

## Report to shareholders

Dear Shareholders

We are very pleased to be able to report to you on the best business year ever in the 200-year history of Bucher Industries.

Bucher Industries increased sales by 18 % to CHF 2 459 million. Organic growth was again strong, reaching 15 %. The operating profit rose by 85 % to CHF 229 million, up from CHF 124 million, an increase that far outpaced the growth in sales. Order intake was CHF 2 704 million and surpassed the previous year's total by 25 %. The order book had reached a high of CHF 871 million at the beginning of 2008, exceeding the 2007 figure by CHF 266 million, which means that capacities will be fully utilised for several months in 2008. The Bucher Group's profit for the year increased by 79 %, reaching CHF 171 million.

**Positive market environment** The economic situation in all the markets in which Bucher Industries is active continued to be favourable throughout 2007. Specialised agricultural machinery benefited from a positive investment climate created by rising prices for agricultural products and favourable weather conditions. The willingness to invest in municipal vehicles was stimulated by high tax revenues on the part of many municipalities. The lively demand for wine and fruit juice production equipment was the result of rising prices for quality wines and apple juice concentrate. Bucher Hydraulics posted very high growth rates in its various markets, and Emhart Glass profited from the worldwide shortage of high-quality glass containers. The weakness of the US dollar against the euro and the Swiss franc reduced exports from Europe to the United States and to other countries tied to the dollar.

**High organic growth** Bucher Industries sales rose by 17.8 % over the previous year, or by 14.5 % after adjustment for currency effects, to CHF 2 458.8 million. The effects of acquisitions and disposals were offset. Organic growth was 14.6 %. The Group's operating profit totalled CHF 229.4 million, exceeding the 2006 figure by 85.4 %. Even after adjustment for the one-off costs of the previous year, the increase was still 45.3 %. The high production outputs of all divisions should be particularly emphasized since the divisions handled the increase in volume with existing infrastructures. Order intake increased by 25.0 %, or by 21.6 % when adjusted for currency effects, to CHF 2 704.3 million. All divisions contributed to this upward trend with double-digit growth rates. The order book totalling CHF 871.3 million will require full utilisation of capacities for several months in 2008. Gains from securities sales and lower interest rates had a positive impact on the financial result, which reached CHF 10.6 million. After deduction of tax expenses totalling CHF 69.0 million, the Bucher Group's profit for the year increased by 79.1 % to CHF 171.0 million.

**Healthy balance sheet** Boosted by the good profit for the year, equity rose by CHF 148.3 million to CHF 872.8 million. The equity ratio increased to 41.0 %, up from 39.4 %. The return on equity rose to 21.4 % from 14.0 %. At year end the net operating assets reached CHF 692.0 million, up from CHF 538.3 million. This disproportionate increase is mainly due to the high number of deliveries in the fourth quarter of 2007. Higher net operating assets and capital expenditure resulted in a decrease of operating free cash flow by CHF 58.5 million to CHF 42.7 million. Net liquidity remained more or less constant in spite of acquisitions and totalled CHF 164.2 million.

**Development expenses and capital expenditures** Development expenses increased by about 9 % to CHF 71.1 million. Existing products were improved and new ideas, which are important for the future market position, were developed. Bucher Industries invested a record CHF 128.4 million in infrastructure projects in 2007. It pushed ahead with several major projects focusing on long-term industrial development. The biggest single projects involved the production building for Kuhn Group near Saverne, France, the Emhart Glass R&D Center in the United States and the low-cost assembly plant in Malaysia and a new factory building for Bucher Hydraulics in Switzerland. Bucher Industries also invested in continuous modernisation and rationalisation of production facilities and in several selected capacity expansion projects.

**Human resources** The only way we were able to handle the increases in volume was by relying on our outstanding and motivated employees and hiring a higher proportion of temporary workers. As of the end of the year, Bucher Industries had 7 484 employees in 30 countries, a 10.5 % increase in headcount.

