

2002 Annual Report



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Dear Shareholders,

As we announced in our shareholders' letter on March 4, 2003, the fiscal year 2002 was unsatisfactory for Swisslog. Our sales climbed slightly by 1% to CHF 948.6 million (2001: CHF 938.9 million). In the core segments Supply Chain Solutions and Supply Chain Software, we noted a growth in sales of 15.2% and 23.7%, respectively, to CHF 474.1 million and CHF 182.9 million. We also succeeded in increasing the operating margins in these two business fields. Swisslog's order backlog at the end of 2002 was CHF 536.3 million, which is up 5.1% from last year's figure.



Konrad Peter (top) and
Remo Brunschwiler

Despite the positive figures in these units – they form the foundation for the successful implementation of our new strategy – various developments over the course of the past year have shown that it was imperative for Swisslog to take action at the beginning of this year. This is documented in important key figures we published in March. The operating result (EBITDA) dropped in the fiscal year 2002 to CHF 39.4 million (CHF 58.5 million). The group loss for the year was CHF 47.8 million, including restructuring and one-off costs. We were also unable to improve our balance structure as planned. We only succeeded in reducing our debt by CHF 13.9 million to CHF 288.9 million. Equity capital as per December 31, 2002 was CHF 95.8 million (CHF 169.8 million).

Swisslog's Board of Directors and Management have thus decided to adopt a strategy that focuses on the strengths of our company: logistics solutions for warehouses and distribution centers as well as in-house logistics solutions for hospitals and pharmacies. The details of our plans are explained in the next chapter on corporate strategy.

New strategic direction underway

The implementation of this strategy has been rigorously pursued during the first three months of this year. The new corporate structure took effect on April 1, 2003. The former divisions Supply Chain Solutions and Supply Chain Software have been merged into the new Warehouse & Distribution Solutions division. This puts us in an even better position to offer our customers a fully integrated package of services from a single source with simple in-house structures and our proven software competence. Similar steps will be taken in our second core division Healthcare Solutions. Here, too, organizational steps have been resolved which will lead to a simplification of structures and to better customer contact.

Cost cutting program to be extended

Our decision to focus on core business went hand-in-hand with a comprehensive analysis of our costs. We can safely assume that the economic environment will not improve much, at least not this year. Consequently, the Board of Directors and Management have decided to further expand the cost-cutting program introduced last year. Over the past few weeks, the potential for savings has been identified in all segments and additional cost-cutting initiatives have been prepared. Initial effects of our efforts

are being manifest this year. However, the full implication of the cost programs will not be apparent until 2004.

Debt reduction

Concurrent to the reorganization of our core business and the extension of the cost-cutting program, divestment of the non-core units Material Flow and Robotics Systems has also been pushed forward the past few weeks. Our goal is still to reduce debt this year. However, the poor state of the global economy is currently slowing divestments.

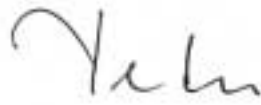
Corporate governance in the sign of the shareholders

Swisslog's Board of Directors and Management are dedicated to a high level of corporate governance. You will find detailed information in the corresponding chapter of this annual report following the Corporate Governance guidelines of the SWX Swiss Exchange. We are especially committed to full transparency in our accounting policy, as well as to open communications. We are well aware that this is our only justification for the trust that you as our shareholders place in us and for which we would like to thank you, also on behalf of all Swisslog employees.

The responses we have received over the past few weeks are an indication that Swisslog employees have been very positive in their support and have committed themselves entirely to the demanding process of change.

This is not given and they deserve our thanks. The dedication and competence of our employees underpin our conviction to bringing the necessary corrections successfully to conclusion over the next two years.

Best regards,



Konrad Peter
Chairman of the Board of Directors



Remo Brunschwiler
Chief Executive Officer

The strategic objective: globally leading positions in clearly defined segments of the logistics market

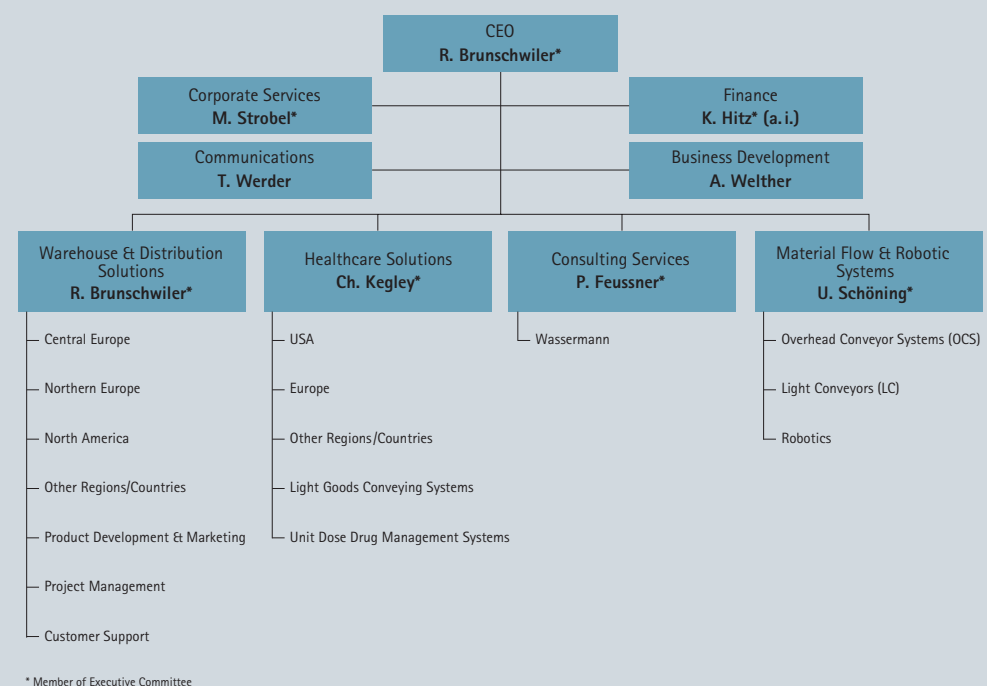
It is Swisslog's strategic objective to rank as one of the top 3 vendors worldwide in dedicated markets. Swisslog is achieving this goal by consistently focusing on core competencies.

In the future, Swisslog is limiting activities to two segments of the logistics market: process optimization in warehouses and distribution centers, on the one hand, and in-house logistics in hospitals and pharmacies on the other. Swisslog already has a strong position in each of these markets which can be expanded in the coming years with a clear strategic focus, innovation, and above-average customer service.

First core market: warehouses and distribution centers for logistics solutions

In the CHF 17 billion global market for logistics solutions (incl. software and customer support) for warehouses and distribution centers, Swisslog currently ranks number 4 behind Siemens Dematic, Daifuku, and FKI Logistex. Swisslog has decades of experience and a large number of references in this segment. The proven IT competence and the own software products further strengthen Swisslog's position. Swisslog is number 1 worldwide in warehouse management software for automated warehouses and distribution centers.

The new Corporate structure of Swisslog (as from April 1, 2003)



* Member of Executive Committee

For the years to come, Swisslog is excellently positioned to continue to play a leading role in this market, which will be exploited by the new division Warehouse & Distribution Solutions. Swisslog offers the entire range of manual, semi-automated to fully-automated logistics solutions.

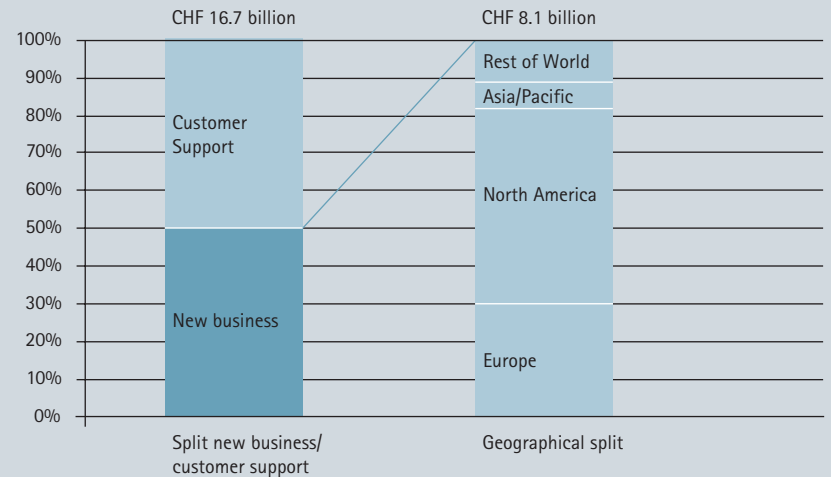
Swisslog stands by their customers throughout the entire life cycle of a project with consulting, system design, and project management acting as general contractor, software developer and customer support. Swisslog places special emphasis on long-term customer partnerships within the framework of Customer Support, a unit that already today constitutes approximately 25% of the sales of the new division Warehouse & Distribution Solutions.

Annual growth of 4% is predicted for the coming years in the global market for logistics solutions for warehouses and distribution centers, whereby the market for warehouse management software is expected to grow by 5 to 11%, depending on the world region.

The division Warehouse & Distribution Solutions will focus primarily on retail and wholesale business, the food & beverage and consumer goods industries as well as pharmaceuticals. The spotlight is on mid-size and large companies.

