2009, Leading market position reaffirmed

Annual Report

Key figures

1,721
Group

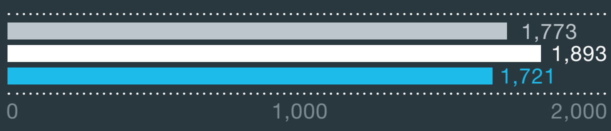
in mill. CHF	2007	2008	Change in %	2009
Order bookings[1]	1,838	1,891	–5.7	1,784
Backlog of orders 31.12.	871	895	7.5	962
Sales[2]	1,773	1,893	–9.1	1,721
EBIT[3]	138	158	–16.4	132
EBIT margin in %	7.8	8.4		7.7
EBITDA	169	195	–6.8	182
EBITDA in %	9.5	10.3		10.6
Result for this year	130	101	3.0	104
Result for this year in %	7.3	5.3		6.0
Investments in tangible and intangible assets	60	73	–23.1	56
R&D expenditures	74	82	–4.4	79
R&D expenditures in %	4.2	4.3		4.6
Equity ratio[4]	49.1	47.2		41.2
Net liquidity	430	396	2.6	406
Return on operational assets in %	29.8	31.6		33.5
Employees as of Dec. 31 (including temporary staff and apprentices)	7,562	8,203	–8.8	7,480
[1] Order bookings adjusted for exchange rates			–3.0	1,830
[2] Sales adjusted for exchange rates			–6.4	1,773

[3] EBIT margin before goodwill impairment and restructuring costs: 9%

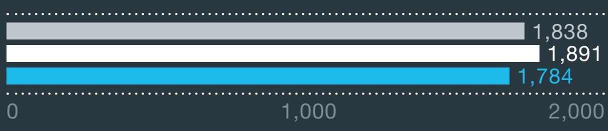
[4] Equity ratio 2009 after splitting off net assets to shareholder

Group (in mill. CHF)

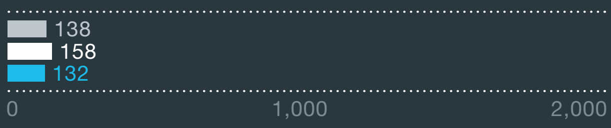
Sales



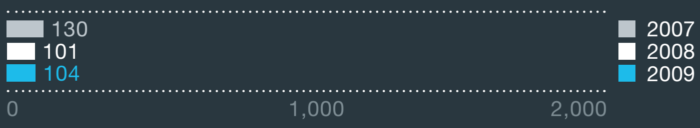
Order bookings



EBIT



Result



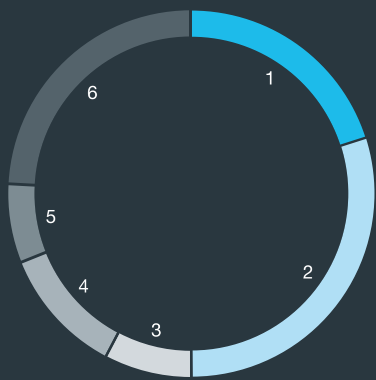
Business Units

Grain Processing	Grain Milling, Feed & Biomass, Sortex & Rice, Grain Handling, Malting
Food Processing	Pasta & Extruded Products, Chocolate & Cocoa, Aeroglide, Nutrition Solutions
Advanced Materials	Die Casting, Grinding & Dispersion, Thermal Processes, Nanotechnology

Sales by Division (in %)

1 Grain Processing	64%
2 Food Processing	24%
3 Advanced Materials	12%

Sales by regions (in %)



1 Americas	20%	4 Africa	11%
2 Western Europe	30%	5 Middle East	7%
3 Eastern Europe	8%	6 Asia	24%

Group profile

Buhler is the global specialist and technology partner in the supply of plants and services for processing grain and food as well as for manufacturing high-grade materials. The Group holds leading market positions as a provider of flour production and feed manufacturing installations, but also pasta and chocolate lines and aluminum die casting systems.

The core technologies of Buhler are mechanical and thermal process engineering. Buhler designs, develops, constructs, and installs plants and advises, trains, and coaches its customers.

Thanks to its extensive expertise and the wealth of experience that it has accumulated over the decades, Buhler is in a position to develop unique and innovative solutions for its customers, enhancing their market success. Through its consistently high quality, Buhler has come to be known over the years as a reliable partner. It owes this reputation to its international service organization, which provides support to its customers around the world whenever and wherever they need it and throughout the life cycle of their plants.

Buhler is active in over 140 countries and has 7,500 employees worldwide. In fiscal 2009, the Buhler Group generated sales of CHF 1,721 million.

Content

Leading market position reaffirmed.

Dear Sir or Madam. As other businesses too, Buhler was unable to escape the global economic turmoil of the past year and therefore looks back on a challenging fiscal 2009. Signs of weakening non-food activities emerged as far back as in the final quarter of 2008, which worsened in the year under review. The weak business cycle also spread to the food sector, and there primarily to the processed foods segment. On the other hand, almost all the business units engaged in the basic foods sector increased their volumes. Overall, Buhler stood its own despite the adverse environment and in comparison to the industry as a whole. This assessment is supported by the observation that Buhler succeeded in increasing its market share also in 2009.

Order bookings reached CHF 1,784 million and were thus only 5.7% below the value of a year ago (adjusted for exchange rates: minus 3.2%). The Group's sales revenue (turnover) amounted to CHF 1,721 million and was thus 9.1% below the level of the previous year (adjusted for exchange rates: minus 6.4%). On the other hand, the order backlog increased by over 7% to an encouraging CHF 962 million. The Group profits were increased by 3% (adjusted for exchange rates: 5%) to CHF 104 million, despite restructuring expenses and goodwill write-offs. The operating profit (EBIT) was somewhat lower than a year ago, but still a solid 7.7% (previous year: 8.4%). The EBIT margin before goodwill impairment and restructuring costs was 9%. This outstanding result was supported by process improvements, customer project management, capacity balancing in plant engineering and manufacturing, and a positive financial result. The RONOA increased to 33.5% (previous year: 31.6%). The operating cash flow was maintained at the high level of 9.4 percentage points. The year under review closed as the year before it with a balance sheet that is sound throughout.

Varied market development. Time and again, the global presence of our sales and service organization has proved an excellent competitive edge, as it creates the required closeness to customers through the knowledge of their local markets. In the year under review, markets developed in a very varied manner. In South America (+10%) and Africa (+7%), the increase in sales (turnover) was highest, thanks to a high market presence. Asia also developed positively, though to different degrees. East Asia grew 29%, followed by India (+10%), China (+8%), and Southeast Asia (+4%). North America suffered a decline in sales of 6%. In Western Europe (–19%) and Eastern Europe (–12%), revenues plunged due to customers' reluctance to invest in new plant and equipment. In the classical grain processing industry, where the customer structure continues to be characterized by numerous family-owned companies, business was further increased and better than in the chocolate, automotive, and printing inks sectors, which cater primarily to large-scale customers.

Proven diversification. Having a diversified portfolio proved its worth especially in the critical year of 2009. Whereas the Food Processing and Advanced Materials Divisions were in some instances affected by shrinking customer industries, the predominantly positive development of the Grain Processing Division at least partly offset this decline. Its activities are closer to basic foods, which enjoy higher demand in economically tense times in order to cover the basic supplies to the population.

Urs Bühler, Chairman of the Board (left) and **Calvin Grieder,** Chief Executive Officer (right), on the terrace of the Buhler Customer Center in Uzwil.

Necessary capacity adjustments. Unlike earlier business cycles, not only the plant and equipment business suffered in the current economic crisis, but also customer service activities (services, spare parts, expendables), which otherwise have always had a stabilizing effect. Numerous customers scrapped capital spending plans or postponed them to some later date, in some cases because of a lack of funds. Due to the weak demand, this forced Buhler in Europe and especially in Switzerland to adjust its capacities to the reduced business volume or to relocate them to the growing regions and business units. Most of the job cuts were absorbed by attrition, early retirements, and internal shifts. A generous social plan was set up for the employees laid off.

Further increase in order processing efficiency. The "Total Synchro" production system that was rolled out in the previous year allowed additional productivity increases to be achieved in 2009. The synchronization of all services provided to customers – from order receipt to plant commissioning – has slashed cycle times. In the year under review, the focus was on the further reduction of inventories and on the inclusion of additional manufactured components in the system. Moreover, considerable efforts were made to further enhance quality in all units and regions.

Innovation. Group-wide, CHF 79 million or a high 4.6 percent of total sales revenue (turnover) were spent on research and development in the year under review, which is almost as much as in the previous year (CHF 82 million). In a corporate competition ("Innovations for a Better World"), we additionally further sharpened the business-mindedness of our employees. We generate about half of our total sales with products which are less than five years old. Special emphasis was placed on energy-efficient solutions. An increasingly important contribution to our organization's success is being made by products and services that are competitive in local markets and have been specifically designed for meeting the medium market requirements.

Regional service centers. Foods vary widely with the specific regions. After renewing its production facilities in South Africa and the U.S., Buhler therefore opened one new factory each in China and Germany in the year under review and updated various infrastructures in Switzerland and India. On a global scale, the Buhler Group thus now has state-of-the-art structures and facilities to satisfy regional requirements.

Human resources. The number of employees (including temporary staff and apprentices) shrank to 7,480 at the end of 2009 as a result of the capacity reduction measures mentioned above (previous year 8,203). Of this total, Switzerland accounted for about 36%; the rest of Europe for 22%; Asia for 27%; and America, Africa, and the Middle East for 15%. A Group-wide employee survey conducted for the first time in 2009 showed that employees are basically satisfied with and highly committed to our organization.

For many years, Buhler has devoted a lot of energy to the intensive training and development of its own employees as well as that of customers' personnel. In this sense, an apprentice training scheme was set up in India and South America in the year under review, following Switzerland and China.

In February, Stefan Scheiber – up to now a member of the group management and head of the global sales and service organization – took charge of the Food Processing Division from Erwin Frei, who left our company.

Outlook and thanks. The year 2010 stands to remain challenging for Buhler. Its result will primarily depend on the extent to which the different customer industries recover. Fortunately, a number of business units have observed a certain revival of orders received toward the end of 2009. This gives rise to hopes that the crisis will bottom out in the current year. Another encouraging sign is that the order backlog of CHF 962 million as of the end of 2009 was 7% higher than a year ago. In addition, we made great efforts in the past fiscal year to create leaner structures, to streamline processes, and thus to achieve high sustainable productivity. At the same time, we invested heavily in our market presence and innovation. Buhler is thus positioned on a stable basis to meet the challenges of the future, which we believe will remain very volatile.

We extend our warmest thanks to our employees, who in 2009 faced exceptional challenges, for their valued efforts and devotion. The swings were enormously wide, and we were only able to master the year under review thanks to the marked entrepreneurial spirit and flexibility of our employees. We also thank our customers and business partners for their longtime confidence. In many cases, we can look back on a partnership with them that has lasted over a century.

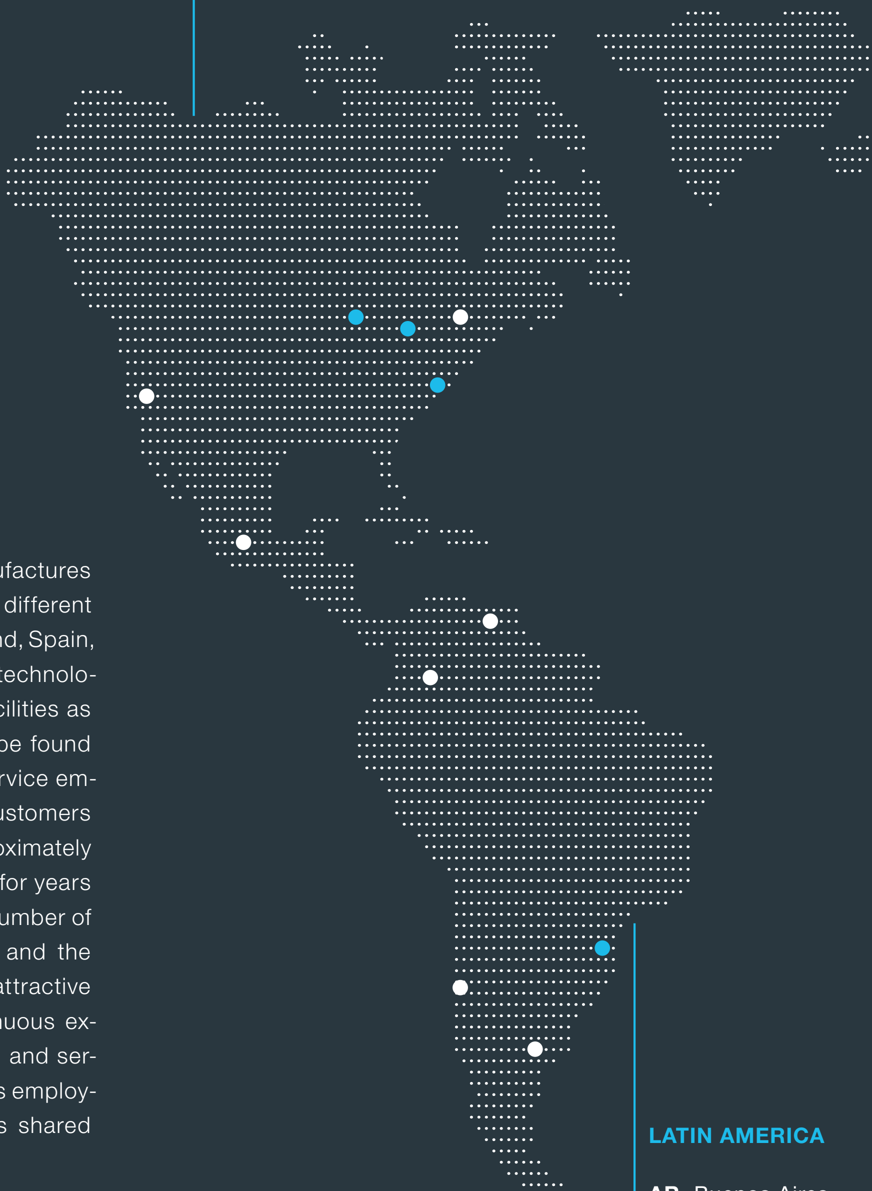
Urs Bühler
Chairman of the Board

Calvin Grieder
Chief Executive Officer

Present worldwide.

NORTH AMERICA

CA Markham
US Holland
Minneapolis
Raleigh
Stockton



In the region – for the region. Today Buhler manufactures machines and facilities in 15 production plants in 9 different countries: in the U.S., in Brazil, Germany, Switzerland, Spain, South Africa, Iran, China and India. As partners in technology with their customers and with 40 of its own facilities as well as a presence in 140 countries, Buhler can be found wherever their customers are. 1,500 sales and service employees cultivate personalized contact with their customers and understand their culture and language. Approximately 7,500 Buhler employees are a driving force which for years has helped Buhler secure market leadership in a number of different industries. Interesting job assignments and the company's global orientation make Buhler an attractive employer. Its geographical penetrability, a continuous exchange within its international production-, sales- and service network and the systematic development of its employees all contribute to the worldwide growth of its shared knowledge base.

LATIN AMERICA

AR Buenos Aires
BR Joinville
CL Santiago de Chile
CO Bogotá
MX Metepec
VE Caracas

● Buhler sales sites
● Buhler sales and manufacturing sites

EUROPE

AT Salzburg
BE Mechelen
CH Uzwil
CZ Praha
DE Bergneustadt
Braunschweig
Freiberg a.N.
Saarbrücken
Viernheim
ES Madrid
FR Paris
GB London
Peterborough
HU Budapest
IT Milano
PT Alcabideche
RU Moscow
SE Malmö
TR Istanbul
UA Kiev

AFRICA

DZ Alger
EG Cairo
KE Nairobi
MA Casablanca
SA Riyadh
ZA Johannesburg

ASIA

AU Melbourne
CN Beijing
Changzhou
Shenzhen
Shanghai
Xian
Wuxi
IN Bangalore
New Delhi
Mumbai
IR Teheran
JP Yokohama
KP Seoul
KZ Almaty
PH Manila
RU Irkutsk
SG Singapore
TH Bangkok
VN Ho Chi Minh City

Our road to success.

Sustainable growth.

With its solid equity base, Buhler aims to achieve sustainable annual sales growth of at least 6 percent. In order to secure its long-term viability, the Group is striving for an average EBIT margin of 8 percent.

Customers' success as the yardstick.

The Buhler portfolio comprises plant and equipment, services, and technologies enabling customers to successfully differentiate themselves in the marketplace and thus to generate high added value.

Balanced portfolio.

Buhler is active in attractive segments of food and materials processing and is a specialist in processes designed to transform raw materials into valuable foods or engineering materials. In its respective markets, Buhler strives to hold a leading position.

Efficiency through services.

The extensive range of services offered by Buhler ensures that customers can operate their production plants efficiently throughout the life cycle of the equipment. This also allows continuous adjustment to changes in raw materials or to new consumer needs.

In the region – for the region.

Buhler operates in over 140 countries worldwide through 40 of its own sales and service companies and several agencies. The locally based staff are thoroughly familiar with the wide variety of requirements existing in the local markets. Development efforts as well as production are tailored to the needs of customers in the various regions and are, whenever possible, localized.

Focus on innovations.

About half of sales revenue (turnover) is generated with products that are less than five years old. Buhler spends an average of about four to five percent of total annual sales on basic research and applications development.

Quality leadership.

High-grade engineering solutions are manufactured at 15 sites around the globe, which all comply with the same stringent Buhler quality standards. Buhler masters the entire supply chain and ensures on-schedule delivery and installation of its products worldwide.

Strong workforce base.

Worldwide, Buhler makes continuous and substantial efforts to develop and strengthen its local workforce base. Outstanding commitment and exceptional performance of employees are rewarded accordingly. Unified leadership principles and strengthening of the corporate culture are top priorities.

Market development.

Ever-increasing food needs everywhere.

Trends have for some time now been pointing to growing needs in terms of taste, health, convenience, and safety of foods – and this at the best possible price – especially in the industrialized countries, but also increasingly in emerging markets. In the field of grain milling, for example, this has given rise to a higher demand for specialty mills for producing coarse meals and whole-grain products. In meat production, the focus is increasingly on ensuring natural conditions in livestock management. Moreover, in connection with certain products such as rice, cultural differences in consumption habits occasionally vary widely and must be taken into account in processing. Buhler systematically and comprehensively tracks these trends, continuously incorporating the insights gained in its development and refinement of products and customer solutions.

