2006 ANNUAL REPORT

CONSULT

OPTIMIZE

DESIGN

SUPPORT

WE DELIVER THE BUILDING BLOCKS FOR OUR CUSTOMERS' SUCCESS.

swisslog

CONTENTS

WHO WE ARE

Swisslog is a global supplier of integrated logistics solutions with a comprehensive portfolio of services. These services range from building complex warehouses and distribution centers, through intra-company logistics solutions for hospitals, to software and consulting services in the field of supply chain management. Customers in more than 50 countries around the world rely on our decades of experience in planning and implementing integrated logistics solutions.

www.swisslog.com

OUR VISION

Swisslog strives to be the partner of first choice for logistics automation solutions for warehouses, distribution centers, and healthcare facilities in order to increase its customers' competitiveness. Swisslog wants to be known as an inspiring workplace, which attracts and retains outstanding talents. Swisslog wants to fulfill its obligations towards its financial stakeholders.

2006: KEY POINTS IN BRIEF

Steady progress
Successful continuation of the growth process initiated in 2005

Operational improvement
Marked increase in operating profit (EBITA), order intake and order backlog

Stronger balance sheet
Financial ratios improved by partial repurchase of convertible bonds and capital increase

Leading brand in the marketplace
Reputation strengthened as a leading supplier of integrated logistics solutions

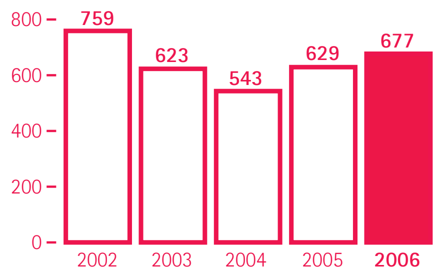
Focus on human resources and innovation
Targeted investment directed at these key areas

Foundation laid for further growth
Profitable development to be continued through organic growth and smaller-scale acquisitions in 2007

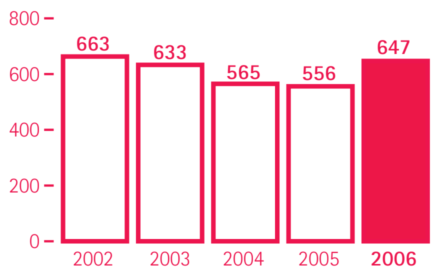
OVERVIEW OF THE SWISSLOG GROUP*

MCHF

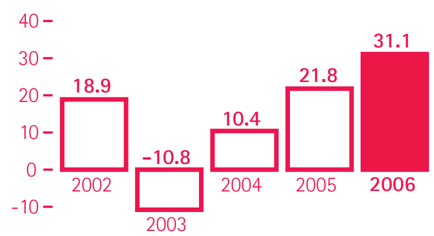
Order intake



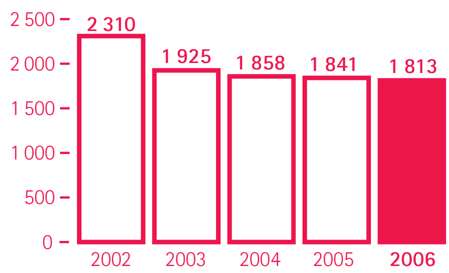
Net sales



EBITA



Employees (at year-end)



*continued operations

"Swisslog has a solid foundation and is excellently positioned in the marketplace."

Hans Ziegler, Chairman of the Board of Directors

Dear Shareholders,

Swisslog looks back on an important and successful fiscal year, which was marked in particular by steady progress. We managed to continue the growth process initiated the previous year, not least thanks to a solid order situation. We strengthened our balance sheet by means of a capital increase and the partial repurchase of convertible bonds, continued to improve operationally, and made targeted investments in the areas of human resources and innovation. These steps laid the foundation for further profitable growth.

Our efforts have borne fruit. Once again the market unreservedly acknowledges Swisslog to be one of the leading brands for supplying integrated logistics solutions. This position has been achieved with high-quality services and the commitment of our employees. Swisslog is a competent and competitive enterprise. This applies not just in cost terms but also from the point of view of the operational excellence that we demonstrate when designing and carrying out challenging projects.

In the year under review, our divisions Warehouse & Distribution Solutions and Healthcare Solutions were able to improve on last year's figures. Warehouse & Distribution Solutions managed to strengthen its market position around the world. Swisslog's excellent reputation and the competitiveness of our products and services is also evidenced by the fact that in key markets, such as in the USA, Europe, China and Australia, some prestigious customers placed major new orders with us. Moreover, in the USA we managed to acquire a second big customer with the Target retailing group, thus decisively strengthening our client portfolio.

In Healthcare Solutions, we posted a high level of growth in North America and Europe with our products for hospitals, notably the pneumatic tube systems. This reinforces our conviction that our logistics solutions make a relevant contribution to efficiency, productivity, and not least safety in the healthcare system. Special mention must be made of developments in the Chinese market, where we managed to realize a first large-scale project with the Zhangjiagang hospital project.

The trend for Swisslog's Consulting Services/Wassermann division, which specializes in software and consulting solutions for improving supply chain management, was mixed. Although a series of restructuring measures led to this corporate unit being better adapted to the market environment, it still recorded an operating loss. The measures implemented began to take effect during the second half of the year, which is why we anticipate an improvement in the division's earning power in the current fiscal year.

All in all, the trend in business for 2006 was positive. Swisslog recorded markedly improved operating results for 2006 compared to the prior year. Operating profit (EBITA) rose from MCHF 21.8 to MCHF 31.1, representing an increase of 42.7%. This success was due, on the one hand, to rigorous cost management and, on the other, to a targeted expansion of our activities in profitable business areas. Order intake and order backlog as of year-end 2006 exceeded those of the preceding year. With growth rates of 7.7% and 5.3%, respectively, both indicators point in the right direction and will again make it possible to realize a growth in sales in the current year. In fiscal year 2006 net sales of the Swisslog Group, amounting to MCHF 646.9 (+16.3%), were significantly above last year's level. Another success that should be mentioned is the capital increase effected in May. At the end of the fiscal year we had an equity ratio of 32.8%.

"We will continue along the growth path we have embarked upon."

Remo Brunschwiler, Chief Executive Officer

The partial repurchase of the convertible bonds, together with the capital increase and the renegotiation of our bank guarantees, enabled us to successfully conclude the process of refocusing on core activities initiated at the start of 2003.

However, the two one-time effects resulting from the goodwill impairment at Consulting Services/Wassermann and from the partial repurchase of the convertible bonds had a negative impact on the Group's result. Despite a profitable second half of the year, they led to a net loss for the Group.

Our goal for the current year is to pursue consistently the path we have embarked upon. We will continue with undiminished efforts to improve our operational excellence, to consolidate Swisslog's reputation as an outstanding supplier of logistics solutions and to resolutely capitalize on all opportunities for growth. We intend to develop these opportunities primarily through internal, organic growth. At the same time we will carefully examine any options for targeted external growth that might present themselves, if this supports our objectives.

Aware that our expertise in logistics and project management depends on the skills and know-how of our employees, we have supplemented our program called "Energizing People", initiated in fiscal year 2005, by other Human Resources projects. Our employees are a central pillar of our success, and at this point we would like to thank them sincerely for their commitment and hard work.

We would also like to thank you, our shareholders. With your commitment as providers of capital, you have placed your trust in us, which motivates us to continue to do our best to develop the company.

Competition in the logistics industry remains as intense as ever, and a process of consolidation – predicted in many quarters – has not come about. Thanks to its solid foundation and sound reputation in the marketplace, Swisslog is in a position to play a confident part in a rapidly changing environment.

Together with you, our shareholders, we are once again committed in 2007 to continuing along the path we have embarked on towards profitable growth.

Hans Ziegler
Chairman of the Board of Directors

Remo Brunschwiler
Chief Executive Officer

At GROUP level the successful year is attributable to organic growth, investment in human resources and innovation as well as a new vision and set of core values.

At the level of the company as a whole, fiscal year 2006 was marked by a series of central themes and initiatives. The most important of these were:

> completing the process of refocusing,
> further developing our business activities organically,
> defining Swisslog's vision and core values,
> promoting a culture of innovation, and
> making targeted investments in the area of human resources.

The capital increase, the partial repurchase of convertible bonds, and the renegotiation of our bank guarantees enabled Swisslog to bring the process of refocusing on core business, initiated at the start of 2003, to a successful conclusion. At the same time, a new vision had to be formulated to ensure the continuation of the company's growth process. There was also a need to define Swisslog's core values, which should guide all employees in the realization of this vision. In an intensive process of constructive teamwork, the vision and core values described below were approved.

Our vision

> Swisslog aspires to be the partner of first choice for automated logistics solutions for warehouses, distribution centers and healthcare facilities that are aimed at increasing its customers' competitiveness.
> Swisslog wants to be known as an inspiring workplace capable of attracting and retaining the most outstanding talents.
> Swisslog aims to meet its obligations to its financial backers and owners.

Our core values

Competence
We pursue excellence in everything we do. Based on the unique skills of our staff we continuously improve and innovate our services and solutions driven by customer needs. We therefore want to provide an attractive platform for individual and organizational learning.

Collaboration
We act with integrity, loyalty, trust, and mutual respect. We work as a team beyond organizational and geographic boundaries to achieve superior results.

Commitment
We fulfill our commitments to our customers, our partners, shareholders, and each other. We take self-responsibility for our actions.

Clarity
We have a focused strategy towards our common goals. We are transparent, open, and clear in our expectations, responsibilities, and communication.

The core values of an enterprise must be internalized and lived by executives and employees alike if they are to have any effect on corporate culture. That is why we held workshops at all our sites to explain our values and to discuss how they might be translated into practice on a day-to-day basis.

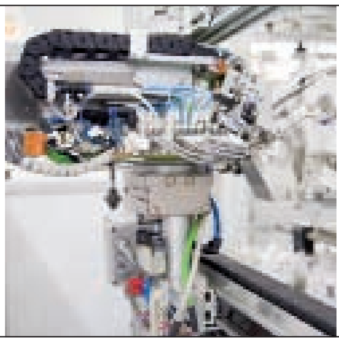
A further central theme concerned the subject of innovation. The capacity to innovate – understood in a broad sense – is an essential prerequisite for Swisslog's growth. But not just that. We want our customers and competitors to view us as an innovative enterprise, very much in the spirit of the core value "competence". By establishing an appropriate framework and implementing the right structures and workflows, we ensure that the potential for innovation within the company is developed systematically and efficiently.

Ultimately both operational excellence and the ability to innovate have the same origin: capable and motivated employees at all levels. Swisslog has addressed the growing significance of modern Human Resources operations in a variety of ways:

> by appointing Dr. Philipp Uschatz as head of Corporate Human Resources and as a member of the Executive Committee,


Warehouse & Distribution Solutions – modern, fully automated high-bay warehouse


Consulting Services/Wassermann – consultants in action


Healthcare Solutions – commissioning of patient-specific medications

> by providing executives or specialist staff with further training in line with their individual requirements through our Leadership Development Program (LDP),
> by reinforcing our recruitment activities with the goal of filling vacant positions and in particular of building up new skill capital.

Taking these fundamentals as a basis, Swisslog defined the following goals for the individual divisions, which take into account each unit's respective market environment:

Warehouse & Distribution Solutions

> Generate follow-up orders from big customers
> Expand the leading position of our software products
> Implement the low-cost sourcing strategy
> Increase our competitiveness with regard to less complex projects

Healthcare Solutions

> Make targeted acquisitions in selected geographical markets
> Increase productivity in all activities
> Accelerate sales growth of PillPick systems

Consulting Services/Wassermann

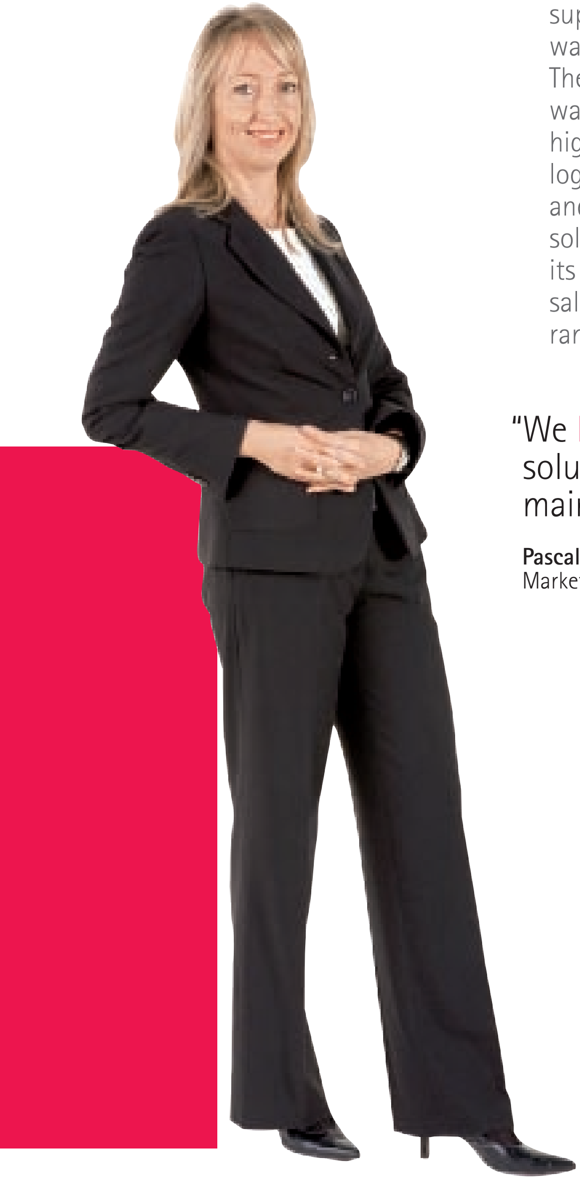
> Expand consulting activities in supply chain management
> Achieve positive operating results

Luana Bertoni
Finance & Controlling

Francis Meier
Managing Director

Axel Flechtenmacher
Consulting

WAREHOUSE & DISTRIBUTION SOLUTIONS
supplies industry-specific solutions for automated and manual warehouse and distribution centers. Its portfolio ranges from consulting services to lifetime support.



The Warehouse & Distribution Solutions division of Swisslog offers total account management for its customers, from the conception and realization of projects right through to operational support in the day-to-day operation of warehouses and distribution centers. The services on offer range from simple warehouse management solutions to highly complex and fully automated logistics systems. As general contractor and specialist in the field of software solutions, the division further improved its global market position through the sale and implementation of a wide range of projects.

"We **DEVELOP** customized solutions, including maintenance and servicing."

Pascalle Leeuwerink
Marketing Manager

The focus of Warehouse & Distribution Solutions is on wholesale and retail trade, the food, beverage and consumer goods sectors and the pharmaceutical industry. In these areas, logistics account for a substantial proportion of operating and capital investment costs. But Swisslog is also a leading supplier of customized logistics solutions in niche markets such as the tobacco industry and the banking sector.

Order intake varied from one geographical region to another: whereas the level of the previous year was more or less maintained in Europe, order intake in North America increased by around 50%. A substantial part of this increase was due in particular to a major order from Target, a leading retail chain in the USA. Significant advances were achieved in Asia, albeit from a lower level. A special achievement was undoubtedly the stronger foothold gained in the Chinese market, which led among other things to an order from the Chinese central bank, the People's Bank of China.

We added some notable companies to our solid customer base: Apart from Target, another client particularly worth mentioning is Quinn Radiators, the British manufacturer of radiators, who placed two projects with us. The division also landed a major order from the Swedish clothing group Lindex, among others. Coca-Cola Amatil, a major customer of many years' standing, commissioned us to set up yet another distribution center, this time in Sydney, Australia. These orders have helped the division to diversify its customer portfolio even further. With Target we have added a second mainstay to business in the USA alongside Wal-Mart, our largest customer in this region to date.

Modern conveyor technology provides for a fast and safe transport of containers

Multi-stage conveyor system with switches operating complex transports

"We use our own software products to **CONTROL** processes involving complex material flows."

Hamid-Reza Pezeshgi
Software Development

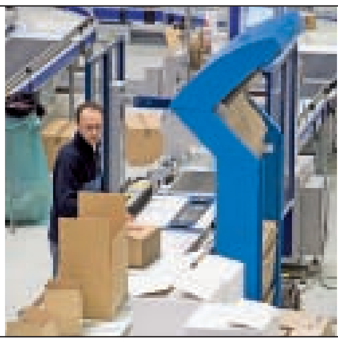
The price of oil, which increased sharply for a time, played an important part in the investment decisions of our customers during the year under review. The logistics strategies for distribution centers are determined by factors such as the number of journeys and the costs per journey. In the case of the latter, fuel prices play a decisive role, which prompted various companies to re-evaluate investment projects already planned for automated warehouses and distribution centers. The differing assessment of factors such as the price of land and oil, as well as labor costs, led to a marked increase in demand for studies in the consulting field. These are used for evaluating alternative scenarios, including real-time simulation.

High quality of software

Our software product line – WarehouseManager and AutomationManager (WM/AM), AutomationControl (AC) and Single Point of Control (SPOC) – has become an established market leader with implementations around the globe. The universal applicability of the product line is unparalleled in the sector. It provides us with important competitive advantages over competitors whose solutions are focused either on automatic or on manual systems. In contrast, WM/AM, AC and SPOC can be used in a variety of environments taking due account of specific customer needs. With its latest software version (3088), Swisslog has provided additional functionalities for operating pallets, containers and boxes, as well as for the control of overhead conveyor systems. These substantially simplify complex material flows in automated systems.

The quality of a logistics solution is a decisive criterion given the long service life that is demanded. Customers of Swisslog have profited for many years from the high performance of our systems. As core components of our solutions, the WM/AM modules have to satisfy tough requirements with regard to functionality and stability. Swisslog has therefore decided to make systematic improvements in the software processes, also with regard to offshoring.
In the next few years, all units that produce software will be brought up to Maturity Level 3 according to the CMMI standard (Capability Maturity Model Integrated). This guarantees a product integrity that can always be demonstrated, from requirements through to customer service. Transparency is likewise guaranteed in development and implementation – especially for our customers.

Cardboard boxes on their way to the picking area ...



... individual orders are made ready for delivery ...

... completed orders are carried automatically to goods-out area

"We IMPLEMENT integrated logistics solutions for warehouses and distribution centers."

Brigitte Frey Marketing Assistant
Fabian Grande Project Manager

Expansion of software offshoring

In addition to project implementation, which for the last two years has depended on resources from our offshore center in Malaysia, we also started building up a special offshoring team at the center there in 2006 for further development of the software products WarehouseManager and AutomationManager. As a result, our customers benefit from the sound consultation and support of our local branches and the guaranteed on-schedule delivery of a customized solution from the offshore team. In addition, the capacity for product development and support was substantially expanded.

Despite the many challenges of setting up such an organization, the offshoring unit has now grown to 30 employees. There are plans to double the number of staff during the current year so resources match the expected growth in the volume of orders.

Pallet is put on conveyor for further transportation to temperature-controlled warehouse at Rewe in Dortmund (Germany)

Stacker cranes store the pallets in the high-bay warehouse

Success Story

Coca-Cola Amatil

Coca-Cola Amatil (CCA), headquartered in Sydney, is the biggest bottler of soft drinks in Australia, New Zealand, Papua New Guinea, Fiji, South Korea and Indonesia. Starting last year, CCA has also become active in the alcoholic beverage segment since launching a joint venture with the brewery SABMiller for selling quality beer brands, such as Peroni, Miller Genuine Draft and Pilsner Urquell.

Following earlier orders to set up automated distribution centers in Melbourne, Australia, and in Auckland, New Zealand, Swisslog has now been commissioned by CCA to construct a further distribution center in Northmead near Sydney. The new distribution center will have approximately 55 000 pallet locations and feature automated loading ramps.

CCA has also signed a licensing agreement for the Swisslog software products WarehouseManager and AutomationManager/SPOC. This agreement will give CCA unlimited use of these products in all its warehouses in Australia and New Zealand. The new distribution center will enable CCA to significantly reduce its costs, while improving its customer service. CCA has already profited from such benefits in its Melbourne distribution center.

"The success of CCA's automated warehouse near Melbourne prompted us to entrust Swisslog with the construction of two further systems in Auckland and Sydney."

