

*“Digital work vastly speeds up the time to production of a hydraulic solution. A convincing system that saves both time and money.”*

Joaquin Carrasco, managing director, Jaybe Servicios Tecnicos S.L., Spain



## In perfect shape for production

What sounds abstract quickly takes shape: our hydraulic solution. We develop it hand in hand with the customer directly on screen, designing the digital concept to deliver the perfect three-dimensional product to our customer tomorrow.

## Bucher Hydraulics

**Activities** Bucher Hydraulics is an international leader in the design and manufacture of custom mobile and industrial hydraulic system solutions. Its wide array of products encompasses pumps, motors, valves, power units, elevator drives and control systems with integrated electronics. With manufacturing facilities in Europe, the USA, China and India, Bucher Hydraulics is never far from customers around the world.

**Highlights** Bucher Hydraulics used its great flexibility to take advantage of the unexpectedly strong upturn. At CHF 387 million, order intake was up 40% over the previous year, 47% after adjustment for currency effects. Sales increased 16% to CHF 371 million, 22% after adjustment for currency effects. The order book reached CHF 63 million which represents a return to more normal levels with an order backlog of around two months. Cost-cutting measures implemented during the previous year were highly effective so that the operating profit, which was impacted by CHF 22 million in impairment charges in 2009, could be boosted to CHF 37 million. At 10%, the operating profit margin returned to a double-digit figure. The division accounted for 18% of Group sales (2009: 15%).

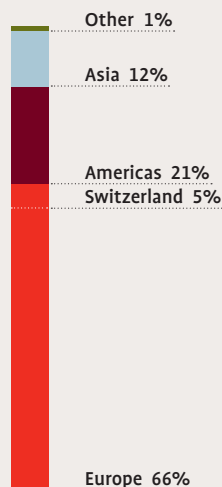
**Key figures**

CHF million

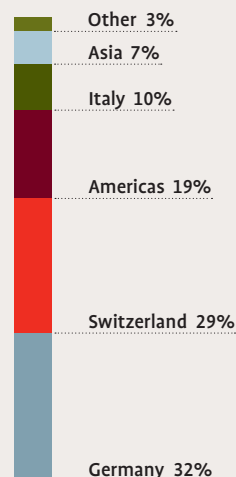
	2010	2009
Order intake	386.7	276.7
Net sales	371.4	319.8
Order book	62.9	45.6
Operating profit (EBITDA)	55.7	33.9
Operating profit (EBIT) before impairment	36.9	13.7
Operating profit (EBIT)	36.9	-8.5
Number of employees at 31 December	1544	1317
Average number of employees during year	1451	1340

### Geographical analysis

Net sales



Number of employees



**Highly dynamic market environment** As a result of the inventory cycle effect, the component supply business has suffered fluctuations during the past two years that have exceeded those of the corresponding market segment. This extreme cyclicality held on during both the upturn and the downturn. While the previous year experienced an abrupt drop in demand, a strong upturn took hold in all main markets at the start of 2010. The extent of this upturn considerably exceeded expectations in terms of strength, speed and regional spread. In all main markets of Bucher Hydraulics in Europe, the USA, India and China, the construction equipment segment in particular made a significant contribution toward growth. In China, demand in the materials handling segment has picked back up. In buyer markets, inventory reduction efforts made rapid progress and those, combined with an increase in demand, contributed to the division's positive performance. Extremely dynamic markets during the first half of the year settled down to a sustainable level during the second half. Customers' inventories returned to a normal level by the third quarter. With two key production plants in Switzerland, the effects of the strong Swiss franc were felt very strongly.

**Brisk project activity** Bucher Hydraulics could benefit greatly from the upturn on buyer markets. Considerably reduced capacities from the previous year along the entire supply chain were fully utilised and the suppliers of Bucher Hydraulics started seeing first supply bottlenecks. Targeted production planning and highly flexible capacities still enabled the division to make its deliveries on time. In this positive business environment, the division boosted its sales by 16.1%, 21.7% after adjustment for currency effects, to CHF 371.4 million. Bucher Hydraulics managed this increase in sales primarily through the use of temporary staff and targeted hiring for permanent positions. At CHF 386.7 million, order intake was up 39.8% over the previous year, 46.6% after adjustment for currency effects. The division's broad regional presence and great proximity to customers have enabled it to successfully handle any large-scale, important customer projects for developing innovative hydraulic solutions and control systems. Increased project work makes Bucher Hydraulics confident about the years to come. At a value of CHF 62.9 million, the 2010 order book exceeded that of 2009 by 37.9%, 45.4% after adjustment for currency effects, thus putting it back within the normal two-month range for unfilled orders. With good utilisation of capacities and the cost-cutting measures implemented during the previous year, the division generated operating profit of CHF 36.9 million. This is nearly triple the previous year's operating profit before impairment charges of CHF 13.7 million. With this excellent result, Bucher Hydraulics' 9.9% operating profit margin was practically back in double digits. Despite the negative effect of the strong Swiss franc, the division's performance was still outstanding.