New retailing structures in emerging economies.

Also in emerging countries such as India, Pakistan, and China, a change in retailing and distribution is becoming apparent, caused by the emergence of supermarket chains. Foods are increasingly being offered in a packaged form instead of in bulk. As a consequence, demand for visibly pure products is rising, making it increasingly necessary to color-grade them. This applies for instance to rice and pulses. In connection with fruit and vegetables, the focus is on the safety and reliability of products. An increasing number of multinational food corporations are pursuing a procurement policy of zero tolerance in this area. This also places rigorous demands on the technological performance of the related plant and equipment.

Trend toward lower-priced foods in the crisis.

As a result of the recent economic downturn, consumption of lower-priced basic foods is on the rise, while that of higher-value and more expensive foods and luxury foods is declining. A typical example of the first-mentioned case is rice, and of that mentioned second chocolate. It is therefore not surprising that this change in consumption behavior also left its imprint on Buhler's result for the fiscal year 2009.

Long-term shift in the weights of geographical markets.

Looking beyond the individual fiscal year, the experiences of the recent past in conjunction with plausibility considerations indicate lasting structural market shifts. They will increasingly mark the global economy and are highly relevant for Buhler. From the aspect of long-term growth potential, a distinction can be made between four market types. On the one hand, we have markets with stable growth such as China, India, and Africa. They are contrasted by markets with a tendency to shrink such as Western Europe. Between these extremes are two types of cyclic markets – with a positive trend in North and South America plus Southeast Asia, and with a currently rather difficult development such as in the Middle East, Eastern Europe, and East Asia.

Grain Processing.
Earnings power further increased.

Overview 2009. The Grain Processing Division, Buhler's largest, once again looks back upon a good fiscal year. Sales revenue (turnover) increased in 2009 by just under 3% to CHF 1,094 million. Also encouraging is the fact that the operating result once again rose at a higher-than-proportional rate relative to sales. Orders were received for CHF 1,160 million, which is almost 3% higher than a year ago. Developments were particularly positive in the Grain Milling, Sortex & Rice, and Grain Handling Business Units.

Development of the business units. The division's main business unit – Grain Milling – increased its sales revenue by 4% to CHF 637 million (previous year CHF 612 million) while at the same time raising its profitability. In the second half-year, demand centered on Africa and South America, whereas Europe and North America tended to show some weakness. In China, the unit's new focus on supplying complete production plants has proved to be the correct approach. Thanks to its strategy of offering customers differentiated ranges of products and services and its global presence, Buhler benefited from the resulting opportunities. Special contributions to growth were made by customer solutions giving consideration to consumers' increasing health awareness and the increased penetration of the Specialty Milling and Brewing markets. In addition, the product portfolio was completed. The business unit started the current fiscal year 2010 with an extremely solid order backlog.

The Feed & Biomass Business Unit suffered a decline in sales to CHF 149 million. This was especially due to the market development in Europe and Russia, which it was not possible to offset by the growth in business in China and Southeast Asia. Whereas the Feed segment developed positively in particular in China, business in the Oil sector developed as expected, and in the area of Biomass the growing reluctance to generate energy from grain was felt. In China, Buhler scored a major success by supplying one of the country's largest soybean processing plants. The year under review closed with an encouraging backlog.

The Sortex & Rice Business Unit boosted its turnover (sales revenue) by 17% to CHF 173 million, and order intake increased even more markedly. Not least, this growth is attributable to sales in India, Thailand, and Pakistan, where Buhler already holds a strong market position, supported by the weakness of the British pound. Local customers started spending capital not only for export, but also for catering to their local markets.

The Grain Handling Business Unit also once again achieved an impressive boost in sales of 17% to CHF 75 million. Whereas order intake in the first half-year was rather sluggish, business picked up in the second half, especially thanks to orders for ship unloading terminals.

Due to customers' reluctance to make capital investments, the year under review was difficult for the Malting Business Unit. Nevertheless, the turnaround achieved a year ago was further consolidated. With CHF 60 million, sales were slightly below the value of the previous year. The business environment is expected to be challenging also in the current fiscal year.

Innovation and development. In the year under review, the Grain Processing Division increased its spending on research and development to CHF 40 million. The focus continued to be on food safety and smart process automation solutions, for example in the field of sensor systems. The Grain Milling Business Unit rolled out its new, low-maintenance Polaris purifier in the year under review, which achieves a perceptibly higher throughput capacity. In the Grain Handling Business Unit, innovation efforts centered on bulk grain storage management and in-house logistics.

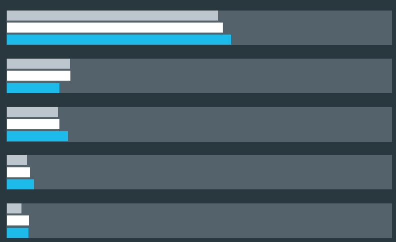
Outlook. With an order backlog of CHF 640 million or 6% more than a year ago, the Grain Processing Division has started the current fiscal year in a comfortable situation. In 2010 too, the impact of the recession on the food industry is not expected to be as severe as on other industries. Growth pulses are likely to come primarily from China, India, and Southeast Asia, followed by Africa and South America. On the other hand, the prospects for Europe and North America remain uncertain, especially since the government support programs will be phased out in the course of the year.

1,094

Total sales
Grain Processing
in mill. CHF

Sales by
business unit in %

58.2%	Grain Milling
13.6%	Feed & Biomass
15.8%	Sortex & Rice
6.9%	Grain Handling
5.5%	Malting



Sales by
business unit in mill. CHF

2007	2008	2009
599	612	637
178	180	149
144	148	173
56	64	75
40	62	60
1,017	1,066	1,094

Share of Group sales in % 64

2007
2008
2009

Food Processing.
Higher market share despite lower volumes.

Overview 2009. The Food Processing Division, which comprises the food units of the previous Engineered Products Division, looks back on a difficult year due to the appreciably reduced capital spending of its customers. Sales revenue (turnover) shrank 18% to CHF 420 million, which affected in particular Europe and the Middle East. Timely action was taken to maintain productivity, which required staff relocations and unfortunately also job cuts. At the same time, investments were made in the division's global market appearance and in innovations. Orders were received for CHF 387 million, which translates into a drop of 14% from the year 2008. The growing Customer Service business in conjunction with the productivity improvements achieved led to a positive result.

Development of the business units. The Pasta & Extruded Products Business Unit almost maintained its sales (turnover) of CHF 144 million (previous year CHF 149 million). On the one hand, this is because of the growing Pasta market, and on the other hand due to the strong positioning of Buhler's process technology and global service network. Beside successes in the high-end market of Italy, the business unit also managed to improve its position in North and South America, Africa, and India. In contrast, the Extrusion Products segment with the exception of its Customer Service function was affected by customers' reluctance to invest, especially in North America and Europe. The business unit was strengthened and restructured, at the same time intensifying its cooperation with the Buhler Aeroglide and its Drying Technology.

Following several years of sharp growth, the division's largest business unit – Chocolate & Cocoa – suffered a sharp slump with its revenue of CHF 229 million. But at the same time, it gained market share. In various markets, for example Japan and America, it signed major contracts with leading chocolate producers. In all, the market has been characterized by uncertainty since 2008, which has reduced capital spending on new plant and equipment. But signs indicate that the downturn bottomed out toward the end of 2009. With Buhler's acquisition of the remaining stakes in Buhler Barth in October, Buhler Barth became a 100%-owned Group affiliate. This strategic acquisition so important for the business unit was thus completed, appreciably strengthening its Cocoa and Nuts Processing segment.

The sales revenue of the Aeroglide Business Unit, which supplies drying systems to the food and specific nonfood industries, amounted to CHF 47 million in 2009. In its first full year as a member of the Buhler organization, cooperation with other Buhler business units was intensified. Aeroglide has now already entered new fields of application, for example in the Rice segment in India.

The new Nutrition Solutions Business Unit focuses on Flour Services (value-adding services in the grain milling business), Nutririce (high-grade fortified rice products), and Leuron (high-quality services and ingredients extracted from the wheat kernel). The efforts made to offer customers integral consulting and other specific services with high added value were further intensified.

Innovation and developments. In 2009, the division spent CHF 17 million on development and is thus clearly at the forefront in comparison to competitors. Its most important projects included a new pasteurizing process in the Nut sector, innovations in the Chocolate Mass business and in the Coffee segment, and the development of the first vertical Rice dryer in India. In the Pasta & Extruded Products business unit, great strides were made in developing the technological basis. The Automation function developed new production tracing solutions. For the Food Processing Division, innovation will be at the center of activities in the period from 2010 through 2012, the goal being to create quantifiable added value for customers.

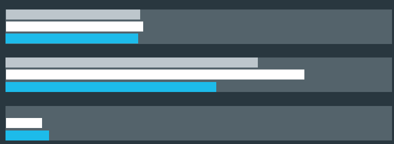
Outlook. The order backlog as of the end of 2009 was CHF 185 million. For 2010, initial signs indicate that the market environment will be more favorable than in the year under review. The division is convinced that it can successfully develop new markets with new products and services and offer customers around the world system solutions of outstanding value. Even if the global economic outlook as yet does not show any consistent picture, the division faces the current fiscal year with confidence.

420

Total sales
Food Processing
in mill. CHF

Sales by
business unit in %

34.3%	Pasta & Extruded Products
54.5%	Chocolate & Cocoa
11.2%	Aeroglide



Sales by
business unit in mill. CHF

2007	2008	2009
146	149	144
274	325	229
	39	47
420	513	420

Share of Group sales in % **24**

2007
2008
2009

The Food Processing Division was newly formed effective March 1, 2009. The figures of the previous year have been appropriately adjusted. The sales revenue of Aeroglide has been fully consolidated since July 2008.

Advanced Materials.
Challenged by shrinking customer markets.

Overview 2009. The Die Casting, Grinding & Dispersion, Thermal Processes, and Nanotechnology business units were merged in the year under review into the new nonfood Advanced Materials Division. It faced eroding markets. Sales (turnover) slumped 36% to CHF 192 million. Especially the automotive, electrical, and chemical sectors felt the full impact of the decline in business. This development required reduced work schedules and major staff shifts to other divisions. Order intake amounted to CHF 219 million, which is 24% lower than a year ago. In the second half-year, the trend somewhat brightened up again, and promising major contracts were won against fierce competition.

Development of the business units. The sales revenue of the Die Casting Business Unit fell far short of the level of the previous year. Orders failed to come in not only from the automotive industry, but also from the electrical engineering and electronics industries. Whereas Customer Service remained stable in earlier cycles, developments in 2009 were negative due to the poor utilization of available capacities, especially in North America and Europe. Despite the sharp contraction of the overall market, Buhler managed to increase its market share. Encouraging highlights included the contract signed with a major European carmaker – a new account – and orders received from Asia for engine block manufacturing systems.

In the Grinding & Dispersion business unit, revenue also shrank. The markets in Europe and North America were disproportionately affected. Capital investments in the main market – printing inks production – virtually came to a standstill. Toward the end of the year, prospects brightened up again, especially thanks to orders received from Asia and for electronic applications. Positive signals were received from the Chinese market starting as early as in the second quarter.

The sales generated by the Thermal Processes business unit were at the same level as in 2008. On the other hand, order intake rose appreciably, and the project pipeline is now very well filled. Capital spending in this segment was especially driven by the shifts in production capacities from Europe and America to Asia and the Middle East.

The as yet young Nanotechnology business unit specializes in the processing and upgrading of nanoparticles into ready-to-use nanodispersions, which are applied as additives. In the year under review, the focus was increasingly set on product development aiming at the industrial scale. Toward the end of 2009, Buhler entered a strategic cooperation venture with the Australian company Micronisers Australasia Pty Ltd in the area of the nanoscale performance additives.

Innovation and developments. The research and development spending of the Advanced Materials Division amounted to CHF 15 million. With its Ecoline die casting machine developed in the year under review, the Die Casting Business Unit rolled out its third new machine series following the Evolution and Carat models. Ecoline has been designed with the medium market segment in mind, with locking force requirements of less than 1,000 metric tons. Initial market successes have already been scored. The development of medium market machines was also launched in the Grinding & Dispersion business unit. The technical further development of the successful Trias three-roll mill met with outstanding acceptance by the printing inks and electronic pastes markets.

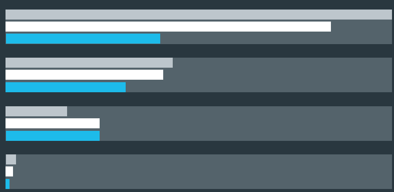
Outlook. The prospects for the current fiscal year 2010 depend entirely on the uncertain development of customer industries and markets. One positive point is the high order backlog of CHF 127 million at the start of 2010, which is above the long-term average. Nevertheless, the division's largest business unit – Die Casting – is again facing a difficult year, which is attributable to the phase-out of the “cash-for-clunkers” schemes in various countries. The pressure to reduce carbon emissions in automotive engineering will revive demand for lightweight car designs. The outlook is very much brighter in the Grinding & Dispersion business unit, which is especially driven by brisk demand in Asian markets. Positive indications are also visible in the form of new fields of application and the recovery of the classical printing inks industry. The Thermal Processes business unit expects a continuing positive market environment and an increased building of PET capacities in the markets of China, India, Russia, and the Middle East.

192

Total sales
Advanced Materials
in mill. CHF

Sales by
business unit in %

Sales by
business unit in mill. CHF



Share	Business unit	2007	2008	2009
41.8%	Die Casting	201	169	80
32.6%	Grinding & Dispersion	87	82	62
25.4%	Thermal Processes	32	49	49
0.2%	Nanotechnology	1	1	1
		321	301	192

Share of Group sales in % 12

2007
2008
2009

The Advanced Materials Division was newly formed effective March 1, 2009.
The figures of the previous year have been appropriately adjusted.

Human Resources.

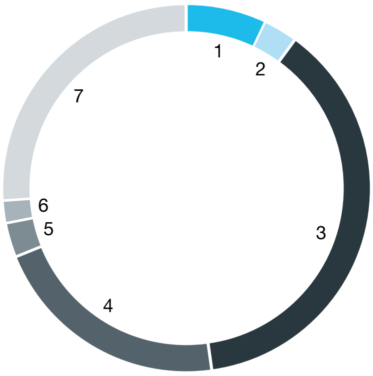
Key human resources figures. As of the end of the year, Buhler had a global payroll of 7,480. The number of employees in Switzerland with about 2,700 persons was slightly below the level of a year ago. The average employee age was 42. The Buhler Group has a staff turnover of 7%, which is comparatively low. Average seniority is nine years.

Required capacity adjustments. Following years of continuous growth, the global economic downturn also affected the capital spending behavior of Buhler customers. The order volumes shrank markedly in some business units and especially in Europe, giving rise to high cost pressures. Action was taken for flexible capacity adjustments as far back as in the autumn of 2008. But due to the decline in orders and expectations for the future, these measures were not sufficient to maintain Buhler's high level of productivity. This made it necessary to trim global staffing levels. Targeted in-house staff relocations allowed job cuts to be limited to 9% of the global payroll.

In this connection, the wide diversity of Buhler's activities once again proved to be a distinct advantage when it comes to responding quickly and flexibly to a new market environment and to moving capacities within the organization. In view of the market changes which are taking place at ever-shorter intervals, this flexibility is an essential factor for ensuring tomorrow's success. Therefore, a new Capacity Management project was launched in the year under review, which aims at continuously balancing capacities without affecting costs.

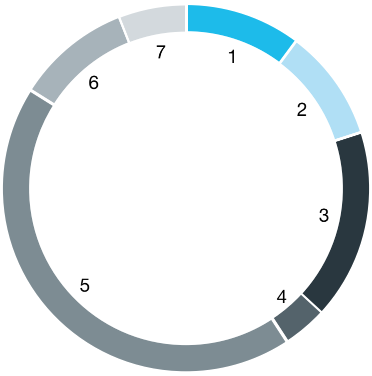
Employee development: a top priority. The broad and pronouncedly international orientation of Buhler's activities offers young specialist workers, engineers, and business administrators highly promising prospects. Customers' growing needs and their increasingly stringent requirements call for systematic and targeted employee development. In addition to the ongoing Buhler Lead Management program, a Talent Management process was developed in the year un-

Employees by regions 2009
(in percent and absolute figures)



1 North America	515	7%
2 Latin America	234	3%
3 Switzerland	2,700	36%
4 Rest of Europe	1,644	22%
5 Africa	220	3%
6 Middle East	138	2%
7 Asia	2,029	27%

Employees by functions 2009
(in %)



1 Sales	10%
2 Customer Service	10%
3 Engineering	17%
4 Research and Development	4%
5 Manufacturing and Logistics	43%
6 Administration	10%
7 Others	6%

der review. It enables Buhler to permanently cover its needs for qualified staff. The philosophy governing this effort is to fill most key positions with existing in-house staff. Buhler also offers a wide range of courses, which are attended by a large number of employees worldwide. They are designed to cater to the need for general continuing education either in specific specialist disciplines or for enhancing foreign language skills and information technology competencies.

Early promotion and intercultural training. The new international vocational training concept will be continued even in economically adverse times. Buhler employs some 400 apprentices around the globe in countries ranging from China and India to Germany and Switzerland. With its sophisticated talents development program and its intercultural training by networking and exchange programs, the Buhler Group is an international pioneer. Thus, in July/August 2009, a group of young apprentices for the second time completed an internship abroad in Buhler's Chinese company in Wuxi.

Buhler is also deliberately applying this scheme to countries where classical vocational apprenticeships are unknown, thus offering young people a unique opportunity. For example, the new "Buhler Academy" was opened in Bangalore in September 2009 adjacent to its existing site. It trains future employees in technical and commercial vocations and prepares them for service in business fields such as rice processing. Other offerings include brief continuing education courses on various subjects, customer personnel training, and training and job creation for economically disadvantaged students from rural areas of India.

Buhler is also one of three organizations to have been selected for the "Swiss-Indian Vocational Train-ing and Training Initiative" project. With this cooperation venture, elements of the Swiss vocational training system are to be introduced in selected industries and regions of India so as to give consideration to the need for a qualified specialist workforce. The project is under the auspices of the Swiss Federal Office of Vocational Training and Technology and is held at the Buhler Academy in compliance with the educational standards of the Swissmem industry association.

