

Report to shareholders

Dear Shareholders,

2008 was characterised by very good conditions until the financial and economic crisis brought a sharp cyclical downturn in the fourth quarter.

During 2008, Bucher Industries grew sales by 13% or currency-adjusted 20% to CHF 2 789 million, with organic growth of 16%. Operating profit before exceptional impairment charges improved by 20% to CHF 276 million, raising the Group's operating profit margin to 10%. In view of the economic slowdown triggered by the financial crisis and the bleak outlook, exceptional impairment charges totalling CHF 30 million were necessary to write down goodwill of the Bucher Municipal and Bucher Hydraulics divisions. Despite these charges, operating profit increased by 7% to CHF 246 million. Order intake was up 3% to CHF 2 792 million and the order book down by under 3% to CHF 843 million compared with the high year-earlier figure. The net financial result of negative CHF 29 million reflected the adverse impact of massive currency fluctuations and the impairment charge on the investment in Jetter AG. As a result, the Group's profit for the year came in 15% lower year on year at CHF 145 million.

Severe economic slump The market environment was characterised by very good general conditions fuelling strong demand during the first nine months of the year, followed by a sudden economic slump in the fourth quarter. All divisions of Bucher Industries except Kuhn Group's agricultural machinery operations saw a sharp slowdown in order intake during the fourth quarter of the year. The downturn was exacerbated by the restrictive lending policies adopted by banks and by the uncertainty among customers. This not only affected the main markets of Western Europe and North America, but especially Eastern Europe and some Asian countries.

High organic growth Despite the adverse impacts of the financial and economic crisis, Bucher Industries grew sales by 13.4% to CHF 2 788.9 million, up 19.5% excluding currency effects. Acquisitions contributed 3.5%, while organic growth accounted for 16.0%. All the divisions were affected by the onset of the downturn, although the agricultural machinery sector proved to be encouragingly robust. Operating profit before exceptional impairment charges improved by 20.4% to CHF 276.1 million, raising the Group's operating profit margin to 9.9%. Due to the bleak economic outlook, exceptional impairment charges totalling CHF 29.9 million were necessary to write down goodwill of Bucher Hydraulics in the USA and Bucher Municipal in Germany. Despite these exceptional charges, the Group increased operating profit by 7.3% to CHF 246.2 million. Order intake rose by 3.2% to CHF 2 791.9 million, up 5.7% excluding the impact of currency movements and acquisitions. The order book stood at CHF 843.4 million, down 3.2% on last year's figure, but up 2.1% in local currencies. The backlog of orders at the beginning of the year represented about three and a half months' work.

The net financial result of negative CHF 29.1 million reflected the adverse impact of the massive currency fluctuations in the euro, US and Australian dollars, Swedish krona and British pound, as well as the impairment charge of CHF 8.9 million for the investment in Jetter AG. As a result, the Group's profit for the year came in 15.0% lower year on year at CHF 145.4 million.

Robust financial position Due to the marked upturn in sales and the acquisitions, working capital increased by CHF 118.2 million to CHF 463.3 million last year, driven especially by inventories and receivables. Together with the high CHF 129.5 million in capital expenditure on property, plant and equipment, operating free cash flow was negative CHF 15.3 million, compared with positive CHF 42.7 million a year earlier, and net operating assets rose by CHF 230.5 million to CHF 922.5 million. This growth in net assets and the CHF 152.1 million in acquisitions reduced the net cash position by CHF 274.8 million to negative CHF 110.6 million. With short- and long-term bank loans, combined with committed credit facilities of more than CHF 600 million, the Group retains a solid financing base even in these uncertain times of the financial crisis. As a result of the massive currency movements, in particular the abrupt late-year decline in the principal currencies against the Swiss franc, a charge of CHF 23.3 million was recognised in the income statement. Translation of foreign currency denominated balance sheets had a negative impact of CHF 122.7 million on equity. Despite the profit of CHF 145.4 million for the year, equity decreased by CHF 26.7 million to CHF 846.1 million, while the equity ratio remained virtually constant at 40.9%.

Investments in the future The Group continued its long-term strategy last year, spending CHF 129.5 million on plant and equipment and CHF 152.1 million on selective acquisitions. The most important projects were a new assembly plant for large agricultural machinery near Saverne in France and for glass forming machines in Malaysia as well as factory extensions for Bucher Hydraulics in Switzerland and Bucher Municipal in Denmark. Bucher Hydraulics expanded its presence in North America by purchasing Monarch Hydraulics Inc. and Command Controls Corp. Kuhn Group extended its product portfolio by acquiring Blanchard SAS, a French company specialised in sprayers, and announced the purchase of Kverneland's baler operations towards the end of the year.

Human resources Bucher Industries created 646 new jobs on average last year and increased the workforce by another 3.7% through acquisitions. At the year end, the Group employed 8 373 people in 28 countries.

Kuhn Group Operating in a very good market environment, the division grew sales of specialised agricultural machinery by 19.0% or currency-adjusted 26.0% to CHF 1 105.6 million. Blanchard SAS, the French sprayer manufacturer acquired towards the end of last year, contributed 1.3%

to the sales growth. Operating profit improved by 27.1% on the very high year-earlier level to CHF 136.9 million. Order intake reached CHF 1 224.0 million, up 17.1% or currency-adjusted 23.9% year on year. As a result, the order book expanded by 29.8% to CHF 432.2 million. All the regions, but especially the main markets of Western Europe and North America, contributed to the solid performance. The Brazilian market continued to recover at a fast pace. Full capacity utilisation and further process optimisation had a positive impact on the division's operating margin. The acquisition of the Kverneland Group's baler plant in Holland, which was announced towards the end of last year, was completed on 19 February 2009 and has enabled Kuhn Group to fill a significant gap in its range of hay and forage harvesting machinery.