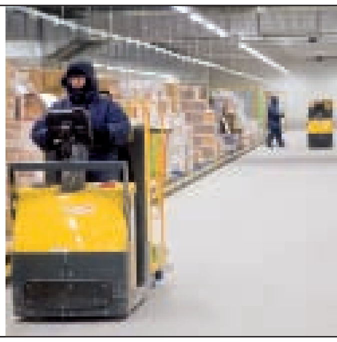
Bruce Herbert
Director of Operations and Logistics, CCA

Swisslog's long-standing business relationship with CCA illustrates how our company nurtures and develops partnerships. We not only construct systems and supply the software for manual or automated distribution centers, but are also on-site with our specialists at these facilities to provide optimum support for our customers' complex logistics processes at all times.

"We **SUPPORT** our customers wherever we can."

Beate Schmuck
Administration

Picking of orders at very low temperatures



Preparation of orders for goods-out area

"We **STAND OUT** for our well-trained workers."

Kai Uwe Bong
Hardware Engineering

Reduction of costs, expansion of skill base

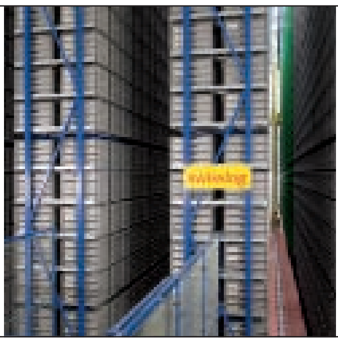
An important measure for improving the profitability of the division is the low-cost sourcing initiative. When setting up distribution centers and warehouses, Swisslog purchases a wide range of equipment (steel construction, conveyor equipment etc.). In a globalized world, considerable savings can sometimes be achieved by selecting the right suppliers. For this reason, various suppliers were identified in China who will supply a substantial proportion of equipment in the future.

To meet time and cost requirements even more effectively in the execution of projects, the division is rolling out a project management instrument worldwide in the current year. This will perform valuable services for us, enabling us to ensure precise project planning, management and monitoring, especially with complex major orders that extend over a long period. This step also supports our goal of further increasing the already high level of operational excellence at the company.

The growth we are seeking can only be achieved with adequate specialists. For this reason, additional staff were recruited not only in sales, but also for example in consulting and software. Selective further training, efficient knowledge transfer across regions and teams and also the systematic recruitment of qualified people continue to be given high priority, which was underscored with notable investments.

Outlook

Overall, the Warehouse & Distribution Solutions division anticipates a positive development in the logistics market. As a late-cyclical sector, it can in principle be assumed that business will run a promising course. In addition to North America, the growth drivers are likely to be increasingly the markets in Asia, as well as Europe. We will strive to generate follow-up projects via operational exellence, notably with major customers. Further priorities are the continuous development of our leading software products and realization of the savings potential through systematically applied sourcing strategies. Last but not least, the latter should also increase our competitiveness in the market segment of less complex projects.



Front view of fully automated high-bay warehouse at SIS in Olten (Switzerland)

Two stacker cranes (yellow) in the high-security vault

Partial view of the totally 30 000 containers that store securities of all kinds

"We **DESIGN** studies and **CONSULT** our clients in the search for optimum solutions."

Christian Dörr
International Consulting

Success Story

Quinn Radiators

When it comes to radiators of all types and designs, Quinn Radiators is one of Europe's leading suppliers. Quinn has production centers in Ireland, Great Britain and Belgium. It manufactures its 'Roundtop' line in Leigh (UK) and its 'Compact' line in Grobbendonk (Belgium). Quinn caters to the market for design radiators with its Merriott brand.

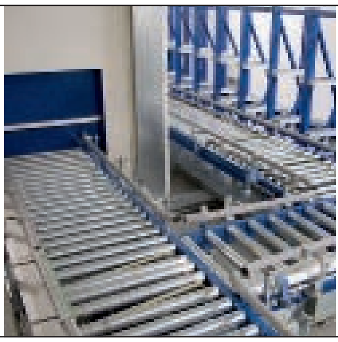
"Our new production site will benefit from Swisslog's efficient logistics solution."

Adrian Curry
Director, Quinn Glass

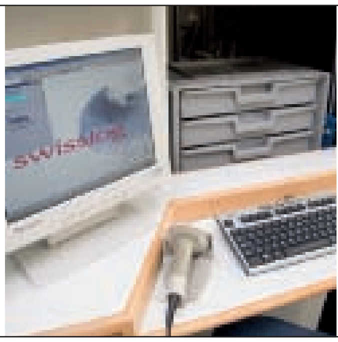
The company is currently building a further production plant in Newport, South Wales. When it comes on stream later this year, the plant will be the most modern and efficient in the world, with an expected capacity of four million units a year. In its search for a partner that could supply a turnkey overall solution for an automated high-bay warehouse with an integrated order picking system, Quinn opted for Swisslog. We managed to propose to the company a solution that met all the requirements regarding warehousing, picking, warehouse management software, palletizing, and delivery.

The new facility will have six automatic stacker cranes that can cover its 41 000 pallet locations, and will be equipped with appropriate conveyor technology. Three portal robots equipped with magnetic heads will enable fully automatic picking of the individual radiators. Swisslog software products will also be implemented to control and monitor the facility.

Quinn Radiators operates in a fiercely competitive market. The customer is convinced that this project will help it to offer its clients the best supply chain solution.



Containers ordered from the high-bay warehouse in the vault are carried by an automatic conveyor system to the elevator ...



... from where they are directly delivered to the right workplace

HEALTHCARE SOLUTIONS is a leading supplier of automation solutions for hospital logistics designed to increase efficiency, reduce operating costs, and improve quality in patient care.

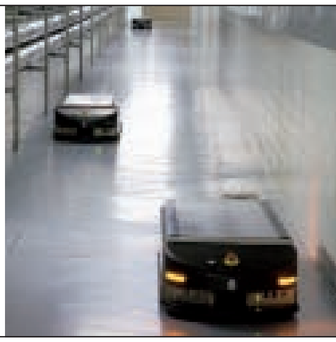
"Our automated guided vehicle systems **GUARANTEE** the supply of important goods."

Oktay Gökce
Sales Manager

The Healthcare Solutions division of Swisslog provides the healthcare market with automation solutions for internal materials transport and for the packaging, dispensing, and inventory management of pharmaceutical items. Two product groups, "Automated Material Transport Systems" (AMTS) and "Automated Drug Management Systems" (ADMS), help optimize internal workflows in hospitals and hospital pharmacies. With these systems, Swisslog meets all the requirements of a comprehensive logistics concept in hospitals – whether for automated transport of laundry, food and highly sensitive blood or tissue samples or for efficient and safe drug management.

The healthcare sector continues to be faced with ever stricter demands for improved efficiency, quality, and safety and with generally mounting cost pressures. Swisslog is committed to the development of innovative solutions that increase productivity in hospitals. Our systems offer three crucial advantages: they relieve the burden of manual tasks on staff, substantially improve response times, and increase reliability in the administration of drugs.

Modern, redundant security technology allows a safe material transport with automated guided vehicles (AGVs)



Free navigating, laser-guided TransCar LTC 2 in hospital supply tunnel

Solid growth in all segments and regions

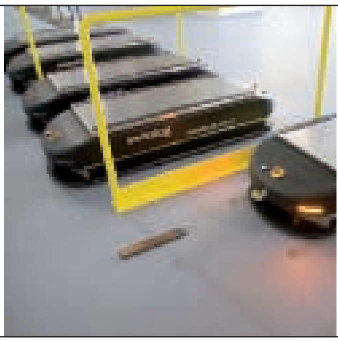
The year 2006 was a year of solid growth for the division. Order intake was especially gratifying with a growth of over 10% compared with the previous year. The main driver of this growth in order intake was the product line of pneumatic tube systems, where Swisslog is global market leader. Our PillPick systems (from the ADMS product group) still account for only a small percentage of total sales in this division, but orders for these systems showed an increase of about 50% compared with 2005.

Both in net sales growth and in profit growth, the division likewise posted increases of more than 10%. Here, too, it was the pneumatic tube systems that mainly accounted for the growth. This helped to offset the slight fall in the gross margin caused by a change in the product mix, additional costs for project execution, and expenses for a patent infringement claim. Besides another positive performance in North America, Europe also exceeded expectations in two respects: it achieved a high order intake and showed an operating profit for the first time after completion of the restructuring measures initiated in 2003. Our largest European customer, St. Olavs Hospital in Trondheim, Norway, deserves particular mention. The pneumatic tube and automated guided vehicle (AGV) systems installed by Swisslog at this university hospital are among our most important reference projects and are attracting a lot of attention also outside Europe.

"We **OPTIMIZE** complicated processes in hospitals and hospital pharmacies."

Marcello Bergamini
Managing Director

Automated container transports enhance workplace security



Optimized charging and operation processes increase productivity

Potential for expansion

Advances in the automation of hospital logistics are attracting growing attention around the globe, not just in North America and Western Europe. The year under review is marked by a geographic expansion into markets like India, South Africa and Eastern Europe. The division views China as a particularly promising market for the sale of its products. We have steadily increased our presence there in recent years. Initially, these efforts were channeled through the Asian divisional headquarters in Singapore. In the meantime, Swisslog has its own personnel on-site in Shanghai, and a number of Swisslog systems have been put into operation in Chinese hospitals.

"We INCREASE the reliability of drug management."

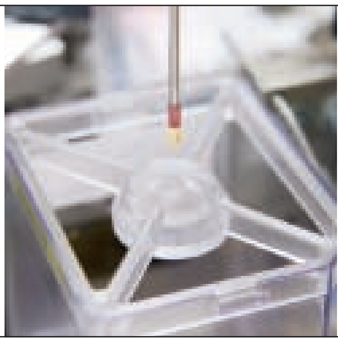
Janina Schoppe
Marketing & PR

Other options and strategies for both internal and external growth were also assessed. This evaluation resulted in, among other things, an automated drug cabinet for local, controlled storage of small quantities of drugs (known as BluPick) and a mini-version of an AGV system. The latter is used for smaller loads or courier services. With regard to external growth, acquisitions of smaller selected companies was considered for realization in 2007.

Sustained innovation of our core products

A substantial part of the division's product innovation lies in the further development of product lines to meet customers' growing needs. In the case of pneumatic tube systems, a mature product line, we are focusing on solutions for the fast, safe and reliable delivery of a large number of different products. One example is the use of RFID technology to identify tube carriers and their contents. In this way, for example, consignments of laboratory samples or pharmaceuticals being sent through a pneumatic tube system can be tracked and traced.

Production of patient-specific medication with PillPick dispensing system



Unit dose made from bulk medication – avoiding cross-contamination

The PillPick "DrugNest" can store over 40 000 unit doses

"We are COMMITTED to customers in over 50 countries."

Riccardo Renna
Project Manager

Success Story

Zhangjiagang No. 1 People's Hospital

China is making excellent progress in its efforts to set up a modern Western-style healthcare system. In the city of Zhangjiagang, which lies some 170 km away from Shanghai on the banks of the Yangtze River, in the affluent and densely-populated province of Jiangsu, the foundation stone was laid in 2003 for a completely new hospital: Zhangjiagang No. 1 People's Hospital. The state-owned hospital has 16 stories and more than 800 patient beds.

"Swisslog's innovative approach perfectly met our specific logistics needs."

Dr. Zhu Xian
Director, Zhangjiagang No. 1 People's Hospital

For quality reasons, Chinese hospitals are also paying increasing attention to the optimization of logistics workflows. The management of Zhangjiagang Hospital was looking for an efficient and reliable solution for the ad-hoc transport of materials. Precisely defined criteria on the volume and weight of the items to be conveyed ruled out the use of pneumatic tube systems. So a system had to be found that was also capable of moving larger and heavier materials, but without compromising the spontaneity of the transport.

In January 2006 Swisslog was awarded the contract to install a UniCar electric track vehicle system. Altogether 860 meters of track were laid and 32 switches installed. 50 standard transport containers of the Telelift system now convey different materials, including blood samples, sterilized items, and drugs, via a total of 32 stations. The order shows that there is also a demand in China for innovative solutions in in-house transport logistics of the kind that Swisslog offers. The project serves as a model for the burgeoning Chinese healthcare market.

Client-specific network design of a TranspoNet pneumatic tube system

Pneumatic tube system station with storage function

Express delivery of drugs and blood samples improves patient safety and quality of treatment

"We REDUCE costs and increase productivity."

Hans-Paul Schaitz
Production and Installation

Both the track system and the automated guided vehicle system permit the transport of a wide range of products. This applies to our principal market, the healthcare sector, but also to other industries requiring the rapid delivery of valuable products. Innovation here is focused on new ways of packaging and bundling the items to be transported and on overcoming the complex system requirements that arise from the need to regulate traffic at peak times. These efforts ensure that our approaches to the design and simulation of systems address the specific problems of goods transport for every customer.

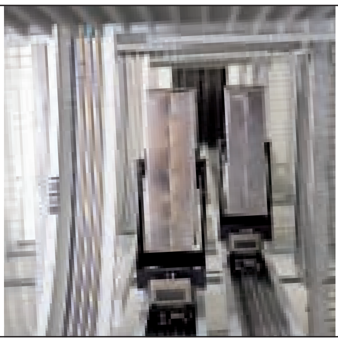
The software product PharmaStock Manager was developed concurrently with the drug cabinet BluPick. This product allows bar-coding and tracing of pharmacy products not stored in a PillPick system. The division is discovering new ways of creating added value through even further automation of the whole process of drug management in hospitals, from storage to the individual dispensing of drugs to patients. This work opens the way to a broader application and more specific design features for these systems, possibly even to a fundamental shift away from the labor-intensive, manual methods of distributing and administering drugs that have been used in hospitals to date.

Reducing costs, strengthening leadership

Cost consciousness remains a strict priority in the division. A design-to-cost program initiated at our German subsidiary Telelift has produced its first results in the product lines of track-bound and AGV systems. The aim of the program is to reduce production and installation costs and to minimize the cost to the customer for maintenance. Based on the results achieved, further design-to-cost programs are currently being implemented at our product line centers in the USA and Italy.

Innovation and market expansion only succeed with properly trained personnel. We reaffirmed our commitment to people development by expanding the LDP (Leadership Development Program) to include Senior Managers and new employees. These people were also joined by a group of future managers who went through the LDP 2 program for top performers this year. A number of graduates from these programs have gone on to take positions of greater responsibility in the division.

UniCar re-entry station in a document archive



Track design in special shaft for secure transports

Outlook

In the current year, the division is focusing on implementing the above-mentioned growth and acquisition plans, investments in human resources and cost reduction programs. Taken together, these efforts will steadily strengthen our global market position with a balanced portfolio. At the same time, we shall step up our efforts to reduce the cost of products, which will benefit our customers and thus also Swisslog.

For 2007, we are striving to equal or even top the record profit achieved with pneumatic tube systems. While the main emphasis in North America is on this product line and the PillPick systems, business in Europe should be spread more evenly over all the product lines. In view of the lively interest that has been shown in PillPick, we expect above-average growth to come from this product.

We continue to attach great importance to geographic expansion, and place special emphasis on the development of the Asian market as part of our long-term growth strategy. At the heart of this strategy lies China, where the division aims to extend its presence to further key cities, starting with Beijing.

Success Story

St. Olavs Hospital Trondheim

In 2002 the Norwegian Parliament approved the extensive reconstruction and enlargement of Trondheim University Hospital as part of a comprehensive hospital reform. The modernization is an element of the Helsebygg Midt-Norge project (hospital development project for Central Norway). Requirements concerning patient treatment, the care of relatives, teaching and research, and the hospital staff are all being integrated to create a campus that will set new standards in healthcare. The new complex will cover an area of 200 000 square meters and will take about ten years to complete in a two-phase construction project.

"We rely on Swisslog for the daily supply of consumables as well as for all urgent transportation of samples, transfusion products and drugs."

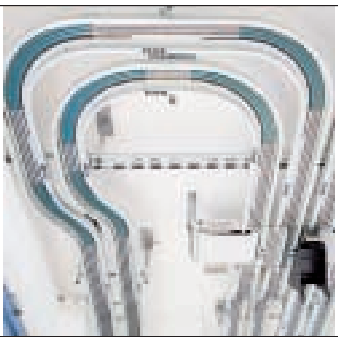
Bjørn Bakken
Logistics Manager at Helsebygg Midt-Norge

St. Olavs Hospital attaches great importance to optimally functioning logistics so that it can provide outstanding patient care. Thus, for example, the clinical laboratories have been merged together at a central location.

During the first phase of construction Swisslog was commissioned to install a pneumatic tube system of the TranspoNet type to be used primarily for transporting blood products and samples. The company was awarded a further contract for the second construction phase, due to start in 2007. A total of some 190 stations are planned for the project as a whole, making the pneumatic tube system in Trondheim one of the largest in Europe.

The responsible parties for the project in Trondheim have also entrusted Swisslog with the automation of the hospital's container transport. Seven units of the automated guided vehicle system TransCar convey meals, laundry, sterilized items, and waste in the first phase of the project, and 15 vehicles will transport these materials in the second project phase. The cars run on five different floor levels, and seven elevators are used for bridging between the levels. The connecting paths between the 188 stations have a total length of 3100 meters.

Individual loading of items to be transported, e.g. patient records



Fast and safe transport on overhead mounted track with curves and transfer switch

Use of client-specific carriers

CONSULTING SERVICES/WASSERMANN is a leading supplier of supply chain solutions for planning, scheduling and optimizing business processes.

The Consulting Services/Wassermann division has considerably expanded its range of services especially in consulting with an eye to developing new market segments to supplement its existing core business in supply chain consulting and software. The move pertained particularly to lean supply chain management, i.e. the combination of classic lean strategies with the methods and instruments of supply chain management (SCM) for optimizing value-added chains. We assist customers in combining concepts and instruments for developing an optimal SCM or production system.

"We ADVISE our customers on ways of optimizing their value-added chains."

Ottilie Varga
Consulting

Besides introducing its own waySCS or wayRTS software, the division now also offers comprehensive optimization of already existing software. The division has systematically developed its SAP know-how and can now support software upgrades from SAP R/3 to mySAP SCM.

New management, more intensive market development

An important addition was made to division management. Günter Baumann has been working side by side with the current managing director, Martin Hofer, since October 2006. A subsequent reorganization was undertaken to improve market development in the years ahead. From 2007 onwards, two centers of competence will concentrate on new business, targeting manufacturers of pharmaceutical and life science products, as well as enterprises with discrete production (engineering, automotive, power and drive technology, communications/high-tech, aerospace/defense, rapid tooling, maintenance). The expanded portfolio of consulting services will be prepared and marketed by three service centers.

Studies are carefully analyzed to determine the right approach

wayRTS SCM software wins Microsoft award

ALTANA Pharma AG (today Nycomed), a long-standing customer of ours, won the 2006 Microsoft Pharmaceutical and Life Sciences Innovation Award in the "Production and Value Added" category with our realtime-enabled wayRTS advanced planning & scheduling solution. The solution supports the operational planning, simulation and scheduling of the central value-added chain spread across three production centers and eight sales units. As the only vertically integrated planning system, wayRTS (Version 2.0, launched in 2006) supports SCM from long-term planning, through production planning, to production control. In addition, Consulting Services/Wassermann acquired the status of Independent Software Vendor, thus becoming a Certified Partner of Microsoft. This certification underscores the division's claim to be a professional solutions supplier with its own powerful self-developed systems.

Outlook

Now that the organizational and personnel measures have been implemented, we expect Consulting Services/Wassermann to be back in the black in 2007. During the year under review, the division received orders from important new customers, including Aspen Pharmacare, Eisenbeiss GmbH, VAG Armaturen GmbH, Georg Fischer Fittings and RUAG Aerospace. The plan is to work rigorously to remain on this course, not least in SAP business. Thanks to a successful fourth quarter, the division has got off to a good start in the new year and is making good use of its capacities.

Success Story

MAN Nutzfahrzeuge AG

Every day at its Munich site, the MAN Nutzfahrzeuge Group manufactures some 580 axles for trucks and buses of different types. Following a record year in 2005, order intake at the commercial vehicle enterprise remained at a very high level. The production of axles involves complex multi-stage process chains and a large proportion of variant solutions. To obtain end-to-end transparency across the production process of its axle components, MAN Nutzfahrzeuge AG decided last year to implement a Wassermann AG supply chain management solution.