A second example concerns the new Training Centre in Johannesburg, which also opened in September. It is the response to a need for succession planning for qualified employees. The training and education courses offered are on the one hand addressed to apprentices in the metalworking industry (sheet and plate workers, welders) who upon completion of their apprenticeships are either offered permanent employment by Buhler or move to another industrial company. On the other hand, short hands-on training courses are held for employees from the grain processing industry.

"Innovations for a Better World." The competition "Innovations for a Better World" was successfully launched in the past year. Its objective is to foster an entrepreneurial spirit throughout the Buhler Group and to nurture cooperation around the world; to create an innovative culture; and to open up opportunities for new business fields. All Buhler employees were eligible to take part. Of the total of 140 ideas submitted, twelve teams were nominated, which together with coaches developed concrete projects and business plans. The winners were elected at the end of January 2010. The two teams will now benefit from a one-week training course at a renowned business school.

Group-wide employee survey. In fiscal 2009, a Group-wide employee survey was conducted for the first time in order to obtain information on employee satisfaction. The result was encouraging, as it showed that employees are basically satisfied and greatly committed to Buhler. The workforce was also asked about their opinion on the organizational conditions inside the Buhler Group, which also contribute to the achievement of top performance. The success factors mentioned by staff worldwide which require further development include Strategic Alignment, Involvement, and Recognition. Together with the management teams of the various companies and sites, targeted action for improvement was derived from the analysis of the results. Success is being continuously monitored and will be checked on the basis of a second, identical survey in March 2010. The fact that Buhler is appreciated as an employer was further borne out in the year under review by an external survey conducted by a specialized company.

Risk management and corporate governance.

Financial risk management. The Treasury policy approved by the board of directors and group management regulates – among other things – the management of risks and opportunities in the fields of interest and currencies (asset and liability policy, foreign currency policy). In addition, this policy regulates the financing principles for the Group and Group companies, including dividend policy. The bank policy defines the counterpart limits for money and foreign exchange trading and other items. In 2007, an Overlay Management Strategy was approved for the commodity risk. All activities among these finance policies are decided and checked during the monthly meetings of the Buhler finance committee. The board of directors grants authority of policies as part of the annual budget process. Reporting and risk analysis in compliance with IFRS 7 are detailed in the notes to the financial statements.

The counterpart risks related to customers are monitored and managed on the basis of the Operative Risk Management (ORM) system. It regulates commercial project and contract risk management at Buhler. The commercial contract rules result in the best possible agreements with customers in the sense of risk limitation.

The principles of taxation, which are also approved by the board of directors, essentially cover direct taxes, value-added tax, transfer prices, and tax compliance. They support the organization of Group structures for existing legal entities as well as legal entities to be complemented.

Operational risk management. According to the rules of the Operational Risk Management (ORM), a risk analysis must be conducted for the Sales and Quotation process of all major projects. These projects are then permanently checked for success throughout the Fulfillment process using a database. Thus, modifications producing risks or opportunities can be identified. Corrections can be quickly made, and insights can be gained for future projects.

An integral Business Risk Management (BRM) system supports strategic planning. On the basis of interviews with the heads of the business units, inventories of risks and opportunities are created for the divisions. The analyses cover some 20 important business aspects such as markets; customers; technology; plus environmental factors related to the economy, taxes, legislation, and finance. Beside the qualitative inventory, quantitative information is supplied for EBIT@risk with the aid of Monte Carlo simulations. In the regular meetings of the risk committee, risk management measures are defined and transferred to the risk owners for execution. The assessments of the operating business models are supplemented with the main long-term and strategic risk and opportunity analyses. The most relevant conclusions are included in the mid-term plans.

With these operational and financial risk management systems, the group management and the board of directors have a set of instruments at their disposal which complies with the requirements of OR 663 b. In addition, it offers the management direct support thanks to its integrative design. The Business Continuity Program (BCP) introduced in 2009 in the most important Group companies on the one hand covers crisis management and communications processes for cases involving major damage. On the other hand, it includes basic considerations and planning for restoring the operating performance within the shortest time possible.

Beside business risk management, the Corporate Treasury function in its capacity as a center of risk competence also manages the common international insurance policies for liability, property, interruption of operations, transportation, and installation.

Internal Audit Group. The Internal Audit Group function is an auditing and monitoring body that is independent of the management. In administrative matters, it reports to the CFO, and in technical matters to the board committee.

In addition to financial and operational audits, its functions also include the monitoring of compliance with external and internal policies in all divisions, business units, affiliated companies, and foundations within the Group. Particular attention is paid to the effectiveness and efficiency of the internal control and monitoring instruments. The Internal Audit Group function identifies risks and puts forward suggestions for improvement along the entire value chain.

On the basis of a Group-wide risk analysis, the annual audits are defined and approved by the board committee. The audit results are discussed in detail with the CEO, the CFO, and the local management teams and presented to the board committee. All audit findings and recommendations are recorded in internal audit reports, which are made available to the board committee, the group management, and the outside auditors. The Internal Audit Group function maintains a regular dialog with the outside auditors in order to exchange reports and information on risks that they reveal and to coordinate activities.

Corporate governance and code of conduct. Buhler has designed its internal structures so that the actions of the organization and of the group management focus on the interests of its stakeholders. While maintaining decision-making abilities and efficiency at the top corporate level, its aim is to ensure maximum transparency and a balanced ratio between leading and checking. As an international Swiss company, Buhler complies with the principles of the Swiss Code of Best Practice and the OECD Principles of Corporate Governance. The further development of these principles is reviewed at regular intervals.

Good corporate governance is a high priority for Buhler and is designed to promote long-term sustainable growth of the organization’s value. Its concrete manifestation is determined by the ownership structure, the size of the organization, the business activities, and the handling of risks.

The actions of the group management have always been governed by a corporate philosophy characterized by sustainable and ethical principles. Plans exist to codify the most important principles of conduct in the form of a Code of Conduct and to make it available to all Buhler employees.

Sustainability.

Responsible for the environment. For Buhler, environmental protection is an important corporate duty. An environmental management concept allows systematic consideration to be given to all ecological aspects and gives it the required status beside business-related and social issues. Its principles apply to all Buhler companies around the globe. In 1996, Buhler was one of the first companies in Switzerland to satisfy the requirements for obtaining ISO 14001 certification of all its production activities. Since then, it has successfully passed all intermediate audits and recertifications. Using resources sparingly is a high priority. In the past year, energy consumption at the Swiss locations was reduced from 155.1 terajoules to 115.7 terajoules. Total water consumption in Uzwil dropped to 51,077 m^3, which among other things is due to a process improvement in the production plant and a new surface treatment method. In the final stage, this change from wet paint to powder coating will reduce volatile organic compounds by 75%. Water consumption has also be halved. What is more, this new process hardly generates any special waste. Refuse is basically always separated by type and to a very large extent recycled. Major efforts have allowed the quantity of special waste to be disposed of to be reduced by another 12% in the past year.

Reduction of energy consumption. In addition to the efforts being made in its own business, Buhler's environmental conservation policy also governs the products and services supplied to customers. The Buhler-supplied production facilities in service around the world offer an overall high potential for conserving resources. Estimates show that Buhler installs production systems every year whose total electrical drive power equals the output of an average power plant. An analysis bears out that these plants have an overall high energy efficiency. But it is in the interest of customers to achieve further improvements. For this purpose, Buhler is continuously researching new methods for optimizing the energy consumption of its processes. It is collaborating with reputed drive engineering suppliers in order to supply plants to customers which are based on energy-optimized designs.

Other services of the Buhler Group also contribute to environmentally-friendly products. For example, lighter-weight components made of aluminum or light-metal alloys are in high demand especially in the field of automotive engineering. They can be manufactured on Buhler die casting systems. Also in the field of novel battery and electronics production technologies, Buhler's cutting-edge coatings and nanotechnology expertise is in high demand.

Improvement of industrial safety. Employee safety is a top priority especially in the design and construction of plant and equipment. Buhler has for years made respectable efforts to prevent industrial accidents and to reduce their consequential damage if they do happen. In the past year, numerous measures once again reduced the number of incidents and thus trimmed industrial accident insurance premiums. One of the measures taken was to train employees in their respective disciplines how to deal responsibly with chemicals, how to prevent fires, and how to handle loads properly. In particular, the "Check your Conduct" campaign sensitized employees to safety issues. Employee safety training is ensured by a mandatory safety course including a final test. It was designed and set up in cooperation with Buhler apprentices. Also outside companies frequently utilize this safety course, which has been recognized by the Swiss Society for Industrial Safety.

Organization Chart

CEO Calvin Grieder

Grain Processing Bruno Mendler	Food Processing Stefan Scheiber	Advanced Materials Achim Klotz
Grain Milling	Pasta & Extruded Products	Die Casting
Feed & Biomass	Chocolate & Cocoa	Grinding & Dispersion
Sortex & Rice	Aeroglide	Thermal Processes
Grain Handling	Nutrition Solutions	Nanotechnology
Malting		

Sales & Services Calvin Grieder

Manufacturing & Logistics Martin Menrath

Finance & Administration Andreas R. Herzog

Corporate Technology Diethelm Boese

As per 1 January 2010

Corporate Management.

Calvin Grieder
(1955, American and Swiss)
Chief Executive Officer

He graduated in process engineering from the Swiss Federal Institute of Technology Zurich. Then he occupied a number of management positions in companies engaged in the fields of control engineering, automation, and plant construction. In these functions, he was primarily in charge of establishing and expanding international business. In 2001, Calvin Grieder switched from Swisscom to the Buhler Group, which he has headed as CEO since then. He is a member of the board of directors of the two companies Metall Zug AG and Model AG.

Bruno Mendler
(1954, Swiss)
Grain Processing

He graduated in mechanical engineering from the Zurich University of Applied Science in Winterthur and obtained an executive MBA post-graduate degree from the University of St.Gallen. During 20 years, he was a member of the SIG technology group in various management positions. From 1999 to 2003, he was managing director of SIG Pack Systems AG after having been head of unit, marketing manager, and sales representative in the company. He switched to Buhler in 2003, taking charge of the Grain Processing division in 2004.

Stefan Scheiber
(1965, Swiss)
Food Processing

He graduated in business administration from the University of Applied Science in St.Gallen and later on continued his education at the IMD Lausanne and other institutes. From 1988, he worked for 15 years in various management positions abroad, including East and South Africa, Eastern Europe and Germany. In 1999, he took charge of the global organization of the Brewing and Rice business units and then assumed overall responsibility for Buhler Germany. From mid-2005, Stefan Scheiber headed the Sales & Services division as a member of corporate management. He has been in charge of the Food Processing division since March 2009.

Achim Klotz
(1960, German)
Advanced Materials

After completing his mechanical engineering studies at the University of Engineering in Darmstadt, he continued his education in marketing and business administration at a renowned business school. He then worked with the Schenk company in Darmstadt, switching in 1989 to Balzers AG, an international company active in the coatings industry. There he was first in charge of sales, joining the corporate management team later on. From 1998 onward, Achim Klotz headed the Die Casting division and was concurrently in charge of Buhler North America from 2001 to 2005. He was appointed head of the new Advanced Materials division in March 2009.

Andreas R. Herzog
(1957, Swiss)
Chief Financial Officer

After graduating in business administration, he continued his studies in various post-graduate courses in marketing and finance management at business schools in France, Canada, and the U.S. Then he occupied management positions in finance, controlling, audit, and logistics at Ciba-Geigy and Swatch. Before joining Buhler, he was Vice President Finance at Swarovski. During his professional career up to now, he has worked in Switzerland, Germany, Latin America, and West Africa. Andreas R. Herzog has been CFO of the Buhler Group since 2002.

Martin Menrath
(1955, German)
Manufacturing & Logistics

Following an apprenticeship as an aircraft engine mechanic and obtaining his university-level entrance qualifications, he graduated in aerospace engineering from the University of Engineering in Munich and later on obtained a doctorate from the faculty of aircraft propulsion. He has accumulated vast industrial management experience in the fields of production, development, and logistics at companies such as MTU; Rolls-Royce Deutschland, last as speaker of executive management; and as member of the executive management of Krauss-Maffei Wegmann GmbH & CO KG. He took charge of the Manufacturing & Logistics division in 2008.

Board of directors.

The board of directors of Bühler Holding AG and Bühler AG has seven members, and eight members up to the regular general meeting of 2009. The members have been elected for a tenure of three years. The age limit is 70.

The board of directors met four times in 2009. The main subjects discussed were the mid-term planning of business development and the further execution of internal risk management. The resolutions taken essentially concerned the establishment of a management company in China and the acquisition of a company in the field of activity of the Food Processing Division, also in China.

The board committee with its three members met six times and in particular discussed the internal audits and the further execution of the internal controlling system (IKS).

The group management was present at two board meetings, during which mid-term planning and the budget were discussed.

Urs Bühler *
(1943, Swiss)
Chairman

Graduate mechanical engineer from the Swiss Federal Institute of Technology Zurich (ETH). After a number of positions inside and outside Switzerland, he was appointed to the corporate management of Bühler AG in 1975, in charge of sales and development. From 1980 to 1984, he was president of Bühler GmbH, Braunschweig. In 1986, Urs Bühler was appointed CEO of Bühler AG, Uzwil. He handed over the executive management duties of Bühler AG to Calvin Grieder at the start of 2001. Urs Bühler has been a member of the board since 1981, from 1991 as its vice-chairman and since June 1994 as its chairman.

Dr. Benno Schneider *
(1942, Swiss)
Vice-Chairman

Obtained his doctorate in law (Dr. iur.) from the University of Berne and became an attorney at law. After filling various management functions in law and administration, he was appointed secretary general of the Swiss Federal Department of Justice and Police (EJPD) in 1976. In 1985, he retired from this function to open his own attorney's office in St.Gallen, which specializes in business and corporate law. Beside his activity as an attorney, Dr. Benno Schneider is also an entrepreneur in the plastics and construction industries. He has been a member of the board since 1992 and its vice-chairman since 1994.

Calvin Grieder **
(1955, American and Swiss)
Chief Executive Officer

He graduated in process engineering from the Swiss Federal Institute of Technology Zurich (ETH). Then he occupied a number of management positions in companies engaged in the fields of control engineering, automation, and plant construction. In these functions, he was primarily in charge of establishing and expanding international business. In 2001, Calvin Grieder switched from Swisscom to the Buhler Group, which he has headed as CEO since then. He is member of the board of the companies Metall Zug AG and Model AG.

Dr. Hans-Ulrich Doerig
(1940, Swiss)

Studied economy at the University of St.Gallen. After obtaining his doctorate and working for five years with J.P. Morgan in New York, he was active in the top management of the Credit Suisse Group starting in 1981. In 1998, he was appointed vice president of the Credit Suisse Group management in Zurich, with the function of Group Chief Risk Officer. Acting as full-time Vice President and Chairman of the Risk Committee of the Credit Suisse Group since 2003, the general meeting elected him as chairman in April 2009. Dr. Hans-Ulrich Doerig has been a member of the board of Bühler AG since 2004.

* Board committee ** Calvin Grieder is executive member of the board. The other members are non-executive members of the board.

Hans J. Löliger *
(1943, Swiss)

Studied business administration in London and Philadelphia. After ten years in the storage and materials handling equipment business, he joined the Crown Cork & Seal Company, Philadelphia in 1977. For Crown Holdings, he was active in various international functions up to 1996, for the last six years as President Global Plastics Packaging and member of the Group Executive Board. From 1996 to 2000, he was President and CEO of the SICPA Group in Lausanne, the global leader in the security inks business. Since 2001 he has served on the boards of several Swiss and international companies.
Hans J. Löliger has been a member of the board of Bühler AG since 2004.

Peter Quadri
(1945, Swiss)

Graduated in 1969 in economy and business administration from the University of Zurich as lic. oec. publ. In 1970, he joined IBM as a systems engineer and specialist for software and operating systems. Following various positions in the U.S., Denmark, and Switzerland, he was president of IBM Switzerland from 1998 to April 2006. Peter Quadri was appointed member of the board of Bühler AG in 2006.

Josef M. Müller
(1947, Swiss)

With a degree in business administration, he joined the Nestlé Group in 1972, with subsequent assignments in Switzerland, Europe, the U.S., and South Africa. He then spent several years as a sales and marketing manager in the Far East. From 1992 to 1995, he headed Nestlé Pakistan and from 1995 to 1998 Nestlé Korea. In mid-1998, Josef M. Müller took charge of Nestlé China, and from mid-2000 to 2007 of the Nestlé Greater China Region. Josef M. Müller has been a member of the board of Bühler AG since 2007.

Financial report

Financial commentary

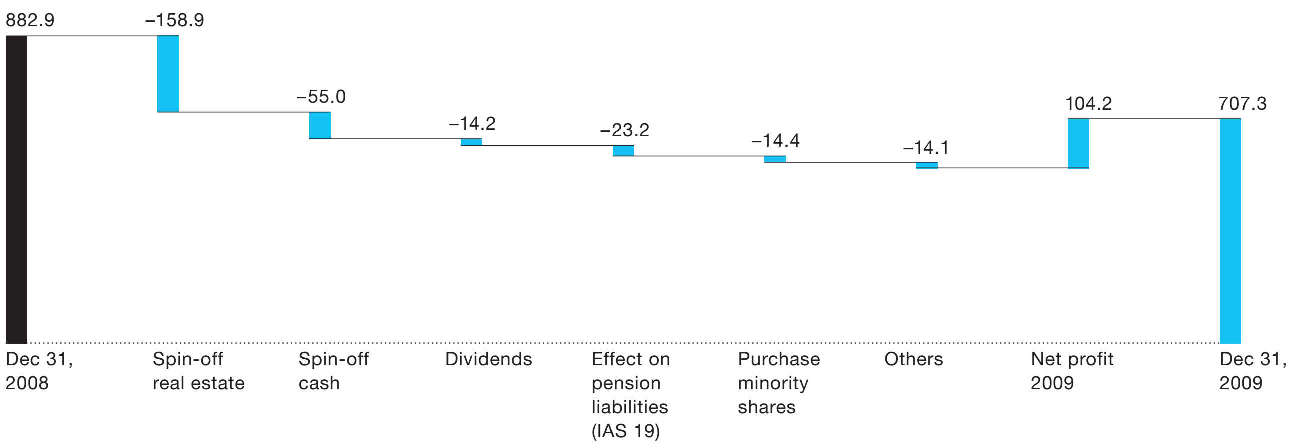
2009: Stable development, healthy balance sheet and high RONOA

Key points in brief. Despite the economic crisis and attendant difficult market conditions, order bookings and sales revenue fell only slightly short of the figures for the successful year 2008: Order bookings were reduced by 5.7% (3.2% after adjustment for currency effects) while sales revenue was 9.1% lower (6.4% after adjustment for currency effects). Despite goodwill impairments and restructuring costs, net profit was CHF 3 million higher in absolute terms and up 0.7 percentage points in relation to sales revenue (6.0% versus 5.3% in 2008). This was helped in no small part by operational improvements and a good financial result. Investment in research and development remained at the level of previous years. Headcount was reduced by 8.8% to 7,480. The return on net operating assets (RONOA) reached a new high of 33.5% (2008: 31.6%). Net liquidity once again increased.