Swisslog currently realizes around 75% of this division's sales in Europe. Due to the as yet unexploited potential of the U.S. market and the double-digit growth rates in Asia, Swisslog intends on greatly expanding their business in each of these two regions in the coming years.

Worldwide market for logistics solutions for warehouses and distribution centers 2001: CHF 16.7 billion

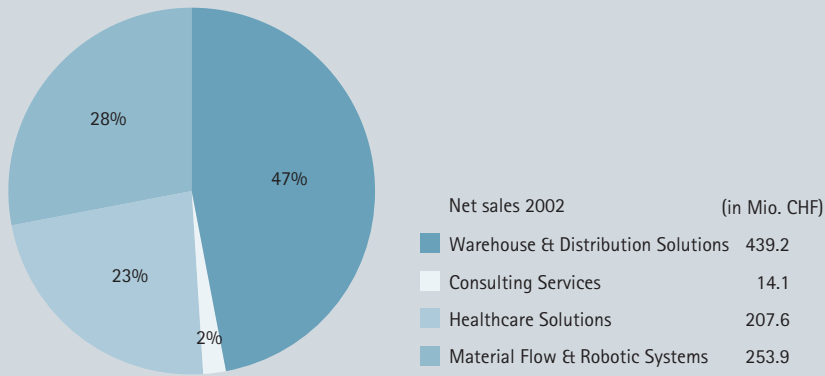


Second core market: in-house logistics solutions for hospitals and pharmacies

For the second core market, in-house logistics solutions for hospitals and pharmacies, Swisslog produces pneumatic tube systems, automated guided vehicles as well as systems for drug management and distribution. This market has the potential of several billion Swiss Francs worldwide. With installations in over 2,000 hospitals and pharmacies in Europe, the U.S., and Asia Swisslog is excellently positioned in this segment of the healthcare logistics market. Decades of project experience, a broad customer base and the leading technology of several products are an excellent foundation for Swisslog to sell new applications, in particular PillPick, a solution that automates the unit-dose drug picking process in hospitals. In developing a highly specialized healthcare product portfolio, Swisslog is pursuing a dedicated niche strategy.

The growth potential of these new product lines is expected to boom worldwide in the course of the next few years in view of more rigorous safety requirements and increasing cost pressure

Sales split 2002 with new corporate structure



in the healthcare sector. The market for the relatively well-established pneumatic tube systems has an annual growth rate of around 4%.

In the healthcare market, most of Swisslog's sales are with pneumatic tube systems in the U.S. In the coming years, the new Healthcare Solutions division is to achieve a more balanced geographic split of healthcare business, primarily through the introduction of the new applications. In addition to the key markets in Europe, namely, Germany, France, Spain, Italy, and Great Britain, the Chinese market in particular promises high growth figures.

Consulting Services and Material Flow & Robotic Systems divisions round off portfolio

Swisslog offers supply chain consulting services for new and existing customers of the core divisions Warehouse & Distribution Solutions and Healthcare Solutions. These services are offered by Wassermann, a Swisslog subsidiary, which forms the new Consulting Services division. In addition to these support services for the core divisions, this division will continue to offer its own consulting and software services for optimizing production processes.

Swisslog's fourth division is Material Flow & Robotic Systems. As a result of the strategic decision not to produce hardware products in the future, but instead to purchase them from third parties, the activities of this division are planned to be divested. In taking this step, Swisslog will cease to operate a capital-intensive segment in the future and will also be in a position to offer customers flexible automation solutions independent of Swisslog's production capacity.

Expansion and focusing of consulting services

New challenges of global markets and growing logistics costs increase the need for Supply Chain Management consulting services. Businesses more and more are seeking solutions to meet, on the one hand, specific targets – such as a 20% reduction in logistics costs per product or carton – and, on the other hand, remain flexible to optimally adapt to constant market changes. In the past few years, this fueled the trend to base larger investment decisions on capability studies and feasibility concepts developed together with external specialists. The structuring and development of the Swisslog consulting services reflect this growing demand for expert opinions in the search for the logistics solutions with the best Return on Investment.

In a market analysis recently published, more than 85% of the polled managers gave top priority to optimizing the logistics of their company. The growing strategic significance of the topic is reflected in the fact that the responsibility for supply chain management is increasingly carried by members of top management – in the retail industry, for example, in two thirds of all companies. These managers not only monitor parts of their organization, they also have an eye on the performance and success of their company as a whole. When they bring in competent consultants, they expect a broad approach to problem-solving, well-founded expert knowledge, as well as practical experience.

Swisslog as a consulting and implementation partner has supported businesses for years in the complex and ongoing task of evaluating their processes for efficiency and to tap the full potential of their supply chains. With their extensive knowledge and expertise Swisslog experts advise businesses as to how they can structure their organizations more profitably, determine which measures will bring about the desired success fastest, and on request then deliver the suitable integrated logistics solutions.

In 2002, Swisslog focused and structured their services in consulting and extended their portfolio in strategic and operational process consulting. Swisslog has defined the following six separate services within their consulting offerings:

1. Supply chain audit

The goal of the supply chain audit is to reveal to customers the actual potential within their companies for cost optimizations and for improving their logistics performance. During the audit, interdisciplinary teams made up of business economists, engineers, and IT experts use specifically developed analysis and simulation tools to study the structures and processes of the respective enterprise. Based on the findings of the study, Swisslog prepares a set of measures and activities which defines the cost and time frame as well as the successes of the potential project.

With the Swisslog supply chain audit, businesses are able within a relatively short period of time to compare transparently and cost-effectively the expenses for sophisticated supply chain projects to the actual benefits before attempting individual optimization measures.

Swisslog received their first orders last year from companies in Switzerland, Sweden, and the USA for this consulting product first introduced at the CeMAT in 2002 and launched throughout the group.

2. Inter-company supply chain management and organizational consulting

As part of their strategic supply chain management and organizational consulting work, Swisslog supports their customers in inter-company process optimization. This includes both resource planning for several production and distribution sites as well as the integration of external partners. Swisslog goes in-depth to reveal to management the untapped potential that can be exploited on the one hand through consistent process orientation and by synchronizing the flow of material and information on the other.

Once it is understood that the supply chain is no longer limited to a single operation, but rather encompasses the entire value network, cooperation with subsidiaries and suppliers is smoother and customer wishes are fulfilled faster. An important part of this consulting service is the support given to customers in the implementation of an integrated process-oriented organization.

3. Production planning, control and optimization

By implementing production planning, production control and optimization Swisslog customers manage to reduce their inventory, shorten cycle and throughput times, and provide greater delivery reliability to their own customers. After rapid implementation of the optimization concept, businesses achieve up to one third higher productivity and are more profitable at the same time. Swisslog also offers this service as payment-on-success and contractually guarantees a rapid Return on Investment.

Network modeling optimizes wide-ranging distribution structures



4. Distribution network modeling

Developed in 2002, the consulting service "distribution network modeling" gives those responsible for the supply chain the information they need to be able to optimize their distribution structures. Using actual benchmark figures and targets defined by the customer, Swisslog consultants simulate various solution options to support the planning of new or the reorganization of existing distribution networks. During this process, the customer's distribution channels and products are specified, the demands for regional and local distribution centers are entered in the simulation software, transport options are considered, and country-specific circumstances and situations taken into account. Swisslog then presents the customer with various proposals, for example, comparing investment costs, operating expenses and personnel

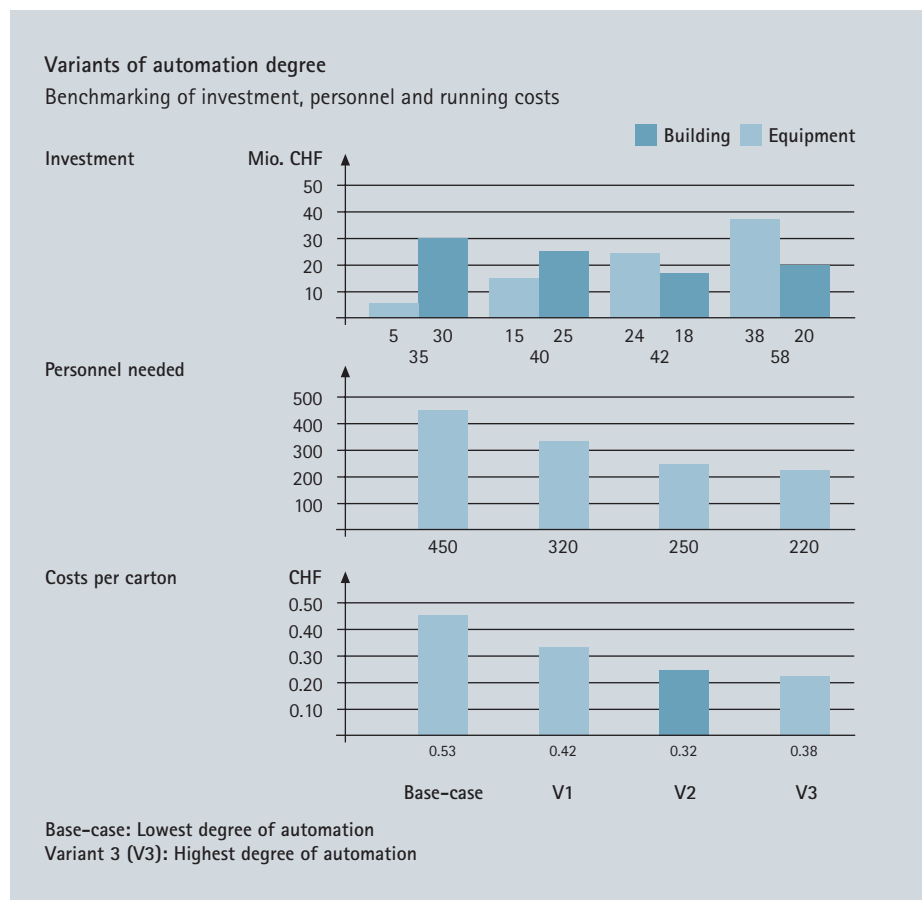
requirements of a new distribution center or for the distribution of capacity to several warehouses.