The Wassermann solution enables MAN to present all the information from the entire order process in a single data model. Filter mechanisms and alert functions significantly reduce the cost of operating the company's axle production. The new system also allows MAN to simulate and compare different planning scenarios separate from actual operational business. Selecting the best options in each case noticeably enhances planning security.

"The new solution allowed us to significantly enhance our supply chain."

Dr. Robert Engelhorn
Head of Axle Production
MAN Nutzfahrzeuge AG

Since July 2006 MAN Nutzfahrzeuge AG has been planning and controlling its axle production in actual operation with waySCS. The company has already managed to improve internal on-time delivery, i.e. the punctual supplying of workplaces in production operations from upstream production stages, by 100%. At the same time optimized planning with the Wassermann system has enabled MAN to cut its throughput times by 35% and reduce its stocks of raw materials, semi-finished products and finished components by 18%.

Innovative ideas are searched for to cover specific needs

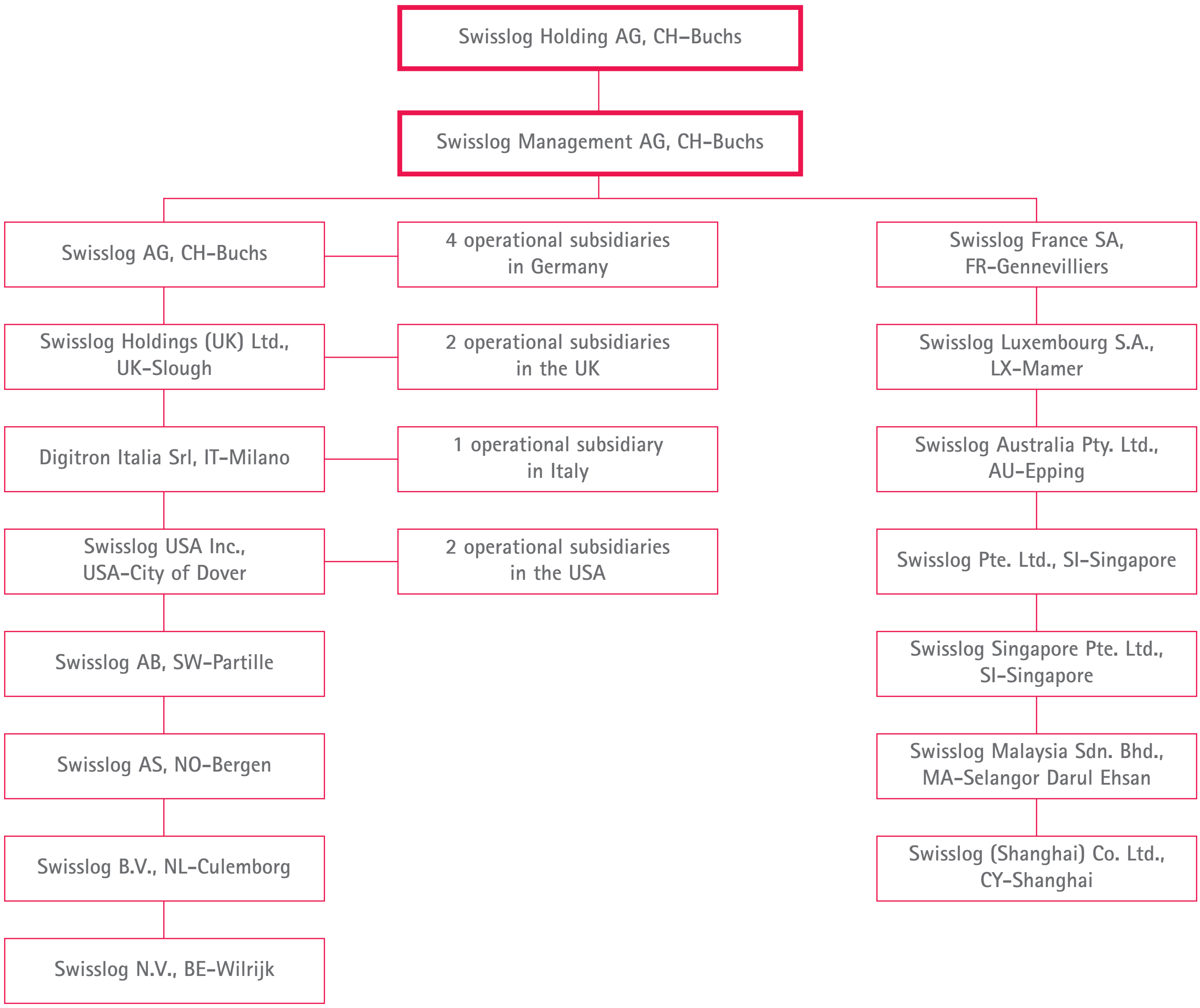
Options are openly discussed to find the best solution

CORPORATE GOVERNANCE

Group Structure and Shareholders

Group structure

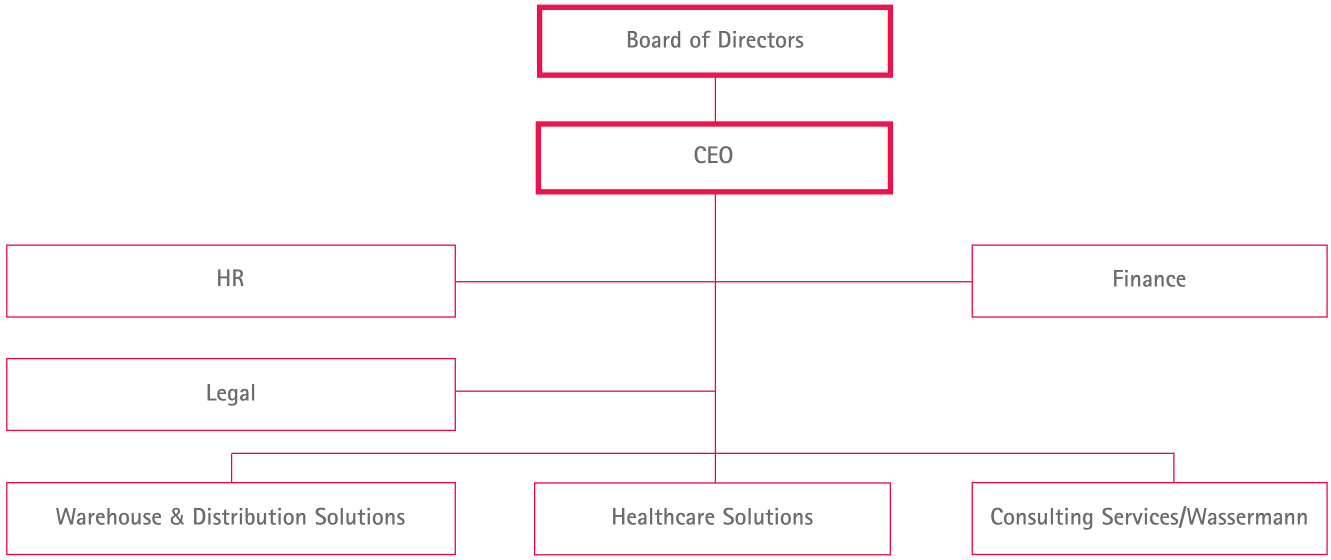
The structure of the Swisslog Group is designed to support business operations through a consistent structure based on an optimum legal, tax, and financial framework.



Swisslog Holding AG, headquartered in Buchs, Canton of Aargau, Switzerland, is the parent company of the Swisslog Group. For details on companies included in the consolidation and on the market capitalization of Swisslog Holding AG, please refer to page 68 (2006 Financial Report).

Management structure

The Swisslog Group's operations are divided into three segments, and this is reflected in the organizational structure, which is likewise characterized by three divisions. For detailed information on the divisions, please refer to pages 6-19 of this Annual Report.



The registered shares of Swisslog Holding AG are traded on the main board of the SWX Swiss Exchange (Securities No.: 1 232 462). The number of shares traded daily in 2006 averaged 1 261 052 with an average trading volume of CHF 1 837 123.

Significant shareholders

As at 31 December 2006, no shareholder held more than 5% of Swisslog shares under Art. 20 of the Federal Act on Stock Exchanges and Securities Trading ("Stock Exchange Act"):

As at 31 December 2006, there were 11 897 registered shareholders listed in the share register. The registered shares are held by the public.

Cross-shareholdings

The Swisslog Group has not entered into any cross-shareholdings with other companies as far as capital or voting rights are concerned.

Capital Structure

Share capital

As at 31 December 2006, the company's share capital consisted of 251 276 984 registered shares with a par value of CHF 0.01. Swisslog Holding AG's share capital stands at CHF 2 512 769.84, all of which is fully paid up.

Changes to the capital

Share capital

In the course of the financial restructuring of the Swisslog Group, the Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 approved the following changes to the share capital:

1. A reduction in the par value of existing shares from CHF 2.00 to CHF 0.01. This reduced the nominal share capital to CHF 151 780.39.

2. Issuance of 141 538 462 new registered shares at a subscription price of CHF 0.01, waiving shareholders' pre-emptive rights. This capital increase served to indirectly replace bank loans with equity capital. The issuance of new shares increased the share capital by CHF 1 415 384.62.

3. Issuance of 22 767 059 new registered shares to existing shareholders at a subscription price of CHF 1.00 on a three-for-two basis, i.e. three new shares for two existing ones. The issuance of new shares increased the share capital by CHF 227 670.59.

The capital increase took place once the relevant authorities gave their approval and the applicable appeal periods elapsed on 19 May 2004.

The Ordinary General Meeting of Shareholders of Swisslog Holding AG on 17 May 2006 approved an increase in the share capital of CHF 717 934.24 from CHF 1 794 835.60 to CHF 2 512 769.84.

Conditional capital

The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 approved as set out above the reduction in the par value of shares from CHF 2.00 to CHF 0.01. The resultant changes in the conditional capital existing at that time are contained in the Annual Report 2005, "Conditional Capital" section, on page 30.

The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 also approved the deletion of the sixth paragraph of Art. 3bis of the Articles of Association, which states that the share capital may be increased by a maximum of CHF 1 931 922, excluding the pre-emptive rights of shareholders, through the issuance of no more than 965 961 fully paid-up registered shares with a par value of CHF 2.00, through the exercise of option rights which shall be granted to shareholders (shareholder options).

After the periods for exercising conversion and/or option rights for the remaining conditional capital as per Art. 3bis Para. 1 (warrant-bearing bonds or similar instruments) and for the conditional capital as per Art. 3bis Para. 4 (employee options) of the Articles of Association had expired, and, furthermore, no conversion or option rights had been exercised, the Board of Directors approved on 22 June 2006 the removal – in accordance with Article 653i of the Swiss Code of Obligations [OR] – of the remaining conditional capital. As a result there is now no conditional capital.

Authorized capital

The Extraordinary General Meeting of Shareholders on 26 February 2004 approved the removal of the remaining outstanding authorized capital amounting to CHF 6 054 000 (nominal amount) divided into 3 027 000 registered shares. There is now no authorized capital.

Limitation on transferability and nominee registrations

With the entry into force of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act) on 1 January 1998, the percentage limitation on the registration of registered shares ("Vinkulierung") contained in Art. 6 Para. 3 of the Articles of Association automatically lapsed. Swisslog Holding AG's Articles of Association no longer include any percentage restriction on registration. The only restriction that continues to apply is a nominee ruling (Art. 6, Para. 4), whereby the registration of persons holding shares in a fiduciary capacity for undisclosed third parties is limited to 5% of the registered share capital. Registered shares of nominees with voting rights exceeding this limit can be entered in the share register only if the respective nominee discloses the names, addresses and shareholdings of the persons for whose account he holds 5% or more of the registered share capital as entered in the commercial register. The Board of Directors is entitled to enter into agreements with nominees regarding reporting obligations.

Convertible bond 2000–2009

With the approval of the General Meeting of Shareholders of 17 May 2000, Swisslog Holding AG issued a convertible bond in 2000. The terms and conditions of the bond at the time of its issuance and the changes to them up to and including the reporting year 2003 can be found in the 2005 Annual Report on pages 31 and 32.

In the course of the financial restructuring of the Swisslog Group, a number of proposals were put to the Bondholders' Meeting of 26 February 2004 regarding changes to the terms and conditions of the bond. The proposal in question was not approved during the meeting, with the result that the required two-thirds quorum had to be obtained during the 60-day extension period.

This quorum was duly obtained within the period and the relevant judgement certificate issued on 6 May 2004. The new conditions of the convertible bond contain the following key changes:

– Extension of the maturity date to 31 December 2009

– Adjustment of interest payments (interest payment respectively on 7 July and for the last time on 31 December 2009) as follows:
  2003/04 0.5%
  2004/05 1.0%
  2005/06 1.5%
  2006/07 2.0%
  2007/08 2.5%
  2008/09 3.0%
  2009 3.5% (from 7 July 2009 to 31 December 2009)

– Waiver of pledge conferred on bondholders (nominal MCHF 16.4) and agreement of a pledge from Translogic as security for the banks' guarantee facilities as well as approval of selected divestitures

– Election of Michael Werder as bondholder representative

The conversion rights attached to the Swisslog Holding AG's convertible bond, securities no. 001090606, expired on 4 July 2005. No conversion rights had been exercised by the expiry date of the conversion period.

On 26 June 2006 the issuer redeemed convertible bonds with a par value of CHF 78 175 000. These had previously been bought back by Swisslog Holding AG at a uniform price of 98.0%. On 31 December 2006, therefore, the par value of the bond was CHF 71 825 000.00.

Options

As at 31 December 2006, there were no shareholder options or other options issued by the company.

For details of employee options, please refer to the "Share allotment in the year under review" section on page 31 and to page 60 (2006 Financial Report).

Own shares

The Swisslog Group did not hold any registered shares in Swisslog Holding AG as at 31 December 2006.

Shareholder reporting obligations

In accordance with Art. 20 of the Swiss Stock Exchange Act, any shareholder of Swisslog Holding AG who buys or sells shares directly, indirectly or by arrangement with a third party, thus causing the percentage of voting rights – whether exercisable or not – to reach, exceed or fall below the 5, 10, 20, 33 1/3, 50 or 66 2/3 threshold, is required to notify Swisslog Holding AG and the Disclosure Office of the SWX Swiss Exchange accordingly.

Disclosure Office of the SWX Swiss Exchange
Selnaustrasse 30
P.O. Box
CH-8021 Zurich
Telephone +41 (0)58 854 24 81 or 26 80 or 29 18
Telefax +41 (0)58 854 29 35
E-Mail: offenlegung@swx.com

Disclosure forms can be downloaded from
http://www.swx.com/admission/regulation/disclosure_form_en.html.
In accordance with Art. 21 of the Swiss Stock Exchange Act, the company, for its part, is required to publish any such information that it may receive.

Board of Directors

Members of the Board of Directors in the year under review

In the year under review the Board of Directors comprised five people, who were originally elected for a three-year term of office either at the Extraordinary General Meeting on 26 Februar 2004 or the 19th Ordinary General Meeting on 30 June 2004. As part of good corporate governance and to guarantee continuity within the board, a proposal was put to the Ordinary General Meeting of 18 May 2005 to bring forward the re-election of Messrs. Hans Ziegler and Manfred Schuster for a three-year term of office. Their re-election was approved. To ensure continuity, the Board of Directors similarly put a proposal to the Ordinary General Meeting of 17 May 2006 to bring forward the re-election of Messrs. Jacques Réjeange and Jürg Rückert for a three-year term of office, whose re-election was likewise approved. The subsequent terms of office are set out further in this section under "Elections and terms of office".

On 21 June 2006, M. Werder announced that he was resigning from the Board. His successor will be proposed at the Ordinary General Meeting of 16 May 2007.

As of 31 December 2006, therefore, the Board of Directors of Swisslog Holding AG comprised the following members:

Manfred Schuster Jürg Rückert Jacques Réjeange Hans Ziegler

Hans Ziegler, born 1952, Swiss national
Hans Ziegler, business economist (KSZ) with a degree in business administration and information technology from TCU Dallas-Fort Worth, is Chairman of the Board of Swisslog Holding AG. After holding a number of positions, including CFO/Controller at Alcon Pharmaceuticals Cham/Fort Worth, USA, and CFO of Usego Trimerco Group and Globus Group, he now owns a consultancy company operating in Switzerland and abroad, which specializes in corporate restructuring, turnaround management, and repositioning. Hans Ziegler is also Chairman of the Board of Elma Electronic AG and of Schlatter Holding AG. He serves on the boards of NZB Neue Zürcher Bank AG and a number of other Swiss and foreign companies.

Jürg Rückert, born 1945, Swiss national
Jürg Rückert, a graduate in political science (lic. rer. pol.), Managing Director of C.M.C. Consulting Management Coaching AG, headquartered in Pfäffikon (SZ), is Vice-Chairman of the Board. He has held various management positions in the Swiss retail sector, including various functions at Denner, and has been COO of Waro and UHC (Bon appétit Group), as well as CEO of Usego. Jürg Rückert is currently Chairman of the Board of Directors of Syntrade AG and a member of the Board of Directors of Zuckerfabriken Aarberg+Frauenfeld AG, of Lüchinger+Schmid AG, of GROBA AG, of Zellweger Management Consulting AG, and of réservesuisse. He is also a member of the boards of the Swiss Retail Federation and the Swiss Association of Importers and Wholesalers (VSIG).

Jacques Réjeange, born 1940, French national
Jacques Réjeange graduated in economics from the Reims Ecole Supérieure de Commerce in France and also completed an MBA at INSEAD, Fontainebleau, France. He has held management positions with Sandoz in Europe and the USA, and has served as Chairman of the Board of NMT Management Venture Capital, as CEO of ZLB Bioplasma AG, and as President and CEO of Sterling Winthrop Inc. J. Réjeange serves on the board of Mediservice AG and of Pozen Inc.

Manfred Schuster, born 1953, German national
Manfred Schuster, who started out by training to an industrial manager, is CEO of Williams Lea Deutschland GmbH, a fully-owned subsidiary of Deutsche Post World Net. He held various management positions at Oracle and Siemens and worked for several years as managing director of small- and medium-sized IT distribution and consulting companies.

None of the members of the Board of Directors has formerly held an executive function within the Swisslog Group. No member of the Board of Directors has any material kind of business relationships with Swisslog.

Cross-involvement(s)

The members of the Swisslog Holding AG Board of Directors do not have cross-involvement(s) among other listed companies. Nonetheless, attention is additionally drawn to the aforementioned directorships held by Board members with other companies.

Elections and terms of office

In accordance to the Articles of Association, the Board of Directors shall consist of at least five members, appointed for a term of three years, with a year being understood as the period from one ordinary Shareholders' Meeting to the next. Members may be re-elected. A member of the Board of Directors who has reached the age of 70 shall retire automatically at the next ordinary General Meeting of Shareholders. Members who are elected to replace a retired member of the Board of Directors shall complete the remaining term of office of that member.

In the year under review the members of the Board of Directors were elected individually.

The re-election and terms of office of the individual members of the Board are as follows:

As at 31.12.2006	Position	In office since	Term of office expires
HANS ZIEGLER[1; 3]	**CHAIRMAN, NON-EXECUTIVE**	**26 FEB 2004**	**2008**
JÜRG RÜCKERT[1]	**VICE-CHAIRMAN, NON-EXECUTIVE**	**26 FEB 2004**	**2009**
JACQUES RÉJEANGE[2]	**MEMBER, NON-EXECUTIVE**	**26 FEB 2004**	**2009**
MANFRED SCHUSTER[1; 2]	**MEMBER, NON-EXECUTIVE**	**30 JUN 2004**	**2008**

1 Audit Committee; 2 HR Committee; 3 Risk Management Committee

Internal organization structure and definition of areas of responsibility

The Board of Directors consists of a chairman, a vice-chairman, and at least three members. In the year under review, the Board handed over the management of ongoing operations to the Executive Committee under the CEO. As such, the Executive Committee and the CEO are responsible for the overall management of Swisslog and all matters that do not fall within the remit of the Board of Directors by law, the Articles of Association, or the Organizational Regulations. The non-transferable and inalienable duties incumbent on the Board of Directors are governed by the applicable legislation (Art. 716 and Art. 651, Para. 4 of the Swiss Code of Obligations).