Slightly higher net income and good financial result. Net income rose 3.0% versus 2008 to CHF 104.2 million. This result was attributable to process improvements in production and project management, but also to capacity balancing in engineering and production. Negative factors included goodwill impairments of CHF 12.8 million (BuhlerPrince Inc., USA, and Drais, Germany), high restructuring costs and volume effects. These factors weighed on EBIT. Notwithstanding the uncertain environment, Buhler continued to invest in innovation, and therefore the future, as in previous years. Investment in research and development amounted to CHF 78.7 million (2008: CHF 82.3 million), equivalent to 4.6% (2008: 4.4%) of sales revenue. In 2009 these investments are fully expensed in the income statement. Net income was positively influenced by the good financial result of CHF 12.7 million. The tax rate increased compared with 2008 to 28.0% (19.6%). This is due to a change in tax rates in the canton of St. Gallen and the associated release of deferred tax liabilities in the 2008 financial statements.

Healthy balance sheet with high net liquidity. In the context of the succession plan of the family owning the business, the companies UZE AG and Buhler-Immo AG, both domiciled in Uzwil, were spun off from the Group at the beginning of 2009. The spin-off resulted in the reduction of an additional CHF 55.0 million in cash. This sum was made available to the Group again in the form of short-term interest-bearing debt. The total amount of the transaction came to CHF 213.9 million, reducing equity by the same amount. Besides that, eq-

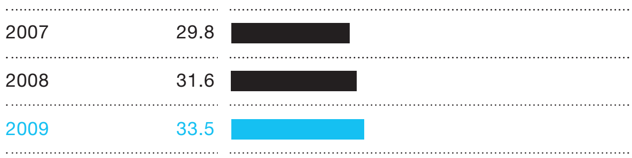
Equity development (CHF m)



uity was influenced in particular by the offset of goodwill relating to the acquisition of the remaining 49% of Buhler Barth AG in Freiberg, Germany, in addition to IAS 19 effects as a result of the SORIE method. Equity was reduced in overall terms from CHF 882.9 million (equity ratio of 47.2%) to CHF 707.3 million (41.2%). Financial liabilities less commitments in relation to the family owning the business amounted to a low CHF 11.5 million (CHF 10.2 million in the previous year). At CHF 161.9 million, cash flow from operating activities was more than able to absorb investments, above all in production capacity in China and Germany, as well as the acquisition of the minority interests of Buhler Barth, the spin-off of cash and various smaller items. Net liquidity increased to CHF 406.0 million.

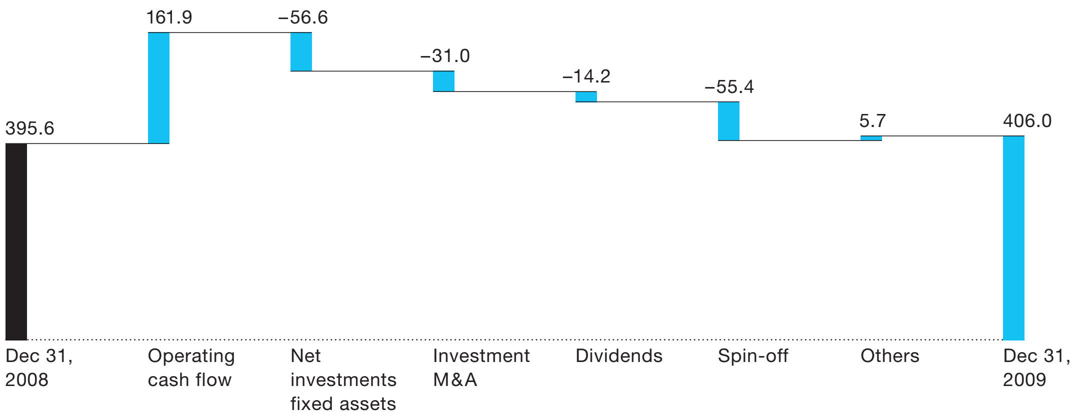
High return on net operating assets. The spin-off of the aforementioned companies to the family owning the business resulted in a further increase in RONOA, which reached a record 33.5% (2008: 31.6%). The high RONOA was in addition helped by intensive efforts to optimize net working capital. The CHF 40.5 million reduction in inventories to CHF 202.3 million was partly responsible for the high return on capital employed.

RONOA development (in %)



Summary and outlook. Given the economic crisis enveloping nearly the entire globe in 2009, Buhler succeeded in achieving an excellent result. Despite a fall in sales revenue compared with the previous year, a higher net income was achieved. At CHF 962 million at the end of 2009, the order backlog was CHF 67 million or 7% higher compared with 2008. In financial year 2009, Buhler concentrated its efforts on creating more streamlined structures, eliminating process redundancies and therefore becoming more productive. At the same time, it invested significantly in its market presence and innovation. The Corporate Management is quietly optimistic about economic prospects in light of the signs of a recovery, anticipating similar levels of business in 2010.

Analysis net liquidity (CHF m)



Financial report Buhler Group

Consolidated income statement

	See notes	2009 CHF m	2008 CHF m
Sales revenue	1	1,721.3	1,893.1
Changes in semi-finished and finished product inventories		–22.1	9.0
Other operating income	2	37.7	38.7
Total operating income		**1,736.9**	**1,940.8**
Cost of materials		–637.1	–787.3
Personnel expenses	3	–586.2	–612.6
Other operating expenses	4	–331.7	–345.7
Operating result before interest, taxes, depreciation and amortization (EBITDA)		**181.9**	**195.2**
Depreciation and amortization	7/8	–49.8	–37.1
Operating result before interest and taxes (EBIT)		**132.1**	**158.1**
Financial result	5	12.7	–32.2
Profit before taxes		**144.8**	**125.9**
Income taxes	6	–40.6	–24.7
Net profit		**104.2**	**101.2**
Attributable to:			
→ Equity holders of the parent		96.8	96.3
→ Minority interests		7.4	4.9

Consolidated balance sheet

As at December 31

	See notes	Dec 31, 2009 CHF m	Dec 31, 2008 CHF m
Assets			
Tangible fixed assets	7	273.3	251.7
Investment properties	7	0.5	0.5
Intangible assets	8	122.7	144.3
Investments in associates	9	8.9	0.0
Long-term financial assets	10	34.3	32.0
Deferred tax assets	11	21.9	10.6
Non-current assets		**461.6**	**439.1**
Inventories	12	202.3	242.8
Net assets of production order in progress	13	144.9	180.4
Trade accounts receivable	14	343.0	333.7
Other accounts receivable, prepayments and accrued income	15	80.2	65.7
Current income tax assets		2.3	6.0
Securities	24	109.5	50.9
Cash and cash equivalents		372.4	361.2
Current assets		**1,254.6**	**1,240.7**
Assets held for sale	16	0.0	191.8
Total assets		**1,716.2**	**1,871.6**

	See notes	Dec 31, 2009 CHF m	Dec 31, 2008 CHF m
Shareholders' equity and liabilities			
Share capital	17	15.0	15.0
Capital reserves		185.1	185.1
Other reserves/Retained earnings	18	484.9	652.9
Shareholders' equity attributable to equity holders of the parent		**685.0**	**853.0**
Minority interests		**22.3**	**29.9**
Total equity		**707.3**	**882.9**
Long-term financial liabilities		11.5	9.3
Deferred tax liabilities	11	84.4	76.7
Long-term post-employment benefit obligations	19	112.2	89.2
Long-term provisions	20	40.0	44.0
Non-current liabilities		**248.1**	**219.2**
Short-term financial liabilities		64.4	7.2
Trade accounts payable	21	111.5	135.9
Net liabilities of production orders in progress	13	236.1	296.2
Short-term provisions	20	51.0	45.2
Other short-term liabilities, accruals and deferred income	22	279.0	234.4
Current income tax liabilities		18.8	14.0
Current liabilities		**760.8**	**732.9**
Total liabilities		**1,008.9**	**952.1**
Liabilities directly associated with assets held for sale	16	0.0	36.6
Total shareholders' equity and liabilities		**1,716.2**	**1,871.6**

Consolidated cash flow statement

	See notes	2009 CHF m	2008 CHF m
Net profit		104.2	101.2
Depreciation and amortization	7/8	49.8	37.1
Other items not affecting cash flow		–5.8	10.6
Changes in provisions		–3.9	–29.3
Changes in trade accounts receivable		–6.9	60.8
Changes in inventories		40.7	–19.4
Changes in trade accounts payable		–28.7	–5.3
Changes in net assets/liabilities of production orders in progress		–25.5	73.9
Changes in other net operating assets		39.6	–9.1
Gains/losses on disposal of fixed assets		–1.6	–0.8
Cash flow from operating activities		**161.9**	**219.7**
Additions to tangible fixed assets		–63.7	–84.7
Disposals of tangible fixed assets		7.1	5.0
Additions to non-consolidated participations		0.0	–6.5
Disposals of non-consolidated participations		0.4	0.0
Additions to securities		–72.2	–59.4
Disposals of securities		7.9	88.1
Additions to long-term financial assets		–5.7	–3.8
Disposals of long-term financial assets		1.1	7.4
Additions to intangible assets		–0.7	–0.6
Government grants received	34	8.8	11.7
Cash flow from changes in the scope of consolidation	25	0.0	–98.0
Cash flow from movements with minority interests		–27.8	0.0
Cash flow from investing activities		**–144.8**	**–140.8**
Additions to financial liabilities		68.0	3.5
Repayments of financial liabilities		–11.1	–1.4
Dividends paid of Buhler Holding AG		–12.0	–8.0
Dividends paid to minority interests		–2.2	–1.7
Spin-off cash		–55.4	0.0
Cash flow from financing activities		**–12.7**	**–7.6**
Translation differences		6.8	–32.3
Changes in cash		**11.2**	**39.0**
Cash at the beginning of period		361.2	322.2
Cash at the end of period		372.4	361.2
Income taxes paid		–30.6	–36.1
Interest paid		–3.3	–4.0
Interest received		8.7	12.8
Dividends received		0.3	0.1

Changes in provisions include changes in short- and long-term provisions, long-term post-employment benefit obligations and deferred taxes.
For comments regarding the spin-off cash see note 16.

Changes in shareholders' equity

	Share capital CHF m	Capital reserves CHF m	Other reserves CHF m	Retained earnings CHF m	Equity attributable to the equity holders of the parent CHF m	Minority interests CHF m	Total equity CHF m
January 1, 2008	15.0	185.1	−12.2	705.2	893.1	38.3	931.4
Total income for the year recognized directly in equity			−49.5	18.0	−31.5	3.7	−27.8
Dividends				−8.0	−8.0	−1.7	−9.7
Changes in minority interests				−0.6	−0.6	−10.4	−11.0
December 31, 2008	**15.0**	**185.1**	**−61.7**	**714.6**	**853.0**	**29.9**	**882.9**
January 1, 2009	15.0	185.1	−61.7	714.6	853.0	29.9	882.9
Total income for the year recognized directly in equity			−1.4	73.7	72.3	6.6	78.9
Dividends				−12.0	−12.0	−2.2	−14.2
Spin-off net assets				−213.9	−213.9	0.0	−213.9
Changes in minority interests				−14.4	−14.4	−12.0	−26.4
December 31, 2009	**15.0**	**185.1**	**−63.1**	**548.0**	**685.0**	**22.3**	**707.3**

Additional information regarding other reserves see note 18.
For additional information regarding the asset spin-off see note 16.
The changes in minority interests stem essentially from the buying up of minority interests. See note 25.

Statement of income and (expenses) recognized directly in consolidated equity

	2009 CHF m	2008 CHF m
Net profit	104.2	101.2
Actuarial losses on benefit obligations and effect of IAS 19, § 58 (b) after taxes	−23.2	−79.5
Translation differences	−2.1	−49.2
Unrealized gains/losses	0.0	−0.3
Total income and (expense) for the year recognized directly in equity	**78.9**	**−27.8**
Attributable to		
Equity holders of the parent	72.3	−31.5
Minority interests	6.6	3.7
	78.9	**−27.8**

Notes to the financial statements

Business activities

Buhler is a global leader in the supply of process engineering solutions, especially technologies for the production of foods and engineering materials. Buhler is active in over 140 countries and employs some 7,500 people worldwide. In fiscal 2009, the Group generated sales revenue of CHF 1,721 million.

Consolidation principles

Basis of accounting. The annual consolidated financial statements of the Buhler Group are prepared in accordance with the International Financial Reporting Standards (IFRS) and in compliance with the Swiss Code of Obligations.

The annual consolidated financial statements are based on the audited single-entity financial statements of the Group companies, which are prepared in accordance with consistent accounting principles.

The annual consolidated financial statements are prepared under the historical cost convention. Any exceptions to this general rule are outlined in the following accounting policies.

The preparation of the annual consolidated financial statements in accordance with generally accepted accounting principles requires the use of assumptions and estimates. These estimates are made to the best of the Group's knowledge of current events and possible future measures, but may differ from actual outcomes.

Key changes in the basis of accounting. Where applicable, the Group introduced new and revised International Financial Reporting Standards and interpretations as of January 1, 2009 or retrospectively as of January 1, 2008.

→ IFRS 7 revised – Financial Instruments – Disclosures. This revised standard provides for enhanced disclosures concerning the determination of fair values and liquidity risk. In particular, the amendment requires a quantitative analysis of the determination of fair values based on a three-level hierarchy for each category of financial instrument recognized at fair value. The amended standard results in additional information in the notes to the consolidated financial statements.
→ IAS 23 revised – Borrowing Costs. The revised IAS 23 requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In the past, the Group recognized all borrowing costs for the reporting period in the income statement. This revised standard did not result in any capitalization of borrowing costs for Buhler in 2009.
→ IFRS 3 revised – Business Combinations and IAS 27 revised – Consolidated and Separate Financial Statements. The Group adopted both revised standards early, on January 1, 2009. IFRS 3 revised introduces significant changes in terms of accounting for business combinations. Buhler was not involved in any business combinations in 2009. IAS 27 revised requires that a change in the level of investment in a subsidiary which does not result in the loss of control has to be carried in the balance sheet as a transaction with shareholders (equity transaction). The revised standard was applied to the purchase of minority interests in the reporting period.

Standards, interpretations, and amendments published but not yet applied. New and revised standards and interpretations that are relevant for Buhler and whose effects are currently being evaluated:

→ IFRIC 17 – Distribution of Non-Cash Assets to Owners (applicable to fiscal years starting July 1, 2009) contains rules on the measurement and accounting treatment of distributions of non-monetary assets to shareholders. Buhler will apply this interpretation from January 1, 2010. The Group does not foresee a significant impact on its consolidated financial statements.

Basis and methods of consolidation. The annual consolidated financial statements include Buhler Holding AG based in Uzwil, Switzerland, and all domestic and foreign companies in which the Group holding company, directly or indirectly, holds more than 50% of the voting rights.

The annual consolidated financial statements are prepared using the full consolidation method, under which assets, liabilities, income and expenses are included in full, all inter-company items (accounts receivable and payable, income and expenses) are eliminated, and minority interests in equity and profit or loss are disclosed separately. Unrealized gains and losses arising on inter-company transactions are eliminated in profit or loss. Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets transferred to the seller and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recognized as goodwill. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

Companies over which the Buhler Group has significant influence (usually as a result of holding 20% to 50% of the voting power) are accounted for using the equity method and presented as investments in associated companies. Under the equity method, the shareholders' equity and the result are included in the annual consolidated financial statements on a pro-rata basis.

Investments below 20% are recognized at fair value and presented as non-current financial assets. Changes in fair value are recognized directly in equity.

Changes in the scope of consolidation. In the reporting period the scope of consolidation changed as follows:

Additions.
→ Changji Buhler Machinery Co. Ltd., China
→ Zhengzhou Buhler Mechanical Co. Ltd., China
→ Buhler Food Ingredients (Guangzhou) Co. Ltd., China

Disposals (spin-off).
→ Bühler-Immo AG, Uzwil
→ UZE AG, Uzwil

Significant accounting estimates and judgments. The Buhler Group makes estimates and assumptions concerning future events. These are based on historical experience and forecasts for the future.

The assumptions made may differ from actual outcomes. Listed below are the estimates and assumptions which may have a material effect on the financial statements for the subsequent year.

Revenue and expenses under long-term construction contracts are accounted for using the percentage-of-completion method. Revenue (including a carefully estimated share of the outcome of the contract) is recognized by reference to the stage of completion. The stage of completion is determined according to the cost-to-cost-method. The percentage-of-completion method involves the use of estimates and forecasts concerning future costs; actual costs may differ from these estimates. The forecasts are reviewed on a regular basis and adapted where necessary. These changes affect costs, the stage of completion, and both realized and anticipated profits. Any changes in estimates are recognized in the period in which they occur. Losses identified on long-term contracts are recognized as an expense immediately. Losses on long-term contracts occur when the expected contract costs exceed the expected revenue.

A collective valuation allowance is recognized based on past experience for expected warranty costs on projects with similar conditions. Other known risks and risks related to projects with special conditions are estimated on a case-by-case basis and measured individually. The actual warranty costs incurred may differ from the costs provided for.

The fair value of intangible assets acquired in a business combination is estimated. Any difference between the purchase price and the net assets acquired is goodwill. The intangible assets acquired have a finite life and are therefore amortized. Goodwill has an indefinite life and is not amortized, but reviewed annually for possible impairment. The estimate of the allocation to intangible assets and goodwill therefore influences the write-downs. In addition, various assumptions are made in performing the goodwill impairment test that require medium- and long-term estimates to be made. These concern both in-house planning data (cash flow, growth rates, etc.) and external parameters (discount rate).