5. Designing of warehouses and distribution centers

Swisslog offers their customers comprehensive support for the structuring and continuing improvement of processes within a warehouse or distribution center. Backed by analysis and simulations, Swisslog provides consulting services for the construction of buildings just as well as for the installation and equipping of the facilities, for example, with conveyor system technology and robotics. On request, Swisslog develops several variants of a warehouse or distribution center that differ in the degree of automation envisaged. Based on this detailed comparison, the customer can then select the variant with the best Return on Investment.

6. Warehouse management software and IT consulting

As part of their total consulting portfolio Swisslog offers to customers their knowledge of and practical experience with warehouse management software. Swisslog helps businesses to identify the software functionality they need and to find the best possible IT solution to meet their demands. This service includes consulting services to find the right database application, for interface concepts to ERP systems, or auditing of the IT infrastructure. The Swisslog consulting portfolio also includes preparing recommendations for improving the hardware base with its connected peripherals.



*Wednesday, 2:13 P.M.,
Distribution Center
The Absolut Company,
Åhus, Sweden*





"Swisslog understands the special requirements for logistics in the beverage industry. We have relied on their expertise in implementation for years."

Mikael Nystrom, Manager Distribution Warehouse The Absolut Company



Extension of the distribution center of The Absolut Company

Last year, The Absolut Company, Swedish manufacturer of the internationally renowned Absolut Vodka brand, decided again to partner with Swisslog. Already in the 1990s, Swisslog as a general contractor, had automated the material flow of a new warehouse and distribution center near the distillery in Ahus.

In 2002, The Absolut Company commissioned Swisslog with the extension of their worldwide distribution center. Swisslog planned the logistics infrastructure, delivered and implemented among other things stacker cranes and conveying equipment. It was particularly challenging to install the automation systems while production operations were running. The narrow time window required a high degree of precision in the installation of the systems.



Swisslog completed the extension of the distribution center in Ahus early in 2003. Through expanding warehouse capacity by 100%, The Absolut Company can run their production lines more to capacity than ever before. Furthermore, a second loading terminal and four additional conveyor systems that transport filled bottles directly to the truck provide greater safety and flexibility in the loading area. Overall, the company has a much smoother and more efficient distribution process thanks to the most recent Swisslog project.

Dynamic changes in the retail and the consumer goods industry fuel growing demand for new distribution concepts

Following a wave of mergers and acquisitions, businesses are increasingly focusing on the structure of their distribution networks as well as on the efficiency of processes and the flow of goods in these networks. Last year these dynamic changes coupled with the excessive pressure on margins which most businesses face kept demand for distribution solutions high. The success Swisslog has had in this segment is due on the one hand to a concentration on industries which demonstrate a readiness to invest, and, on the other hand, on the implementation of tailor-made solutions developed in close cooperation with the customer.

In retail and wholesale operations, logistics is a key factor to success. Only those able to make their goods available at any time at the right location in the desired amount and quality demanded will be able to maintain a presence on the market in the long run. Simultaneously, logistics is one of the single most decisive cost factors and plays a major role in determining operational costs. Consequently, the specialized knowledge Swisslog possesses is in demand now more than ever before and the key element of Swisslog's customer relations. At the same time, current trends to increase efficiency such as controlling of the flow of goods without safety stocks (CrossDock and FlowThrough), or the "one-touch" principle in which products are transferred directly – without additional handling – from the truck to the shelf in the store, support the willingness of the retail and consumer goods industries to accept innovation. The "back-haul" procedure in which retailers pick up goods directly from the supplier, meaning that they handle transports themselves, is further proof for efforts to optimize costs by retailers. Several retailers are currently running large programs to optimize the flow of goods, logistics processes, as well as complex logistics networks.

Industry focus pays off

Retailers, wholesalers as well as the food & beverage and consumer goods industry currently face complex issues which require competence and practical experience to answer. They are looking for partners who can give them sound advice as to which savings make sense and which investments pay off rapidly. Swisslog benefited from this development in 2002. The trend towards more complex and extensive orders has continued. Whereas in the nineties, Swisslog implemented on average between four and six projects per year worth a total volume of CHF 15 to 25 million each, the number of major, large-scale projects climbed last year to over ten. These large-scale projects are still supplemented by numerous smaller contracts. Overall, the average project size is still under CHF 10 million.

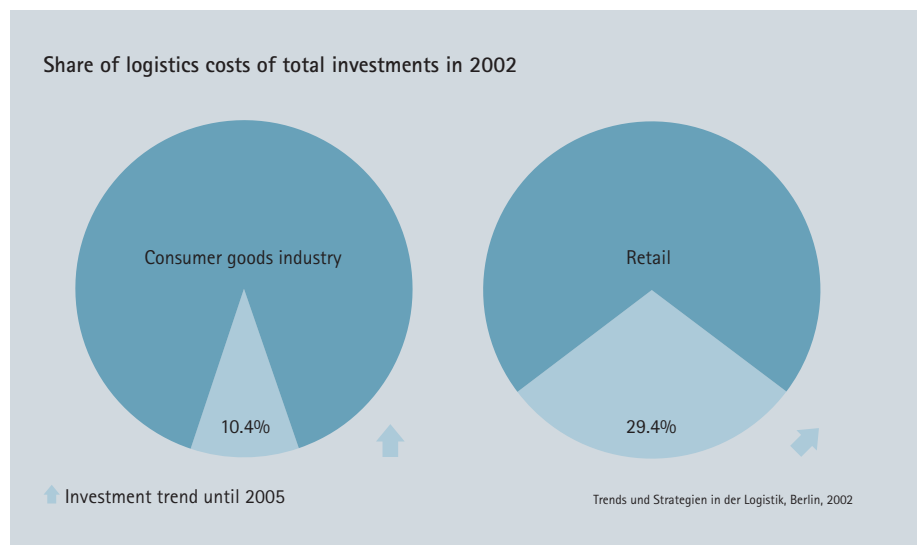
Parallel to the successes in order intake, Swisslog concluded numerous projects last year and delivered sophisticated distribution systems to their customers. One example is Ikea: within one and a half years Swisslog designed and implemented a new distribution concept for the Swedish furniture company. The concept is based on distribution centers for direct delivery to customers. The first of these regional distribution centers began operation in Torsvik, Sweden, in fall 2002.

Swisslog's success in the field of warehouse and distribution solutions in 2002 is, on the one hand, anchored in new orders from their existing customer base. For example, Swisslog expanded their cooperation with the electronics group Bosch and The Absolut Company, known worldwide for Absolut Vodka, and accompanied a leading medical technologies enterprise to Spain as well as Parmalat, a producer of dairy products to Canada. On the other hand, for new customer acquisition Swisslog focused last year increasingly on retail as well as the food & beverage industry which for several years have exhibited a stable willingness to invest in logistics.

Swisslog's concentration on these industries also included a more directed selection of individual projects. By subjecting the selection process to more rigorous standards during project acquisition, Swisslog was able to noticeably improve their success rate in 2002.

Through analysis and consulting to customized solutions

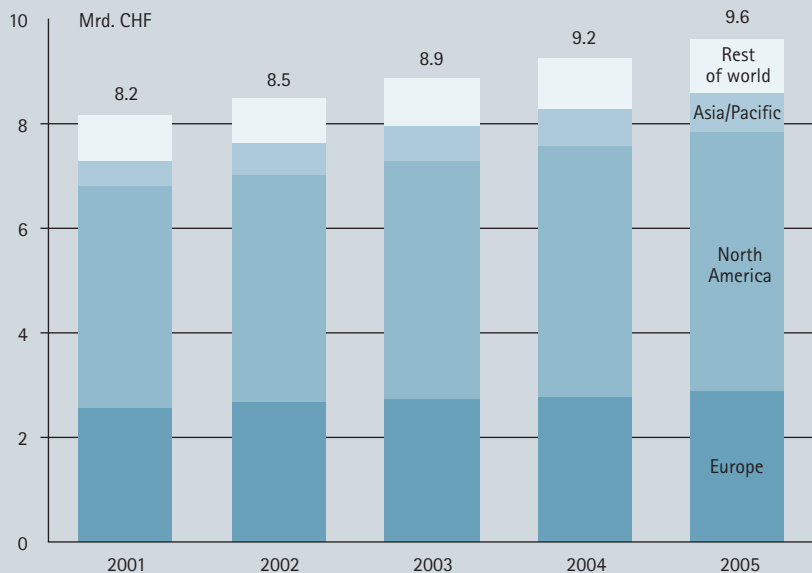
While until just a few short years ago companies drew up their own demand profiles for the awarding of project contracts, Swisslog is today included at a much earlier stage in the analysis, concept, and study phase of a project. During this preliminary project stage in which consulting is most intense, the general conditions and regulatory framework are defined, the current flow of goods is analyzed, and the performance profiles for the next three, five, or seven years are prepared. On conclusion of the studies, Swisslog compares several solution variants. Customers can then select the best variant for their purposes based on their criteria. Using this procedure, customized solutions can be developed for customers that meet their particular needs in regard to performance, expandability, suitability for additional locations, etc.