Moreover, the Board of Directors is authorized to decide on all matters not reserved to the General Meeting of Shareholders by law or under the terms of the Articles of Association.

Furthermore, the Board of Directors may fully or partially delegate the management and representation of the company to one or more members of the Board of Directors (delegates) or to other persons in accordance with the Group's organizational regulations.

The Organizational Regulations determine among other things the company's executive bodies and define the organization of the Board of Directors, including the option of appointing a delegate. They give the Board of Directors the option of creating committees to assist it in its work, such as the Audit Committee or HR Committee but also ad hoc committees. The Organizational Regulations also define the duties and responsibilities of the Board of Directors, including the establishment of applicable accounting principles, approval of the annual budget, formulation of strategy, and determining the duties and responsibilities of the committees and the financial competencies of the Board of Directors and management. These duties and obligations also include determining the management structure, compensating the Board of Directors, and establishing the Group's basic compensation strategy.

The Organizational Regulations govern the duties of the Chairman of the Board and those of the Delegate if the Board of Directors has appointed one. They also state that the Board of Directors shall determine the composition of the company management and its basic organization and functions, and that the Board shall define the reporting structure between management and the Board of Directors.

During the 2006 financial year, the Board of Directors convened nine ordinary meetings and one extraordinary meeting, which normally last about five hours. Four circular resolutions were passed.

Committees

The Board of Directors set up three committees to assist it in its work: an Audit Committee, an HR Committee, and a Risk Management Committee. Following M. Werder's resignation from the Board, this latter committee was amalgamated organizationally with the Audit Committee.

Audit Committee

The Audit Committee comprised three non-executive members: Messrs. Jürg Rückert (Chairman), Hans Ziegler and Manfred Schuster. The Committee convenes at least three times a year, reporting constantly to the Board of Directors on its activities. Its primary function is to audit the annual financial statements and submit a recommendation on their approval to the full Board of Directors. It also monitors the external auditors on behalf of the Board of Directors (including the Group auditors in connection with the company), their audit planning and execution, coordination with the external auditors, internal controlling as well as preparation of the annual financial statements and financial reporting. The Group auditors are required to report their findings to the Audit Committee, whose job it then is to recommend any improvements in the audit process that may prove necessary. Permanent members of the Committee are the CFO, the CEO and usually the Group Risk Manager. In the year under review the Audit Committee met four times.

HR Committee

The HR Committee comprised two non-executive members: Messrs. Jacques Réjeange (Chairman) and Manfred Schuster. The HR Committee convenes at least twice a year, reporting to the Board of Directors when the latter convenes. The main function of the HR Committee is to monitor on behalf of the Board of Directors Swisslog's compensation strategy, compensation programmes and instruments, remuneration of the Board of Directors, CEO and Executive Committee, employee benefit policy and plans, administration of employee stock ownership schemes, and development and career plans, as well as to follow compensation comparisons. Permanent attendees of the HR Committee are the CEO and the head of HR. In the year under review the Committee met five times.

Risk Management Committee

In the year under review the Risk Management Committee comprised two members: Messrs. Michael Werder (Chairman) and Hans Ziegler. It convenes at least three times a year, reporting to the Board of Directors when the latter convenes. The main function of the Risk Management Committee is to monitor, assess and adjust the company's risk management system as well as follow the development of rules and regulations affecting the company. Permanent attendees of the Committee are the Group Risk Manager and usually the CFO. The Risk Management Committee met four times in the year under review, of which two meetings took place on the occasion of Audit Committee meetings.

Information and controlling instruments vis-à-vis the Executive Committee

The Management Information System (MIS) of the Swisslog Group consists of the following: monthly, quarterly, half-yearly, and annual reportings (balance sheet and income statement) of the specific Swisslog subsidiaries. The figures are consolidated for the divisions and the Group. They are also compared with the previous year's figures and with the budget, and the resulting reports are sent monthly to the Board of Directors.

In addition, the divisional heads report to the CEO at institutionalized business reviews, which take place every quarter. The CEO in turn reports on a regular basis to the Board of Directors when it convenes to discuss business developments, including the status of budget attainment.

Internal Auditing

Internal auditing carries out an annual audit of individual companies in the Swisslog Group. The main emphases of the audit are determined, on the one hand, by the reports of the external auditors, and, on the other, in consultation with Group Risk Management. The reports drawn up and approved by internal auditing are discussed by the Executive Committee and submitted to the Board of Directors.

Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Presidents of the WDS and HCS divisions, and the Head of HR.

The CEO reports to the Board of Directors. The remaining members of the Executive Committee report to the CEO.

The members of the Executive Committee, including the CEO, are appointed by the Board of Directors.

Remo Brunschwiler, born 1958, Swiss national

Remo Brunschwiler studied economics at the University of Basel and holds an MBA from INSEAD, Fontainebleau, France. He has been CEO of Swisslog since 1 March 2003. Between 1996 and 2003 he headed the Eurocargo division of Danzas. From 1989 to 1996, he was a consultant at McKinsey in Switzerland and Germany for logistics and pharmaceutical companies. He began his career as a strategic planner with Ciba-Geigy AG in Basel and as product manager for pharmaceuticals with Ciba-Geigy in Italy. Since July 2005 he has been a member of the board of directors of Dropshop Ltd., Munich.

Christian Mäder, born 1969, Swiss national

Christian Mäder is a Swiss-certified expert in accounting and controlling. He has been Chief Financial Officer of the Swisslog Group since 1 December 2005. Christian Mäder occupied various positions in Swisslog's financial division from 2000 to the date of his appointment. He previously worked as a management consultant for BearingPoint and at a subsidiary of the Motor-Columbus Group as Head of Finance & Controlling. Christian Mäder represents Swisslog Management AG on the Board of Directors of CPS Color Group Oy, Finland, a minority shareholding of Swisslog Management AG.

Remo Brunschwiler | Christian Mäder | Philipp Uschatz | Charlie Kegley | Charles Teissonnière

Philipp Uschatz, born 1963, Swiss national
Philipp Uschatz studied at the Swiss Federal Institute of Technology (ETH), where he graduated as a mechanical engineer, subsequently also earning a doctorate at the Institute. Since 20 November 2006 he has been Head Corporate HR and a member of the Executive Committee of the Swisslog Group. Prior to his appointment, Philipp Uschatz was with Geberit, likewise as Head of Corporate HR, and before that he worked in various HR positions at Siemens Schweiz AG. In the first few years after completing his studies, Philipp Uschatz was a management consultant with the company BWI (now GFO).

Charlie Kegley, born 1946, US national
Charlie Kegley graduated with a Bachelor of Science in technical engineering from Penn State University, USA. He has been President of the Healthcare Solutions division since April 2003. Charlie Kegley first gained project and sales experience in the field of computerized conveying systems with the Powers Regulatory Company and MCC Powers-Transitube. Charlie Kegley was Vice-President of Translogic Corporation from 1985 to 1995 and President of Translogic from 1995 to 1999. Following its acquisition by Swisslog, he was appointed President of Swisslog Translogic in 1999.

Charles Teissonnière, born 1952, French national
Charles Teissonnière holds a degree in electronics from the University of Marseille, France. He has been President of the Warehouse & Distribution Solutions division since 1 July 2004. Prior to that, he was Head of the Logistics Solutions division for two years and then Deputy Head of the Warehouse & Distribution Solutions division. He began his career at ABB in 1978, where he worked as Sales and Marketing Department Manager in the power station division, before joining Swisslog in 1995. In 2006 he was elected Vice-President of the FEM (Fédération Européenne de la Manutention).

With the exception of Remo Brunschwiler and Christian Mäder, no members of the Executive Committee hold significant positions in governing or supervisory bodies, nor long-term managerial or consultative functions, nor official functions or offices of any kind apart from their position at Swisslog.

Management contracts

There are no management contracts between Swisslog and companies or individuals outside the Swisslog Group other than the one mentioned below.

A management contract was agreed with Dr. S. Bartsch in 2004 on the organizational streamlining and interim management of Healthcare Solutions Europe. His mandate involved, in particular, securing the 2005 budget, implementing results-based organization scenarios, introducing an efficient organizational structure, as well as securing the product launch process and stabilizing new products. The mandate, which was originally due to end on 31 December 2006, was extended in the past financial year to 31 December 2007. The content of the mandate has been revised to focus mainly on profitable growth. It can, however, be terminated at any time at short notice. Compensation amounts to EUR 2 000 gross per day.

Compensation, Shareholdings and Loans

Content and method of determining compensation

Board of Directors

Director's compensation is proposed by the HR Committee and approved by the full Board.

The Board of Directors approved regulations governing compensation for its members. Compensation consists of a fixed monthly fee, paid quarterly.

Executive Committee

Compensation and bonus payments to the members of the Executive Committee are proposed by the HR Committee and approved by the full Board.

Cash remuneration of members of the Executive Committee consists of a fixed base salary plus an annual bonus. The standard target bonus is 30% of the applicable fixed base salary. Bonuses are always paid in the following year after the Ordinary General Meeting of Shareholders. The size of the bonus depends on the extent to which yearly targets for the Group and the Divisions as well as individual targets have been achieved. The applicable Bonus Regulations for the members of the Executive Committee have been approved by the HR Committee. These binding regulations set out the arrangements relating to bonuses.

Compensation for acting members of governing bodies

Board of Directors

Based on the regulations governing compensation for members of the Board of Directors that took effect on 1 March 2004, the members of the Board of Directors in office during the year under review received cash remuneration amounting to CHF 330 000.

Executive Committee

The members of the Executive Committee are entitled to base salary and bonus payments. Furthermore, they get pension and social security benefits that are legally prescribed or customary in their countries of origin. All members of the Executive Committee are also provided with a company car or, by way of exception, a relevant monthly allowance. Entitlement to a company car is subject to the applicable regulations as approved by the HR Committee.

Members of the Executive Committee were granted the following compensation for the reporting year (in CHF):

2006 compensation for members of the Executive Committee (in CHF)

Fixed base salary:	2006 bonus (to be paid in 2007 after AGM)	Severance pay	Total cash compensation in 2006 (gross)	Employer's contribution to pension & insurance schemes[1] and non-cash payments
2 073 690	874 445	0	2 948 135	395 901

1 Includes both compulsory pension and insurance payments (e.g. AHV/IV/EO in Switzerland) and supplementary benefits.

The above figures relate to seven members of the Executive Committee, one of whom started acting in this capacity on 20 November 2006. The figures contain his compensation since joining the Committee. Another member has not acted on the Executive Committee since October 2006. The above figures include his full annual salary.

Compensation for former members of governing bodies

Former members of the Board of Directors

No compensation was paid to former members of the Board of Directors in the reporting year, although please refer to the section "Additional fees and remuneration" below.

Former members of the Executive Committee

Two members of the Executive Committee, who ceased acting in this capacity in 2005, were granted the following final compensation for the reporting year (in CHF):

2006 compensation for two former members of the Executive Committee (in CHF)

Base salary	2006 bonus (paid out in 2006)	Severance pay	Total cash compensation in 2006 (gross)	Employer's contribution to pension & insurance schemes[1] and non-cash payments
606 605	123 001	63 001	792 607	114 868

1 Includes both compulsory pension and insurance payments (e.g. AHV/IV/EO in Switzerland) and supplementary benefits.

Share allotment in the year under review

During the year under review, neither shares nor share options were allotted to the members of the Board of Directors or the Executive Committee.

Share ownership

Members of the Board of Directors as well as persons affiliated to them owned a total of 769 300 shares of Swisslog Holding AG as of 31 December 2006. Members of the Executive Committee as well as persons affiliated to them owned 1 012 605 shares.

Additional fees and remuneration

In the reporting year Mr. Michael Werder, who left the Board of Directors mid-2006, was paid CHF 50 000 in his capacity as bondholder representative.

Loans to members of governing bodies

No loans, advances or credit facilities were granted to members of the Board of Directors or the Executive Committee.

Highest total compensation

The highest fee paid to a member of the Board of Directors in the reporting year was CHF 120 000.

Shareholders' Participation

Statutory rules on participation at the General Meeting of Shareholders

Every registered share entitles the holder to one vote at the General Meeting of Shareholders of Swisslog Holding AG. Voting rights may only be exercised if the shareholder is duly entered as a shareholder with voting rights in the Swisslog Holding AG share register. The registered shares are entitled to dividends.

In accordance with the Articles of Association, the Board of Directors issues procedural regulations for participation and representation at the General Meeting of Shareholders.

Proxy arrangements: Shareholders may be represented at the General Meeting of Shareholders only by the legal representative, another holder of registered shares who is eligible to vote, the corporate proxy, the independent proxy or a custodian proxy.

Statutory quorums

A correctly convened General Meeting of Shareholders is capable of acting and quorate regardless of the number of shareholders present and shares represented. The General Meeting of Shareholders shall pass its resolutions and carry out its elections with an absolute majority of the votes represented unless the law stipulates otherwise. The Articles of Association do not stipulate any special quorums. In the event of a tied vote, the Chairman shall have the casting vote.

Votes and elections take the form of an open ballot unless the General Meeting of Shareholders decides to have written votes or elections or the Chairman issues instructions to this effect.

Convocation of the General Meeting of Shareholders and agenda
The General Meeting of Shareholders is convened by the Board of Directors and by the auditors in cases stipulated by law.

The Board of Directors also convenes a General Meeting of Shareholders if this is requested by one or a number of shareholders, who together represent at least one tenth of the company's share capital. The request must be lodged in writing and state the subjects for discussion and proposals.

The General Meeting is convened by being announced once in the company's publication organ. Shareholders may also receive written notification of the convocation. The convocation must be made at least 20 days before the day of the meeting and state the subjects for discussion and proposals of the Board of Directors and shareholders who have called for a General Meeting to be held or for a subject for discussion to be included on the agenda. In the case of electoral business, it must contain the names of the proposed candidates.

Shareholders representing shares with a par value of CHF 100 000 may request that a subject for discussion be included on the agenda. Their request for such an inclusion must be lodged in writing at least 40 days before the General Meeting, stating the subject for discussion and proposals of the shareholder.

Entry in the share register
The cut-off date for entitlement to vote at the General Meeting of Shareholders will generally be seven days prior to the date of said meeting.

Change of Control and Defense Measures

Duty to make an offer
Swisslog Holding AG has waived its right to include in the Articles of Association any so-called opting-out or opting-up clause which would limit or abrogate the obligation to make a public offer under the rules applicable since 1 January 1998 contained in Art. 32 of the Stock Exchange Act. In accordance with said Art. 32 of the Stock Exchange Act, any shareholder of Swisslog Holding AG who purchases shares in Swisslog Holding AG directly, indirectly or by mutual arrangement with a third party, and thereby exceeds the threshold of 33.3% of the voting rights – whether exercisable or not – is required to submit a purchase or exchange offer to all shareholders of Swisslog Holding AG. Any such offers shall also be subject to the minimum price rules of the Stock Exchange Act.

Clauses on changes of control
Swisslog generally seeks to conclude employment contracts which do not provide for any extraordinary obligations. However, due to special circumstances and for certain categories of employees it cannot always be ruled out that certain special terms and conditions are negotiated. This is the case for one member of the Executive Committee, with whom it was agreed that in the event of a change of control of the company or its subsidiary Swisslog Management AG – be it through a material change in the ownership of the company or through a change in the Board – such member would become entitled to severance payments equal approximately two times respectively this member's annual compensation. Such payments will become due if either this member decides (within three months of the change of control) to leave the company or if he is given notice.

During the year under review, agreements were made with the members of the Board of Directors and of the Executive Committee stipulating that they would be granted a bonus if the Swisslog Group was taken over. This is intended to ensure that the interests of the Shareholders, of the Board and of the Executive Committee run parallel in any takeover process. The takeover bonus depends on the trend in prices, i.e. rise in value of the Swisslog share. The basic price was set at the price of a Swisslog share on the last day of subscription rights trading for the May 2006 increase in share capital. The bonus amount available is MCHF 1.5 for each CHF 0.10 appreciation of the Swisslog share.

In the event of a change of control, the Board of Directors shall be entitled to amend or supplement the terms and conditions of outstanding options should it deem this to be reasonable and appropriate.

Auditors

Duration of mandate and term of office of lead auditor
At the 21st Ordinary General Meeting on 17 May 2006, Ernst & Young AG, Basel were elected for a one-year term of office as auditors to Swisslog Holding AG and Group auditors to the Swisslog Group.

Mr. Robert-Jan Bumbacher has been in charge of the audit since 2005.

Audit & other fees
Ernst & Young charged the Swisslog Group around MCHF 0.9 for auditing services.

Supervisory and control instruments vis-à-vis the auditors
Ernst & Young AG is regularly informed about matters dealt with by the Board of Directors and takes part in meetings of the Board of Directors' Audit Committee, where audit plans are approved and audit results are reported and analyzed.

Information Policy
The Swisslog Group is committed to an open information policy vis-à-vis all stakeholder groups and the financial markets. Swisslog advocates open dialogue and is proactive in its communication with clients, staff, shareholders, the media and the general public. The company's information policy is based on five principles:

- Consistency and clarity
- Continuity and topicality
- Transparency and verifiability
- Equal information for all
- Strict compliance with all legal and regulatory provisions

Key dates

End of fiscal year:	31 December
Announcement of annual results:	March
Annual General Meeting:	May
End of half-year:	30 June
Announcement of half-year results:	August

The exact dates can be viewed at www.swisslog.com in the section "Investor Relations", under "Financial Calendar".

In order to keep its shareholders updated on business performance, Swisslog Holding AG publishes a half-year and an annual report.

Details of the current share price, along with business reports and financial information, press releases and various presentations are all available on the website at www.swisslog.com under "Media Relations" and "Investor Relations", respectively.

Media and analysts' conferences are held at least once a year. Swisslog publishes important information in keeping with disclosure regulations governing price sensitive information (ad hoc publicity) of the SWX Swiss Exchange.

For more contact information please refer to page 72 of this Annual Report.

Note
This Corporate Governance Report follows the general guidelines contained in the Swiss Code of Best Practice and the "Directive on Information Relating to Corporate Governance" (DCG) published by the SWX Swiss Exchange. If any of the points contained in these guidelines is not mentioned here, it is either not applicable or immaterial for Swisslog.

FINANCIAL REPORT
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Overview of the Swisslog Group

At 31 December	Unit	2006	2005	2004	2003	2002
Order intake	MCHF	677.3	628.6	579.4	775.7	1 028.2
Order backlog (at year-end)	MCHF	538.0	510.8	410.6	467.9	563.3
Net sales	MCHF	646.9	556.4	596.6	770.8	948.6
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	MCHF	37.8	28.8	16.1	–7.5	39.5
Operating profit before impairment of goodwill (EBITA)	MCHF	31.1	21.8	7.8	–44.8	21.6
Operating profit (EBIT)	MCHF	21.0	21.8	–0.5	–146.1	–13.6
Net result	MCHF	–3.5	1.8	1.9	–245.9	–47.3
Total assets	MCHF	435.7	432.0	415.3	440.0	678.1
Tangible and other intangible assets	MCHF	19.3	21.4	22.5	51.8	95.9
Goodwill	MCHF	88.3	100.9	94.0	108.8	177.9
Net working capital[1] (NWC)	MCHF	–20.1	–9.5	–31.0	–6.0	68.8
Net operating assets[2] (NOA)	MCHF	81.5	103.5	73.2	133.9	318.5
Financial assets	MCHF	19.9	19.9	23.5	26.5	57.8
Net liquidity[3]	MCHF	104.2	84.1	90.7	–137.0	34.4
Net cash/net debt (–)[4]	MCHF	40.4	–42.9	–29.9	–280.4	–288.9
Equity	MCHF	143.0	80.2	68.4	–121.7	98.1
Investment in tangible and intangible assets	MCHF	5.3	5.6	19.0	29.1	56.6
Depreciation and amortization	MCHF	6.7	7.0	8.3	37.4	17.9
Amortization/impairment of goodwill	MCHF	10.1	0.0	8.3	101.1	35.2
Employees (at year-end)	Employees	1 813	1 841	1 858	2 336	3 373
EBITA as % of sales (EBITA margin)	%	4.8	3.9	1.3	NA	2.3
EBITA as % of net operating assets (RONOA)	%	38.2	21.1	10.6	NA	6.8
Shares at 31 December	Thousands	251 277	179 484	179 484	15 178	15 178
Cash EPS[5, 6, 7, 8]	CHF	0.04	0.05	0.13	–8.05	–0.59

1 Net working capital = current assets (excl. cash, cash equivalents, marketable securities and income tax receivables) less current liabilities and provisions (excl. interest-bearing borrowings and income tax payables).
2 Net operating assets = current and non-current assets ./. operating liabilities and provisions.
3 Net liquidity = cash, cash equivalents and marketable securities less short-term borrowings.
4 Net cash/net debt (–) = cash, cash equivalents and marketable securities less interest-bearing borrowings.
5 2000–2002: 5 for 1 shares split in May 2001 to a par value of CHF 2 per registered share. All key figures per registered share on the basis of the weighted average of outstanding registered shares excluding rights issue (issue of share capital from May to September 2002 by 43 039 registered shares).
6 2004: all key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2004 by 164 305 520 registered shares).
7 2006: all key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2006 by 71 793 424 registered shares).
8 Related to net result before amortization/impairment of goodwill and non-cash interest expense convertible bonds.

