

## Report to shareholders

Dear Shareholders,

2009 was dominated by the global financial and economic crisis. While putting in place incisive measures to restructure and reduce costs, the company also focused on business development initiatives for the future.

Bucher Industries was unable to escape the massive economic slump. Sales dropped by 23% or currency-adjusted 19% to CHF 2 142 million. The acquisition impact was 6%. Order intake decreased by 36% to CHF 1 797 million. Despite the adverse impact of CHF 86 million in goodwill impairment charges, the Group generated an operating profit of CHF 26 million. Compared with the previous year, net financial items improved by CHF 10 million to negative CHF 19 million. After tax of CHF 31 million, the Group posted a loss of CHF 24 million for the year.

**Slump in demand** The global economic crisis that began in the fourth quarter of 2008 continued unabated through last year, reaching all market segments served by Bucher Industries. Capital spending was severely curbed by the restrictive lending practices in financing customers' projects. Massively devalued local currencies in Eastern Europe additionally hampered imports and brought demand to a virtual halt in that region. The main markets in Western Europe and North America did not escape the downturn either. With the abrupt reversal from the recent years of strong continued growth to a worldwide slump in demand, customers and the distribution channels were left with excessive inventories. This resulted in accelerated destocking, which heightened the competitive pressure. The situation stabilised at a low level in the fourth quarter of the year.

**Performance stabilised at a low level** All the divisions were affected by the economic crisis last year. Bucher Industries posted a decline of 23.2% or currency-adjusted 18.9% in its sales to CHF 2 142.1 million, with acquisitions contributing 5.9%. Due to the sharp decline in sales and the lower level of performance anticipated for the years ahead, goodwill impairment charges of CHF 85.9 million were necessary for Kuhn Group and Bucher Hydraulics. Despite the impact of this charge, the Group generated an operating profit of CHF 25.8 million as a result of the cost reductions in all the divisions. Order intake fell by 35.6% year on year to CHF 1 797.4 million. The downturn only bottomed out in the fourth quarter, with a few signs of recovery beginning to appear. The order book dropped by 39.9% to CHF 507.3 million. Foreign exchange performance contributed significantly to the improvement of CHF 10.3 million in net financial items to negative CHF 18.8 million. After tax expense of CHF 31.4 million, the Group posted a loss of CHF 24.4 million for the year.

**Sound financial position** High discipline in spending and the focus on reducing working capital resulted in a decrease of CHF 232.8 million in receivables and inventories. Net operating assets were down by CHF 25.4 million, or CHF 145.9 million excluding acquisitions, to CHF 897.1 million. Due to the high level of capital spending in previous years, capital expenditure was able to be reduced to CHF 58.5 million. Operating free cash flow improved by CHF 197.8 million to CHF 182.5 million. Taking into account the acquisitions of CHF 172.9 million and the dividend of CHF 45.2 million, free cash flow amounted to CHF 0.7 million. Net debt increased only slightly by CHF 7.5 million to CHF 118.1 million. At the reporting date, the Group had sufficient liquidity ensured by available undrawn committed credit facilities of approximately CHF 440 million. Equity decreased by CHF 53.6 million to CHF 792.5 million at 31 December 2009, representing an equity ratio of 37.3% compared to 40.9% a year earlier.

**Measures to maintain profitability** The divisions combated the steep decline in business volume with the necessary moderation to be prepared for a later upswing. Production planning and purchasing were proactively aligned to the lower order intake. Restructuring and cost-cutting measures led to a reduction mainly in temporary jobs. Structural measures entailed the closure of smaller manufacturing facilities in Germany, Italy and France and the transfer of their operations to other sites. Expenditure on research and development was not curtailed.

**Human resources** Bucher Industries reduced manpower judiciously to retain expertise, maintain innovative strength and be ready to embrace the next upturn. Nevertheless, manpower had to be cut by a total of 1 444 full-time equivalent jobs or 17.2% compared with 2008, excluding acquisitions. In addition to the introduction of short-time work, this mainly affected fixed-term and temporary jobs. At the end of the year, the Group still employed 7 183 people in 28 countries.

**New management structure** The Group put a new management structure in place from 1 January 2010. The independent businesses for winemaking equipment (Bucher Vaslin), fruit juice processing equipment (Bucher Foodtech), drying systems for the food industry and sludge dewatering systems (Bucher Drytech) have been grouped together with the Swiss distributorship for tractors and agricultural machinery (Bucher Landtechnik) in the newly established Bucher Specials segment. The Bucher Process division was dissolved. Bucher Specials is headed by CEO Philip Mosimann. Jean-Pierre Bernheim, a group management member, is in charge of Bucher Vaslin. The managing directors of the other independent businesses now report to Stefan Düring, head of group development.

**Kuhn Group** generated CHF 948.4 million in sales of specialised agricultural machinery during 2009, a decline of 14.2% or currency-adjusted 8.9%.

The new companies, Kuhn-Geldrop and Kuhn-Blanchard, contributed 16.3% of sales. Despite goodwill impairment charges of CHF 63.7 million, the division still posted an operating profit of CHF 7.4 million. Order intake fell by 39.9% to CHF 735.4 million because of the farmers' low capital spending, cancellations of orders placed the year before and high inventories held by importers and dealers. Agricultural income decreased substantially because of the sliding prices of milk, meat and cereals. This hit the main markets in North America and Western Europe as well as South America. By collaborating intensively with customers, Kuhn Group succeeded in largely aligning inventory levels throughout the value chain to the lower demand during the year. Having focused for many years on maintaining a flexible cost structure with a large share of fixed-term and temporary jobs and a high proportion of component suppliers, the division was able to reduce costs at virtually no additional expense.