The ability to measure and quantify effectiveness and efficiency of measures is of increasing importance when it comes to decide on a specific solution. Businesses take a critical look at solutions and products and judge them by their direct and rapidly appreciable benefit. In 2002, economic efficiency was more than ever before a major criterion on which investment decisions were based. The recommendations which Swisslog makes at the end of their concept studies thus consider the Return on Investment of the respective variants above all else.

In conjunction with the growing demand for consulting services, Swisslog has expanded their service offerings in the field of warehouse and distribution solutions and last year assembled a consulting team that now offers comprehensive consulting services including modeling of distribution networks. Using a new analysis and simulation tool, Swisslog consultants support businesses in organizing and optimizing their distribution structures.

Worldwide logistics solutions market for warehouses and distribution centers 2001–2005: New business



Market is expected to grow at 4% p.a. over next 3 years.

A vital prerequisite in the modularizing of offerings at a technical level is an in-depth understanding of the automation technology to be used. Swisslog as the general contractor can repeatedly call in their own system specialists to develop new concepts and solutions. It was this capability that was beneficial last year, for example, in the planning and implementation of logistics solutions for the retail industry with frozen foods. By developing their own cold-resistant robotic technology for storing and taking chilled products out of storage at temperatures as low as minus 28° Celsius, Swisslog has achieved a competitive edge that was best exemplified in 2002 with its successful bidding for projects in the food & beverage industry.

Modular offer and automation competence

In endeavoring to offer customers both tailor-made as well as cost-effective solutions, Swisslog began structuring their offerings in standardized modules two years ago. By structuring their service spectrum as modules, Swisslog is able to implement projects even more rapidly and to lower total costs overall. Customers stand to profit from both without having to give up any of the particular unique features of their individual solutions. The modularity of the offer which Swisslog continued to push in 2002 is also an important prerequisite for the ongoing expansion of the multi-site business. A customer-specific distribution solution consisting of standardized elements – once the details have been adjusted – can be applied much more rapidly and cost-effectively to other distribution locations. Three follow-up orders from Wal-Mart in 2002 indicate that multi-site business continues to gain in importance for Swisslog.

In software, Swisslog expands multi-site and partner business

Last year, worldwide most software suppliers were heavily affected by the decline of IT investments. This development also resulted in accelerated consolidation in the market for warehouse management software. Some vendors were forced to give up their business activities, others merged with competitors. Despite these difficult conditions, Swisslog was able to consolidate its market position in warehouse management software with 63 new and 23 completed projects in 2002. Swisslog achieved the fully organic growth in this segment by continuing to expand their multi-site business, by winning major orders in the target markets pharmaceuticals/chemicals, the foods & beverage industry, and the retail market as well as by ongoing growth of the customer support. Finally, the partner business was successfully expanded in 2002.

Only by using information technology it is possible to achieve the necessary transparency within the supply chain that ensures production and distribution run seamlessly and smoothly. A fast and flexible response to rapidly changing market demand is inconceivable without supporting software. It is just as impossible to optimize inventory without a powerful warehouse management software given the thousands of orders received every day and the hundreds of product categories to be managed. In other words: software is fast becoming the key factor to success in logistics.

More homogenous IT structures only possible with software standards

Due to the increasing acceptance and use of enterprise resource planning (ERP) software standards, those responsible for IT in companies are looking for a software platform to control the processes within distribution centers which also has a high degree of standardization. Thus, the development in the market for warehouse management software is following a similar trend of

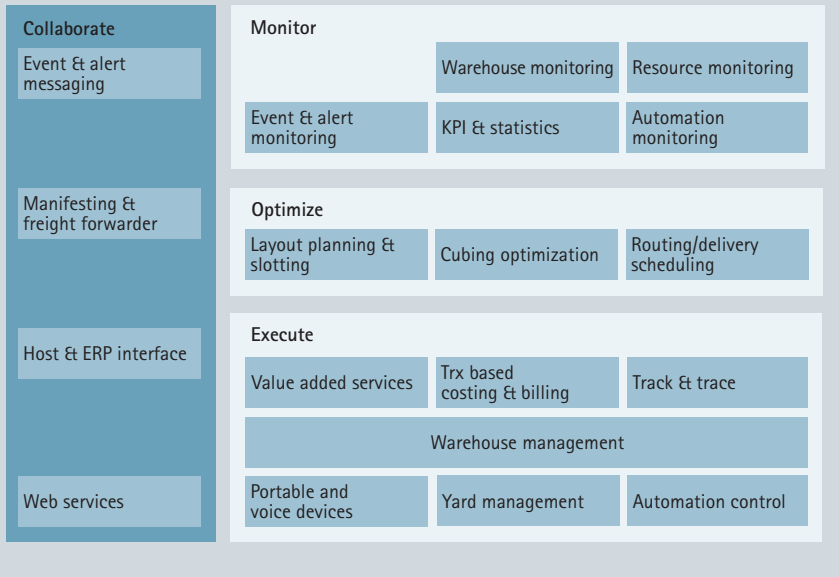
standardization as the one that influenced the ERP software market ten years ago.

This development goes hand-in-hand with a shifting of decision-making competence regarding the purchase of warehouse management software from the local logistics department to the central IT division at company headquarters.

Warehouse management software is the core of a modern distribution center. Distribution center of Swisslog's customer Woolworths in Australia.



The spectrum of functionalities of Swisslog's warehouse management software



The IT division decides on a solution that best meets the special requirements and implements it at all locations worldwide as part of a multi-site project.

This procedure has proven to be the most efficient, both in terms of time and cost: in this way, IT structures can be homogenized throughout the group. There is only one IT partner with whom to negotiate the schedule and the costs of the project. All users within the company can be trained at the same level; support during the day-to-day work with the software as well as updates are provided from one single source.

The customer requirement to deliver and guarantee the global rollout of standardized warehouse management software has gotten those vendors into trouble who are not able to organize and carry out international IT projects.

Multi-site projects gain in importance

Multi-site business continued to increase in 2002 as a direct result of the trend to standardization on the side of the customer and Swisslog's global implementation capabilities. Over the past few years, Swisslog has concluded one or two multi-site contracts per year. Last year it was six new projects. For the American company Church & Dwight, for example, Swisslog will implement their standard WarehouseManager software in at least five locations. Swisslog will also provide their software to a European customer for implementation in up to 27 distribution centers around the world.

To put Swisslog in a position to assist their customers around the globe as a realization and implementation partner, numerous internal training programs were conducted last year. Overall, 236 employees completed training sessions in 2002. The program made it possible to raise the number of implementation experts for WarehouseManager from 75 to more than 400 over the past two years.

Closer ties within the partner network

In implementing their software solutions, Swisslog also relies on partnerships. Swisslog differentiates three kinds of partners: consulting, implementation, and technology partners. With six new companies the number of consulting and implementation partners jumped from two to eight last year. Thanks to strong, regional partners, Swisslog software can now also be implemented in countries such as Portugal or Poland. In 2002, Swisslog cooperated with their technology partners to develop industry-specific products, such as a venture with Locanis to build a solution based on WarehouseManager for more efficient management of block storage in the beverage industry.

Push to structure and expand the product portfolio

The focus in Software during 2002 was on the clear structuring of Swisslog's comprehensive product range as well as the expansion of its offerings. The entire spectrum – or footprint – falls into four core functionalities: "Collaborate", "Monitor", "Optimize", and "Execute".

Swisslog has grouped all standard interfaces to conventional host systems such as SAP, Baan, and JD Edwards under "Collaborate". With the realization of a consistently web-based architecture in 2002, companies are able to use their software independent of a client-server infrastructure.

The various options of "Monitor", such as the graphic mapping of capacity, for example, or statistical evaluation according to key indicators support the smooth operation of the distribution process, even at full capacity utilization.

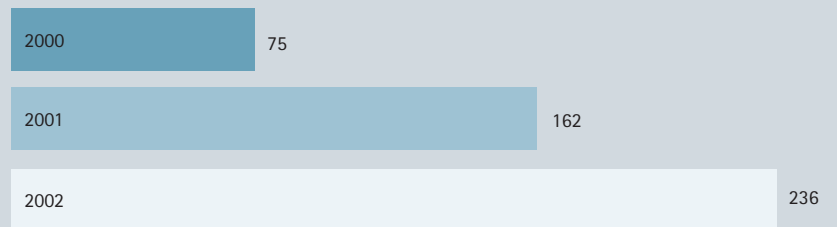
"Optimize" includes Swisslog online and offline tools designed to optimize storage capacity and order processes, as well as for planning transports.