Bucher Municipal In 2008, Bucher Municipal's sales of municipal vehicles and winter maintenance equipment increased by 4.1% or currency-adjusted 12.0% to CHF 579.1 million. Operating profit, before an exceptional impairment charge of CHF 4.7 million to write down goodwill of Gmeiner GmbH, reached CHF 42.7 million, topping the previous year's figure by 15.7% despite the considerable negative effects of currency movements. The good performance was driven by the strong order book at the beginning of the year, work on some large orders and the brisk demand for refuse collection vehicles and sweepers in Australia. Order intake was CHF 528.4 million, falling by 12.4% or currency-adjusted 5.7% from the record year-earlier level due to the sharp economic slowdown in the fourth quarter. Project delays and a few cancellations could not be prevented. The order book decreased by 35.7% to CHF 114.5 million. Bucher Municipal responded to the lower volume of business at the beginning of this year by reducing temporary jobs, overtime, flexitime balances and untaken holidays. A few job cuts were unavoidable.

Bucher Process The division generated sales of CHF 195.2 million last year, up by 12.3% or currency-adjusted 15.7% on the previous year's high figure. Operating profit increased by 26.8% to CHF 24.1 million, with a solid operating profit margin of 12.4%. This growth was driven in particular by the excellent handling of the two major orders to supply fruit juice equipment to China and the UK. The absence of equivalent follow-up orders for fruit juice processing equipment led to a decline of 16.8% or currency-adjusted 13.8% in order intake to CHF 167.7 million. For the same reasons, the order book decreased by CHF 28.6 million to CHF 40.1 million.

Bucher Hydraulics Sales of custom hydraulic system solutions at Bucher Hydraulics rose by 28.6% to CHF 497.0 million. Excluding currency effects, this was an increase of 33.5%, with organic growth accounting for 14.8%. The US companies acquired during the year, Monarch Hydraulics Inc. and Command Controls Corp., contributed CHF 65.2 million or 13.1% to sales. Operating profit before exceptional impairment charges was CHF 56.4 mil-

lion, down 3.6% on the high year-earlier level. With the bleak market outlook for the USA, an impairment charge of CHF 25.2 million had to be recognised for goodwill. Order intake increased by 14.2%, or 2.6% excluding the impact of currency movements and acquisitions, to CHF 472.9 million. Only the supply markets for agricultural and power engineering equipment worldwide and for construction equipment in China remained unaffected by the economic downturn during the latter months of the year.

Emhart Glass Buoyed by consistently high capacity utilisation throughout 2008, Emhart Glass generated sales of CHF 418.3 million, nearly reaching the all-time high posted a year earlier. Excluding currency movements, sales were up 3.4% year on year. Operating profit rose by 5.4% to CHF 35.0 million. By expanding the sales activities in Eastern Europe, Latin America and India, the division further reinforced its strong global market position. The Malaysian assembly plant was completed and started operating at the beginning of 2009. In the latter months of 2008, economic activity slowed down noticeably across all regions. Order intake fell by 9.4% or currency-adjusted 6.1% year on year to CHF 398.9 million. The order book was 13.4% or currency-adjusted 10.2% down on the year-earlier figure.

Dividend In view of the Group's solid results and a steady dividend policy, the board of directors proposes that the annual general meeting on 16 April 2009 approve payment of a dividend of CHF 4.50 per registered share. The dividend paid last year was CHF 5.00. This proposed dividend represents a payout ratio of 32.7%.

Board of directors and group management The terms of directors Claude R. Cornaz, Kurt E. Siegenthaler and Heinrich Spoerry are expiring. The board of directors proposes that the annual general meeting re-elect them for another term of three years.

Many thanks to our employees and partners During the very high pressures brought about by the large volume of business, our employees once again demonstrated all their skills and tremendous commitment. With the rapid economic slump seen in the fourth quarter and the ensuing uncertainty in the outlook for 2009, even more flexibility, adaptability and perseverance will be required from our employees and business partners. We would like to extend our thanks to all our partners and employees, for their excellent performance last year, knowing that we can count on their support for our company even in more difficult times.

Outlook for 2009 Forecasts for this year are extremely uncertain in view of the financial crisis. Bucher Industries is watching the market developments very closely and is ready to take appropriate measures early. Customers' difficulties obtaining financing and further currency fluctuations could weigh on performance. The agricultural machinery sector, a market of importance

to the Group, should be least affected by this. Lower government tax revenues and private contractors' problems raising financing are weakening the demand for municipal vehicles. We expect fewer large projects for fruit juice equipment and anticipate that some wine producers will face financing problems. The supply operations of Bucher Hydraulics are likely to be affected by the reduction in customers' inventory levels in addition to a decline in demand. Emhart Glass expects considerable delays in project business for glass forming machines, but significantly more stability in spare parts business. The solid order book at the beginning of the year and the acquisitions should support this year's sales performance. Overall, we expect the Group's sales to be down year on year, with lower operating and net profit for 2009.

Niederweningen, 12 March 2009



Kurt E. Siegenthaler
Chairman of the board



Philip Mosimann
Chief executive officer



Kurt E. Siegenthaler

Philip Mosimann