Post-employment benefit obligations are measured on the basis of partly long-term actuarial assumptions that may differ from reality. The assumptions underlying these measurements are listed in note 19. Changes in assumptions, such as interest rates, future wage and salary increases, or the life expectancy of the beneficiaries, may have a substantial impact on the provisions recognized.

The annual revaluation of the liability for the phantom option plan is essentially based on assumptions concerning the expected exercise date. The valuation is based on the assumption that the phantom options are exercised immediately upon expiration of the vesting period.

Foreign currency translation. The annual financial statements of the foreign Group companies are prepared in the local currency and translated into Swiss francs for consolidation. Year-end exchange rates are used for the balance sheets and annual average exchange rates for the income statements. The consolidated cash flow statement is also translated at annual average exchange rates.

Differences resulting from the application of these different exchange rates for the balance sheet and the income statement and from equity transactions are recognized directly in consolidated equity.

Translation differences arising on foreign-currency Group loans that are an equity investment are recognized directly in equity.

For foreign currency translation, the Buhler Group used the following exchange rates:

Foreign currency translation

		Average exchange rates		Closing rates 31.12.	
		2009 CHF	2008 CHF	2009 CHF	2008 CHF
Europe	1 EUR	1.510200	1.587900	1.485000	1.492500
Great Britain	1 GBP	1.695800	2.000600	1.660000	1.560000
USA	1 USD	1.085700	1.078800	1.030000	1.065000
Canada	1 CAD	0.952900	1.020900	0.982500	0.877500
Brazil	1 BRL	0.549060	0.600660	0.591600	0.457550
Argentina	1 ARS	0.292620	0.341468	0.271050	0.308800
Japan	1 JPY	0.011610	0.010470	0.011160	0.011760
India	1 INR	0.022420	0.024865	0.022100	0.022000
China	1 CNY	0.159170	0.155325	0.151000	0.156000
Mexico	1 MXN	0.080550	0.097735	0.078800	0.077100
Sweden	1 SEK	0.142440	0.165522	0.144500	0.137500
South Africa	1 ZAR	0.130300	0.133300	0.139800	0.114300
Iran	1 IRR	0.000110	0.000114	0.000104	0.000109

Measurement principles

Tangible fixed assets. Tangible fixed assets are recognized at cost less deprecation and write-downs for impairment. Items of tangible fixed assets are depreciated on a straight-line basis over their estimated useful life, that is for:

Buildings	
→ Building shell	25–100 years
→ Installations/extensions	15–35 years
Machinery and technical equipment	8–16 years
IT hardware	2–4 years
Other tangible fixed assets	3–7 years

Investment properties are also carried in the balance sheet at cost less depreciation and write-downs for impairment. The fair values of such properties, which are reported separately in the notes, are based mainly on in-house calculations (comparison with values of similar properties).

Repair and maintenance expenses are charged directly to the income statement. Only costs for repairs that increase an item's value are recognized as part of that asset and depreciated over its remaining useful life.

Leases. Tangible fixed assets financed through long-term finance leases are recognized and depreciated in the same way as other assets. The associated liabilities are recognized as either current or non-current financial liabilities, depending on their due dates.

Assets under operating leases are not recognized in the balance sheet. The expenses are charged directly to the income statement.

Whether an arrangement contains a lease is determined on the basis of the economic substance of the arrangement on the date it was concluded. This requires an assessment as to whether fulfillment of the arrangement depends on the use of a specific asset or specific assets and whether the arrangement conveys a right to control the use of the asset.

Assets under finance leases where the Buhler Group acts as lessor are recognized as receivables in the amount of the net investment. The risks and rewards incidental to ownership are transferred to the lessee.

Intangible assets. Goodwill is that portion of the purchase price of an equity investment which cannot be allocated to assets that can be separately identified or recognized. It is carried in the balance sheet at cost less accumulated write-downs (impairment). Goodwill is reviewed for impairment annually and when there are indications that its carrying amount may exceed its recoverable amount. Any impairment losses are recognized as an expense immediately and not reversed. Negative goodwill arising from business combinations is recognized as income immediately.

Patents, licenses, trademarks, and similar rights are carried in the balance sheet at cost and amortized on a straight-line basis over their expected useful life or a period not exceeding 15 years. Intangible assets stemming from business combinations are carried in the balance sheet at fair value and amortized over their expected useful life.

Impairment of assets. Assets (excluding goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. If the carrying amount does exceed the recoverable amount (the higher of fair value less costs to sell and value in use), it is written down to the recoverable amount.

Financial assets and liabilities. A distinction is made between the following four categories:

→ Financial assets "at fair value through profit or loss" are generally acquired with the intention of generating a profit from short-term fluctuations in price.
→ "Held to maturity" investments are those with a fixed maturity that the Buhler Group has the positive intention and ability to hold to maturity.
→ "Loans and receivables" include loans granted and accounts receivable.
→ All other financial assets are classified as "available for sale".

Financial assets "at fair value through profit or loss" are recognized on acquisition at cost and subsequently at fair value, with fair value changes recognized in net financial income/finance cost. "Held to maturity" investments are measured using the effective interest method.

"Available for sale" financial assets are measured subsequent to their initial recognition at fair value, with unrealized gains and losses recognized in retained earnings until the assets' disposal, at which time they are taken to net financial income/finance cost. Impairment losses are recognized in profit or loss rather than directly in equity.

Derivative financial instruments are recognized on acquisition at cost and subsequently at fair value (replacement cost). Except for financial instruments that meet the conditions for a cash flow hedge, changes in the fair value of derivative financial instruments are recognized in net financial income/finance cost.

Purchases and sales are recognized at the trade date rather than at the settlement date.

The fair values of financial assets that are traded in an active market are based on the fair values at the end of the reporting period. The fair values of financial assets that are not traded in an active market are determined using valuation techniques.

Financial liabilities consist mainly of borrowings, which are measured at (discounted) cost. Liabilities from trading activities "at fair value through profit and loss" are carried in the balance sheet at fair value.

Financial assets are derecognized when Buhler relinquishes control over them, that is when the related rights are sold or expire. Financial liabilities are derecognized when discharged.

Non-current assets held for sale and liabilities associated with non-current assets held for sale. Any non-current assets held for sale and discontinued operations are presented under this item. This includes all those assets associated with the discontinuation of entire lines of business or areas of operation, or balance sheet items or disposal groups containing at least one non-current asset plus any associated liabilities, which are to be realized through a sale transaction rather than through continued use. Reclassifications are only made if management is committed to the sale and has started seeking buyers. In addition, the asset or disposal group must be available for sale and its sale must be highly probable within one year. Non-current assets or disposal groups classified as held for sale are no longer depreciated. If necessary, they are written down for impairment.

The income and expenses of discontinued operations are separated from ordinary income and expenses in the income statement for both the reporting period and the prior-year down to the "profit after tax" level. The resulting gain or loss (after taxes) is presented separately in the income statement.

Inventories. Purchased inventories are measured at the cost of purchase and self-constructed inventories at manufacturing cost. If their net realizable value is lower, they are written down. The purchase costs of raw materials, consumables, and supplies are determined using the weighted average cost method. Finished goods and work in progress are measured at standard costs (based on normal capacity utilization; excluding borrowing costs). Obsolete inventories and goods with a low rate of inventory turnover are written down. Advance payments to suppliers are also included in inventories.

Accounts receivable. Trade and other accounts receivable are stated at their nominal amount less the necessary valuation allowances. Extended customer finance refinanced using the Group's own funds as part of its treasury strategy is included in this item.

Securities. Marketable securities include those that are held for trading without participation features. Securities included in financial assets are categorized as available for sale.

Cash and cash equivalents. Cash and cash equivalents include cash in hand and post office and bank deposits. They are carried at nominal amount.

Post-employment benefits. In addition to the compulsory social security arrangements, there are also autonomous post-employment benefit plans in place at numerous Group companies. The form of these plans, some of which are defined contribution and some defined benefit plans, and the coverage they provide depend on the conditions in the specific country in question. They are normally funded by employee and employer contributions.

The employer contributions paid or payable to defined contribution plans are recognized in the income statement.

In the case of defined benefit plans, the present value of anticipated benefits is determined using the projected unit credit method after deduction of any plan assets. Current service cost, which relates to employee service during the reporting period, is recognized in the income statement. Past service cost, relating to employee service in previous periods and resulting from the introduction of new or improved benefits, is recognized in the income statement as employee benefit expense on a straight-line basis until the benefits become vested. Actuarial calculations are revised by independent experts periodically or in the event of material changes. In the meantime, amounts are carried over. All actuarial gains and losses are recognized in the balance sheet immediately and presented as an equity movement in the statement of recognized income and expense. The effect of the limit on any plan surplus is also recognized as an equity movement in the statement of recognized income and expense. Advance contribution payments (employers' contribution reserves) are presented under long-term financial assets. In accordance with IFRIC 14, any other assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions. Liabilities are fully provisioned.

Participation plans. Since 2008 there has been a phantom option plan in place for members of management based on phantom shares of Buhler. Awards depend on the organizational position of the employee. Buhler determines the value of the phantom option annually based on the Group's annual profit for the three preceding years and equity. The phantom options are cash-settled and valid for ten years from the date of grant. The phantom options are re-assessed at each balance sheet date and a corresponding liability is recognized.

Provisions. Provisions are recognized when Buhler has a present obligation as a result of a past event, an outflow of resources is probable, and a reliable estimate can be made of the amount of the obligation. In accordance with IAS 19, the present value of provisions for jubilee or other long-service benefits is determined using the projected unit credit method.

Borrowing costs. Borrowing costs which are directly attributable to the acquisition, construction or production of a qualified asset are capitalized as part of the cost of that asset.

Taxes. Income taxes comprise the tax expense in respect of all recognized profits for the reporting period. They include current and deferred income taxes. Current income taxes are calculated on taxable profit. Provisions for deferred taxes are calculated according to the liability method. Deferred taxes are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax base taking into account actual or expected local tax rates. Changes in deferred taxes are included in tax expense.

Deferred tax assets are only recognized for temporary differences and unused tax loss carry-forwards to the extent that it is probable that they will be realized in the foreseeable future.

Research and development. Research costs are recognized in the income statement in the period in which they are incurred. Development costs are capitalized only if, and to the extent that, the IFRS criteria are met and it is highly probable that the present value of the expected returns will exceed the development costs. Capitalized development costs are amortized on a systematic basis over the period in which the returns are expected to flow to the Group.

Construction contracts, revenue and profit recognition. Invoices for goods and services are recorded as gross revenue when the goods are delivered or the services rendered. Gross revenue is presented exclusive of sales and value added taxes and after deduction of discounts and returns. Long-term construction contracts are accounted for using the percentage-of-completion method. The stage of completion is determined using the cost-to-cost method. The costs include a risk premium. The consolidated income statement includes the pro-rata revenue and a carefully estimated share of the outcome of the contract; the consolidated balance sheet includes the relevant assets or liabilities after offsetting advance payments. The calculation of costs in relation to the stage of completion was revised in the reporting period. This change resulted in an impact on sales of around CHF 10 million and a negative impact on EBIT of approximately CHF 3.0 million.

Financial risk management

Buhler has Group-wide guidelines in place governing the monitoring and management of financial risks. Derivative financial instruments and securities are measured on the basis of the fair values at the end of the reporting period.

Financial assets

2009	Cash and cash equivalents CHF m	Securities CHF m	Receivables & accruals CHF m	Financial assets CHF m	Total book value CHF m	Total market value CHF m
Cash reserves	372.4				372.4	372.4
Financial assets “at fair value through profit or loss”		109.5			109.5	109.5
Receivables and loans			423.2	10.5	433.7	433.7
“available for sale”				5.6	5.6	5.6
Total financial assets	**372.4**	**109.5**	**423.2**	**16.1**	**921.2**	**921.2**

2008	Cash and cash equivalents CHF m	Securities CHF m	Receivables & accruals CHF m	Financial assets CHF m	Total book value CHF m	Total market value CHF m
Cash reserves	361.2				361.2	361.2
Financial assets “at fair value through profit or loss”		50.9			50.9	50.9
Receivables and loans			441.3	3.1	444.4	444.4
“available for sale”				15.2	15.2	15.2
Total financial assets	**361.2**	**50.9**	**441.3**	**18.3**	**871.7**	**871.7**

Financial assets which are evaluated at fair value are measured at quoted prices (first category).

Financial liabilities

2009	Financial liabilities CHF m	Payables/ accruals and deferred income CHF m	Total book value CHF m	Total market value CHF m
Financial liabilities at amortized acquisition costs	73.0	390.3	463.3	463.3
Financial liabilities “at fair value through profit and loss”	2.9	–	2.9	2.9
Total financial liabilities	**75.9**	**390.3**	**466.2**	**466.2**

2008	Financial liabilities CHF m	Payables/ accruals and deferred income CHF m	Total book value CHF m	Total market value CHF m
Financial liabilities at amortized acquisition costs	23.8	370.3	394.1	394.1
Financial liabilities “at fair value through profit and loss”	5.5	–	5.5	5.5
Total financial liabilities	**29.3**	**370.3**	**399.6**	**399.6**

Financial liabilities which are evaluated at fair value are measured at quoted prices (first category).

Market risk. Buhler is exposed to market risks that relate primarily to exchange rates, interest rates, and the fair value of investments in liquid financial assets. The Group monitors these risks on an ongoing basis in the course of monthly financial committee meetings. In order to manage the volatility associated with these risks, the Group makes sporadic use of derivative financial instruments. The aim is to limit the total risk arising from physical exposures and derivative instruments in line with budgeted amounts and expected opportunities. This includes observing the principle that Buhler will not engage in any financial transactions that involve an inestimable risk at the transaction date.

Exchange rate risk. The Group reports in Swiss francs and is therefore exposed to exchange rate movements, primarily in European, North American, Asian, and South American currencies. Various contracts are concluded with a view to offsetting exchange rate-related changes in assets, liabilities, and future transactions. Buhler also uses currency forwards and options to hedge certain revenues it expects to receive in foreign currency.

Net investments in foreign Group companies are long term in nature. Their fair value changes as exchange rates change. Over the long term, however, the change in the inflation rate should match the exchange rate movements such that changes in the fair value of foreign investments offset the exchange rate-related changes in value. For this reason, Buhler hedges its investments in foreign Group companies only in exceptional cases.

Commodity risk. The Group is only exposed to limited price risk on probable purchases of certain raw materials used in the Group's business. Changes in commodity prices may cause the gross margin of the relevant business unit to change, but should not normally exceed 10% of that margin. Buhler operates a Commodity Overlay Management Strategy for the main commodities, namely aluminum, nickel, copper, and energy (crude oil). Within this strategy, Buhler carries out raw material futures, commodity futures and commodity options transactions.

Interest rate risk. Interest rate risk arises from changes in interest rates that may affect the net assets and results of the Buhler Group. The risks are managed and monitored centrally.

Equity security risk. The Group buys shares in other companies in order to invest its liquid funds. It does so in accordance with the treasury strategy approved by the Board of Directors. This sets precise limits, including for investments in shares. Buhler limits the risk across all asset classes by holding less than 5% of the Group's invested funds in any one outside company. Call or put options are covered by securities or cash positions.

Counterparty risk. Counterparty risk is the credit risk, or risk of default, on marketable securities, derivative financial instruments, money-market contracts, current-account deposits, and time deposits. Counterparty risk is minimized by buying only securities which have at least an "A" rating and choosing as counterparties only banks and financial institutes which have at least an "A" rating at the transaction date. These risks are carefully monitored and kept within predefined parameters. Group guidelines ensure that credit risk in respect of financial institutions is limited. The limits are monitored and adjusted on a regular basis. The Group does not expect any losses as a result of the counterparties' inability to fulfill their contractual obligations and does not have any appreciable concentration of risk in respect of particular industries or countries.

Credit risk. Credit risk arises when customers are unable to fulfill their obligations as agreed. The "Operational Risk Diagram", which has been applied for several years now, was completely revised and was replaced by the "Operational Risk Management" (ORM) in 2008. The evaluation of our customers' financial reliability and/or the terms of payment and the hedging of our deliveries are all key concerns. In addition, it can be said that none of our customers has outstanding payments accounting for more than 5% of Group sales. The nominal value of the trade accounts receivable less valuation allowances is considered an approximation of the receivables' fair value. The book values stated represent the maximum credit risk.

Receivable outstanding analysis

2009	Total book value Dec 31, 2009 CHF m	Not due CHF m	Overdue < 3 months CHF m	4–6 months CHF m	7–9 months CHF m	10–12 months CHF m	> 12 months CHF m
Accounts receivable trade and other	423.5	363.2	26.2	10.7	8.4	6.3	8.7
Allowance for bad debts	–9.6	–	–1.6	–0.8	–0.2	–1.2	–5.8
Associated companies and other related parties	2.2	2.2	–	–	–	–	–
Total accounts receivable, net	**416.1**	**365.4**	**24.6**	**9.9**	**8.2**	**5.1**	**2.9**

2008	Total book value Dec 31, 2008 CHF m	Not due CHF m	Overdue < 3 months CHF m	4–6 months CHF m	7–9 months CHF m	10–12 months CHF m	> 12 months CHF m
Accounts receivable trade and other	403.7	312.6	57.4	11.6	7.7	3.7	10.7
Allowance for bad debts	–12.2	–	–1.4	–0.3	–0.4	–1.6	–8.5
Associated companies and other related parties	–	–	–	–	–	–	–
Total accounts receivable, net	**391.5**	**312.6**	**56.0**	**11.3**	**7.3**	**2.1**	**2.2**

Allowance for bad debts

	2009 CHF m	2008 CHF m
January 1	–12.2	–9.9
Additions	–3.6	–6.6
Consumption	5.9	2.8
Release	1.1	2.4
Changes in scope of consolidation	0,0	–0.4
Translation differences	–0.8	–0.5
December 31	–9.6	–12.2

Liquidity risk. Liquidity risk refers to the risk arising when the Group is unable to fulfill its obligations when due or at a reasonable price. The Group Treasury department is responsible for monitoring liquidity, financing, and repayment. In addition, liquidity and financing risks and the related processes and guidelines are checked by corporate management. Buhler manages its liquidity risk on a consolidated basis and taking into account business policy, tax, financial, or regulatory considerations. Bank loans are the main source of finance. Corporate management monitors the Group's net liquidity position by means of ongoing forecasts based on expected cash flows.