In "Execute", which encompasses all functions for efficient order fulfillment, VoiceManager and the G-Track module (part of the track & trace functionality), a joint development with Locanis, round off the spectrum of offerings.

All four key functionalities are to be expanded in 2003.

Development of implementation skills for Swisslog's WarehouseManager

Trained employees p.a.





*Monday, 9:28 a.m.,
Sales area at the
Palmenapotheke in
Ottobrunn on the
outskirts of Munich,
Germany*



"The pharmacist is notorious as an academic drawer opener. With PackPicker my employees and I finally have the opportunity to focus on the competent advising of our customers."

Hans-Ulrich Brandl, Owner of Palmenapotheke in Ottobrunn



The first new generation PackPicker in operation

Last year Swisslog concentrated on expanding their product offerings, among other things, in the field of drug management. Swisslog began implementing the first order-picking solutions for patient-specific unit-doses drug management in hospitals, PillPick, and for complete pharmaceutical packages in pharmacies, PackPicker.

The Palmenapotheke pharmacy in Ottobrunn near Munich began testing PackPicker in fall 2002 and actually began using it at the end of the year. By means of an inventory control system the pharmacist requests the drug desired by the customer from PackPicker without ever leaving the counter. The order-picking system installed beneath the sales area retrieves with a gripper up to 500 individual packages daily from the corresponding compartment and delivers it directly to one of the six counters via the connected conveying system. The retrieval rate is up to 320 boxes per hour and module – at Palmenapotheke, there are four PackPicker modules in use.



In addition to the considerable space saving in the storage of drugs, the decisive factor for the Palmenapotheke was above all the amount of time saved with PackPicker. After scanning the prescription into the inventory control system, PackPicker's work is entirely independent. The pharmacist and his employees have enough time to advise their customers comprehensively and to provide friendly service. Additional customer information and the better exploited space for product placement promote the additional business with drugstore articles such as body care or diet products.

First market successes with new Healthcare solutions

With its Healthcare solutions Swisslog helps hospital managers and pharmacists optimize their logistics structures. Swisslog puts them in a position to implement much more efficient processes and cut costs considerably. In 2002, for the first time Swisslog implemented their new products for in-house logistics for hospitals and pharmacies in Europe and the USA. As part of the company's strategic expansion of their Healthcare business, Swisslog will strongly push to build up their market directly as well as with distribution partners.

The great interest in the new Healthcare solutions from Swisslog as well as first sales successes in Europe and the USA demonstrate that public and privately financed hospitals and pharmacies are increasingly recognizing the potential in optimizing in-house logistics. Experts predict that hospitals and pharmacies in the USA, Europe, and Asia will invest larger parts of their budgets over the next five years in improving their logistics with automation technology. It is not solely cost efficiency, but growing demands in regard to safety and service for the patient which are pushing forward the implementation

of innovative solutions in the health sector. With the ongoing consolidation in this industry ever more hospital and pharmacy groups are emerging which optimize their infrastructures to accommodate other economic parameters than an individual hospital manager or even a pharmacist.

The Swisslog product portfolio in the Healthcare segment

With their Healthcare solutions, Swisslog offers a number of ways of structuring logistics more efficiently to both individual pharmacies and hospitals – as of a critical size – as well as to larger healthcare groups. One focus of the solutions is the streamlining of internal processes in hospitals and hospital pharmacies – on the one hand, by introducing transport solutions for laundry, meals, documents, blood and tissue samples, and on the other hand, by providing automation technology for drug management.



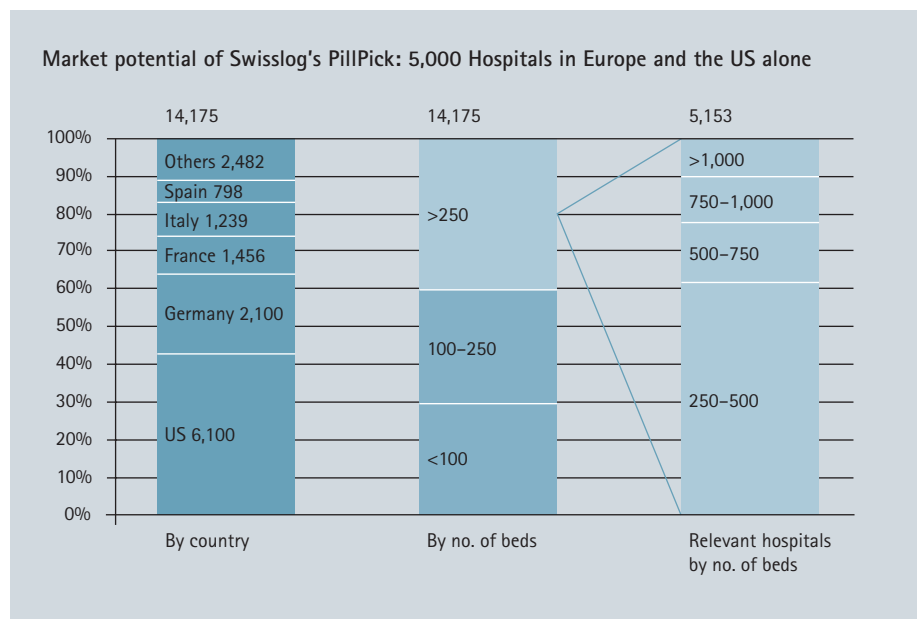
Swisslog's picking system PillPick automates the unit dose medication. It picks tablets, ampoules, syringes etc. from packages and blisters and assorts them individually for patients.

"Unit-dose" technology raises the operational efficiency of hospitals

The "traditional" method of distributing drugs in hospitals – outside of the USA – is largely based on the stocking of medication on the individual stations. Nurses or care personnel order the required medical products from the hospital pharmacy which then delivers the required product in the original package to the station. A switch from this established procedure to a unit-dose method, i.e. to supply the individual patient with the drug they need and in the amounts actually prescribed, lowers drug consumption in the hospital by up to 30%. These savings are a result of an optimized drug distribution as well as more efficient and safer management of drug inventories.

The most important aspect is the reduction in the error rate in the issuing of drugs to patients. The additional costs that accrue as a result of these inaccuracies are considerable. False medications can, for example, extend bed occupancy or generate additional laboratory demand. They thus increase hospital spending and ultimately burden the entire health system.

With PillPick Swisslog offers one of the first automated solutions that supports the entire unit-dose process. The order-picking system allows the hospital pharmacy to centrally control patient-based drug distribution. PillPick repacks the drugs, labels and adds barcodes to all types of drugs including tablets, ampoules, syringes, etc. The individual doses can be stored in the system and, using a drug prescription software installed at the stations, be automatically distributed.



As an order-picking system for unit-dose drug supply, the PillPick system from Swisslog is ideal for hospitals with 250 or more beds and pays off within 18 to 24 months. Last year Swisslog further standardized this innovative Healthcare application and at the end of 2002 received the largest unit-dose contract worth more than CHF 2.5 million for a hospital in Denmark. Other systems are currently being installed in Italy and Luxemburg.

These first reference projects provide the basis for Swisslog to market PillPick broadly in 2003, via distribution and installation partners or directly. To develop its business, Swisslog will benefit from the fact that more than 2,000 hospitals in the USA, Europe, and Asia are already using Swisslog solutions. In total, Swisslog has estimated the market size for unit-dose systems in the USA and Europe alone at more than 5,000 hospital pharmacies.

Automated order-picking solutions offer new sales opportunities for pharmacies

The operational efficiency of a pharmacy is linked, on the one hand, to drug availability and at the same time to a low inventory level, and, on the other hand, ever more to additional sales of non-prescription drugstore articles. Modern pharmacies are increasingly seeking solutions that they can use to optimize their storage capacity and expand their show room for additional business with body care products or cosmetics.

The PackPicker drug handling system from Swisslog for pharmacists reduces existing storage capacity by up to two thirds. The PackPicker accelerates the storage and retrieval of drugs, optimizes their management, and gives pharmacists the time and space to provide better customer support. The modular design of the product with integrated conveying technology can be connected to every standard inventory control system. The drug required can be ordered by the pharmacist directly in the sales room over a display and then transported fully automatically to the sales counter.

The laser-guided automated guided vehicles (AGV) of Swisslog automate planned transports in hospitals.



In total, Swisslog has already sold thirteen PackPicker systems to pharmacies in Germany, Switzerland and England in 2002. In Europe alone, approximately 50,000 pharmacies could achieve considerable savings by using the PackPicker system. In expanding their market position, Swisslog is concentrating on Europe and the USA. PackPicker will be marketed directly by Swisslog as well as through partners – e.g. designers of pharmacy chains.

Automated guided vehicles ease shortage of care personnel

The transportation of meals, laundry, and debris as well as the management of other planned transports are labour intensive and generate high personnel costs. Moreover, this physically strenuous work is ever more difficult to perform during normal daily work. Swisslog has long offered their automated guided vehicles (AGV), a system that automates these activities.

Since last year Swisslog has a laser-guided model of their AGVs. Compared to its cousin, which is guided by a control track in the hospital floor, the new generation of AGVs does not require any constructional changes of hospital corridors. The technically enhanced Swisslog product uses laser navigation to determine its position relative to walls, door frames, and building corners. Sales of the new transport system got off to a good start in 2002. Swisslog received major contracts from large clinics and university hospitals in Europe and America. Swisslog estimates the market potential for this technology worldwide at over 1,000 hospitals. Next to Europe, the American market holds great promise.