2006 CONSOLIDATED FINANCIAL STATEMENTS OF SWISSLOG GROUP

Consolidated Balance Sheet

At 31 December	Note	2006 MCHF	2005 MCHF
ASSETS			
Property, plant and equipment	3	12.7	14.5
Investment property	3	1.3	1.5
Goodwill	3	88.3	100.9
Other intangible assets	3	5.3	5.4
Deferred tax assets	11	9.9	7.8
Financial assets	4	19.9	19.9
NON-CURRENT ASSETS		**137.4**	**150.0**
Inventories	5	25.5	26.7
Trade receivables	6	111.9	106.8
Amount due from customers for construction contracts	7	36.3	40.0
Income tax receivables		3.4	2.7
Prepayments		4.5	3.3
Prepaid expenses and accrued income		7.6	8.6
Other receivables		4.9	9.8
Marketable securities	8	15.9	0.0
Cash and cash equivalents	8	88.3	84.1
CURRENT ASSETS		**298.3**	**282.0**
TOTAL ASSETS		**435.7**	**432.0**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	9	2.5	1.8
Share premium		80.0	11.1
Fair value and other reserves		–27.6	–24.3
Retained earnings		88.0	91.5
Minority interest		0.1	0.1
EQUITY		**143.0**	**80.2**
Convertible bonds	10	63.8	127.0
Deferred tax liabilities	11	3.1	2.8
Other liabilities	18	9.5	11.1
NON-CURRENT LIABILITIES		**76.4**	**140.9**
Trade payables		69.5	70.0
Amount due to customers for construction contracts	7	68.2	65.7
Provisions	12	15.4	11.5
Income tax payables		5.5	5.3
Accrued expenses and deferred income	14	44.9	44.9
Other liabilities		12.8	13.5
CURRENT LIABILITIES		**216.3**	**210.9**
TOTAL EQUITY AND LIABILITIES		**435.7**	**432.0**

Consolidated Income Statement

1 January to 31 December	Note	2006 MCHF	2005 MCHF
NET SALES		**646.9**	556.4
Other operating income		0.2	0.2
Material and service expenses	15	290.0	222.0
Personnel expenses	15	228.2	218.8
Other operating expenses	15	91.1	87.0
Depreciation and amortization	3	6.7	7.0
Impairment of goodwill	3	10.1	0.0
OPERATING PROFIT (EBIT)		**21.0**	21.8
Financial income	16	5.0	4.4
Financial expense	16	–19.9	–13.2
RESULT BEFORE TAX		**6.1**	13.0
Income taxes	11	–9.6	–11.2
NET RESULT		**–3.5**	1.8
Attributable to:			
Equity holders of the parent		–3.5	1.8
EARNINGS PER SHARE	20	CHF	CHF
Basic earnings per share		–0.02	0.01
Diluted earnings per share[1]		–	0.01

1 The rights to exercise the convertible bonds expired on 4 July 2005. There are no dilutive effects in 2006 (see Note 10, Convertible bonds).

Consolidated Cash Flow Statement

1 January to 31 December	Note	2006 MCHF	2005 MCHF
CASH FLOW FROM OPERATING ACTIVITIES			
NET RESULT		**–3.5**	1.8
Adjustments for:			
Income taxes	11	9.6	11.2
Depreciation and amortization	3	6.7	7.0
Impairment of goodwill	3	10.1	0.0
Net financial result	16	14.9	8.8
Change in pension liabilities		–1.8	–1.2
Profit (–)/loss (+) from sales of tangible assets		–0.5	–0.4
Other non-cash transactions		0.6	0.0
Income taxes paid		–12.4	–8.1
CASH FLOW BEFORE WORKING CAPITAL CHANGES		**23.7**	19.1
Increase (–)/decrease (+) of:			
Inventories		1.6	6.6
Trade receivables, amount due from customers for construction contracts, prepaid expenses, accrued income and other receivables		3.5	–18.4
Prepayments		–1.2	0.7
Increase (+)/decrease (–) of:			
Trade payables		–0.4	–3.6
Amount due to customers for construction contracts		3.5	8.6
Other liabilities, accrued expenses and deferred income		–1.6	–9.7
Provisions		3.6	–6.6
CASH FLOW FROM NET CURRENT ASSETS		**9.0**	–22.4
NET CASH FLOW FROM OPERATING ACTIVITIES		**32.7**	–3.3
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets	3	–3.1	–3.3
Investments in intangible assets	3	–2.2	–2.3
Investments in marketable securities		–15.9	0.0
Disposal of tangible and intangible assets		1.2	0.8
Disposal of marketable securities		0.0	5.6
Financial assets		0.8	2.5
Interest received		2.4	1.4
NET CASH FLOW FROM INVESTING ACTIVITIES		**–16.8**	4.7
CASH FLOW FROM FINANCING ACTIVITIES			
Partial repurchase of convertible bonds	10	–76.6	–0.5
Interest paid		–1.5	–2.3
Other financial expenses paid		–6.4	–2.0
Proceeds from issue of share capital	9	73.2	0.0
NET CASH FLOW FROM FINANCING ACTIVITIES		**–11.3**	–4.8
Currency translation differences on cash and cash equivalents		–0.4	2.1
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**4.2**	–1.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**84.1**	85.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	**88.3**	84.1

Consolidated Statement of Changes in Equity

MCHF	Note	Share capital	Share premium	Fair value and other reserves: Currency translation differences	Fair value and other reserves: Other	Retained earnings	Minority interest	Equity
AT 31 DECEMBER 2004		**1.8**	**11.1**	**–34.1**	**–0.3**	**89.7**	**0.2**	**68.4**
Net result 2005						1.8		1.8
Change in minority interests							–0.1	–0.1
Fair value gains/losses (–) from cash-flow hedges	16				0.3			0.3
Currency translation differences				9.8				9.8
AT 31 DECEMBER 2005		**1.8**	**11.1**	**–24.3**	**0.0**	**91.5**	**0.1**	**80.2**
Net result 2006						–3.5		–3.5
Change in fair value on available-for-sale financial assets	4				0.2			0.2
Issue of share capital	9	0.7	72.5					73.2
Costs from issuance of share capital			–3.6					–3.6
Currency translation differences				–3.5				–3.5
AT 31 DECEMBER 2006		**2.5**	**80.0**	**–27.8**	**0.2**	**88.0**	**0.1**	**143.0**

Foreign Currency Exchange Rates

Currency	Country	Unit	Income Statement 2006	Income Statement 2005	Balance Sheet 2006	Balance Sheet 2005
AUD	Australia	1	0.9448	0.9492	0.9578	0.9605
CNY	China	100	15.7878	15.2595	15.6040	16.2820
DKK	Denmark	100	21.1165	20.7899	21.5440	20.8560
EUR	Europe	1	1.5750	1.5493	1.6061	1.5555
GBP	UK	1	2.3097	2.2664	2.3926	2.2853
HKD	Hong Kong	100	16.2068	16.0696	15.6940	16.9640
MYR	Malaysia	100	34.2622	33.0247	34.5500	34.8000
NZD	New Zealand	1	0.8161	0.8900	0.8570	0.8900
NOK	Norway	100	19.5606	19.2894	19.5190	19.3350
PLN	Poland	100	40.4868	38.0821	41.8300	40.4170
SEK	Sweden	100	17.0131	16.6879	17.7940	16.4800
SGD	Singapore	1	0.7903	0.7496	0.7943	0.7860
USD	USA	1	1.2590	1.2496	1.2203	1.3153
ZAR	South Africa	100	18.6808	19.5886	17.4170	20.5830

Notes to the Consolidated Financial Statements

1. Consolidation and accounting principles

1.1 General remarks and changes to accounting principles

Swisslog's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), based on the individual financial statements of the Group companies. The consolidated financial statements are based on historical cost if nothing different is disclosed in these accounting policies.

All figures included in the financial statements and notes to the financial statements are presented in CHF million (MCHF) and rounded to one decimal place after the point except where otherwise indicated.

The International Accounting Standards Board (IASB) has published various new and revised standards. The following list shows the new and the revised standards adopted by Swisslog in 2006:

IAS 19	(Amendments), Employee Benefits (effective from 1 January 2006)
IAS 21	(Amendments), The Effects of Changes in Foreign Exchange Rates (effective from 1 January 2006)
IAS 39	(Amendments), Cash Flow Hedge Accounting for Forecast Intragroup Transactions (effective from 1 January 2006)
IAS 39	(Amendments), Fair Value Option (effective from 1 January 2006)
IAS 39 and IFRS 4	(Amendments), Financial Guarantee Contracts (effective from 1 January 2006)
IFRS 6	Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

The major effects of the changes are:
IAS 19 (Amendments): Employee Benefits
Swisslog doesn't apply the option of an alternative recognition approach for actuarial gains/losses in a separate category directly in equity. New disclosure items are expressed in Note 18.

All other IFRS and IFRIC changes had no material effect on the consolidated financial statements.

A number of new IFRS standards and IFRIC interpretations, not yet applicable, were issued on the balance-sheet date. Following the major changes:

IFRS 7: Financial Instruments: Disclosures (effective from 1 January 2007)
This standard replaces the disclosure rules of IAS 32 and has no influence on the valuation. However, it will require additional sensitivity analyses of key financial risks. Swisslog will apply IFRS 7 for the first time on 1 January 2007 (with comparative figures for prior year).

IFRS 8: Operating Segments (effective from 1 January 2009)
This standard replaces IAS 14 Segment Reporting. Swisslog doesn't expect any material changes.

The preparation of the consolidated financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results could differ from those estimated. In addition, management is required to apply judgement in certain areas. The critical estimates and assumptions are mentioned in 1.24.

The Board of Directors approved the financial statements on 26th February 2007 and gave permission for publication. The financial statements need the approval of the annual general shareholders' meeting.

1.2 Consolidated companies and principles of consolidation

The consolidated financial statements include Swisslog Holding AG, Buchs, and all companies directly and indirectly controlled by Swisslog Holding AG, Buchs.
Group companies are included in the consolidated financial statements using the full consolidation method. Capital consolidation is based on the purchase method.

Intragroup transactions, intragroup balances and intragroup profits are eliminated. Companies acquired or sold during the year under review are consolidated from the date of acquisition (change of control) and eliminated from the consolidated financial statements from the date of sale. A list of consolidated companies is shown on page 68.

Investments in associated companies are accounted for using the equity method and include companies where the Group generally has between 20% and 50% of the voting rights or where the Group has significant influence.

1.3 Foreign currencies

The functional currency of each Swisslog company is the applicable local currency. The consolidated financial statements are expressed in CHF million (MCHF). Assets (incl. goodwill denominated in foreign currencies) and liabilities of the foreign Group companies and balance-sheet items in foreign currencies are translated at the closing exchange rate on the balance-sheet date, income and expense are translated at the average annual exchange rate according to the table on page 41. Differences arising from the exchange of transactions or balance-sheet items in foreign currencies are recorded in the income statement. Unrealized differences resulting from the translation of long-term loans to Group companies and differences arising from the translation of foreign affiliate financial statements are recorded directly in equity.

1.4 Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at purchase or manufacturing cost less accumulated depreciation. Land and buildings covered by finance lease agreements are reported at the fair value of the leased objects or, if lower, at the present value of the minimum lease payments. The corresponding financial lease liabilities are shown as liabilities according to their term of maturity at their present value less repayments calculated by the annuity method.
Property, plant and equipment are depreciated over the estimated useful life using the straight-line method, i.e., 25 to 50 years for buildings, 3 to 15 years for plant and machinery (mostly 5 to 8 years) and 3 to 10 years (mostly 3 to 5 years) for office machinery and fittings including computer hardware.
Property, plant and equipment are excluded from the financial statements at the time of disposal or when no further use can be expected. All profit or loss resulting from the disposal of property, plant and equipment is shown in the income statement.
If there is an impairment, an impairment loss will be recognized until the carrying amount is equal to the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value in use.

1.5 Investment property

Investment property, principally comprising office buildings, manufacturing facilities and land to be developed, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is carried at fair value.

1.6 Intangible assets

Swisslog classifies its intangible assets into three categories:

a) Goodwill
Goodwill is recorded as the surplus of the cost of acquisition over the Group's interest in fair value of identifiable net assets acquired less accumulated impairment losses. Goodwill is tested annually or at any indication for impairment.

Where an impairment exists, the carrying amount is written down immediately to its recoverable amount, either its value in use or fair value less costs to sell.

b) Development
Expenses incurred on development projects are capitalized to the extent that such expenditure is probable to generate future economic benefits and the cost can be measured reliably. These assets are amortized on a straight-line basis over the period of their expected useful life not exceeding 5 years from the commencement of the commercial use of the product. In the time before the commencement of the commercial use of the product, the assets are tested for impairment annually. Research and other development costs are recognized as an expense as incurred.

c) Other
Licenses, software, patents, trademarks and similar rights are shown at purchase cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life not exceeding 20 years. If a shorter period is justified by economic considerations, the term for amortization is reduced accordingly.

Intangible assets with an indefinite useful life are not subject to amortization, instead they are tested annually and at any indication for impairment. If an impairment exists, the carrying amount of any intangible asset is written down immediately to its recoverable amount, either value in use or fair value less costs to sell.

1.7 Financial instruments

The Group classifies its financial instruments into the following categories:

a) Financial assets at fair value through profit or loss:
This category has two subcategories: Financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial instrument that is acquired principally for the purpose of generating a profit from short-term fluctuations in price is classified as financial assets held for trading and is included in current assets.

b) Held to maturity:
Financial instruments with fixed maturity that management intends and has the ability to hold to maturity are classified as held-to-maturity investments and are included in non-current assets, unless the repayment is not due within 12 months after the balance-sheet date.

c) Loans and receivables:
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading with the receivable. They are included in current assets, except for maturity exceeding 12 months after the balance-sheet date. These are classified as non-current assets.

d) Available for sale:
Financial instruments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the clear intention to hold the financial instrument for less than 12 months from the balance-sheet date on.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. All purchases and sales of financial instruments are recognized on the trade date, which is the date that the Group commits to purchase or sell an asset. Cost of purchase includes transaction costs. Trading and available-for-sale financial instruments are subsequently carried at fair value, whilst held-to-maturity financial investments are carried at amortized cost using the effective-yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading financial instruments are included in the income statement in the period in which they arise; unrealized gains and losses of available-for-sale financial instruments are recorded in equity.

1.8 Cash, cash equivalents and marketable securities

This covers cash on hand and postal and bank balances plus money at call and term deposits with a maturity of less than 3 months shown at fair value.

Marketable securities within current assets include all securities which can be readily realized (held for trading), including short-term money market investments with a maturity ranging from 3 to 12 months. Marketable securities are valued at fair value. Changes in fair value are recorded in the income statement.

1.9 Inventories

Inventories are carried at the lower of cost or net realizable value. Manufacturing costs include individual material and production costs and production overheads. Costs are generally valued using weighted averages. For inventories with low turnover and non-marketable goods adjustments are made.

1.10 Construction contracts

Construction contracts are valued using the percentage-of-completion method. Sales, manufacturing costs and gross profit are included in the financial statements on the basis of the proportion of cumulated manufacturing costs to the total estimated manufacturing costs up to customer acceptance of the order (completion). Assets and liabilities related to construction contracts are reported separately in the balance sheet (no netting). Provisions are formed for project and warranty costs to the extent that manufacturing costs, including expected costs for warranties, guarantee work and subsequent work, up to the expiration of the warranty period exceed the contract price.

1.11 Trade receivables

Trade receivables are shown at net realizable value, which represents the fair value.

1.12 Other receivables, prepaid expenses and accrued income

Other receivables are shown at their net realizable value, prepaid expenses and accrued income at the lower of purchase cost or realizable value. The accrued expenses contain, among other items, holiday-, overtime- and bonus-accruals.

1.13 Liabilities
Other non-current liabilities include, among other items, liabilities under finance leasing agreements. Current liabilities include borrowings with a residual term of less than one year. They are shown at nominal value.

1.14 Convertible bonds
The fair value of the liability component is calculated using a market interest rate for an equivalent non-convertible bond.

1.15 Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. A contingent liability is reported, unless the possibility of any outflow of resources in connection with a liability is remote.

a) Provisions for projects
The Group recognizes provisions for projects for long-term contracts immediately, as soon as losses to complete a contract are expected (see also 1.10 Construction contracts).

b) Warranty provisions
Provisions for product warranties are made to the extent of the outflow of resources that can be expected during the warranty period.

c) Restructuring provisions
For costs that are expected to arise in connection with plant closures, the disposal of companies or business units and restructuring, provisions are made at the time of approval and the public announcement of the planned measures.

1.16 Order intake
Order intake is reported based on firmly agreed customer orders. Frame agreements are not shown as order intake. But firm volume commitments based on frame agreements are reported as order intake.

1.17 Order backlog
Order backlog is calculated as order backlog at year end of the previous year plus order intake of the current year minus net sales of the current year.

1.18 Revenue
Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts.

Construction contracts are recorded using the percentage-of-completion method (see 1.10 Construction contracts).

1.19 Borrowing costs
Borrowing costs are recognized as an expense in the period in which they are incurred.

1.20 Income taxes
Income taxes comprise paid or accrued income taxes on the relevant earnings of the individual companies, calculated in accordance with tax legislation in the respective countries, and deferred taxes based on temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base according to IAS 12. Deferred tax is calculated on the basis of tax rates valid at closing date or on the basis of already announced changes of tax rates which apply to the period when the asset will be realized or the liability will be settled. Deferred tax assets exceeding recognized deferred tax liabilities within the same taxable entity are recognized to the extent that it is probable that the enterprise will have sufficient taxable profit available in following periods. Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. No deferred taxes are recognized for the temporary differences arising from investments in subsidiaries and associates because it is probable that the temporary differences will not reverse in the foreseeable future. Deferred taxes are reported under non-current assets and liabilities.

1.21 Employee benefits
a) Defined benefit plans
Current and former employees receive benefits and pensions based on the corresponding national and private statutory schemes. Future liabilities are calculated using actuarial methods. For defined benefit plans the present value of the entitlement (defined benefit obligation) is calculated based on length of service, anticipated growth in wages and salaries and adjustments to pensions (projected unit credit). Annual pension costs calculated according to actuarial principles (net periodic costs) are shown including past pension costs (past service costs) in the income statement. Revisions to plans are taken through the income statement. Actuarial gains and losses are accounted for over the average remaining working period of the employee if they exceed the 10% corridor. Plan assets are shown at fair values.

b) Defined contribution plans
The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

1.22 Related parties
A party is related to the Group if the party controls the Group directly or indirectly or has a significant influence over the Group. The related parties of the Group consist of the Board of Directors, the executive management and shareholders with 5% or more of the votes of Swisslog Holding AG.

1.23 Financial risk management
a) Financial risk factors
The Group's activities are exposed to a variety of financial risks, including the effects of changes in debt and in equity market prices, foreign currency exchange rates, and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge certain exposures. Risk management is carried out by the subsidiaries and under coordination of the central finance department (Group Treasury) under policies approved by the Board of Directors. Group Treasury and the subsidiaries identify, evaluate and hedge financial risks in close cooperation.