Financial liabilities: book value and cash flow

2009	Book value Dec 31 2009 CHF m	Cash outflow Total CHF m	< 1 year CHF m	1–5 years CHF m	> 5 years CHF m
Trade accounts payable	108.4	108.4	108.4	–	–
Financial liabilities to banks	4.0	4.0	–	4.0	–
Liabilities to related parties	70.6	72.3	67.9	4.4	–
Liabilities others/accruals and deferred income	283.2	283.2	280.1	3.1	–
Total	**466.2**	**467.9**	**456.4**	**11.5**	**–**

2008	Book value Dec 31 2008 CHF m	Cash outflow Total CHF m	< 1 year CHF m	1–5 years CHF m	> 5 years CHF m
Trade accounts payable	135.9	135.9	135.9	–	–
Financial liabilities to banks	–	–	–	–	–
Liabilities to related parties	7.7	7.7	7.7	–	–
Liabilities others/accruals and deferred income	250.5	250.5	228.4	22.1	–
Total	**394.1**	**394.1**	**372.0**	**22.1**	**–**

Value at risk. The Group uses a value-at-risk calculation (VAR) to estimate the potential 30-day fair value loss on its financial instruments, receivables, and liabilities.

A period of thirty days is used because it is assumed that, due to the scale of the positions, not all can be closed within a very short time. The VAR calculation encompasses the Group's financial liabilities, short- and long-term financial investments, foreign currency and commodity forward contracts, and options. It includes customer receivables and supplier liabilities denominated in foreign currencies and loans to foreign Group companies.

The VAR calculation estimates the loss under normal market conditions and at a confidence interval of 95%. The Group uses a delta-normal model to determine the correlations observed between fluctuations in interest rates, equity markets, and currencies. To calculate VAR, these correlations are determined bearing in mind interest rates, equity market movements, and changes in foreign currencies and commodity prices over a period of 90 days.

The following table shows the estimated potential 30-day pre-tax loss under normal market conditions, as calculated using the VAR model:

	Dec 31, 2009 CHF m	Dec 31, 2008 CHF m
All instruments	8.4	13.2
Analyzed by instrument		
→ Exchange-rate related instruments	7.0	13.1
→ Equity-market related instruments	2.7	0.4
→ Interest-rate related instruments	1.3	0.9

The calculation does not claim to give the fair value losses that Buhler will actually suffer. Buhler is not in a position to predict actual future market movements and does not claim that these VAR calculations are representative of future market changes or their actual effects on Buhler's future results or financial position.

In addition to these VAR analyses, Buhler also uses the maximum drawdown method. The aim of such stress tests is to simulate a worst-case scenario. For these calculations, Buhler uses the most unfavorable market change in each category within a 30-day period over the past ten years. The greatest loss assumed for 2009 and 2008 was as follows:

	Dec 31, 2009 Mio. CHF	Dec 31, 2008 Mio. CHF
Exchange-rate related instruments	16.5	12.2
Equity-market related (incl. commodities) instruments	10.9	0.6
Interest-rate related instruments	4.4	0.9
All instruments	**31.8**	**13.7**

As mentioned in the VAR calculation the changes are mainly related to the foreign currency positions and the equity-market related instruments.

In the risk analysis, Buhler considers this worst-case scenario to be tolerable insofar as it would reduce profits, but not jeopardize the Group's solvency and/or its current good credit rating. Although it is very unlikely that all the worst-case fluctuations would occur simultaneously as represented in the model, the market may be subject to greater fluctuations in the future than it has been in the past. Moreover, in such a worst-case scenario, corporate management could take appropriate action to reduce the risk to Buhler.

Capital risk management. One of the Group's main objectives is to apply a well-managed capital management system in order to ensure the continuity of the Group and generate added value for all stakeholders. Another goal is to optimize the cost of capital.

Buhler does not have to comply with any capital requirements imposed by third parties since the amount of financial debt is of a negligible magnitude.

Risk assessment. The Board of Directors of Buhler Group assesses the corporate risks within the framework of systematic risk identification and analysis. Based on this assessment, measures for risk management in the company are defined and monitored. The corresponding meeting of the Board of Directors took place on December 17, 2009.

1 Sales revenue

CHF 1,238.8 million (prior year CHF 1,262.1 million) of the total operating income was determined using the percentage-of-completion method in the reporting period.

2 Other operating income

	2009 CHF m	2008 CHF m
Other operating income related parties	0.1	0.3
Capitalized goods and services for own account	0.6	1.2
Rental income	0.4	2.8
Gains from sale of fixed assets	1.6	1.2
Others	35.0	33.2
Total	**37.7**	**38.7**

The position "Others" includes reversal of provisions, income from consortium contracts, interest income from trade finance and other operating income third parties not belonging to the core business.

3 Personnel expenses

	2009 CHF m	2008 CHF m
Wages and salaries	472.6	500.4
Social security and employee benefit expenses	83.4	80.5
Other personnel expenses	30.2	31.7
Total	**586.2**	**612.6**

4 Other operating expenses

	2009 CHF m	2008 CHF m
Administration expenses	62.6	79.8
Rental and leasing expenses, dues	22.9	24.1
Energy, maintenance and repairs	28.7	33.0
Travel expenses	50.7	57.0
Outbound freight costs	44.7	52.3
Consultancy fees	9.9	10.5
Marketing costs	10.8	13.1
Agency fees	24.1	26.4
Warranty costs, loss orders	10.3	11.0
Other operating expenses related parties	23.6	0.0
Others	43.4	38.5
Total	**331.7**	**345.7**

5 Financial income

	2009 CHF m	2008 CHF m
Interest income	8.7	11.9
Interest expenses	–1.3	–0.3
Total interest result	**7.4**	**11.6**
Realized gains from securities	4.7	2.1
Realized losses from securities	–1.4	–28.9
Total securities result	**3.3**	**–26.8**
Interest income from related parties	0.1	0.0
Interest expenses from related parties	–1.8	–0.8
Total interest result from related parties	**–1.7**	**–0.8**
Fair value adjustments	0.8	–4.6
Foreign exchange gains and losses	3.6	–15.1
Other financial income and expenses	–0.7	3.5
Total	**12.7**	**–32.2**

Net financial income amounted to CHF 12.7 million in 2009. This compares with a net loss in the amount of CHF –32.2 million in 2008. The previous year's result was primarily affected by the negative performance of the Swiss Franc and greater market volatility. The good financial result of 2009 was mainly driven by the net improvement of the securities result of CHF 30.1 million. In addition the result was influenced positively by fair-value adjustments and foreign exchange gains by a total of CHF 19.9 million versus the previous year thanks to the positive investment conditions and more favorable currency hedging.

6 Taxes

6.1 Income taxes	2009 CHF m	2008 CHF m
Income taxes relating to the reporting period	–36.9	–34.7
Income taxes relating to prior periods	0.5	–0.4
Deferred taxes due to temporary differences	–7.6	–1.9
Deferred taxes due to first time recognition of tax loss carry-forwards	3.4	–0.4
Deferred taxes due to changes in tax rates	0.0	12.7
Total	**–40.6**	**–24.7**
Deferred taxes recognized directly in shareholders’ equity	7.1	12.0

6.2 Reconciliation of income taxes	2009 CHF m	2008 CHF m
Profit before taxes	144.8	125.9
Components of tax expenses:		
Income taxes at anticipated tax rate	–33.2	–32.6
Income and expenses not subject to tax	–4.9	–2.3
Income taxes relating to prior periods	0.5	–0.4
Deferred taxes due to changes in tax rates	0.0	12.7
Effect of tax loss carry-forwards	0.6	1.6
Effect of losses without recognition of deferred tax assets	–0.1	–1.1
Other impacts	–3.5	–2.6
Income taxes disclosed (current and deferred)	–40.6	–24.7
Total income taxes in % of profit before taxes	28.0%	19.6%

The anticipated tax rate was 22.9% (prior year 25.9%) and is composed of the weighted average of the applicable local tax rates for income taxes. The low anticipated tax rate is mainly attributable to the tax effect from goodwill impairment (see note 8). The value from the prior year was adjusted due to new calculations. The rise in the tax rate to 28.0% (previous year: 19.6%) was due to a change in tax rates in Switzerland (canton of St. Gallen). This change resulted in a reduction of deferred tax liabilities in the previous year.

6.3 Tax loss carry-forwards	2009 CHF m	2008 CHF m
Expiry		
Unlimited	8.7	6.5
In more than 5 years	21.6	15.1
In 2 to 5 years	5.1	8.1
Within one year	0.0	0.1
Total	**35.4**	**29.8**
Tax loss carry-forwards accounted for in deferred taxes	32.8	13.4
Tax effect on tax loss carry-forwards unaccounted for	0.8	3.1

The change in tax-offsettable loss carry-forwards stems from the use of tax loss carry-forwards in Germany as well as from impacts in Switzerland. With the spin-off of two companies, tax loss carry-forwards were lost on the one hand. On the other, due to a loss in 2009 a major addition of new loss carry-forwards was recorded.

7 Movements of tangible fixed assets

	Investment properties CHF m	Land and buildings CHF m	Machinery and technical equipment CHF m	Other tangible fixed assets CHF m	Assets under construction CHF m	Total CHF m
Acquisition cost						
January 1, 2008	80.1	403.2	213.4	115.7	22.4	834.8
Additions	0.8	26.4	15.7	8.9	20.9	72.7
Disposals	–0.9	–8.0	–7.0	–6.9	0.0	–22.8
Changes in the scope of consolidation	0.0	4.8	2.5	0.8	0.0	8.1
Reclassifications	–79.4	–230.3	–16.0	1.9	–25.3	–349.1
Translation differences	–0.1	–13.3	–8.8	–6.5	–0.5	–29.2
December 31, 2008	**0.5**	**182.8**	**199.8**	**113.9**	**17.5**	**514.5**
Additions	0.0	18.0	21.0	10.4	6.4	55.8
Disposals	0.0	–5.3	–14.3	–6.8	–1.0	–27.4
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	6.4	10.0	1.8	–13.4	4.8
Translation differences	0.0	0.4	–0.9	0.1	–0.1	–0.5
December 31, 2009	**0.5**	**202.3**	**215.6**	**119.4**	**9.4**	**547.2**
Depreciation						
January 1, 2008	–35.9	–154.6	–143.2	–84.6	0.0	–418.3
Additions	–0.5	–7.0	–13.6	–10.9	0.0	–32.0
Disposals	0.0	1.5	6.7	6.5	0.0	14.7
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	36.4	108.4	15.4	–0.1	0.0	160.1
Translation differences	0.0	2.3	5.7	5.2	0.0	13.2
December 31, 2008	**0.0**	**–49.4**	**–129.0**	**–83.9**	**0.0**	**–262.3**
Additions	0.0	–5.1	–13.5	–11.9	0.0	–30.5
Disposals	0.0	2.4	13.2	6.3	0.0	21.9
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	–2.7	0.0	0.0	0.0	–2.7
Translation differences	0.0	0.1	0.2	–0.1	0.0	0.2
December 31, 2009	**0.0**	**–54.7**	**–129.1**	**–89.6**	**0.0**	**–273.4**
Net book values						
January 1, 2009	0.5	133.4	70.8	30.0	17.5	252.2
December 31, 2009	0.5	147.6	86.5	29.8	9.4	273.8

Comments regarding the movements of tangible fixed assets are on the following page.

The reclassifications of a net CHF 189.0 million stated in the 2008 total are related to the spin-off of UZE AG, Uzwil, and Bühler-Immo AG, Uzwil, in 2009. As of December 31, 2008 balance sheet items of both companies are shown under assets held for sale/liabilities directly associated with assets held for sale (see note 16).

Additions to tangible fixed assets include government grants of CHF 8.3 million. CHF 6.6 million (prior year CHF 11.7 million) of this is attributable to "Land and buildings" and CHF 1.7 million (prior year CHF 0.0 million) to "Machinery and technical equipment" (see note 34).

In the reporting year there was no rental income on investment properties and no operating costs for properties with rental income. The previous year's figures included the figures for UZE AG, which was spun off in 2009 (prior year rental income on investment properties CHF 1.7 million, operating costs for properties with rental income CHF 0.4 million). The market value of investment properties amounted to CHF 1.5 million in the reporting year (prior year CHF 52.4 million). Market values of investment properties are primarily determined by in-house property specialists. The sharp decline is also due to the spin-off of UZE AG. The book value of leased tangible fixed assets in the reporting year was CHF 0.0 million (prior year CHF 0.1 million). The fire insurance values (usually reinstatement values) of tangible fixed assets as at December 31, 2009 amounted to CHF 817.6 million (prior year: CHF 1,039.9 million). Net gains on disposal of tangible fixed assets amounted to CHF 1.6 million (prior year CHF 0.8 million) and resulted mainly from the sale of a property in China.

Accumulated depreciation as at December 31, 2009 includes impairment adjustments in the amount of CHF 3.0 million (prior year CHF 3.0 million, excluding Bühler-Immo AG and UZE AG). Commitments relating to land and buildings, machinery and technical equipment, as well as other tangible fixed assets, which are not shown in the balance sheet, amounted to CHF 4.0 million (prior year CHF 4.1 million).

8 Movements of intangible assets

	Goodwill CHF m	Other intangible assets CHF m	Total CHF m
Acquisition cost			
January 1, 2008	26.1	74.4	100.5
Additions	0.0	0.6	0.6
Disposals	0.0	–3.3	–3.3
Changes in the scope of consolidation	66.1	32.3	98.4
Adjustment in valuation	11.1	–33.0	–21.9
Reclassifications	0.0	0.4	0.4
Translation differences	–2.5	–4.2	–6.7
December 31, 2008	**100.8**	**67.2**	**168.0**
Additions	0.0	0.7	0.7
Disposals	0.0	–0.1	–0.1
Changes in the scope of consolidation	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0
Translation differences	–2.7	–1.4	–4.1
December 31, 2009	**98.1**	**66.4**	**164.5**
Amortization			
January 1, 2008	0.0	–22.9	–22.9
Additions	0.0	–5.1	–5.1
Disposals	0.0	3.3	3.3
Changes in the scope of consolidation	0.0	0.0	0.0
Reclassifications	0.0	–0.4	–0.4
Translation differences	0.0	1.4	1.4
December 31, 2008	**0.0**	**–23.7**	**–23.7**
Additions	0.0	–5.7	–5.7
Disposals	0.0	0.1	0.1
Impairment	–12.8	–0.8	–13.6
Changes in the scope of consolidation	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0
Translation differences	0.6	0.5	1.1
December 31, 2009	**–12.2**	**–29.6**	**–41.8**
Net book values			
January 1, 2009	100.8	43.5	144.3
December 31, 2009	85.9	36.8	122.7

The goodwill impairment relates to the investments in BuhlerPrince Inc., Holland, USA, and Draiswerke GmbH, Mannheim, Germany (see note 26).

9 Investments in associated companies

	Share in equity CHF m	Goodwill CHF m	Total CHF m
Net book values			
January 1, 2009	0.0	0.0	0.0
Reclassifications	4.3	3.5	7.8
Additions	0.0	0.0	0.0
Amortization	0.0	0.0	0.0
Share of net profit	1.9	0.0	1.9
Dividends received	–0.3	0.0	–0.3
Translation differences	–0.2	–0.3	–0.5
December 31, 2009	**5.7**	**3.2**	**8.9**

The translation differences are recognized in equity.

Cumulative values of the associated companies	2009 CHF m
Share of sales revenue	9.6
Share of net profit	1.9
Balance sheet values:	
Non-current assets	3.1
Current assets	5.4
Non-current liabilities	0.1
Current liabilities	2.7
Shareholders’ equity	5.7

The associated companies comprise two companies in southern Europe. Buhler has a shareholding of 26% and 30% respectively. The figures are based on the last available preview closing data.

10 Long-term financial assets

December 31, 2009	Due 1–5 years CHF m	> 5 years CHF m	Total CHF m
Securities	0.0	1.6	1.6
Overfunding of post-employment benefit plans	0.0	18.2	18.2
Loans to non-consolidated companies	0.0	0.0	0.0
Other non-current financial assets	10.0	4.5	14.5
Total	**10.0**	**24.3**	**34.3**

December 31, 2008	Due 1–5 years CHF m	> 5 years CHF m	Total CHF m
Securities	0.0	1.6	1.6
Overfunding of post-employment benefit plans	0.0	13.6	13.6
Loans to non-consolidated companies	0.0	0.0	0.0
Other non-current financial assets	1.3	15.5	16.8
Total	**1.3**	**30.7**	**32.0**

11 Deferred tax assets and liabilities

	2009 CHF m	2008 CHF m
Net book values		
Tangible fixed assets	–14.2	–11.1
Post-employment benefits	19.8	14.7
Provisions	2.1	0.0
Other items	–78.1	–73.8
Tax loss carry-forwards	7.9	4.1
Total	**–62.5**	**–66.1**
Recognized on the balance sheet as deferred tax liabilities	–84.4	–76.7
Recognized on the balance sheet as deferred tax assets	21.9	10.6

No further substantial tax liabilities are expected due to dividend payouts of Group companies. Deferred tax assets and liabilities are offset if there exists a legally enforceable right to set them off and if the calculations of income taxes relate to the same taxation authority.

12 Inventories

	Gross value CHF m	Value adjustments CHF m	2009 CHF m	2008 CHF m
Raw materials and supplies	89.0	–16.2	72.8	88.6
Unfinished goods	47.9	–7.3	40.6	66.1
Finished goods and merchandise	36.1	–9.5	26.6	30.0
Work in progress	47.7	–1.4	46.3	36.7
Advance payments to suppliers	16.0		16.0	21.4
Total	**236.7**	**–34.4**	**202.3**	**242.8**

Value adjustments deducted from inventories in the prior year amounted to CHF –35.9 million. No material reversals of value adjustments of the prior year were recognized in the reporting year.

13 Production orders in progress

	2009 CHF m	2008 CHF m
Production orders in progress	303.7	315.5
Advance payments from customers	–158.8	–135.1
Net assets of production orders in progress	**144.9**	**180.4**
Production orders in progress	50.2	92.3
Advance payments from customers	–286.3	–388.5
Net liabilities of production orders in progress	**–236.1**	**–296.2**
Accumulated costs and recognized profits	1,498.3	1,884.2

14 Trade accounts receivable

	2009 CHF m	2008 CHF m
Trade accounts receivable		
→ from third parties	351.4	344.0
→ from non-consolidated companies	0.3	1.0
→ from associates	0.0	0.0
→ from related parties	0.1	0.0
Allowance for bad debts	–8.8	–11.3
Total	**343.0**	**333.7**

The trade accounts receivable include CHF 62.2 million (prior year CHF 48.7 million) which are financed through own funds in accordance with the treasury strategy. A generally high degree of liquidity characterizes these items.