Pneumatic tube systems – an established technology with new drive

Although the first pneumatic tube systems were installed more than 100 years ago, this technology has always had a stable growth rate. In Europe, pneumatic tube systems were primarily used in the past for transporting documents. This particular use has increasingly given way to deployment in hospital environments.

In the USA alone, Swisslog currently has an installed base of over 1,750 pneumatic tube systems. The systems are primarily used to transport sensitive goods, for example, to convey tissue samples from the surgery to the laboratory or blood bottles from the hospital pharmacy to the intensive care unit.

In the years to come, thousands of hospitals will be built in China that are to be equipped with state-of-the-art automation systems. The Chinese Health Authority has defined the pneumatic tube transport technology as a nationwide standard technology. Because of this federal regulation all new buildings as well as extensions will be equipped with pneumatic tube systems in the future. Swisslog thus sees excellent growth opportunities for Europe as well as for the Chinese market.

Good starting position for future growth

The pressure to reduce costs that has weighed down the health systems of the western world for several years shows no sign of abating. All market players are forced into looking for ways of doing their part to reduce healthcare costs. The savings potential available through the optimizing of internal logistics in hospitals and pharmacies will gain in importance. Swisslog has achieved a good starting position to benefit from the increasing logistics investments due to their innovative automation solutions, their years of experience in the healthcare industry,



Swisslog's flexible pneumatic tube systems transport sensitive goods such as blood bottles or tissue samples in hospitals.

as well as their several thousand installations worldwide. In making the decision to further expand their presence in the health market as a strategic segment, Swisslog has laid the organizational and financial foundation for strengthening its market position in this segment.

Swisslog introduces country organizations: Number of offices in Great Britain cut back from eleven to four

At the beginning of 2002, Swisslog decided to accelerate the integration of locations and activities in the most important geographic markets Switzerland, Germany, USA, Great Britain, Belgium/Netherlands/Luxembourg, Sweden/Norway/Denmark and Italy. Most of these regions had made progress by the end of 2002 in merging of their activities. The example of Swisslog U.K. shows that regional integration necessary from an economic standpoint introduces new opportunities for corporate culture and employee motivation.

Last year, Swisslog began worldwide with the consolidation of the local activities in its core markets in order to reduce costs, to structure business processes more efficiently, as well as to improve customer orientation within the framework of their Total Customer Care program. It was in this context that a reorganization project was launched in Great Britain in spring 2002. The undertaking here was to develop from the

eleven branch offices of various Swisslog subsidiaries a new and efficient organizational structure with substantially lower costs and a consistent market presence and approach. Within six months the newly installed management and its team succeeded not only in introducing a leaner and more cost-efficient organization for Swisslog U.K., they also managed to create a work atmosphere distinguished by a new kind of openness and team spirit.

Swisslog branch offices U.K.



● closed by December 31, 2002
● Branch offices as from January 2003

Elimination of outdated structures and processes

One of the first measures implemented in the last business year was the reduction in the number of offices from eleven to four. Swisslog is now represented in Great Britain by locations in Redditch, Slough, Retford, and Tewkesbury. From this basis it will be possible to manage efficiently all Swisslog activities in Great Britain. The comprehensive restructuring has eliminated outdated structures and processes and facilitated adaptation of the entire organization to the size of the local market. With lean cost management and reductions in staff by approximately 15% Swisslog U.K. has cut spending by more than CHF 2 million.

Closer coordination and the selective deployment of marketing activities alone have reduced marketing costs by 75% compared to the previous year. The centralized purchase of services and products will lead to further savings.

The introduction of greater standardization in project acquisition and realization has resulted in better cost control. Since the majority of the merging activities in Great Britain did not take place until the last six months of the year, their full impact have yet to manifest on all levels and in all segments. In particular, the new regional organization was not able to influence individual projects in the segment Material Flow Systems which concluded the year with a considerable loss. In 2003, within the regional organization standards and instruments shall be introduced that will provide greater transparency in project management as well as neutralize difficulties in realization early on.

Communication isn't everything – but it is imperative if changes are to be successful

For Swisslog employees in Great Britain, 2002 was a year of extreme change. A majority of the staff sees the many advantages reorganization brings to Swisslog U.K. and welcomes the measures initiated and to a great extent already implemented in 2002. This attitude toward change was largely influenced by the improved internal communications last year. All decisions and actions were accompanied by a direct and open exchange of information. Additionally, a regularly published newsletter was introduced last year that not only serves as a platform for data and facts, but also for personal interests.

The employees in Great Britain identify with Swisslog, regardless of which subsidiary they worked for in the past. The new company culture has played a major role in this identification. In the building renovations, for example, management has paid careful attention to creating a

more open and friendlier atmosphere. In Slough smaller offices were converted into open plan offices; hierarchical differences were purposely ignored when it came to choosing furnishings and fixtures, and a bistro was opened for all employees at the intersection between the production hall and the office area so that this break area can actually be used by everyone equally. The team spirit and the open atmosphere are real. Simple rules for working together have noticeably improved the organization climate within a very short period of time.

Total Customer Care – Value for the customer, motivation for employees

Last year Swisslog continued to pursue their Total Customer Care program launched at the end of 2001 to intensify long-term customer relations. An example from the country organization in Switzerland shows the advantages Swisslog customers derive from the Total Customer Care program and how participating Swisslog employees have learned to appreciate the work they do in customer teams.

One of the major strategic approaches taken by Swisslog to expand their organic growth during the last fiscal year was to implement a Total Customer Care program. In introducing this initiative, Swisslog develops its customer support into a more sustainable, comprehensive, systematic and long-term partnership program. Initial successes of this program indicate that Swisslog customers are very interested in discussing logistics issues with a competent sparring partner and developing new solutions in a team-work process.

The success of customer care is based on the exchange of knowledge between Swisslog employees. In small teams, they compile their knowledge of the characteristics of a specific industry and their previous experience with the respective customer. With this wealth of background information they can then activate old and new contacts at different decision making levels within the customer's organization. For example, once information has been gathered on the sales and marketing strategy, organizational structure and corporate culture, a basis for discussion is quickly reached which allows a fruitful debate on the particular logistics challenge. After careful preparation Swisslog employees have frequently experienced that customers are rapidly willing to talk openly and in detail about their requirements and even about their problems.

In order to support customers with the complete logistics knowledge available within the group, interdisciplinary teams from Swisslog provide

support for the respective customers. Together with the customer's logistics team, experts on process optimization, automation technology,

"With our interdisciplinary team we are able to support businesses both at the operational as well as the strategic level. Through Total Customer Care, the customer benefits from Swisslog competence more than ever before."
Roland Schwab



and warehouse management software analyze the customer's flow of information, material and goods and identify current needs and potential for improvement. Based on this information, the teams then prepare solution recommendations customized for the specific requirements. A schedule of meetings over a longer period of time facilitates the exchange of ideas and experience even independent of an ongoing project.

The Total Customer Care concept not only provides greater value for Swisslog customers. Swisslog benefits from this type of customer

support as well. Work in interdisciplinary teams has the effect of integrating and motivating team members. Employees are encouraged by exchanging knowledge to think beyond the confines of their particular area of expertise, to include the full range of products in their evaluations, and to focus on solutions with best value for the customer. By staying on top of changing customer requirements, employees deepen their expert knowledge. This increases the scope of action of the individual employee and ultimately benefits all of Swisslog.

"In the Account Team, we all profit from the knowledge of the other team members and can use what we've learned also in other projects. Total Customer Care not only helps us advance personally, but also brings us closer together."

Jörg Belser

"The approach of Total Customer Care as we practice it in our team has been rewarding. The level of acceptance, openness and equality we encounter from the customer is amazing. We are given information and tips that we never would have expected."

Patrick Fröhli

"When we began meeting with Nestlé, the response we heard most was 'What? You can do that, too?' It was that reaction that motivated us again and again to look for other possibilities for cooperation."

Christian Bosshard



Case study: Nestlé

Within the Total Customer Care concept, Swisslog in Switzerland set up various customer

"The more we learn about our customers thanks to Total Customer Care, the more targeted we can use our consulting competency – and this is something the customer honors. We simply find a greater willingness to trust in what we do and say and thereby have greater opportunities."

Emil Huber

teams during 2002. The members of these groups meet regularly to exchange knowledge, discuss current courses of action and assign specific tasks. Several business units contribute their knowledge and practical experience to the care of customers. The cooperation with Nestlé illustrates the

successful implementation of the Total Customer Care philosophy.

Nestlé with headquarters in Switzerland has been a Swisslog customer since they built a distribution center in the seventies. In 2002, Swisslog actively intensified their contact to Nestlé. By communicating with contacts at different hierarchical levels, an exceptionally open atmosphere was established for discussions with Nestlé logistics managers.

In fall 2002, the Swisslog team – comprising staff from the fields of Consulting, General Contracting, Software, Material Flow and Robotic Systems, and Customer Support – presented to the Nespresso management specific recommen-

"With Total Customer Care we can expand our industry knowledge effectively. We find out much more about our customer's business than ever before because they let us in for a 'closer look!'"