**Kuhn Group** In 2007 Kuhn Group generated CHF 929.2 million in sales, an increase of 19.3 % or 16.4 % when adjusted for currency effects. The division was able to boost the operating profit by CHF 66.1 million to CHF 107.7 million and generated an EBIT margin of 11.6 %. After adjustment for one-time effects from 2006, the increase was still CHF 37.2 million or 52.5 %. The order intake of CHF 1 045.3 million exceeded the previous year's level by 29.8 % and passing the billion mark for the first time. The order book grew by CHF 122.4 million to CHF 333.1 million. In addition to the main markets of Western Europe, North America and Eastern Europe, the other regions also contributed to the positive business trend.

**Bucher Municipal** Operating at full capacity, Bucher Municipal generated CHF 556.5 million in sales, an increase of 3.6 % over 2006. Organic growth was 3.7 %. The operating profit reached CHF 36.9 million, a year-on-year increase of 27.7 %. Order intake, which totalled CHF 602.9 million, was up by 12.4 % from the previous year, and Bucher Municipal started 2008 with a 40.6 % higher order book of CHF 178.1 million.

**Bucher Process** In 2007 Bucher Process raised sales by 24.1 % to CHF 173.8 million. The increase totalled 20.9 % after adjustment for currency effects. The operating profit improved by 77.6 % to CHF 19.0 million, a disproportionate increase when compared with sales. The EBIT margin rose to 10.9 %, up from 7.6 %. Order intake at Bucher Process was CHF 201.6 million, surpassing the 2006 total by 33.0 %. The division was able to profit greatly from the upswing in the French market for wine production equipment. Two major orders for fruit juice equipment from China and England were also significant factors in the increase in order intake.

**Bucher Hydraulics** The division posted a 25.6 % increase in sales of hydraulic system solutions, 22.9 % after adjustment for currency effects, to CHF 386.6 million. The operating profit of CHF 58.5 million surpassed the previous year's high level by 51.2 %. Order intake, which totalled CHF 414.0 million, increased by 31.1 % over the previous year. The division posted high growth rates in almost all application areas. The healthy profitability and the ability to handle the high volume were possible thanks to a high level of organisational flexibility, short decision-making channels and good cost management.

**Emhart Glass** The division generated CHF 419.6 million in sales of machinery for the manufacture and inspection of glass containers in 2007, an increase of 26.6 %. The increase amounted to 21.4 % after adjustment for currency effects and 21.7 % when adjusted for acquisitions. The operating profit rose by 42.5 % to CHF 33.2 million. Order intake reached CHF 440.5 million, outpacing the previous year by 24.5 %. The good economic environment and the global shortage of high-quality glass containers contributed significantly to the encouraging growth in business.

**Dividend** In view of the excellent profit for the year and the positive outlook for 2008, the board of directors proposes that the annual general meeting on 15 April 2008 approve payment of a dividend of CHF 5.00 per registered share. The previous year's dividend amounted to CHF 2.50. This proposal corresponds to a dividend payout ratio of 30.9 %.

**Board of directors and group management** The terms of directors Thomas W. Hauser, Ernst Bärtschi and Erwin Stoller 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** We are very proud of our company's 200-year history. The jubilee year 2007 was celebrated with appropriate festivities and ended with the best business results our company has ever achieved. Major challenges had to be met at all levels. The rapid increase in volume demanded a high level of flexibility and commitment from everyone

involved, but especially from our employees. Success would not have been possible without their dedication and the effective cooperation of our customers, suppliers and other business partners. We are grateful to all of these groups, but especially to our employees, for their loyalty and support of Bucher Industries.

**Outlook for 2008** Bucher Industries expects that business will continue to develop at this high level in 2008. The crisis in the financial markets, the resulting questions about the development of the global economy, a possible recession in the US and trends in exchange rates are significant sources of uncertainty. In the agricultural equipment sector, we anticipate that business will continue to grow in Europe and North America. In the municipal vehicle segment, we expect that the propensity to invest will remain at the previous year's level, while equipment for the production of wine and fruit juice should profit from large orders received and a demand that remains high. In the area of hydraulic components we expect a slowdown in the high pace of growth, but for Emhart Glass we foresee good demand continuing, requiring further expansion of capacities in the glass container industry. The Bucher Group therefore anticipates continued but less marked growth in sales, operating profit and profit for 2008.

Niederweningen, 13 March 2008



Kurt E. Siegenthaler  
Chairman of the board



Philip Mosimann  
Chief executive officer