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to USD, EUR, GBP, SEK, NOK, AUD and NZD.

Net working capital, customer projects, and short-term loans: The Group uses forward contracts and swaps, transacted with the banks, to hedge their exposure to foreign currency risks. Hedges are done once the contract with the customer has been signed. Additionally, the Group hedges the foreign currency exposure of its contract commitments to purchase certain production parts in the currency of the projects.

Net assets incl. long-term loans: The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. Currency exposures to the net assets of the Group's subsidiaries are not hedged.

(ii) Interest rate risk
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has interest-bearing assets and a convertible bond liability at fixed rates. The bank borrowings are at variable rates. The related interest rate risks are not hedged.

(iii) Credit risk
The Group has no significant concentrations of credit risk. Sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions.

(iv) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by providing agreed credit lines available.

b) Accounting for derivative financial instruments and hedging activities
Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. The method of recognizing the resulting gain or loss depends on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of a forecasted transaction or of a firm commitment (cash-flow hedge) or (2) a hedge which does not qualify for special hedge accounting.

Changes in the fair value of derivatives that are designated and qualify as cash-flow hedges and that are highly effective are recognized in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset (e.g., property, plant and equipment) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement (e.g., when the forecasted sale takes place). Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17. Movements on the hedging reserve in shareholders' equity are also shown in Note 17.

c) Fair value estimation
The fair value of publicly traded derivatives as well as trading and available-for-sale securities is based on quoted market prices at the balance-sheet date. The fair value of forward foreign exchange contracts is determined by using forward exchange market rates at the balance-sheet date. In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques such as option pricing models and estimated discounted value of future cash flows are used to determine fair value for the remaining financial instruments. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

1.24 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will – by definition – seldom equal the related actual results. Wrong estimates and assumptions could bear a significant risk of causing material adjustments to the carrying amounts, especially pertaining to the value in use calculations of goodwill (Note 3.3) and financial assets (Note 4), respectively.

1.25 Segment information

The segment information is based primarily on business units and secondarily on geographical regions. The business units are dealt with on a global basis. Transactions between the segments are carried out at standard market conditions.
The Group distinguishes between the following segments and corresponding activities:

a) Warehouse & Distribution Solutions (WDS)
Delivers leading industry-specific solutions for automated, semi-automated and manual warehouses and distribution centers. Provides consulting services, software solutions, general contracting, implementation, and lifetime support.

b) Consulting Services/Wassermann (CSW)
Optimizes customers' supply chains by using and implementing its own supply-chain-planning software.

c) Healthcare Solutions (HCS)
Offers logistics automation for the movement and processing of materials and medications within and throughout healthcare facilities. The scope of services ranges from consulting, design, manufacturing and installation to lifetime customer support.

d) Headquarters
Headquarters comprise central management and service functions.

1.26 Changes in consolidation scope

In 2006 the following company was liquidated:

	Equity interest/direct interest
Segment Headquarters/Holding	
Swisslog Svenska Holding AB, Partille/Sweden	100.0%

2. Information by Segment

2.1 Business unit Segmentation

2006 MCHF	Warehouse & Distribution Solutions	Consulting Services/ Wassermann	Health-care Solutions	Head-quarters/ Holding	Elimina-tion	Total Group
Order intake	425.5	13.6	238.6	0.0	–0.4	677.3
Order backlog (at year-end)	369.7	6.6	161.8	0.0	–0.1	538.0
Net sales	415.7	11.4	220.0	0.2	–0.4	646.9
Net sales to third parties	415.5	11.3	219.9	0.2	0.0	646.9
Net sales internal[1]	0.2	0.1	0.1	0.0	–0.4	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	26.3	–0.3	21.6	–9.8	0.0	37.8
Depreciation and amortization	3.1	1.0	2.6	0.0	0.0	6.7
Operating profit before impairment of goodwill (EBITA)	23.2	–1.3	19.0	–9.8	0.0	31.1
Impairment of goodwill	0.0	10.1	0.0	0.0	0.0	10.1
Operating profit (EBIT)	23.2	–11.4	19.0	–9.8	0.0	21.0
Goodwill	39.6	9.3	39.4	0.0	0.0	88.3
Current and non-current assets[2]	145.6	13.5	140.3	10.5	–8.2	301.7
Operating liabilities and provisions[3]	170.5	2.3	46.4	8.6	–7.6	220.2
Net operating assets[4] (NOA)	–24.9	11.2	93.9	1.9	–0.6	81.5
Investment in property, plant, equipment and intangible assets	3.3	0.1	1.9	0.0	0.0	5.3
Changes in provisions	3.9	0.0	0.6	–0.6	0.0	3.9
Employees (at year-end)	999	52	744	18	0.0	1 813
EBITA as % of sales (EBITA margin)	5.6	–11.4	8.6	NA		4.8
EBITA as % of NOA (RONOA)	NA	NA	20.2	NA		38.2
2005						
Order intake	405.7	12.9	211.4	0.0	–1.4	628.6
Order backlog (at year-end)	359.0	4.2	147.9	0.0	–0.3	510.8
Net sales	354.8	12.6	191.2	0.0	–2.2	556.4
Net sales to third parties	354.1	12.0	190.3	0.0	0.0	556.4
Net sales internal[1]	0.7	0.6	0.9	0.0	–2.2	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	22.1	–0.9	20.1	–12.5	0.0	28.8
Depreciation and amortization	2.8	1.1	3.0	0.1	0.0	7.0
Operating profit before impairment of goodwill (EBITA)	19.3	–2.0	17.1	–12.6	0.0	21.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	19.3	–2.0	17.1	–12.6	0.0	21.8
Goodwill	40.9	19.0	41.0	0.0	0.0	100.9
Current and non-current assets[2]	151.4	24.6	137.9	9.5	–3.2	320.2
Operating liabilities and provisions[3]	157.4	2.3	50.8	9.4	–3.2	216.7
Net operating assets[4] (NOA)	–6.0	22.3	87.1	0.1	0.0	103.5
Investment in property, plant, equipment and intangible assets	2.9	0.3	2.2	0.2	0.0	5.6
Changes in provisions	–0.2	–0.4	–3.0	–2.6	0.0	–6.2
Employees (at year-end)	1 004	71	744	22	0.0	1 841
EBITA as % of sales (EBITA margin)	5.4	–15.9	8.9	NA		3.9
EBITA as % of NOA (RONOA)	NA	NA	19.6	NA		21.1

1 Internal transactions are concluded at arms-length terms.
2 Excluding cash, cash equivalents, marketable securities, deferred tax assets, and financial assets.
3 Excluding interest-bearing borrowings and income tax payables.
4 Current and non-current assets ./. current liabilities and provisions.
5 Excluding goodwill.

2.2 Geographical Segmentation

	Europe		North America		Asia/Pacific		Total Group	
MCHF	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	375.8	315.7	212.0	201.1	59.1	39.6	646.9	556.4
Current and non-current assets[2]	178.3	190.5	108.9	118.2	14.5	11.5	301.7	320.2
Investment in property, plant, equipment and intangible assets[5]	4.0	4.2	1.1	1.3	0.2	0.1	5.3	5.6
Employees (at year-end)	1 242	1 324	364	352	207	165	1 813	1 841

3. Property, plant, equipment; investment property and intangible assets

3.1 Property, plant, equipment

2006 MCHF	Land	Buildings	Machinery/ equipment	Total
Cost at 1 January	0.6	15.1	43.1	58.8
Additions	0.0	0.6	2.5	3.1
Disposals	–0.2	–0.3	–3.9	–4.4
Currency translation differences	0.0	0.0	0.3	0.3
COST AT 31 DECEMBER	**0.4**	**15.4**	**42.0**	**57.8**
Accumulated depreciation at 1 January	0.0	–10.6	–33.7	–44.3
Depreciation charge	0.0	–0.8	–3.6	–4.4
Accumulated depreciation on disposals	0.0	0.3	3.4	3.7
Currency translation differences	0.0	0.2	–0.3	–0.1
ACCUMULATED DEPRECIATION AT 31 DECEMBER	**0.0**	**–10.9**	**–34.2**	**–45.1**
TOTAL NET BOOK VALUE AT 31 DECEMBER 2006	**0.4**	**4.5**	**7.8**	**12.7**

2005 MCHF	Land	Buildings	Machinery/ equipment	Total
Cost at 1 January	0.6	14.7	42.7	58.0
Additions	0.0	0.3	3.0	3.3
Disposals	0.0	0.0	–4.2	–4.2
Currency translation differences	0.0	0.1	1.6	1.7
COST AT 31 DECEMBER	**0.6**	**15.1**	**43.1**	**58.8**
Accumulated depreciation at 1 January	0.0	–10.0	–32.3	–42.3
Depreciation charge	0.0	–0.6	–4.2	–4.8
Accumulated depreciation on disposals	0.0	0.0	3.8	3.8
Currency translation differences	0.0	0.0	–1.0	–1.0
ACCUMULATED DEPRECIATION AT 31 DECEMBER	**0.0**	**–10.6**	**–33.7**	**–44.3**
TOTAL NET BOOK VALUE AT 31 DECEMBER 2005	**0.6**	**4.5**	**9.4**	**14.5**

The insurance value of the property, plant, equipment and investment property was MCHF 76.2 at the end of 2006 (2005: MCHF 71.4).

3.2 Investment property

The net book value of the investment property amounts to MCHF 1.3 (2005: MCHF 1.5) and corresponds to its fair value, which is not based on a valuation by an independent valuer as per balance-sheet date. The current fair value is an approximation based on comparable objects in the same region. Rental income from investment property in the amount of MCHF 0.2 (2005: MCHF 0.2) is partly offset by cost of MCHF 0.1 (2005: MCHF 0.0).

3.3 Goodwill

MCHF	2006	2005
Gross amount at 1 January	125.2	118.2
Additions	0.0	0.0
Disposals	0.0	–0.3
Currency translation differences	–1.5	7.3
GROSS AMOUNT AT 31 DECEMBER	**123.7**	125.2
Accumulated impairment losses at 1 January	–24.3	–24.2
Impairment	–10.1	0.0
Currency translation differences	–1.0	–0.1
Accumulated impairment losses at 31 December	–35.4	–24.3
BOOK VALUE AT 31 DECEMBER	**88.3**	100.9
The goodwill is allocated to the Cash Generating Units as follows:		
Warehouse & Distribution Solutions	39.6	40.9
Healthcare Solutions	39.4	41.0
Consulting Services/Wassermann	9.3	19.0
TOTAL GOODWILL	**88.3**	100.9

3.3.1 Goodwill impairment 2006

In June 2006 an impairment loss of MCHF 10.1 has been recognized for Consulting Services/Wassermann. In the previous year no goodwill impairment had been recognized.

3.3.2 Impairment test of goodwill as per 31 December 2006

According to IAS 36 the goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Swisslog is testing the goodwill for impairment annually end of November/beginning of December.

Goodwill acquired in business combination (and measured at the acquisition date) has been allocated to the primary segments Warehouse & Distribution Solutions (WDS), Healthcare Solutions (HCS) and Consulting Services/Wassermann (CSW) at the acquisition date.

The segments represent the Cash Generating Units (CGU). To determine the CGUs the assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash flows are independent from each other.

An impairment loss is recognized for a CGU if the recoverable amount of the unit is lower than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use (defined as the present value of the future cash flows expected to be derived from a CGU). The following calculations are based on the value in use. Because it exceeds the carrying amount, the determination of the fair value less cost to sell is no longer required.

The budget 2007 and the business plan 2008 formed the basis for the value in use calculations which have been approved by the Board of Directors. The cash flows for the years from 2009 until 2011 are an extrapolation corresponding to the expected growth rate in each market. For inflation a growth rate of 1.0% is included in the residual value.

Headquarters costs are allocated to the CGUs according to their shares in net sales (50%-weighted) and headcount (50%-weighted).

The interest rate used to discount cash flows is a pre-tax rate determined for each CGU. In comparison with the previous year the interest rate has been reduced by 0.4 percentage points on Group level.

The major exchange rates – used for the planning – are: USD to CHF 1.20 and EUR to CHF 1.50.

Key assumptions for the goodwill impairment test:

Warehouse & Distribution Solutions (WDS):

In MCHF	Previous year 2005	2006	Growth p.a. 2007 to 2011
Net sales development	354.8	415.7	4.2%
EBITDA development*	14.8	20.4	7.8%
Pre-tax rate	10.8%	10.3%	11.1%

* Headquarters cost proportionally allocated

In 2006 the Warehouse & Distribution Solutions division reported net sales of MCHF 415.7. It is planned that net sales should raise to MCHF 524.9 from 2007 to 2011. This corresponds to an average growth rate of 4.2% per year. In the same period of time EBITDA (after Headquarters cost allocation) should be raised by 7.8% annually to MCHF 29.3. From 2009 to 2011 it is planned to increase net sales by 4.2% and EBITDA by 7.2% per year.
With the described plan data the value in use exceeds goodwill by MCHF 114.2. Goodwill will still be covered – assuming the plan data remains unchanged – if the pre-tax rate increases to 20.3%.

Healthcare Solutions (HCS):

In MCHF	Previous year 2005	2006	Growth p.a. 2007 to 2011
Net sales development	191.2	220.0	4.3%
EBITDA development*	15.7	17.9	10.3%
Pre-tax rate	13.3%	12.0%	11.0%

* Headquarters cost proportionally allocated

In 2006 the activities of Healthcare Solutions developed in most areas according to plan. HCS achieved net sales of MCHF 220.0, which is expected to increase to MCHF 273.8 until 2011. In the period from 2007 to 2011, EBITDA is planned to increase by 10.3% per year (after Headquarters cost allocation). From 2009 to 2011, a yearly increase of net sales by 5.3% and of EBITDA by 8.9% is planned.
With the described plan data the value in use exceeds goodwill by MCHF 112.4. Goodwill will still be covered – assuming the plan data remains unchanged – if the pre-tax rate increases to 19.6%.

Consulting Services/Wassermann (CSW):

In MCHF	Previous year 2005	2006	Budget 2007	Growth p.a. 2007 to 2011
Net sales development	12.6	11.4	13.2	7.8%
EBITDA development*	–1.3	–0.6	0.7	71.4%
Pre-tax rate	13.6%	13.2%	12.8%	12.8%

* Headquarters cost proportionally allocated

In 2006 Consulting Services/Wassermann reported net sales of MCHF 11.4. EBITDA has been improved by MCHF 0.7 – compared to the previous period – due to lower costs. Further measures to increase the results have been defined and initiated in the last months.
The expected net sales increase has not been achieved in business year 2006. The lower net sales lead – despite cost saving measures – to an EBITDA below plan.
Due to the negative deviations, the strategy has been reviewed and the plans of Consulting Services/Wassermann have been revised and reduced. From 2007 to 2011, net sales and EBITDA are expected to increase by 7.8% respectively 71.4% annually. From 2009 to 2011, an increase of net sales by 7.6% and of EBITDA by 41.7% is expected per year.

Consideration of risk:
Consulting Services/Wassermann renders its services mainly in the German-speaking supply chain management market. An external study reveals net sales growth rates between 13% and 15%.
At the end of 2006 the value in use of the CSW unit exceeds its carrying value by MCHF 3.7. A potential raise of the pre-tax rate – assuming that the net sales growth rate, EBITDA growth rate and cash flow growth rate remain unchanged – up to 15.5% will not affect the goodwill coverage. Goodwill will still be covered if the yearly net sales growth rate is reduced by 1.0% (assuming that the pre-tax rate remains unchanged at 12.8%).

The Board of Directors and the Swisslog Executive Committee consider the underlying assumptions as prudent and justifiable. Thus, the value in use of the Cash Generating Units depends on the effective achievement of the expected target values. Possible deviations of the effective values could cause changes in value in use. In particular, a missing of the planned net sales targets or a raise of the pre-tax rate in Consulting Services/Wassermann could cause an impairment loss.

3.4 Other intangible assets

2006 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	7.5	11.1	18.6
Additions	1.5	0.7	2.2
Disposals	–0.6	–0.6	–1.2
Currency translation differences	0.1	0.3	0.4
COST AT 31 DECEMBER	**8.5**	**11.5**	**20.0**
Accumulated amortization at 1 January	–3.5	–9.7	–13.2
Amortization of the current year	–1.6	–0.7	–2.3
Accumulated amortization on disposals	0.5	0.6	1.1
Currency translation differences	–0.1	–0.2	–0.3
ACCUMULATED AMORTIZATION AT 31 DECEMBER	**–4.7**	**–10.0**	**–14.7**
TOTAL NET BOOK VALUE AT 31 DECEMBER 2006	**3.8**	**1.5**	**5.3**

2005 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	6.1	11.1	17.2
Additions	1.4	0.9	2.3
Disposals	0.0	–1.0	–1.0
Currency translation differences	0.0	0.1	0.1
COST AT 31 DECEMBER	7.5	11.1	18.6
Accumulated amortization at 1 January	–2.1	–9.8	–11.9
Amortization of the current year	–1.4	–0.8	–2.2
Accumulated amortization on disposals	0.0	0.9	0.9
Currency translation differences	0.0	0.0	0.0
ACCUMULATED AMORTIZATION AT 31 DECEMBER	–3.5	–9.7	–13.2
TOTAL NET BOOK VALUE AT 31 DECEMBER 2005	4.0	1.4	5.4

The capitalized development costs consist of software with finite useful life.

4. Financial assets

	2006 MCHF	2005 MCHF
Investments in associated companies	0.0	0.4
Financial investments	13.2	12.5
Long-term interest-bearing receivables	6.7	7.0
TOTAL	**19.9**	19.9

The Swisslog Group holds 8.17% of shares of CPS Color Group Oy, Finland. The shares are classified as available-for-sale and are disclosed with MCHF 13.1 (2005: MCHF 12.4) in financial investments. The increase of the investments of MCHF 0.7 includes changes in fair value of MCHF 0.2 and currency exchange gains of MCHF 0.5.
The shares are measured at fair value. The fair value has been evaluated using the discounted cash flow method and is based on the business plan of CPS Color Group Oy, Finland.
Swisslog IP B.V. holds the shares of CPS Color Group Oy. The shares of Swisslog IP B.V. were pledged in favor of the bondholders. The pledge becomes effective in case of a merger between Swisslog Holding AG and Swisslog Management AG, but no later than 30 June 2007.

5. Inventories

	2006 MCHF	2005 MCHF
Materials and supplies	12.7	14.5
Work in progress	2.5	1.9
Finished goods	10.3	10.3
TOTAL	**25.5**	26.7

In 2006 MCHF 1.4 (2005: MCHF 1.0) of obsolete raw materials and supplies have been written off.

6. Trade receivables

	2006 MCHF	2005 MCHF
Trade receivables	115.4	110.0
Allowance for bad debts	–3.5	–3.2
TOTAL	**111.9**	**106.8**

In 2006 and 2005 no material trade receivables have been written off.

7. Construction contracts

	2006 MCHF	2005 MCHF
Asset:		
Contract costs recognized as expense plus recognized profits	261.8	169.5
Progress billings and advance payments from customers	–225.5	–129.5
AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS	**36.3**	**40.0**
Liability:		
Contract costs recognized as expense plus recognized profits	–88.0	–124.5
Progress billings and advance payments from customers	156.2	190.2
AMOUNT DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS	**68.2**	**65.7**
Construction contract net sales recognized in the presented period	476.3	391.3
Retentions[1]	5.2	5.1

1 Retentions are amounts of progress billings that are not paid by the customer until the satisfaction of conditions specified in the contract for the payment of such amounts

8. Cash, cash equivalents and marketable securities

8.1 Cash and cash equivalents

	2006 MCHF	2005 MCHF
Cash at bank and on hand	76.9	84.1
Money market investments with a maturity of less than 90 days	11.4	0.0
TOTAL CASH AND CASH EQUIVALENTS	**88.3**	**84.1**

8.2 Marketable securities

	2006 MCHF	2005 MCHF
Marketable securities – held for trading	15.9	0.0

The entire position consists of short-term investments with a maturity of 12 months maximum.
Marketable securities are valued at fair value. Unrealized gains and losses are recognized in the income statement.