Joop Weemaes

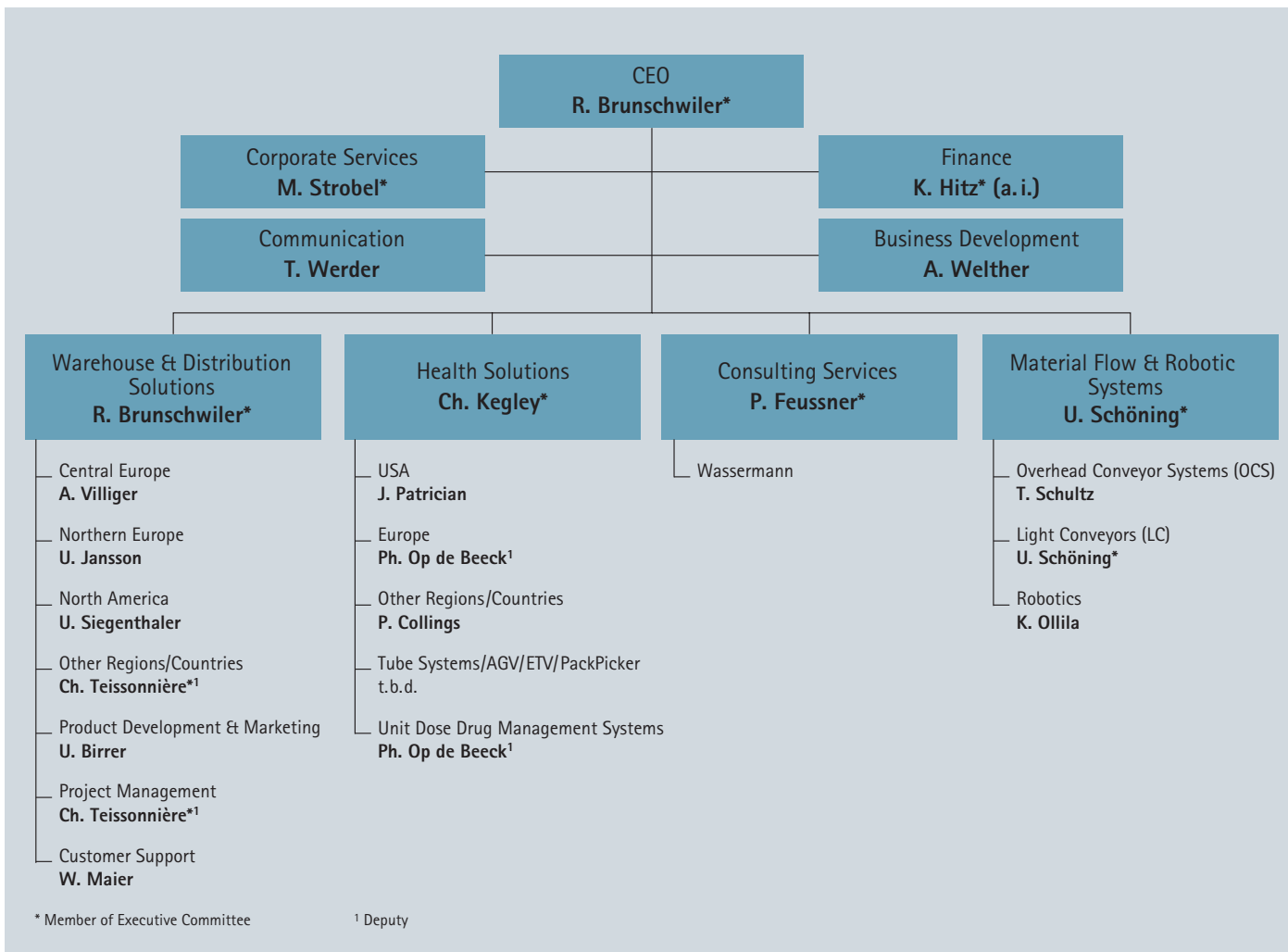
dations for increasing the efficiency of their logistics. Nespresso, an exceedingly successful business within the Nestlé group, was seeking an order picking solution for coffee boxes. From the exchange of ideas and infor-

mation, a specific project evolved: together, Swisslog and Nespresso discussed the structuring and organizing of the processes necessary for the delivery of individual heat-sealed and customized Nespresso portions within 48 hours.

In the meantime, Swisslog is meeting at different levels with those in charge about current requirements and future developments in supply chain management. An atmosphere of openness and mutual trust is cultivated in strategic round-table discussions.

Corporate Governance

The new Corporate structure of Swisslog (as from April 1, 2003)



Board of Directors

Members of the Board of Directors

The board of directors consists of six members. The delegate was the only executive member of the board of directors during the year under review. The non-executive members have no material business relations with the Swisslog Group.

Board of Directors (Status 31.12. 2002)

	Date joined	Elected until
Konrad Peter, Chairman, non-executive	1993	2005
Guido Patroncini, Vice-chairman, non-executive	1996	2005
Juhani Anttila, Delegate and CEO	1996	2005
René Garo, Member, non-executive	1995	2004
Hans Hulsbergen, Member, non-executive	1988	2005
Alois Sonnenmoser, Member, non-executive	2001	2005

Konrad Peter, Chairman

Konrad Peter, Swiss national, engineer (Dipl. Ing. ETH) was elected to the Swisslog board of directors in 1993. In 1994, he was elected vice-president and in 2001 appointed chairman of the Swisslog board of directors. Konrad Peter has been a delegate on the board of directors and CEO of Zellweger Luwa AG since 1994. He also presides over the board of directors of Arcont AG and has board mandates at Seewer AG and RUAG Holding AG.

Guido Patroncini, Vice-chairman

Guido Patroncini, Swiss national, electrical engineer (Dipl. El.Ing. ETH) was elected a member of the Swisslog board of directors in 1996 and, in 2001, was elected its vice-chairman. He has been a delegate on the board of directors of Zurmont Finanz AG since 1993 and was previously division manager and member of the management board of Holvis AG in Basel, Switzerland. He is chairman of the board of directors for Burckhardt Compression AG, Pelikan Hardcopy AG, as well as a member of the board for Baumann Federn AG.

Juhani Anttila, Delegate

Juhani Anttila, Finnish national, took his "Masters" in law at the University of Helsinki in 1978. In 1996, he was elected to the Swisslog board of directors as a delegate. Juhani Anttila has worked as a managing partner for CA Corporate Advisers in Zurich, Switzerland, and was appointed managing director of Nokia GmbH in Zurich in 1985. From 1990 to 1995 he was chairman of the supervisory board for Nokia (Deutschland) GmbH in Pforzheim, Germany. He became CEO at Swisslog in January 1996. Mr. Anttila was elected as a member of the board of directors at Ascom in 2001, and in 2002, he was elected chairman of the Ascom board of directors and as of 1.1.2003, he was also appointed CEO of Ascom AG.

René Garo

René Garo, Swiss national, engineer (Dipl. Ing. ETH), MBA, has been member of the Swisslog board of directors since 1995. From 1996 to 1999 he was CEO of the Haag-Streit Holding AG and from 1992 to 1996 delegate of the board of directors of the Mathys Medical Group. He is a member of the board of directors at Jomed N.V. and MicroValue AG, and sits on the board of directors of several private enterprises.

Hans Hulsbergen

Hans Hulsbergen, Swiss national, has been a member of the Swisslog board of directors since 1988. After technical training in Holland, he completed practical training at Zellweger in Uster and was head of development at Zellweger until 1975. Since then Hans Hulsbergen has been an entrepreneur and owner of several companies in Scandinavia, Holland, Great Britain, Australia, and Switzerland.

Alois Sonnenmoser

Alois Sonnenmoser, Swiss national, mechanical engineer (Masch. Ing. HTL) was elected a member of the Swisslog board of directors in 2001. He is a member of the ETH council, the council for the technical college in the Canton of Aargau

as well as chairman of the board of directors at Alu Menziken. Alois Sonnenmoser is also member of the Comité Directeur EXPO. From 1988 to 2001 Mr. Sonnenmoser was a member of the management board at ABB Schweiz and from 1997 to 2001 its chairman.

Cross-involvement

The members of the Swisslog Holding AG board of directors do not have cross-involvements among other listed companies.

Election and term of office

According to the articles of incorporation, the board of directors shall consist of at least five members who are elected 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 reelected. Members' terms automatically expire at the next ordinary shareholders' meeting after they have attained the age of 70. The members elected as substitute join the board for the term of office of their predecessor.

Organization of the board of directors

The board of directors comprises the chairman, the vice-chairman and at least further three members. The board of directors entrusted the running of day-to-day business matters of the year under review to the group management under the chairmanship of the CEO and delegate to the board of directors. They are responsible for carrying out business of Swisslog and all affairs which do not lie within the responsibility of the board of directors by law, statute and organizational rules. The unassignable and irrevocable tasks of the board of directors comply with the provisions of law (Art. 716 Swiss Code of Obligations as well as Art. 651 Section 4 Swiss Code of Obligations).

The board of directors may also pass resolutions in all matters that are not reserved for the shareholders' meeting by law or by the articles of incorporation.

Moreover, the board of directors may delegate the management and representation of the company either in whole or in part to one or several of its members (delegates) or to third parties in accordance with organizational rules.