CHF 29.1 million (prior year CHF 28.6 million) of these will not be due within the next twelve months.

15 Other accounts receivable, prepayments and accrued income

	2009 CHF m	2008 CHF m
Value added tax credits	14.6	14.0
Other accounts receivable		
→ from third parties	54.4	36.7
→ from non-consolidated companies	0.8	1.1
→ from associates	0.6	0.0
→ from related parties	0.4	0.0
Prepayments and accrued income	9.4	13.9
Total	**80.2**	**65.7**

16 Assets held for sale

	2009 CHF m	2008 CHF m
Current assets	0.0	2.1
Non-current assets	0.0	189.7
Assets held for sale	**0.0**	**191.8**
Current liabilities and provisions	0.0	–9.2
Non-current liabilities and provisions	0.0	–27.4
Liabilities directly associated with assets held for sale	**0.0**	**–36.6**
Net assets held for sale	**0.0**	**155.2**
Impact of Group internal accounts receivable and liabilities	0.0	5.2
Reduction in equity due to the spin-off	**0.0**	**160.4**

In the context of the succession plan of the family owning the business, a large proportion of the Swiss properties (UZE AG and Bühler-Immo AG, both located in Uzwil) were spun off from the Group on January 1, 2009. In addition to the two companies (CHF 158.9 million, of which CHF 0.4 million cash), the spin-off comprised cash in the amount of CHF 55.0 million. This sum was made available to the Group again in the form of short-term interest-bearing debt. The spin-off reduced equity by a total of CHF 213.9 million (see Changes in shareholders' equity).

17 Share capital

As of December 31, 2009 share capital amounted to CHF 15.0 million (prior year CHF 15.0 million) and consisted of 105,000 (prior year 150,000) registered shares with nominal value of CHF 100 each and 112,500 (prior year none) with nominal value of CHF 40 each.

18 Other reserves

	Hedge reserve CHF m	Available for sale investments CHF m	Translation differences CHF m	Total CHF m
January 1, 2008	0.0	1.0	–13.2	–12.2
Translation differences			–49.2	–49.2
Available for sale financial assets:				
→ Unrealized gains/losses		–0.4		–0.4
→ Deferred taxes on unrealized gains/losses		0.1		0.1
December 31, 2008	**0.0**	**0.7**	**–62.4**	**–61.7**
January 1, 2009	0.0	0.7	–62.4	–61.7
Translation differences			–1.4	–1.4
Available for sale financial assets:				
→ Unrealized gains/losses		0.0		
→ Deferred taxes on unrealized gains/losses		0.0		
December 31, 2009	**0.0**	**0.7**	**–63.8**	**–63.1**

19 Post-employment benefit plans

19.1 Actuarial assumptions	2009	2008
Discount rate	3.7%	3.7%
Expected rate of return on plan assets	4.6%	4.7%
Future salary increases	1.5%	1.5%
Future pension increases	0.2%	0.2%

19.2 Reconciliation of defined benefit obligation and fair value of plan assets	2009 CHF m	2008 CHF m
Defined benefit obligation at January 1	1,100.8	1,230.3
Interest costs	40.8	41.1
Current service costs (employer)	25.0	30.8
Contributions by plan participants	16.3	16.1
Past service costs	−0.9	0.5
Benefits (paid)/deposited	−64.8	−75.9
Business combinations	0.0	0.0
Curtailment and settlements	−20.1	0.0
Other effects	−2.6	0.0
Actuarial (gain) loss on obligation (balancing figure)	28.8	−126.1
Currency translation adjustments	−0.2	−16.0
Defined benefit obligation at December 31	**1,123.1**	**1,100.8**
Reconciliation of the fair value of plan assets		
Fair value of plan assets at January 1	1,034.1	1,253.7
Expected return on plan assets	47.7	59.4
Contributions by the employer	28.5	88.1
Contributions by plan participants	16.3	16.1
Benefits (paid)/deposited	−64.8	−75.9
Business combinations	0.0	0.0
Curtailment and settlements	−20.5	0.0
Actuarial gain (loss) on plan assets (balancing figure)	0.2	−295.8
Currency translation adjustments	0.0	−11.5
Fair value of plan assets at December 31	**1,041.5**	**1,034.1**
Actual return on plan assets	47.4	−236.3

19.3 Statement of income and (expense) recognized directly in consolidated equity	2009 CHF m	2008 CHF m
Current year actuarial loss (gain) on plan assets	−0.2	295.8
Current year actuarial loss (gain) on benefit obligation	28.8	−126.1
Effect of IAS 19, § 58 (b) limitation	1.6	−77.5
Currency translation adjustments	0.0	0.0
Amount recognized outside profit and loss: loss (gain)	**30.2**	**92.2**
Cumulative amount recognized outside profit and loss	**121.1**	**90.4**

19.4 Reconciliation of the amount recognized in the balance sheet at the end of the year	2009 CHF m	2008 CHF m
Present value of funded defined benefit obligation	1,116.4	1,093.4
Fair value of plan assets	1,041.5	1,034.1
Difference	74.9	59.3
Present value of unfunded defined benefit obligation	6.7	7.4
Unrecognized (past) service costs	0.0	0.0
Amounts not recognized because of IAS 19, § 58 (b) limitation	12.4	10.8
Liability (asset) recognized in balance sheet	**94.0**	**77.5**
Thereof recognized as separate asset	–18.2	–13.6
Thereof recognized as separate liability	112.2	91.1

19.5 Pension expenses recognized in profit or loss	2009 CHF m	2008 CHF m
Current service costs (employer)	25.0	30.8
Interest costs	40.8	41.1
Expected return on plan assets	–47.7	–59.4
Past service costs	–0.9	0.5
Effect of curtailment and settlements	–1.1	0.0
Currency translation adjustments	0.0	0.0
Expenses recognized in profit or loss	**16.1**	**13.0**

19.6 Best estimate of contributions	2010 CHF m
Contributions by the employer	**23.7**

19.7 Plan assets at fair value consist of	2009 CHF m	2008 CHF m
Equity instruments of the company	0.0	0.0
Equity instruments third parties	364.8	383.8
Debt instruments of the company	0.0	0.0
Debt instruments third parties	282.5	263.9
Properties occupied by or used by the company	0.0	0.0
Other properties	229.0	214.3
Others	165.2	172.1
Total plan assets at fair value	**1,041.5**	**1,034.1**

19.8 Comparison of deficit/surplus	2009 CHF m	2008 CHF m	2007 CHF m	2006 CHF m
Present value of defined benefit obligation	1,123.1	1,100.8	1,230.3	1,167.8
Fair value of plan assets	1,041.5	1,034.1	1,253.7	1,205.6
Deficit (surplus)	**81.6**	**66.7**	**–23.4**	**–37.8**
Experience adjustments on defined benefit obligation	24.6	–1.9	–43.3	–0.2
Experience adjustments on plan assets	–0.4	–295.8	13.9	49.2

19.9 Defined contribution plan	2009 CHF m	2008 CHF m
Expenses for defined contribution plan	**2.6**	**2.2**

The expected yield from investments is based on long-term market expectations and expert actuarial opinions that take into account the asset allocation as well as closely observing and monitoring current developments. Given the long-term nature of the various categories of investment, an expected yield of 4.6% can still be used for calculation purposes.

20 Short- and long-term provisions

	Provisions for warranties CHF m	Provisions for personnel expenses CHF m	Provisions for restructuring CHF m	Other provisions CHF m	2009 CHF m	2008 CHF m
January 1	48.1	31.8	1.6	7.7	89.2	98.4
Additions	30.9	5.2	3.2	9.1	48.4	54.8
Utilization	–17.7	–2.6	–1.6	–2.8	–24.7	–34.4
Release	–13.7	–6.9	0.0	–1.9	–22.5	–20.7
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	1.3
Reclassifications	0.0	0.0	0.0	0.0	0.0	–5.4
Present value adjustments	0.0	0.0	0.0	0.0	0.0	0.2
Translation differences	0.0	–0.1	0.0	0.7	0.6	–5.0
December 31	**47.6**	**27.4**	**3.2**	**12.8**	**91.0**	**89.2**
Thereof short-term	37.6	4.7	3.2	5.5	51.0	45.2
Thereof long-term	10.0	22.7	0.0	7.3	40.0	44.0

Provisions for personnel expenses mainly include long-term employee benefits, such as long-service benefits, partial retirement, jubilee benefits and participation plans. Owing to the difficult economic environment, restructuring provisions were recognized in 2009 in order to address the consequences of the economic situation. Around 40% of the cash outflows of the long-term provisions are expected within the next three years.

21 Trade accounts payable

	2009 CHF m	2008 CHF m
Trade accounts payable		
→ to third parties	108.6	134.6
→ to associates	0.4	0.0
→ to non-consolidated companies	0.2	1.3
→ to related parties	2.3	0.0
Total	**111.5**	**135.9**

22 Other short-term liabilities, accruals and deferred income

	2009 CHF m	2008 CHF m
Value added tax owed	5.7	9.1
Advance payments	85.0	63.1
Other liabilities		
→ to third parties	38.1	35.8
→ to non-consolidated companies	1.8	1.5
→ to associates	0.0	0.0
→ to related parties	0.1	0.3
Vacation and overtime	23.6	24.9
Other accruals and deferred income	124.7	99.7
Total	**279.0**	**234.4**

23 Information on financial leases (Buhler Group as lessor)

	2009 CHF m	2008 CHF m
Gross receivables from finance lease:		
→ Not later than one year	2.9	2.4
→ Later than one year and not later than five years	1.9	5.0
→ Later than five years	0.0	0.0
Gross receivables from finance lease	**4.8**	**7.4**
Unearned future finance income on finance lease	–0.3	–0.9
Net investment in finance lease	**4.5**	**6.5**
Analyzing net investment in finance lease:		
→ Not later than one year	2.6	1.9
→ Later than one year and not later than five years	1.9	4.6
→ Later than five years	0.0	0.0
Net receivables from finance lease	**4.5**	**6.5**
Additional information:		
Allowance on receivables of financial leases	0.0	0.0
Unguaranteed residual values accruing to the benefit of the lessor	0.0	0.0
Contingent rents recognized as income in the period	0.0	0.0

24 Securities and derivative financial instruments

Futures and options were entered into with banks mainly to hedge currency risks. The following positions were open as at December 31, 2009:

24.1 Derivative financial instruments	Contract or underlying principal amount 2009 CHF m	Contract or underlying principal amount 2008 CHF m	Positive fair values 2009 CHF m	Positive fair values 2008 CHF m	Negative fair values 2009 CHF m	Negative fair values 2008 CHF m
Currency-related instruments						
Forward foreign exchange rate contracts	91.6	95.6	0.7	5.4	2.6	3.3
Over the counter currency options	181.3	192.0	1.1	3.5	0.3	1.8
Cross currency swaps	0.0	0.0	0.0	0.0	0.0	0.0
Total of currency-related instruments	**272.9**	**287.6**	**1.8**	**8.9**	**2.9**	**5.1**
Interest-rate related instruments						
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Forward rate agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total of interest-rate related instruments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Options	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Futures	**8.7**	**16.5**	**0.1**	**1.6**	**0.0**	**0.4**
Total derivative financial instruments included in securities and in short-term financial liabilities	**281.6**	**304.1**	**1.9**	**10.5**	**2.9**	**5.5**

	USD CHF m	EUR CHF m	Other currencies CHF m	Total 2009 CHF m	Total 2008 CHF m
Currency-related instruments					
Forward foreign exchange rate contracts	16.5	36.2	38.9	91.6	95.6
Over the counter currency options	51.5	119.9	9.9	181.3	192.0
Cross currency swaps	0.0	0.0	0.0	0.0	0.0
Total of currency-related instruments	**68.0**	**156.1**	**48.8**	**272.9**	**287.6**
Interest-rate related instruments					
Interest rate swaps	0.0	0.0	0.0	0.0	0.0
Forward rate agreements	0.0	0.0	0.0	0.0	0.0
Total of interest-rate related instruments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Options	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Futures	**4.7**	**1.0**	**3.0**	**8.7**	**16.5**
Total derivative financial instruments	**72.7**	**157.1**	**51.8**	**281.6**	**304.1**

Positive replacement values are included in securities and negative replacement values are included in financial liabilities. The futures are equity indexes and commodity futures.

24.2 Securities	2009 CHF m	2008 CHF m
Equity securities	34.7	1.7
Bonds	70.9	34.6
Derivative financial instruments	1.9	10.5
Accrued interest on debt securities	1.0	0.2
Other securities until twelve months	1.0	3.9
Total securities	**109.5**	**50.9**

25 Additions and disposals of Group companies

	Total 2009 CHF m	Total 2008 CHF m
Cash and cash equivalents	0.0	1.4
Trade accounts receivable	0.0	12.5
Other receivables	0.0	2.0
Inventories	0.0	2.4
Net assets of production orders in progress	0.0	2.7
Current assets	**0.0**	**21.0**
Tangible fixed assets	0.0	8.1
Intangible assets	0.0	32.3
Deferred tax asset	0.0	0.0
Non-current assets	**0.0**	**40.4**
Trade accounts payable	0.0	–6.4
Net liabilities of production orders in progress	0.0	–5.8
Short-term provisions	0.0	–1.3
Other short-term liabilities. accruals and deferred income	0.0	–10.0
Current liabilities and provisions	**0.0**	**–23.5**
Deferred tax liabilities	0.0	–4.6
Non-current liabilities and provisions	0.0	–33.3
Non-current liabilities and provisions	**0.0**	**–37.9**
Change in net assets	**0.0**	**0.0**
Minorities	0.0	0.0
Effect of foreign exchange	0.0	0.0
Goodwill arising on acquisitions	0.0	66.1
Addition- (+)/disposal (–) from the Group	**0.0**	**66.1**
Replacement of loan from previous owner	0.0	–33.3
Cash disposed of (–)/acquired (+)	0.0	1.4
Cash flow from changes in the scope of consolidation	**0.0**	**–98.0**

2009

Acquisition of minority interests of Buhler Barth AG, Freiberg a.N. On October 20, 2009, the Group acquired the remaining 49% of the shares in Bühler Barth AG, Freiberg, Germany. The company provides services, equipment, production installations and turnkey factories especially for the confectionary industry, primarily used in the treatment and processing of cocoa and nuts, and operates worldwide. With the early adoption of IFRS standard IAS 27 revised, Buhler has completed its purchase of the minority interests as an equity transaction. As a result of this transaction, CHF 14.4 million was charged to Buhler's equity (see Changes in shareholders' equity, Change in minority interests).

Establishment of Changji Buhler Machinery Co. Ltd., China. On August 20, 2009, Changji Buhler Machinery Co. Ltd. was established with a capital of CNY 2.5 million. The company processes, sells and maintains mechanical components as well as providing services to millers.

Establishment of Zhengzhou Buhler Mechanical Co., Ltd., China. On June 22, 2009, Zhengzhou Buhler Mechanical Co. Ltd. was established with a capital of CNY 2.5 million. The company processes, sells and maintains mechanical components as well as providing services to millers.

Establishment of Buhler Food Ingredients (Guangzhou) Co., Ltd., China. On September 4, 2009, Buhler Food Ingredients (Guangzhou) Co., Ltd. was established with a capital of CNY 15.7 million. The company manufactures, distributes and trades in food ingredient mixtures for the food and animal feedstuffs processing industry.

2008

Acquisition Aeroglide Corporation, USA. On June 23, 2008 the Group acquired 100% of the shares of Aeroglide Corporation, in Raleigh, North Carolina, USA. The acquired company develops, produces, supplies and maintains equipment for a large number of different thermal processes and operates internationally mainly with customers from the food industry.

Establishment of Buhler-Immo Betriebs AG, Uzwil. On July 22, 2008 Buhler-Immo Betriebs AG in Uzwil was established with a capital of CHF 0.1 million. The company acquires, sells and administers the operating Group properties located in Uzwil.

Establishment of Buhler Mechanical Engineering Research & Development (Wuxi) Co. Ltd., China. On June 16, 2008 Buhler Mechanical Engineering Research & Development (Wuxi) Co. Ltd. was established with a capital of CNY 13.705 million. The company engages in research, development, design and engineering of mechanical engineering technology, food/feed/beverage science and technology, conveying and loading/unloading engineering technology and automation control technology, and supply of technical services.

Establishment of Yanzhou Buhler Mechanical Co., Ltd., China. On October 29, 2008 Yanzhou Buhler Mechanical Co., Ltd. was established with a capital of CNY 2.5 million. The company engages in the processing, selling and maintenance of milling mechanical parts.

Establishment of JSW & Buhler Machinery Ltd., Tokyo. On July 30, 2008 JSW & Buhler Machinery Ltd. was established with a capital of JPY 90 million as a joint venture with the Japanese company JSW (Japan Steel Works).

26 Impairment tests

The recoverable amounts have been determined based on a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by the respective division management covering a five-year period.

Key assumptions used in value in use calculations. The calculation of values in use are most sensitive to the following assumptions:
→ Gross margin
→ Discount rate
→ Growth rate used to extrapolate cash flows beyond the budget period
→ Raw materials price inflation
→ Market share assumptions

Gross margin – Gross margins are based on average values reported in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rate – Discount rates reflect management's estimate of the specific risks. This is the benchmark used by management to assess operating performance. In determining appropriate discount rates, regard has been given to the yield on a ten-year government bond of the respective country at the beginning of the budgeted year.

Growth rate estimates – The assumptions used in the calculation reflect the long-term expected growth rate of the operational business and are based on the growth strategy of the Group.

Raw material price inflation – Estimates are obtained from published indices relating to specific commodities. Past actual raw material price movements have been used as an indicator of future price movements.

Market share assumptions – The management assumes that the unit's position, relative to that of its competitors, may not change significantly over the budget period. Market share is expected to be stable over the budget period.