9. Share capital

The share capital at 31 December 2006 amounts to MCHF 2.5 (previous year MCHF 1.8) and consists of 251 276 984 registered shares with a nominal value of CHF 0.01 (previous year CHF 0.01) per share. The share capital is fully paid up.

9.1 Number of shares

	2006	2005
Shares outstanding at 1 January	179 483 560	179 483 560
Capital increase through issue of new shares	71 793 424	0
Shares outstanding at 31 December	251 276 984	179 483 560

9.2 Nominal value

	2006	2005
Nominal value per share (CHF)	0.01	0.01
Share capital at 31 December (MCHF)	2.5	1.8

Based on the resolution of the Annual General Meeting of Swisslog Holding AG of 17 May 2006, the share capital of CHF 1 794 835.60 was increased by CHF 717 934.24 to CHF 2 512 769.84 by issuing 71 793 424 new registered shares with a nominal value per share of CHF 0.01.
The offered shares were drawn and fully paid up to the nominal value by Lombard Odier Darier Hentsch & Cie with the obligation of offering the new shares to the existing shareholders within their subscription rights.
Existing shareholders were granted the right to subscribe 2 new shares for 5 existing registered shares at a price of CHF 1.02.
Nearly all the subscription rights were exercised. The new registered shares were traded for the first time on SWX Swiss Exchange on 26 May 2006.

10. Convertible bonds

On 7 July 2000 Swisslog Holding AG issued 60 000 2.25% convertible bonds at a nominal value of MCHF 150.0.
The rights to exercise the bonds have expired on 4 July 2005.
On 1 June 2006 Swisslog Holding AG repurchased and destroyed 31 270 convertible bonds with an aggregate nominal value of MCHF 78.2. The remaining nominal value at 31 December 2006 amounts to MCHF 71.8. The generally applicable repurchase price was fixed by the tendering procedure and amounts to 98.00%.

The bonds will mature on 31 December 2009 at their nominal value.

The interest payments are as follows:	07.07.2000 until 06.07.2003	2.25%
	07.07.2003 until 06.07.2004	0.50%
	07.07.2004 until 06.07.2005	1.00%
	07.07.2005 until 06.07.2006	1.50%
	07.07.2006 until 06.07.2007	2.00%
	07.07.2007 until 06.07.2008	2.50%
	07.07.2008 until 06.07.2009	3.00%
	07.07.2009 until 31.12.2009	3.50%

The bonds are recorded in the balance sheet as follows:

	2006 MCHF	2005 MCHF
LIABILITY COMPONENT AT 1 JANUARY	**128.1**	121.1
Interest expense before the partial repurchase of convertible bonds:		
Interest expense coupon interest rate 1.5%, respectively 1.0%/1.5%	0.9	1.9
Interest expense market interest rate applied	2.7	6.6
Effects from the partial repurchase of the bonds at 1 June:		
Partial repurchase of bonds against cash	–76.6	0.0
Loss on repurchase of bonds (difference between purchase price and book value)	9.0	0.0
Release of accrued interest expenses	–1.0	0.0
Interest expense after the partial repurchase of convertible bonds:		
Interest expense coupon interest rate 1.5%/2.0%, respectively 1.0%/1.5%	0.8	0.0
Interest expense market interest rate applied	1.7	0.0
Interest paid	–1.1	–1.5
TOTAL LIABILITY COMPONENT	**64.5**	128.1
Provision for interest payment under accrued expenses and deferred income	–0.7	–1.1
LIABILITY COMPONENT AT 31 DECEMBER	**63.8**	127.0

Interest expense for the liability component of the bonds is calculated on the effective yield basis by applying the coupon interest rate (7.0%) for equivalent bonds. The interest expense amounts to MCHF 6.1 in 2006 (2005: MCHF 8.5).

The financial liabilities are limited by the bonds as follows:
- Short- and long-term financial liabilities (excluding the bonds) of the susidiaries held directly or indirectly are limited to MCHF 30.0 and their outstanding guarantee facilities are limited to MCHF 116.0.
- In case of breaching the covenants (Note 12.2) of the guarantee facilities the bonds may immediately be recalled at nominal value.

At the end of 2006 the bonds noted at the Swiss stock exchange with 96.50% (2005: 86.45%).

11. Income taxes and deferred taxes

11.1 Income taxes

	2006 MCHF	2005 MCHF
Current income taxes	11.6	12.4
Deferred taxes	–2.0	–1.2
TOTAL INCOME TAXES	**9.6**	11.2

About 57% (2005: 74%) of current income tax results from US, about 17% (2005: 12%) from Europe, and 26% (2005: 14%) from other regions.

11.2 Reconciliation from income taxes at the applicable tax rate to effective income taxes

The applicable tax rate of 32.2% (2005: 35.4%) is a weighted Group tax rate, calculated from the income taxes based on the results before taxes of each Group company, adjusted by extraordinary non-recurring items, multiplied with the individual applicable tax rate. This rate reflects the actual economic benefit in the different tax legislations. The following elements explain the difference between the income taxes at the applicable Group tax rate and the effective income taxes.

	2006 MCHF	2005 MCHF
INCOME TAXES AT THE APPLICABLE GROUP TAX RATE	**2.0**	4.5
Effect of applicable Group tax rate to consolidated individual applicable income taxes	3.0	1.5
Non-tax-deductible expenses and non-taxable income	5.0	1.2
Changes in recognition of tax losses	0.3	–0.4
Utilisation of unrecognised tax loss carry forwards	–3.0	–1.6
Current year's losses for which no deferred tax assets are recognized	2.3	4.0
Income taxes from previous years	–0.7	1.5
Other	0.7	0.5
EFFECTIVE INCOME TAXES	**9.6**	11.2

11.3 Tax loss carry forwards

	2006 MCHF	2005 MCHF
AVAILABLE TAX LOSS CARRY FORWARDS AT 1 JANUARY	**460.0**	463.8
Changes due to new tax assessments	–9.7	2.6
Tax losses arising from current year	11.3	11.7
Tax losses expired during current year	0.0	–0.4
Tax losses utilised against current year profits	–10.9	–17.7
AVAILABLE TAX LOSS CARRY FORWARDS AT 31 DECEMBER	**450.7**	460.0

Deferred tax assets of MCHF 2.5 (2005: MCHF 3.1) were recorded in respect of available tax loss carry forwards of MCHF 8.6 (2005: MCHF 9.9). Deferred tax assets for unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized in the respective countries, or to the extent that the individual enterprises have sufficient taxable temporary differences.
98% (2005: 98%) of tax loss carry forwards are within Europe. Thereof MCHF 300.0 (2005: MCHF 290.0) are only limitedly utilizable.

Unused tax loss carry forwards for which no deferred tax has been recognized will expire as follows:

	2006 MCHF	2005 MCHF
After 1 year	0.0	0.0
After 2 years	0.0	0.0
After 3 years	7.8	0.8
After 4 years	3.0	10.7
After more than 4 years	431.3	438.6
TOTAL	**442.1**	450.1

11.4 Deferred taxes

Deferred tax assets and liabilities by type of balance-sheet items:

MCHF	2006 Assets	2006 Liabilities	Net	2005 Assets	2005 Liabilities	Net
Tangible/intangible assets	**0.9**	**0.2**		1.0	0.6	
Inventories and work in process	3.4	0.1		6.8	0.3	
Current receivables	0.3	2.3		0.3	2.9	
Long-term liabilities	1.7	1.0		1.7	1.5	
Provisions	1.4	0.0		1.0	0.3	
Short-term liabilities	3.9	3.7		2.0	5.3	
SUBTOTAL BY BALANCE-SHEET ITEMS	**11.6**	**7.3**	**4.3**	12.8	10.9	1.9
Deferred tax assets on tax loss carry forward	2.5	0.0		3.1	0.0	
Offsetting assets with liabilities	–4.2	–4.2		–8.1	–8.1	
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**9.9**	**3.1**	**6.8**	7.8	2.8	5.0

Deferred tax assets have been offset with liabilities on an individual basis if there is a legally enforceable right to set off, if it is possible to settle on a net basis, and if the underlying asset and liability is settled simultaneously.

12. Provisions and contingent liabilities

12.1 Provisions

MCHF	Projects	Warranties	Restructuring	Discontinued Operations	Other	Total
At 1 January 2006	2.3	4.7	1.4	0.0	3.1	11.5
Changes in consolidation scope	0.0	0.0	0.0	0.0	0.0	0.0
Additions	6.0	2.7	0.1	0.0	1.6	10.4
Unused reversed	0.0	–0.3	0.0	0.0	–1.1	–1.4
Used during year	–0.9	–1.9	–1.3	0.0	–1.2	–5.3
Currency translation differences	0.2	0.0	0.0	0.0	0.0	0.2
AT 31 DECEMBER 2006	**7.6**	**5.2**	**0.2**	**0.0**	**2.4**	**15.4**
At 1 January 2005	3.1	5.1	2.8	3.3	3.4	17.7
Changes in consolidation scope	0.0	0.0	0.0	–0.8	0.8	0.0
Additions	2.7	1.9	1.3	0.0	1.5	7.4
Unused reversed	–1.0	–0.4	0.0	0.0	–0.5	–1.9
Used during year	–2.5	–2.2	–2.8	–2.5	–2.2	–12.2
Currency translation differences	0.0	0.3	0.1	0.0	0.1	0.5
AT 31 DECEMBER 2005	2.3	4.7	1.4	0.0	3.1	11.5

All provisions are classified as current because it is expected that they will be settled in the entity's normal operating cycle.
The provisions for projects are created to cover losses as soon as losses are apparent and a reliable estimate can be made. Reversal takes place in relation to the progress of project execution. A considerable part of the additions of MCHF 6.0 is related to a project of Warehouse & Distribution Solutions in Europe.
Warranties are related to costs which occur during the warranty period.
Provisions for restructuring are only recognized in the balance sheet if a detailed formal plan exists which was communicated to the affected persons. Most of the MCHF 1.3 reported as used during the year can be attributed to the German region of the Warehouse & Distribution Solutions division.
In connection with its ordinary business operations, the Group is involved in various legal disputes. The necessary provisions have been created on the basis of the currently available information.

12.2 Contingent liabilities

Contingent liabilities amount to MCHF 2.6 (2005: MCHF 2.5). The major part of the contingent liabilities is related to a project of Warehouse & Distribution Solutions in Europe.
A competitor has filed a complaint against Swisslog's PillPick solution in North America in 2005, alleging infringement of two patents. Swisslog does not expect a material impact from that complaint because the PillPick sales of Swisslog amount to less than 10% of total sales of the Healthcare Solutions division in 2006, and because as of today Swisslog does not believe to infringe on any patents. Swisslog will defend this position.

The total amount of guarantees in favor of third parties is MCHF 191.0 at the end of 2006 (2005: MCHF 235.6).

Guarantee facilities of MCHF 80.0 (2005: MCHF 72.2) of a bank syndicate are secured by the pledge of the shares of TransLogic Corp. (USA). As per 31 December 2006, the shareholders' equity of TransLogic Corp. (USA) amounted to MCHF 33.3 (2005: MCHF 37.2).
The guarantee facilities are bonded by the following covenants:
- minimum equity (monthly compliance)
- earnings before interest, taxes, depreciation and amortization (quarterly compliance)
- net debt in relation to the operating profit before interest, tax, depreciation and amortization (quarterly compliance)

13. Operating leases

	2006 MCHF	2005 MCHF
Minimum lease payments per 31 December		
due within one year	7.6	7.0
due after one and before five years	19.8	16.3
due after five years	11.9	9.6
TOTAL	**39.3**	**32.9**

Minimum lease payments primarily include tenancy agreements. Operating leasing costs totalled MCHF 9.4 in 2006 (2005: MCHF 8.2).

14. Accrued expenses and deferred income

	2006 MCHF	2005 MCHF
Personnel accruals	20.4	21.2
Business and project accruals	17.0	8.3
Tax accruals without income tax	0.6	2.8
Other	6.9	12.6
TOTAL	**44.9**	**44.9**

Income taxes are shown in Note 11, Income taxes and deferred taxes.

15. Operating expenses

	2006 MCHF	2005 MCHF
MATERIAL AND SERVICE EXPENSE		
Change in inventories	–1.2	–6.0
Material- and service expense	291.2	228.0
Total	**290.0**	**222.0**

	2006 MCHF	2005 MCHF
PERSONNEL EXPENSE		
Wages and salaries	173.2	168.9
Social security and other personnel costs (compare with Note 18)	55.0	49.9
Total	**228.2**	**218.8**

	2006 MCHF	2005 MCHF
OTHER OPERATING EXPENSE	**91.1**	**87.0**

This item includes all operating and recurring administrative, sales, and development expenses from normal business activities which are not shown under other headings in the income statement.

The 2006 result includes development expenses of MCHF 12.2 (2005: MCHF 10.2).

16. Financial result

	2006 MCHF	2005 MCHF
FINANCIAL INCOME		
Interest income	3.5	1.4
Other financial income	0.1	1.0
Foreign exchange gains	1.4	2.0
TOTAL	**5.0**	**4.4**

	2006 MCHF	2005 MCHF
FINANCIAL EXPENSE		
Interest expense for convertible bonds	–1.7	–1.9
Interest expense for convertible bonds market interest rate applied	–4.4	–6.6
Other interest expense	–0.4	–0.7
Effect from the partial repurchase of the convertible bonds	–9.0	0.0
Other financial expense	–3.8	–3.8
Foreign exchange losses	–0.6	–0.2
TOTAL	**–19.9**	**–13.2**

Interest income relates to interest on money market investments in CHF and foreign currencies. It does include MCHF 1.0 from the release of accrued interest related to the partial repurchase of the convertible bonds.
Details with respect to the partial repurchase of the convertible bonds are included in Note 10, Convertible bonds.
Other financial expense includes costs for the guarantee line.

17. Derivative Instruments

The derivative financial instruments are used solely for the purpose of managing foreign currency exposure.
Contracts are only concluded with first-class financial institutions.

17.1 Net fair values of derivative financial instruments

The net fair value of derivative financial instruments at the balance-sheet date and designated for cash-flow hedges were:

		2006			2005	
MCHF	Assets	Liabilities	Net	Assets	Liabilities	Net
FORWARD FOREIGN EXCHANGE CONTRACTS BY TYPE						
FX contracts (cash-flow hedges)	0.0	0.0	0.0	0.0	0.0	0.0
FX contracts (non-qualifying hedges)	0.0	0.0	0.0	0.1	0.0	0.1
TOTAL	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.1**

The following table shows the notional amount of open forward foreign-exchange-rate contracts for the major currencies:

		2006			2005	
MCHF	Assets	Liabilities	Net	Assets	Liabilities	Net
FORWARD FOREIGN EXCHANGE CONTRACTS BY CURRENCY						
AUD	0.0	0.0	0.0	0.0	0.0	0.0
EUR	0.0	0.0	0.0	6.2	0.0	6.2
SEK	0.0	0.0	0.0	0.0	0.0	0.0
USD	0.0	0.0	0.0	0.0	0.0	0.0
NOK	0.0	0.0	0.0	0.0	6.1	–6.1
TOTAL	**0.0**	**0.0**	**0.0**	**6.2**	**6.1**	**0.1**

As of the year-end there were no other open positions on derivative instruments.

17.2 Equity-hedging reserve

Certain derivatives were designated as cash-flow hedges and remeasured to fair values.
The fair values at that date were recorded in a separate category of equity.

	2006 MCHF	2005 MCHF
BALANCE AT 1 JANUARY		
Gains/losses on remeasurement to fair value	0.0	–0.3
Deferred income taxes	0.0	0.0
TOTAL	**0.0**	**–0.3**
Movements during the year		
Gains and losses from changes in fair value	0.0	0.0
Deferred income taxes	0.0	0.0
TOTAL	**0.0**	**0.0**
Transferred to income statement	0.0	0.3
Deferred income taxes	0.0	0.0
TOTAL	**0.0**	**0.3**
BALANCE AT 31 DECEMBER		
Gross amount of gains and losses	0.0	0.0
Deferred income taxes	0.0	0.0
TOTAL	**0.0**	**0.0**

At 31 December 2006 there are no open cash-flow hedges.

18. Employee benefits

	2006 MCHF	2005 MCHF
Pension schemes	9.0	10.0
Other long-term employee benefits	0.5	1.1
TOTAL	**9.5**	**11.1**

Pension schemes

Besides the statutory social security schemes there exist independent pension plans or pension insurance policies covering the majority of employees. The related assets are primarily held outside the Group. Where this is not the case, the appropriate provisions are made in the balance sheet for pension liabilities. Most of the pension schemes are defined benefit plans. The defined obligations and related assets of the major plans are reappraised yearly and at least every four years the obligations are reassessed by independent actuaries. The last valuations were done at effective dates between 31 December 2004 and 31 December 2006 (including all significant pension schemes). Plan assets are recorded at fair values and include mainly marketable securities and bonds.

The following is a summary of the status of the main defined benefit plans at 31 December 2006, using IAS 19 (revised) actuarial assumptions.

	2006 MCHF	2005 MCHF
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 1 JANUARY	**–151.6**	**–139.7**
Current service cost	–8.2	–8.1
Interest cost	–5.5	–5.0
Actuarial gains (+)/losses (–)	–2.3	–10.0
Curtailment, settlement and plan amendments	0.7	1.0
Past service costs	–0.1	0.5
Benefit paid	6.3	11.5
Changes in consolidation scope	–0.1	–3.2
Currency translation differences	–2.5	1.4
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 31 DECEMBER	**–163.3**	**–151.6**
FAIR VALUE OF PLAN ASSETS AT 1 JANUARY	**126.0**	**122.8**
Expected return on plan assets	6.1	5.3
Employer's contributions	5.8	5.1
Employees' contributions	2.5	2.5
Actuarial gains (+)/losses (–)	4.6	–0.5
Curtailment, settlement and plan amendments	0.0	0.0
Benefit paid	–6.3	–10.9
Other	0.0	–0.2
Changes in consolidation scope	0.0	3.1
Currency translation differences	2.5	–1.2
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**141.2**	**126.0**
Present value of benefit obligations at 31 December	–163.3	–151.6
Fair value of plan assets at 31 December	141.2	126.0
NET FUNDED STATUS	**–22.1**	**–25.6**
Present value of unfunded obligations	–0.3	–0.4
Unrecognized actuarial losses (+)/gains (–)	13.4	16.0
LIABILITY IN THE BALANCE SHEET	**–9.0**	**–10.0**

MOVEMENT IN THE LIABILITY	MCHF	MCHF
Liability recognized in balance sheet at the beginning of the period	–10.0	–10.9
Changes in consolidation scope	0.0	0.1
Currency translation differences	0.0	–0.2
Expense for pension schemes recognized in the income statement	–4.8	–4.3
Employer's contributions	5.8	5.1
Other	0.0	0.2
LIABILITY RECOGNIZED IN BALANCE SHEET AT THE END OF THE PERIOD	**–9.0**	**–10.0**

EXPENSE FOR PENSION SCHEMES RECOGNIZED IN THE INCOME STATEMENT	MCHF	MCHF
Current service cost	–8.2	–8.1
Interest cost	–5.5	–5.0
Expected return-on-plan assets	6.1	5.3
Net actuarial gains and losses recognized in the period	–0.3	–0.5
Curtailment, settlement and plan amendments	0.7	1.0
Past service costs	–0.1	0.5
Employees' contributions	2.5	2.5
TOTAL, INCLUDED IN THE INCOME STATEMENT	**–4.8**	**–4.3**

The net gain on the position "Curtailment, settlement and plan amendments" and "Past service costs" of MCHF 0.6 resulted from a reduction of the conversion rates in two plans.

Plan assets

The major categories of plan assets as percentage of the fair value of total plan assets are as follows:

	2006	2005
Equity instruments	23.6%	23.4%
Debt instruments	38.1%	44.0%
Property	9.9%	11.7%
Other[1]	28.4%	20.9%
TOTAL	100.0%	100.0%

1 This position includes, amongst others, the assets for reinsurance.

Strategic pension plan asset allocation is determined by the objective to achieve an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans.
The expected contributions to be paid by the Group in respect of defined benefit pension plans for the year 2007 are estimated at MCHF 6.2.