**Bucher Municipal** reported a decrease of 21.9% or currency-adjusted 16.6% in sales to CHF 452.1 million for 2009. Demand stabilised at this low level late in the year. Operating profit before restructuring costs came in at CHF 30.4 million, representing an operating profit margin of 6.7%. Restructuring costs of CHF 10 million were incurred in closing down the Hanover production facility in Germany. Order intake fell by 17.4% to CHF 436.5 million. The otherwise stable municipal vehicle market also felt the impact of the economic crisis. Demand collapsed almost entirely in Eastern Europe, and private contractors responded quickly to the downturn. Competitors' excess capacities heightened the pricing pressure. The division cut costs and adapted its structures to the changed conditions, closing down the German truck mounted sweeper manufacturing plant in Hanover and transferring these operations to the main Niederweningen facility in Switzerland. At the same time, it accelerated the expansion of its low-cost component and assembly plant in Latvia. These measures have increased the division's competitiveness.

**Bucher Process** was faced with a very depressed market environment last year. The division generated CHF 122.0 million in sales, a year-on-year decline of 37.5% or currency-adjusted 35.1%. Operating profit decreased by CHF 19.4 million to CHF 4.7 million, and order intake was 30.6% down on the previous year at CHF 116.4 million. Demand for winemaking equipment in the main European market remained weak during the peak season and only picked up in the second half of the year after the European Union's subsidies began to take hold. The steep slump in fruit juice equipment was due to a lack of funds, high inventories of costly apple juice concentrate and the concentrate producers' excess capacities. Unlike the previous year, no large orders materialised. Demand for drying equipment and sludge dewatering systems was good. The division closed down two smaller plants for winemaking equipment, one in Italy and the other in France, and transferred their operations to its main French plant in Chalonnnes-sur-Loire.

**Bucher Hydraulics** was particularly hard hit by the economic downturn in its operations as a component supplier and generated sales of CHF 319.8 million, a year-on-year decline of 35.7% or currency-adjusted 34.0%. Acquisitions contributed 1.4% to sales. Order intake plunged to CHF 276.7 million, a decrease of 41.5% additionally exacerbated by order cancellations. In comparison with the VDMA statistics, Bucher Hydraulics was less affected, demonstrating the division's excellent market position. With the slump in sales and strict valuation criteria applied, inventories had to be written down by CHF 6.9 million. Due to the market collapse in North America and the prospect of only a slow recovery, charges of CHF 22.2 million were recognised for goodwill impairment. These factors adversely impacted the operating results by CHF 29.1 million, resulting in an operating loss of CHF 8.5 million. The division took incisive measures to bring costs in line with the lower business volume, while ensuring supply capability and retaining expertise.

**Emhart Glass** held its ground in a turbulent market environment affected by the crisis. Sales decreased by 27.4% or currency-adjusted 23.6% to CHF 303.7 million, with operating profit down by CHF 22.8 million from the previous year's high level to CHF 12.2 million. The decline in profitability was due to the steep drop in business volume, the fierce competitive pressure and the change in product mix. Order intake fell by 41.7% to CHF 232.4 million. Inventories held by glass container manufacturers swelled as a result of excess capacities. The lower production capacity utilisation rates in glass-works also brought a slight decline in the otherwise stable spare parts and service business in the second half of the year. Emhart Glass took all possible action to reduce costs and successfully adjusted its cost structure to the 2006 level despite the substantial capital investments made in Malaysia and the USA over the past years.

**Dividend** In view of the operating profit, downsized cost structures and a steady dividend policy, the board of directors proposes that the annual general meeting on 15 April 2010 approve payment of a dividend of CHF 2.00 per registered share despite the loss for the year. The dividend paid last year was CHF 4.50.

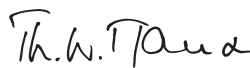
**Board of directors and group management** The terms of directors Thomas W. Bechtler, Rolf Broglie and Anita Hauser are expiring. The board of directors proposes that the annual general meeting re-elect them for another term of three years. The board would like to thank the directors who resigned on 31 August 2009, Kurt E. Siegenthaler and Erwin Stoller, for all their professional services.

**Many thanks to our employees and partners** The past financial year faced us with special challenges of no ordinary magnitude. The abrupt reversal from the recent years of growth to the rapid and massive economic slump forced the company to take incisive measures that demanded understanding,

flexibility, perseverance and commitment from everyone concerned. We would like to thank all our employees and business partners for their excellent performance and great loyalty to our company. They have all demonstrated that we can count on them, even when times are very tough.

**Outlook for 2010** The Group does not anticipate that economic conditions will improve significantly this year. Demand is expected to remain weak at a low level during the first six months, while a slight recovery may start in the second half of the year. Uncertainty prevails in the agricultural machinery sector regarding the trend in farmers' income. The anticipated decline in local government tax revenues could adversely affect demand for municipal vehicles. In Bucher Hydraulics' component supply business, we believe that customers have finished destocking and the bottom should be reached or may already be behind us. The glass container industry expects low capacity utilisation to continue in the first six months, with a slight recovery in the second half of the year. Of the independent businesses grouped in Bucher Specials, Bucher Vaslin anticipates significant growth in winemaking equipment, whereas Bucher Landtechnik and Bucher Drytech should remain roughly at last year's levels. Fruit juice equipment is the only business that may see another decline. Overall, excluding the 2009 impairment charges, we expect sales, operating profit and net profit for 2010 to be in the region of last year.

Niederweningen, 16 March 2010



Thomas W. Hauser  
Chairman of the board



Philip Mosimann  
Chief executive officer



Rolf Broglie  
Nominated as chairman of the board  
from 15 April 2010

Thomas W. Hauser  
Chairman of the board  
until 15 April 2010

Philip Mosimann  
Chief executive officer