Result of the impairment test. The sales and results of BuhlerPrince Inc. fell sharply due to the crisis in the automotive sector. Based on the impairment test, the carrying amount of the goodwill exceeds its recoverable amount. Therefore, goodwill amounting to CHF 11.6 million (USD 10.7 million) was written off in full in 2009. The impairment test did not show a need for any further value adjustments at BuhlerPrince Inc. In addition, the "Others" goodwill item was written off in the amount of CHF 1.2 million in the reporting year.

Sensitivity to changes in assumptions. The impairment tests performed supported the value of the carrying amount of goodwill for Bühler Barth AG and Aeroglide Corporation. No impairment needed to be recognized for these companies in 2009 or 2008. If the cash flow forecasts were based on zero growth (terminal value), the carrying amount would still not exceed the recoverable amount.

Goodwill 2009	Book value CHF m	Discount rate	Base data used Growth rate
BuhlerPrince Inc., Holland	0.0	10.4%	1.5%
Bühler Barth AG, Freiberg a.N.	22.0	10.7%	1.0%
Aeroglide Corporation, Raleigh	63.9	10.3%	1.0%
Others	0.0		
Total at December 31, 2009	**85.9**		

Goodwill 2008	Book value CHF m	Discount rate	Base data used Growth rate
BuhlerPrince Inc., Holland	11.4	10.0%	1.5%
Bühler Barth AG, Freiberg a.N.	22.1	9.0%	1.0%
Aeroglide Corporation, Raleigh	66.1	10.0%	1.0%
Others	1.2		
Total at December 31, 2008	**100.8**		

27 Contingent liabilities

Contingent liabilities to third parties are comprised as follows:

	2009 CHF m	2008 CHF m
Bills discounted	1.5	2.8
Sureties, guarantees and other obligations	26.8	3.1
Total	**28.3**	**5.9**

28 Off-balance sheet obligations under operating leases

	2009 CHF m	2008 CHF m
Leasing obligation up to one year	13.2	4.5
Leasing obligation as of 1 to 5 years	14.9	13.7
Leasing obligation over 5 years	7.6	8.4
Total	**35.7**	**26.6**

This item mainly includes obligations under long-term leasing agreements relating to properties in the US, the UK, Germany and Switzerland.

29 Research and development costs

Research and development costs directly charged to the income statement in the reporting period amounted to CHF 78.7 million (prior year CHF 82.3 million). The main research and development unit is located at the Uzwil headquarters.

30 Assets pledged or assigned to secure own liabilities

Borrowers' notes in the following amounts were created with respect to mortgages:

	2009 CHF m	2008 CHF m
Carrying amount of real estates	0.0	3.4
Nominal amount used	0.0	1.1
Actual amount used	0.0	0.6

With the spin-off of the two Swiss companies UZE AG and Bühler-Immo AG, the Group did not have any more mortgage debts as at the end of 2009.

In connection with open legal cases, assets of CHF 3.6 million (prior year CHF 0.6 million) serve as collateral for own liabilities where the right of disposal is limited.

31 Participation plans

The revaluation of the phantom option plan resulted in an income of CHF 5.1 million in 2009 (prior year expense of CHF 7.8 million). The corresponding provision now stands at CHF 2.7 million. 900 phantom options were granted in 2009 (2008: 4,200). They have a vesting period of three years. No options were exercised in the reporting period. 600 options expired. The relevant parameters were included as follows: capitalized (expected) Group results 2008 – 2011, expected net asset value 2010 and 2011.

32 Related parties

32.1 Related party transactions. Balance positions from related parties are shown separately in the notes. Liabilities to pension plans amounted to CHF 0.6 million as per 2009 (prior year CHF 0.5 million). Related-party transactions are effected at arm's length.

32.2 Key management compensation. Short-term benefits amounted to CHF 8.9 million in the reporting period (prior year CHF 9.2 million). Additionally, 700 options were granted (prior year 3,200), see note 31.

33 Proposal of the Board of Directors

At the General Meeting, the Board of Directors proposes a dividend of CHF 12.0 million (prior year CHF 12.0 million) or CHF 80.0 (prior year CHF 80.0) per registered share with a nominal value of CHF 100 and CHF 32.0 per registered share with a nominal value of CHF 40 for the fiscal year 2009. The dividend payment to the shareholders of the Buhler Holding AG amounted to CHF 12.0 million in the financial year 2009 (prior year CHF 8.0 million) or CHF 80.0 (prior year CHF 53.33) per registered share.

34 Government grants

Government grants are offset with the items of expense which they finance. Government grants related to assets are deducted from the assets in arriving at the carrying amount of the asset. A necessary relocation in China has been granted by the government. Payments of total CHF 25.5 million were received for the new business location in 2007 – 2009. Of this amount CHF 8.8 million was received in 2009 (prior year CHF 11.7 million), of which CHF 8.3 million was netted directly with the addition to tangible fixed assets and CHF 0.5 million with the cost of the site relocation.

35 Release for publication of the consolidated financial statements

The consolidated financial statements were released for publication by the Board of Directors of the Buhler Holding AG on March 22, 2010.

36 Subsequent events

On January 15, 2010, Buhler acquired the Brazilian company Sanmak S.A. Sanmak designs and manufactures sorting machines. The company generates sales revenues of around CHF 10 million.
No other material events occurred after the balance sheet date.

Report of the statutory auditor

To the General Meeting of Buhler Holding AG, Uzwil, St. Gallen, March 22, 2010

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Buhler Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and notes (pages 31 to 67 and pages 74 to 75) for the year ended December 31, 2009.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Thomas Stenz	Daniel Zaugg
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Financial report Buhler Holding AG

Income statement Buhler Holding AG

	See notes	2009 CHF m	2008 CHF m
Income from subsidiaries	2	41.8	58.0
Financial income	3	8.2	6.5
Other income	4	5.1	4.3
Reversal of value adjustments	5	1.5	0.0
Total income		**56.6**	**68.8**
Expense from subsidiaries	5	0.0	–11.2
Financial expenses	6	–2.2	–6.3
Other expenses		–0.4	–1.0
Taxes		–1.4	–0.2
Net profit		**52.6**	**50.1**

Balance sheet Buhler Holding AG

As at December 31

	See notes	2009 CHF m	2008 CHF m
Assets			
Investments in subsidiaries	7	461.6	458.3
Loans to Group companies	8	32.4	33.5
Non-current assets		**494.0**	**491.8**
Accounts receivable from Group companies	9	64.1	88.9
Other accounts receivable		3.1	0.0
Prepayments and accrued income		0.0	0.0
Cash and cash equivalents		1.3	0.3
Current assets		**68.5**	**89.2**
Total assets		**562.5**	**581.0**

	See notes	2009 CHF m	2008 CHF m
Shareholders' equity and liabilities			
Share capital		15.0	15.0
General legal reserves		7.5	7.5
Free reserves		275.6	275.6
Available earnings brought forward from prior year		117.9	177.9
Net income for the year		52.6	50.1
Shareholders' equity		**468.6**	**526.1**
Liabilities to Group companies	10	79.1	45.8
Liabilities to third parties		0.0	0.3
Liabilities to related parties	11	5.0	0.0
Short-term provisions	12	8.5	8.7
Accruals and deferred income		1.3	0.1
Short-term liabilities		**93.9**	**54.9**
Total liabilities		**93.9**	**54.9**
Total shareholders' equity and liabilities		**562.5**	**581.0**

Notes to the financial statements Buhler Holding AG

1 General information

The financial statements of Buhler Holding AG were prepared in accordance with the provisions of the Swiss Code of Obligations.

From a legal point of view, shareholders hold an interest in Buhler Holding AG, whose balance sheet and income statement are presented above. From an economic point of view, the consolidated financial statements are relevant to the shareholders of Buhler Holding AG. The balance sheet and income statement of Buhler Holding AG are presented as a supplement to the consolidated financial statements.

Except for the notes presented below, there are no circumstances which require reporting pursuant to Article 663 b of the Swiss Code of Obligations.

2 Income from subsidiaries

This position mainly comprises dividend income from subsidiaries and other participations.

3 Financial income

Financial income mainly includes interest income on loans to Group companies, as well as exchange gains (net).

4 Other income

This item comprises repayments from subsidiaries for past loss assumptions.

5 Reversal of value adjustments/ expense from subsidiaries

This item comprises the net amount of value adjustments on participations or the reversal of value adjustments which are no longer required.

6 Financial expenses

Financial expenses primarily include interest expenses paid to Group companies, in particular to Buhler AG, Uzwil, as well as exchange losses (net).

7 Investments in subsidiaries

Investments in subsidiaries are valued at acquisition cost less economically necessary value adjustments. Major investments in subsidiaries held directly or indirectly by Buhler Holding AG are listed in the section “Group companies Buhler Holding AG” of the financial statements.

8 Loans to Group companies

Loans to Group companies are granted at arm’s length conditions and are typically granted long term (more than one year).

9 Accounts receivable from Group companies

Accounts receivable from Group companies mainly include short-term loans extended to Group companies for working capital financing and as part of cash management.

10 Liabilities to Group companies

These liabilities are primarily owed to Buhler AG, Uzwil.

11 Liabilities to related parties

These liabilities are primarily owed to the family owning the business.

12 Provisions

This item mainly includes provisions for currency risks relating to loans to Group companies and accounts receivable from Group companies.

13 Sureties and guarantee obligations

	2009 CHF m	2008 CHF m
Sureties and guarantee obligations in favor of Group companies	311.7	298.3

14 Proposal of the Board of Directors for the appropriation of available earnings

	2009 CHF m	2008 CHF m
Result for the year	52.6	50.1
Balance brought forward from prior year	216.0	177.9
Spin-off net assets	–98.1	0.0
Available earnings at the disposal of the general meeting	170.5	228.0
The Board of Directors proposes to the general meeting:		
→ The distribution of a dividend	12.0	12.0
→ Carry-forward to new accounting period	158.5	216.0

The statutory obligation of appropriation to reserves is waived as the legal reserve amounts to 50% of the paid-in share capital.

15 Risk assessment

The risk assessment pursuant to the Swiss Code of Obligations OR 663 b, section 12, has been conducted at Group level by the Board of Directors of Buhler Holding AG/Buhler AG at the meetings of the Board of Directors (see Risk Assessment under Financial Risk Management in the notes to the consolidated financial statements).

Group companies Buhler Holding AG

As at December 31, 2009. All companies listed are included as fully consolidated companies (C).

Name of company	Country	Share capital in millions of local currency	Partici-pation rate	● Production	○ Engineering	● Distribution	○ Services/Financing	Held by	Consoli-dation
Switzerland									
Bühler Holding AG, Uzwil	**CH**	CHF 15.0					○		
Bühler AG, Uzwil	**CH**	CHF 30.0	100.0 %	●	○	●	○	Bühler Holding AG, Uzwil	C
Bühler Management AG, Uzwil	**CH**	CHF 0.1	100.0 %				○	Bühler Holding AG, Uzwil	C
Bühler Druckguss AG, Uzwil	**CH**	CHF 7.8	100.0 %		○	●		Bühler Holding AG, Uzwil	C
ASE-Bühler AG, Uzwil	**CH**	CHF 0,5	100.0 %		○	●		Bühler Holding AG, Uzwil	C
Bühler-Immo Betriebs AG, Uzwil	**CH**	CHF 0.1	100.0 %				○	Bühler Holding AG, Uzwil	C
Bühler + Scherler AG, St.Gallen	**CH**	CHF 0.8	60.0 %		○	●		Bühler Holding AG, Uzwil	C
Europe									
Bühler Bindler GmbH, Bergneustadt	**DE**	EUR 0.275	100.0 %	●	○	●		Bühler Holding AG, Uzwil	C
Bühler GmbH, Braunschweig	**DE**	EUR 12.629	100.0 %	●	○	●		Bühler Holding AG, Uzwil	C
Bühler PARTEC GmbH, Saarbrücken	**DE**	EUR 0.125	100.0 %	●		●		Bühler AG, Uzwil	C
Bühler Druckgiessysteme GmbH, Viernheim	**DE**	EUR 0.767	100.0 %			●		Bühler AG, Uzwil	C
Richard Frisse GmbH, Bad Salzuflen	**DE**	EUR 1.023	100.0 %	●	○	●		Bühler AG, Uzwil	C
Bühler Barth AG, Freiberg a.N.	**DE**	EUR 1.137	100.0 %	●	○	●		Bühler AG, Uzwil	C
Buhler S.p.A., Milano	**IT**	EUR 2.6	100.0 %		○	●		Bühler Holding AG, Uzwil	C
Buhler S.A., Madrid	**ES**	EUR 2.176	100.0 %	●	○	●		Bühler Holding AG, Uzwil	C
Buhler AB, Malmö	**SE**	SEK 10.0	100.0 %		○	●		Bühler Holding AG, Uzwil	C
Buhler S.à.r.l., Paris	**FR**	EUR 2.55	100.0 %		○	●		Bühler Holding AG, Uzwil	C
Buhler UK Holdings Ltd., London	**GB**	GBP 3.6	100.0 %				○	Bühler Holding AG, Uzwil	C
Buhler Ltd., London	**GB**	GBP 1.0	100.0 %		○	●		Buhler UK Holdings Ltd., London	C
Sortex Ltd., London	**GB**	GBP 0.001	100.0 %					Buhler UK Holdings Ltd., London	C
Buhler Sortex Ltd., London	**GB**	GBP 1.25	100.0 %	●	○	●		Buhler UK Holdings Ltd., London	C
Control Design & Development Ltd., Peterborough	**GB**	GBP 0.0001	100.0 %	●	○	●		Buhler UK Holdings Ltd., London	C
North America									
Buhler Inc., Minneapolis	**US**	USD 3.2	100.0 %	●	○	●		Bühler Holding AG, Uzwil	C
BuhlerPrince Inc., Holland	**US**	USD 0.375	100.0 %	●	○	●		Bühler Druckguss AG, Uzwil	C
Aeroglide Corporation, Raleigh	**US**	USD 0.004	100.0 %	●	○	●		Bühler AG, Uzwil	C
Buhler Sortex Inc., Stockton	**US**	USD 1.0	100.0 %		○	●		Bühler Holding AG, Uzwil	C
Buhler (Canada) Inc., Markham	**CA**	CAD 0.000001	100.0 %			●		Bühler Holding AG, Uzwil	C

● Production
○ Engineering
● Distribution
○ Services/Financing

Name of company	Country	Share capital in millions of local currency	Participation rate	Production	Engineering	Distribution	Services/ Financing	Held by	Consolidation
Latin America									
Buhler S.A., Buenos Aires	**AR**	ARS 1.1	100.0%		○	●		Bühler Holding AG, Uzwil	C
Buhler Limitada, Joinville	**BR**	BRL 20.685	100.0%		○	●		Bühler Holding AG, Uzwil	C
Buhler S.A. de C.V., Metepec	**MX**	MXN 50.0	100.0%		○	●		Bühler Holding AG, Uzwil	C
Africa									
Buhler (Pty) Ltd., Johannesburg	**ZA**	ZAR 11.371	100.0%	●	○	●		Bühler Holding AG, Uzwil	C
Buhler Properties (Pty) Ltd., Johannesburg	**ZA**	ZAR 0.0001	100.0%				○	Bühler (Pty) Ltd., Johannesburg	C
Asia									
Buhler (India) Private Ltd., Bangalore	**IN**	INR 100.0	100.0%	●	○	●		Bühler Holding AG, Uzwil	C
Buhler K.K., Yokohama	**JP**	JPY 250.0	100.0%		○	●		Bühler Holding AG, Uzwil	C
Buhler Equipment Engineering (Wuxi) Co. Ltd., Wuxi	**CN**	CNY 10.764	100.0%		○	●		Bühler Holding AG, Uzwil	C
Buhler Food Ingredients (Guangzhou) Co. Ltd., Guangzhou	**CN**	CNY 15.708	100.0%	●		●		Bühler Holding AG, Uzwil	C
Zhengzhou Buhler Mechanical Co., Ltd., Zhengzhou	**CN**	CNY 2.5	100.0%				○	Buhler (Wuxi) Commercial Co. Ltd., Wuxi	C
Yanzhou Buhler Mechanical Co. Ltd., Yanzhou	**CN**	CNY 2.5	100.0%				○	Buhler (Wuxi) Commercial Co. Ltd., Wuxi	C
Changji Buhler Machinery Co. Ltd., Changji	**CN**	CNY 2.5	100.0%				○	Buhler (Wuxi) Commercial Co. Ltd., Wuxi	C
Buhler Mechanical Equipment (Shenzhen) Co. Ltd., Shenzhen	**CN**	CNY 4.857	100.0%	●		●		Bühler Holding AG, Uzwil	C
Wuxi Buhler Machinery Manufacturing Co. Ltd., Wuxi	**CN**	CNY 170.828	51.0%	●		●		Bühler Holding AG, Uzwil	C
Buhler (Shanghai) Trading Co. Ltd., Shanghai	**CN**	CNY 1.655	100.0%			●		Bühler Holding AG, Uzwil	C
Buhler Equipment (Xi'an) Co. Ltd., Xi'an	**CN**	CNY 28.0	100.0%	●		●		Bühler Holding AG, Uzwil	C
Buhler Industrial (Shenzhen) Co. Ltd., Shenzhen	**CN**	CNY 16.289	100.0%				○	Bühler Holding AG, Uzwil	C
Buhler (Changzhou) Machinery Co. Ltd., Liyang City	**CN**	CNY 80.0	80.0%	●		●		Bühler Holding AG, Uzwil	C
Changzhou Buhler Mechanical and Electric Engineering Co. Ltd., Liyang City	**CN**	CNY 3.0	80.0%		○	●		Buhler (Changzhou) Machinery Co. Ltd., Liyang City	C
Buhler (Wuxi) Commercial Co. Ltd., Wuxi	**CN**	CNY 26.508	100.0%	●	○	●	○	Bühler Holding AG, Uzwil	C
Buhler Mechanical Engineering Research and Development (Wuxi) Co. Ltd., Wuxi	**CN**	CNY 13.705	100.0%				○	Bühler Holding AG, Uzwil	C
Buhler (Private Joint Stock Co.), Teheran	**IR**	IRR 5 000.0	100.0%	●	○	●		Bühler Holding AG, Uzwil	C

Report of the statutory auditor

To the General Meeting of Buhler Holding AG, Uzwil, St.Gallen, March 22, 2010

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Buhler Holding AG, which comprise the balance sheet, income statement and notes (pages 70 to 75) for the year ended December 31, 2009.

Board of Directors' responsibility. The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion. In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Thomas Stenz	Daniel Zaugg
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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