	MCHF	MCHF
Actual return-on-plan assets	11.1	10.6

The actuarial gains and losses include the following components:

	2006 MCHF	2005 MCHF
Experience adjustment on plan liabilities	–1.0	–0.7
Change in assumptions adjustments on plan liabilities	–1.3	–9.3
Experience adjustment on plan assets	4.6	–0.5

ACTUARIAL ASSUMPTIONS		
Discount rate	3.00%–5.75%	3.00%–5.75%
Expected return-on-plan assets	2.00%–7.75%	2.00%–7.75%
Future salary increases	1.25%–5.25%	1.25%–5.25%
Future pension-benefit increase	0.50%–3.50%	0.50%–3.50%

The total amount of contributions paid for defined contribution plans in 2006 amounts to MCHF 2.4 (2005: MCHF 2.1).

OTHER LONG-TERM EMPLOYEE BENEFITS	2006 MCHF	2005 MCHF
Liability at 1 January	1.1	0.8
Transfer	0.0	–0.1
Paid in the period	0.0	0.0
Increase of the liability	–0.6	0.4
Liability at 31 December	0.5	1.1

Other long-term employee benefits mainly cover long-service benefits.

Share option plans

In the past, the Group offered share options to employees with the choice of settlement (cash or equity). The share options have last been granted on 23 May 2002.

Movements in the number of share options are as follows:

	2006	2005
At 1 January	0	167 250
Granted	0	0
Exercised	0	0
Expired	0	–167 250
AT 31 DECEMBER	0	0

19. Related Party Transactions

The shares of Swisslog Holding AG are widely held. For major shareholders please refer to page 65.

The following transactions were carried out with related parties:

	2006 MCHF	2005 MCHF
PURCHASE OF SHARES		
From a member of Swisslog Executive Committee	0.0	0.5

Swisslog Deutschland GmbH has acquired 0.7% of the Share Capital of Wassermann AG from a member of Swisslog Executive Committee in 2004 and 2005 and has therewith met the final obligation from the takeover agreement of the year 2001. The shares have been paid in 2004 and 2005.

	2006 MCHF	2005 MCHF
COST OF COMPENSATION FOR MEMBERS OF THE BOARD AND OF THE SWISSLOG EXECUTIVE COMMITTEE ("KEY MANAGEMENT")		
Salaries and other short-term employee benefits	3.4	3.7
Termination benefits[1]	0.0	0.0
Post-employment benefits and insurance	0.3	0.3
TOTAL	**3.7**	**4.0**

1 A clause of change in control in the amount of two annual compensations was agreed on with one member of the Executive Committee.

20. Earnings per share (EPS)

	2006 MCHF	2005 MCHF
Net result (MCHF)	–3.5	1.8
Weighted average number of shares outstanding	227 893 232	192 005 669
Earnings per share, basic (CHF)	–0.02	0.01
Earnings per share, diluted (CHF)	–	0.01

In order to determine the earnings per share, the Group's average holding of own shares was deducted from the average number of shares outstanding of 227 893 232 (2005: 192 005 669). In 2006 and 2005 the Group did not hold any own shares.
In May a capital increase with 71 793 424 new shares was made. For 5 existing shares two new shares at CHF 1.02 could have been subscribed.
The rights issue increased the calculated average number of shares by 12 522 109 in 2005.
The rights to exercise the convertible bonds expired on 4 July 2005. There are no dilutive effects in 2006.

21. Dividends per share

At the Annual General Meeting in May 2007, no dividend distribution in respect of 2006 is to be proposed. The dividends per share declared in respect of 2005 and 2004 were CHF 0.00.

Report of the Group Auditors to the General Meeting of Swisslog Holding AG, Buchs

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes, shown on pages 38 to 61) of Swisslog Group for the year ended December 31, 2006.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test-basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young AG

Robert-Jan Bumbacher
Swiss Certified Accountant
(in charge of the audit)

Philip Klopfenstein
Swiss Certified Accountant

Basel, February 27, 2007

2006 FINANCIAL STATEMENTS OF SWISSLOG HOLDING AG

Balance Sheet, Income Statement of Swisslog Holding AG

BALANCE SHEET

At 31 December

	2006 TCHF	2005 TCHF
ASSETS		
Cash and cash equivalents	9 414	9
Other receivables	17	42
Current account with Swisslog Management AG	0	11 035
Short-term investments	13 007	0
Accrued income	3	0
CURRENT ASSETS	**22 441**	**11 086**
Loan to Swisslog Management AG	187 681	187 681
NON-CURRENT ASSETS	**187 681**	**187 681**
TOTAL ASSETS	**210 122**	**198 767**
EQUITY AND LIABILITIES		
Short-term liabilities	65	0
Current account with Swisslog Management AG	18 589	0
Accrued expenses and deferred income	764	1 116
CURRENT LIABILITIES	**19 418**	**1 116**
Bonds/Convertible bonds 2000–2009	71 825	150 000
NON-CURRENT LIABILITIES	**71 825**	**150 000**
Share capital	2 513	1 795
Statutory reserves	83 604	11 092
Retained earnings	32 762	34 764
Carry forward	34 764	36 268
Net result	–2 002	–1 504
EQUITY	**118 879**	**47 651**
TOTAL EQUITY AND LIABILITIES	**210 122**	**198 767**

INCOME STATEMENT

1 January to 31 December

	2006 TCHF	2005 TCHF
INCOME		
Financial income	5 039	1 357
TOTAL INCOME	**5 039**	**1 357**
EXPENSE		
Financial expense	5 824	1 927
Administration expense	1 162	997
TOTAL EXPENSE	**6 986**	**2 924**
Tax expenses	55	–63
NET RESULT	**–2 002**	**–1 504**

Notes to the 2006 Financial Statements of Swisslog Holding AG

1. Bonds/Convertible bonds 2000–2009

As per June 1, 2006, part of the bonds with a nominal value of TCHF 78 175 has been repurchased at 98.0% and then destroyed.

The final maturity date of the bonds with a remaining value of TCHF 71 825 is 31 December 2009.

Interest is paid annually on 7 July, with the final payment occuring on 31 December 2009. Interest rates are as follows: 2003/04 0.5%, 2004/05 1.0%, 2005/06 1.5%, 2006/07 2.0%, 2007/08 2.5%, 2008/09 3.0%, 2009 (07.07.–31.12.) 3.5%.

The conversion rights regarding convertible bonds from Swisslog Holding AG, Valor 001090606, have elapsed on 4 July 2005. Until expiration at the deadline no conversion rights were exercised.

2. Contingent liabilities

	2006	2005
Guarantees to third parties (in TCHF)	94 613	88 216

3. Commitments against Main Division of the Swiss Federal Tax Administration (VAT)

Swisslog Holding AG together with Swisslog Management AG and Swisslog AG forms a tax group with respect to the Swiss Federal Tax Administration – Main Division VAT. This tax group has a joint liability for taxes owed by the Group.

4. Main investment

		2006	2005
Company	Swisslog Management AG, Buchs		
Objects	Operational management of the Group; administrative management of the business of Swisslog Holding AG, under contract		
Share capital (in TCHF)		6 880	6 880
Holding (%)		100	100

5. Major shareholders

	2006	2005
Mellon HBV Alternative Strategies, London	<5.0%	>5.0%

6. Statement of changes in equity

TCHF	Share capital	Statutory reserves	Retained earnings carry forward	Retained earnings result	Equity
AT 31 DECEMBER 2004[1]	**1 795**	**11 092**	**–146 400**	**182 668**	**49 155**
Appropriation of net loss 2004			182 668	–182 668	0
Net result 2005				–1 504	–1 504
AT 31 DECEMBER 2005[1]	**1 795**	**11 092**	**36 268**	**–1 504**	**47 651**
Appropriation of net loss 2005			–1 504	1 504	0
Capital increase	718	72 512			73 230
Net result 2006				–2 002	–2 002
AT 31 DECEMBER 2006[1]	**2 513**	**83 604**	**34 764**	**–2 002**	**118 879**

1 Before appropriation

7. Appropriation of retained earnings at 31 December 2006 (proposal of the Board of Directors)

The net loss of TCHF 2 002 is used to cover the retained earnings of TCHF 34 764. The remaining amount of TCHF 32 762 will be carried forward to new account.

Report of the Statutory Auditors to the General Meeting of Swisslog Holding AG, Buchs

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, shown on pages 64 and 65) of Swisslog Holding AG for the year ended December 31, 2006.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test-basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young AG

Robert-Jan Bumbacher
Swiss Certified Accountant
(in charge of the audit)

Philip Klopfenstein
Swiss Certified Accountant

Basel, February 27, 2007

SIGNIFICANT SUBSIDIARIES AND INVESTMENTS OF SWISSLOG GROUP

KEY FIGURES FOR SHARE CAPITAL

CONSOLIDATED DATA FOR THE PAST FIVE YEARS

Significant subsidiaries and investments of Swisslog Group at 31 December 2006

Subsidiary	Registered office / Country	Consolidated on Y/M	Currency	Share capital Amount	Holding direct/indirect
FULLY CONSOLIDATED MANAGEMENT AND FINANCING SUBSIDIARIES					
Swisslog Holding AG	Buchs / Switzerland	86/01	CHF	2.51 Mio.	
Swisslog Management AG	Buchs / Switzerland	86/01	CHF	6.88 Mio.	100.0%
Swisslog IP B.V.	Amsterdam / Netherlands	99/01	EUR	0.02 Mio.	100.0%
Swisslog Holdings (UK) Ltd.	Slough / UK	97/12	GBP	1.01 Mio.	100.0%
Swisslog (Deutschland) GmbH	Ludwigsburg / Germany	89/01	EUR	3.32 Mio.	100.0%
Swisslog USA Inc.	City of Dover / USA	99/09	USD	0.00 Mio.	100.0%
Digitron Italia SrL	Milan / Italy	90/01	EUR	0.08 Mio.	100.0%
FULLY CONSOLIDATED OPERATIVE SUBSIDIARIES					
Infotronic Vertriebsg. für Kommunikationssysteme GmbH	Kirchheim / Germany	01/09	EUR	1.22 Mio.	72.7%
Swisslog & Wehmeyer Patentverw. GbR	Ludwigsburg / Germany	01/09	EUR	1.06 Mio.	60.0%
Swisslog AB	Partille / Sweden	97/01	SEK	10.00 Mio.	100.0%
Swisslog AG	Buchs / Switzerland	86/01	CHF	10.00 Mio.	100.0%
Swisslog AS	Bergen / Norway	98/07	NOK	0.30 Mio.	100.0%
Swisslog Australia PTY Ltd.	Epping / Australia	96/01	AUD	0.00 Mio.	100.0%
Swisslog B.V.	Culemborg / Netherlands	86/01	EUR	0.02 Mio.	100.0%
Swisslog France SA	Gennevilliers / France	99/09	EUR	0.84 Mio.	100.0%
Swisslog GmbH	Dortmund / Germany	97/12	EUR	1.00 Mio.	100.0%
Swisslog Healthcare (UK) Ltd.	Slough / UK	99/09	GBP	0.25 Mio.	100.0%
Swisslog Healthcare Solutions GmbH	Puchheim / Germany	04/03	EUR	0.10 Mio.	100.0%
Swisslog Italia S.p.A.	Beinasco / Italy	89/01	EUR	0.55 Mio.	100.0%
Swisslog (UK) Ltd.	Slough / UK	94/01	GBP	0.25 Mio.	100.0%
Swisslog Logistics, Inc.	Newport News / USA	98/07	USD	0.12 Mio.	100.0%
Swisslog Luxembourg S.A.	Koerich-Windhof / Luxembourg	00/11	EUR	1.35 Mio.	100.0%
Swisslog Malaysia Sdn Bhd	Selangor Darul Ehsan / Malaysia	97/01	MYR	0.25 Mio.	100.0%
Swisslog N.V.	Wilrijk / Belgium	94/01	EUR	0.12 Mio.	100.0%
Swisslog Polska Sp. z o.o.	Warsaw / Poland	00/05	PLN	0.10 Mio.	100.0%
Swisslog Pte. Ltd.	Singapore	99/09	SGD	0.60 Mio.	95.0%
Swisslog Rohrpostsysteme GmbH	Westerstede / Germany	99/09	EUR	0.50 Mio.	100.0%
Swisslog (Shanghai) Co. Ltd.	Shanghai / China	04/02	USD	0.28 Mio.	100.0%
Swisslog Singapore Pte. Ltd.	Singapore	97/01	SGD	0.10 Mio.	100.0%
Swisslog Software (UK) Ltd.	Slough / UK	00/08	GBP	0.10 Mio.	100.0%
Telelift GmbH	Puchheim / Germany	99/09	EUR	0.84 Mio.	100.0%
TransLogic Corp.	Denver / USA	99/09	USD	0.00 Mio.	100.0%
TransLogic Ltd.	Mississauga / Canada	99/09	CAD	0.00 Mio.	100.0%
Wassermann AG	Munich / Germany	01/08	EUR	0.71 Mio.	100.0%

Key figures for share capital

		Unit	2006	2005	2004	2003	2002
Share capital		MCHF	2.5	1.8	1.8	30.3	30.3
Shares (at year-end)		Thousands	251 277	179 484	179 484	15 178	15 178
Dividend/registered share		CHF	0.00	0.00	0.00	0.00	0.00
Dividend[1]		MCHF	0.0	0.0	0.0	0.0	0.0
Net results		MCHF	–3.5	1.8	1.9	–245.9	–47.3
Net results/dividend		%	NA	NA	NA	NA	NA
Basic earnings per share		CHF	–0.02	0.01	0.02	–14.09	–3.20
Cash EPS[1]		CHF	0.04	0.05	0.13	–8.05	–0.59
Quoted price of registered share[2]	High	CHF	1.79	1.32	6.60	12.80	35.90
	Low	CHF	1.16	0.99	0.84	1.95	9.60
Gross yield per registered share	High	%	NA	NA	NA	NA	NA
	Low	%	NA	NA	NA	NA	NA
Market capitalization (at year-end)		MCHF	387.0	221.2	179.5	86.1	192.8
Consolidated equity		MCHF	143.0	80.2	68.4	–121.7	98.1
Equity/registered share		CHF	0.6	0.4	0.6	–7.0	6.4
Market capitalization in % of the equity		%	271	276	262	NA	196
Price Earnings Ratio (PE Ratio)[3]		Factor	58.6	122.9	17.6	NA	NA

1 Proposal of the Board of Directors for 2006: no dividend to be distributed
2 Rate of the day.
3 Related to net result before amortization/impairment of goodwill

Financial year	ending 31 December
Year incorporated	1900, Holding Company 1986
Registered office	Buchs/Aarau, Switzerland
Exchange listing	SWX Swiss Exchange
Bylaws	latest revision of bylaws: 22 June 2006
Share capital	MCHF 2.5 251 276 984 registered shares at a par value of CHF 0.01
Registration limit	as of existing law

Consolidated data for the past five years

CONSOLIDATED BALANCE SHEET

At 31 December	2006 MCHF	2005 MCHF	2004 MCHF	2003 MCHF	2002 MCHF
ASSETS					
Property, plant, equipment and investment property	14.0	16.0	17.2	45.1	73.8
Goodwill	88.3	100.9	94.0	108.8	177.9
Other intangible assets	5.3	5.4	5.3	6.7	22.1
Deferred tax assets	9.9	7.8	9.7	15.3	23.7
Financial assets	19.9	19.9	23.5	26.5	57.8
NON-CURRENT ASSETS	**137.4**	**150.0**	**149.7**	**202.4**	**355.3**
Inventories	25.5	26.7	32.7	38.0	55.2
Trade and other receivables	164.1	167.9	138.0	144.6	221.3
Prepayments	4.5	3.3	3.9	6.6	10.0
Cash, cash equivalents and marketable securities	104.2	84.1	91.0	48.4	36.3
CURRENT ASSETS	**298.3**	**282.0**	**265.6**	**237.6**	**322.8**
TOTAL ASSETS	**435.7**	**432.0**	**415.3**	**440.0**	**678.1**
EQUITY AND LIABILITIES					
Share capital	2.5	1.8	1.8	30.3	30.3
Reserves	140.4	78.3	66.4	–152.7	65.5
Minority interest	0.1	0.1	0.2	0.7	2.3
EQUITY	**143.0**	**80.2**	**68.4**	**–121.7**	**98.1**
Interest-bearing borrowings	63.8	127.0	120.6	143.4	323.3
Deferred tax liabilities	3.1	2.8	6.2	9.0	10.1
Other non-current liabilities	9.5	11.1	12.2	20.7	24.1
NON-CURRENT LIABILITIES	**76.4**	**140.9**	**139.0**	**173.1**	**357.5**
Trade and other payables	69.5	70.0	69.8	73.2	89.3
Advance payments from customers	68.2	65.7	53.3	24.6	27.9
Short-term borrowings	0.0	0.0	0.3	185.4	1.9
Provisions	15.4	11.5	17.7	35.3	17.3
Income tax payables	5.5	5.3	2.0	8.0	2.9
Other short-term liabilities	12.8	13.5	16.6	14.9	36.7
Accrued expenses and deferred income	44.9	44.9	48.2	47.2	46.5
CURRENT LIABILITIES	**216.3**	**210.9**	**207.9**	**388.6**	**222.5**
TOTAL EQUITY AND LIABILITIES	**435.7**	**432.0**	**415.3**	**440.0**	**678.1**
Number of consolidated operative companies	27	27	29	32	41

CONSOLIDATED INCOME STATEMENT

1 January to 31 December	2006 MCHF	2005 MCHF	2004 MCHF	2003 MCHF	2002[1] MCHF
Order intake	677.3	628.6	579.4	775.7	1 028.2
Order backlog (at year-end)	538.0	510.8	410.6	467.9	563.3
CONTINUING OPERATIONS:					
NET SALES	**646.9**	**556.4**	**564.9**	**633.2**	**718.8**
Other operating income	0.2	0.2	2.6	3.8	12.0
Material and service expense	290.0	222.0	234.8	294.9	298.4
Personnel expense	228.2	218.8	225.6	242.0	278.6
Depreciation, amortization and impairment	6.7	7.0	7.5	30.0	11.8
Other operating expense	91.1	87.0	89.2	80.9	122.0
Total operating expense	616.0	534.8	557.1	647.8	710.8
OPERATING PROFIT BEFORE IMPAIRMENT OF GOODWILL (EBITA)	**31.1**	**21.8**	**10.4**	**–10.8**	**20.0**
Amortization/impairment of goodwill	10.1	0.0	8.3	85.0	30.9
OPERATING PROFIT (EBIT)	**21.0**	**21.8**	**2.1**	**–95.8**	**–10.9**
Net financial result	–14.9	–8.8	12.1	–76.8	–23.8
RESULT BEFORE TAX	**6.1**	**13.0**	**14.2**	**–172.6**	**–34.7**
Income taxes	–9.6	–11.2	–8.1	–19.5	–4.7
RESULT CONTINUING OPERATIONS AFTER TAX	**–3.5**	**1.8**	**6.1**	**–192.1**	**–39.4**
Attributable to:					
Equity holders of the parent	–3.5	1.8	6.1	–191.2	–39.4
Minority interest	0.0	0.0	0.0	–0.9	0.0
DISCONTINUED OPERATIONS:					
Net sales	0.0	0.0	32.6	169.6	240.9
Other operating income	0.0	0.0	0.1	2.5	1.2
Operating expense	0.0	0.0	–39.6	–201.4	–244.9
Gain/loss on disposal of investments	0.0	0.0	4.3	–21.0	0.0
Net financial result	0.0	0.0	–0.9	–2.0	–2.7
RESULT BEFORE TAX	**0.0**	**0.0**	**–3.5**	**–52.3**	**–5.5**
Income taxes	0.0	0.0	–0.7	–1.5	–2.4
RESULT DISCONTINUED OPERATIONS AFTER TAX	**0.0**	**0.0**	**–4.2**	**–53.8**	**–7.9**
Attributable to:					
Equity holders of the parent	0.0	0.0	–4.2	–53.8	–8.4
Minority interest	0.0	0.0	0.0	0.0	0.5
NET RESULT	**–3.5**	**1.8**	**1.9**	**–245.9**	**–47.3**
Attributable to:					
Equity holders of the parent	–3.5	1.8	1.9	–245.0	–47.8
Minority interest	0.0	0.0	0.0	–0.9	0.5

1 2002 not restated in terms of continuing and discontinued operations.

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