for refuse collection vehicles in Australia and for specialist truck-mounted sweepers. The division performed well in this market environment, achieving a significant increase in sales in local currencies. The award of a major order worth CHF 62 million from the city of Moscow was another success story. Around CHF 12 million of this order had an impact on sales in the reporting year. The division, which operates one of its main plants in Switzerland, was especially hard hit by the strength of the Swiss franc. The Swiss plant transferred further activities to Latvia, whose currency is tied to the euro. In an additional measure to reduce the cost disadvantage, working hours at the Swiss plant were increased by 5% to 42.5 hours per week with effect from 1 September 2011. The employees were understanding about the need for this measure and gave their support. The swift introduction of cost reduction measures and the division's good business performance contributed to maintaining profitability. However, operating profit remained marginally below the previous year due to currency effects.

Bucher Hydraulics In Bucher Hydraulics' principal markets, the strong upward trend seen in 2010 continued during the first half of the year. Demand was particularly strong in the construction equipment and agricultural machinery segments. This dynamic development lost some of its momentum in the second semester. Bucher Hydraulics further increased sales and order intake in the reporting year. The start-up of serial production of components for some major customers made a significant contribution to this pleasing progress in the fourth quarter. The two main plants in Switzerland, with a very high export ratio of around 90%, were particularly hard hit by the strength of the Swiss franc. In view of the unfavourable currency situation, the working hours of Swiss employees were increased by 5% to 42.5 hours per week, a measure which lasted from August until the end of December 2011. The workforce acknowledged the special situation, thereby making an additional contribution to the competitiveness of the Swiss plants. This extraordinary measure was lifted at the beginning of 2012, once the Swiss National Bank had succeeded in achieving and defending the target exchange rate. Despite all the measures taken, it was not possible to cancel out the negative currency effects completely. As a result, the division's operating profit and operating profit margin were slightly down on the good result achieved the previous year.

Emhart Glass After overcoming a ten-year low at the end of 2010, the glass container industry experienced a real boom in demand for machinery and spare parts for the manufacture of glass containers in the reporting year. It was only towards the end of the year that the first signs of a normalisation were seen, above all in Western Europe. Emhart Glass took full advantage of the upturn and achieved a strong increase in order intake and sales compared with the previous year. There was almost a twofold rise in sales of new glass forming machinery. In addition to the general rise in demand, the good performance was underpinned by the Sanjin joint venture in China, which contributed CHF 27 million, a major order worth CHF 40 million from the Hindustan National Glass & Industries Ltd, India, almost half of which had an impact on sales in the reporting year, as well as the positive development of the business for spare parts and services. The two production plants in Sweden, which bear a significant part of the division's personnel costs, were hit by the strength of the Swedish krona against the euro. It was not possible to counteract the currency effects by adjusting prices, however, because of the competitive pressure affecting standard machines for glass container manufacture. Expansion of the plant in Malaysia was an important factor in reducing costs. Despite the difficult foreign exchange situation, Emhart Glass almost doubled operating profit and strongly increased profitability, excluding restructuring costs of CHF 5 million the previous year.

Bucher Specials The independent businesses consolidated under Bucher Specials are active in diverse markets and their performance in the reporting year presented a varied picture. Demand for winemaking equipment declined because of a suspension of subsidies lasting several months in France, the main market. By contrast, the business with machinery and equipment for the production of fruit juice and instant products developed well, benefitting from higher prices for fruit juice concentrate and strong demand for equipment for instant drinks and powdered milk, as well as some backlog in demand from previous years. The Swiss distributorship for tractors and agricultural machinery remained stable at a high level. Despite the difficult conditions in winemaking equipment, Bucher Specials achieved a substantial increase in sales, order intake and operating profit year on year.

Dividends In view of the healthy profit for the year and the stable outlook for the current business year, and in line with a consistent dividend policy, the board of directors is proposing a dividend of CHF 4.00 per registered share to the annual general meeting of 12 April 2012. The dividend paid last year was CHF 3.00.

Board of directors and group management The terms of office of board members Claude R. Cornaz and Heinrich Spoerry will expire at the 2012 general meeting of shareholders. The board of directors proposes their re-election for a further three-year term.

Share buy-back In May 2011, the board of directors of Bucher Industries decided to launch a share buy-back programme whereby up to 3% of the share capital was to be bought back in financial years 2011 and 2012. On 3 February 2012, Bucher Industries closed the buy-back programme. Up to that date, 2.99% of the shares had been repurchased, corresponding to 315 900 shares at an average price per share of CHF 159.00 and an overall repurchase volume of CHF 50.2 million. The board of directors will propose to the annual general meeting on 12 April 2012 to cancel the repurchased shares, thereby reducing the share capital of Bucher Industries AG by CHF 63 180 to CHF 2 050 000.

Many thanks to our employees and partners The 2011 business year proved once again the great dedication, commitment and professionalism of our employees in their efforts on behalf of the company. Through their international teamwork, they built bridges between peoples and enhanced cultural understanding, making a vital contribution to the success of our company. The employees in the Swiss plants were willing to put in extra work, unpaid, to increase efficiency in order to alleviate the disadvantages of the foreign exchange situation. The collaboration with our customers, business partners and shareholders was also characterised by a high level of competence, mutual respect and fairness. We are very grateful to all of them. From this position of strength, we look forward to meeting the demands and challenges of the future together.

Outlook for 2012 The outlook for the current business year is surrounded by considerable uncertainties. The massive indebtedness of the European and US economies, the instability of the euro zone and the prognoses for global economic development are all reasons for caution. On the other hand, we anticipate quite positive trends in our markets. The earnings situation for farmers is good and the demand for agricultural products remains high, so we expect Kuhn Group to turn in a positive performance. Bucher Municipal is set to benefit from the unfolding of the major order for the city of Moscow and should be able to increase sales in a market that remains stable overall, though at a low level of activity. The hydraulic systems provided by Bucher Hydraulics are highly dependent on the dynamics of the individual market segments. With the agricultural machinery, materials handling and wind power segments expected to show a positive development, the division should achieve a further increase in sales and operating profit. Following the boom in demand during the previous year, Emhart Glass is anticipating growth in the Asian markets and stabilisation of demand at a high level in the other regions. The division therefore expects a further rise in sales and improved profitability. Bucher Specials is reckoning on growth in sales and operating profit, underpinned by the expected recovery in the winemaking equipment segment and stable conditions in the other two businesses. We are cautiously optimistic about the prospects for the current year and expect an improvement in sales, operating profit and Group profit for the year.

Niederweningen, 15 March 2012

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