**Sales initiatives** A new, division-wide, IT-based project tracking system was introduced during the year under review. In addition to qualitative criteria, this system focuses on quantitatively tracking the work performed by various regional sales centres. Particular attention was paid toward gearing this system to projects with new, innovative system solutions for existing customers and acquiring new customers. Systematic evaluation and performance analyses let the division gear its sales organisations to ideally suit promising activities and customers' needs as well as to identify any customers who are not receiving optimum support so that appropriate steps can be taken. The efforts of sales staff will be supplemented by an internal, IT-based, division-wide customer information system.

#### Division management

Daniel Waller,  
division president

Matthias Vorbeck,  
marketing

Uwe Kronmüller,  
Bucher Hydraulics GmbH

Luca Bergonzini,  
Bucher Hydraulics S.p.A.

Christian-Erik Thöny,  
Bucher Hydraulics AG

Aurelio Lemos,  
Bucher Hydraulics AG Frutigen

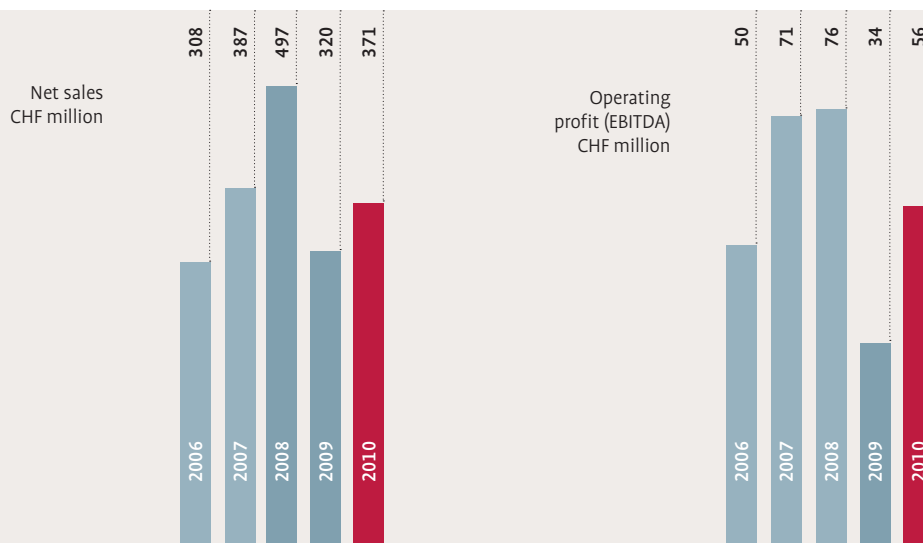
Dan Vaughan,  
Bucher Hydraulics Nordamerika

At 8 March 2011

**New production hall** Construction of the new production hall in Neuheim, Switzerland, which provides 4000 m<sup>2</sup> in additional production space, was completed in June 2010 after a construction period of around one year. As scheduled, the manufacturing equipment was installed and production began during the second half of the year. The investment of around CHF 15 million was made at the mid-point of the previous year's financial crisis. That anticyclical approach is now proving to have been an ideal way to prepare the segment for the upturn. This gives the Neuheim plant a considerably expanded, ultra-modern continuous manufacturing facility. The manufacturing process is set up according to the one-piece flow principle which provides the components to be assembled at the assembly and inspection cells according to the just-in-time method. The infrastructure is configured in such a way that sales at the Neuheim location can be doubled through a gradual expansion in manufacturing equipment.

**Product innovation** Strict emission regulations which necessitate extensive changes to the motor and cooling system are gaining ever greater importance in the area of selfpropelled construction equipment and agricultural machinery. These changes mean that both machine manufacturers as well as Bucher Hydraulics, as a system supplier, need to intensify their efforts when designing the technical aspects of new generation of machines. Bucher Hydraulics was able to put new valves and gear pumps for cooling motors into serial production during the year under review. Some of these new products have already been integrated into production by select key customers and will be put to use in the new generation of machines within the next few months.

**ECODraulics – the more intelligent solution** The customers of Bucher Hydraulics, such as manufacturers of mobile machines or even providers of stationary plants, are finding themselves confronted with increasingly high environmental and safety requirements. To meet these needs, Bucher Hydraulics has set itself the goal of taking these strong trends



toward energy efficiency, environmental protection and increased functionality into consideration over the long-term. The division has pooled select products, manufacturing processes and services under the ECOdraulics label which generally support one or more of these trends during the construction of hydraulic system solutions and in the work processes employed. All of the division's products designated under the ECOdraulics label underwent an internal evaluation procedure and meet at least one of the following criteria: reduced energy consumption, lower emissions such as noise and waste heat, preservation of all types of resources and optimisation through system design. One example is the use of frequency-controlled QXM internal gear drives in place of conventional proportional valve technology. The new drive achieves energy savings of up to 60% while simultaneously cutting down on noise emissions. ECOdraulics is a guiding principle which has an impact on every step of the process, from component construction to system development to manufacturing using an environmental management system in accordance with the ISO 14001 standard, and which also supports the customers of Bucher Hydraulics.

**Outlook for 2011** Bucher Hydraulics anticipates continued growth in sales markets in the key markets – Europe, the USA, India and China. Certain key customer projects are also likely to have a positive impact on sales performance. The two Swiss plants are responding to the uncertain currency situation with product innovations as well as measures to both boost efficiency and cut costs. All in all, Bucher Hydraulics expects 2011 to bring a further increase in sales and higher operating profit.