In the fiscal year 2002, the board of directors convened seven times in the form of ordinary and eleven times in the form of special meetings of the board of directors.

Committees

The board of directors has formed two committees to support its work: an Audit Committee and an HR Committee.

The audit committee consists of three non-executive members. The current members are R. Garo, chairman, G. Patroncini, member, and H. Hulsbergen, member. The term of office is one year. The audit committee meets at least once per year and reports to the board of directors in the form of an annual report on its activities. The main task of the audit committee is to issue recommendations to the board of directors regarding the acceptance of the company's annual account. The group auditors also report at least once a year to the committee regarding audits and thereafter the committee suggests improvements of the auditing process if this should prove necessary.

The HR committee is composed of two non-executive members, K. Peter, chairman, and A. Sonnenmoser, member, and one executive member, J. Anttila, member. The HR committee meets at least once per year. The main tasks of the HR committee consist of making recommendations to the board of directors as a whole regarding the compensation of the board of directors and group management as well as of fixing and applying the salary structures including bonuses and incentive programs.

Group Management (as from April 1, 2003)



Remo Brunschwiler (45, Swiss)

On March 1st, 2003, Remo Brunschwiler took over his position as CEO of Swisslog. Since April 1st, 2003, he is also head of the newly formed Division Warehouse & Distribution Solutions. Remo Brunschwiler studied economics at the University of Basel and completed his MBA at INSEAD in Fontainebleau. He began his career as a strategic planner with Ciba-Geigy AG, Basel, and as a product manager for pharmaceutical products with Ciba-Geigy in Italy. From 1989 to 1996, he was a consultant with McKinsey in Switzerland and Germany for companies in the logistics and pharma-

ceutical industries. After that, he headed the Euro-cargo business of Danzas for seven years. Remo Brunschwiler is Swiss and 45 years old.

In addition to his function as CEO of Swisslog, Remo Brunschwiler pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Charlie Kegley (56, American)

Since April 1st, 2003, Charlie Kegley is heading the newly formed division Healthcare Solutions. Formerly, he was President of the North America Division for two years. After earning a Bachelor of Sciences in Mechanical Engineering from Penn State University in 1970, Charlie Kegley gained project and sales experience in the field of computerized conveying systems with Powers Regulator Company and MCC Powers-Transitube. He was Vice-President from 1985-1995 and President from 1995-1999 of Translogic Corporation. After the acquisition by Swisslog,

he was named President of Swisslog Translogic in 1999. Charlie Kegley is an American citizen and 56 years old.

In addition to his function at Swisslog, Charlie Kegley pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Peter Feussner (40, German)

Since April 1st, 2003, Peter Feussner, who holds master's degrees in engineering and business, is heading the newly formed Division Consulting Services, which evolved from the former Supply Chain Consulting Division, lead by him for one year. He began his career with Siemens AG as a sales engineer in the field of semiconductors. In 1993, he joined Wassermann AG as a management consultant, and has been a Partner since 2001. Since January 1st, 2002 he has also been CEO of Wassermann AG and as the successor to Otto Wassermann. Peter Feussner is German and 40 years old.

In addition to his function at Swisslog, Peter Feussner pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Uwe Schöning (56, German)

Since April 1st, 2003, Uwe Schöning is heading the newly formed division Material Flow & Robotic Systems. Prior to that, he was the President of the Material Flow Systems Division for two years. He graduated from the University of Hamburg, Germany, with master degrees in engineering and business administration and began his career at Philips B.V. In 1982, he was appointed President of Transnorm Group, a Swisslog company since 1997. Uwe Schöning is German and 56 years old.

Uwe Schöning pursues the following additional functions:

Vice-president GATE e.V. (German Airport Technology and Equipment e.V.)

Member of the business commission of the "Industrie- und Handelskammer Hannover"

Board member of the Association of the "Metall-industriellen Niedersachsens" (Niedersachsen Metall), Hannover

Member of the business council of the CDU e.V. Berlin

Member of the VDI, Düsseldorf

Charles Teissonnière (51, French)

Since April 1st, 2003, Charles Teissonnière is Deputy Head of the newly established division Warehouse & Distribution Solutions. Prior to that, he was President of the Logistics Solutions Division for two years. He began his career at ABB in 1978 where he worked until joining Swisslog in 1995 as Business Unit Manager of Logistics Systems. He holds an electrical engineering degree from the University of Marseille, France. Charles Teissonnière is a French citizen and 51 years old.

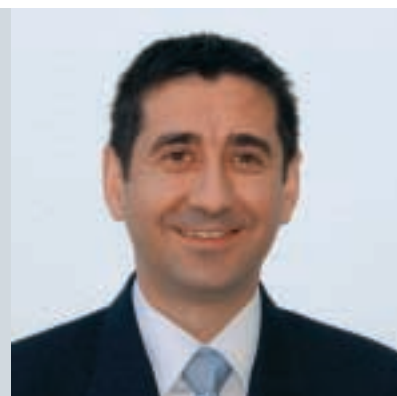
In addition to his function at Swisslog, Charles Teissonnière pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Kurt Hitz (37, Swiss)

Since January 1st, 2002, Kurt Hitz is Group Controller and since April 1st, 2003, he additionally holds the position as ad interim CFO. He graduated from the Zurich Business School as a certified expert for accounting and controlling. From 1992 to 1997 he worked as Head of cost accounting for Landis & Gyr (Europe). In 1997 he joined Swisslog and worked as Regional Controller Asia/Pacific until 2000. After that, he was controller of the Logistics Solutions Division for two years. Kurt Hitz is Swiss and 37 years old.

In addition to his function at Swisslog, Kurt Hitz pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Martin Strobel (46, Swiss)

Martin Strobel has been head of Corporate Services since 1997. After graduating in law from the University of Bern, Switzerland, he worked for Credit Suisse and then as a legal counsel at Rehau GmbH and ABB.

In addition to his function at Swisslog, Martin Strobel pursues no other activities in governing and supervisory bodies of important organizations, institutions and foundations. He does not execute any management and consultancy functions for important interest groups, nor does he hold official and political posts.



Compensation, Shareholdings and Loans

The HR committee proposes the compensation for the members of the board of directors and the board of directors determines the compensation as a whole in each case for a period of one year.

The compensation for the group management is dependent upon performance. In most of the cases, it is determined by the profit earned in the operative unit or division and additional individual goals. Other option plans exist in accordance with rules approved on August 31, 2001.

Compensation

For the term of office 2001–2002, the members of the board of directors received compensation in the form of a total of 4,159 shares (nominal CHF 2.– each, at a price of CHF 88.93). The transaction took place after the shareholders' meeting 2002 at a price of CHF 23.–.

For the term of office 2002–2003, it was decided to compensate the members of the board of directors in the form of a total of 18,979 shares (nominal CHF 2.– each, allocation of shares at a price of CHF 19.50), of which 16,414 shares are to be allocated to the non-executive members.

The total amount paid during the fiscal year 2002 as compensation to group management incl. the executive member of the board of directors amounts to a total of CHF 3,973,542.70.

The members of the board of directors and group management are entitled to participate in option programs. Within this context a total of 27,800 options were exercised, 13,400 options of which by the board of directors.

At the beginning of 2003, the executive member of the board of directors who ended his executive functions in 2002 was paid compensation totaling CHF 200,000.–.

Highest single compensation

The highest total compensation paid to a single member of the board of directors in the year under review was CHF 445,000.–. This member of the board of directors was also entitled to compensation in the form of 562 shares.

Allocation of shares and share ownership

During the year under review, 29,509 shares were allocated to the group management as a whole.

According to the share register, the board of directors and the members of group management hold as per December 31, 2002 a total of 870,727 shares of Swisslog Holding AG, of which the non-executive members of the board of directors hold 806,610 shares.

Additional fees and compensation

The members of the board of directors and the group management were not paid any additional fees or compensation for additional service to Swisslog.

Options

Swisslog Holding AG has waived its right to repricing, repurchasing, offers of exchange or similar actions in conjunction with the current option programs.

Participants	Exercised in 2000	Exercised in 2001	Exercised in 2002	Total as of 12.31.02
Entirety of executive members of the board of directors and the members of the group management	12,050	17,700	14,400	44,150
Entirety of non-executive members of the board of directors	12,500	13,400	13,400	39,300
Exercising price in CHF per share	140.00*	51.50	26.30	–

* for purposes of comparison, considering the share split 1:5 in May 2001.

The term of the programs in each case is three years.

Loans to members of governing bodies

The members of the board of directors and the management board were not granted any loans, advances or credit.

Capital Structure

Capital structure

As per December 31, 2002, 15,178,039 registered shares (nominal CHF 2.– each) were outstanding.

Authorized capital

On May 15, 2002 the shareholders' meeting approved:

The board of directors is authorized to increase the share capital by no later than May 14, 2004 by an amount not exceeding CHF 6,054,000.– by issuing up to 3,027,000 registered shares at a par value of CHF 2.– each. An increase in partial amounts is permitted.

The board of directors shall determine the date of issue of the new shares, their issuing price, type of issue, conditions for exercising subscription rights and the start of dividends entitlement. In the process, the board of directors may issue new shares by means of underwriting through a bank or a syndicate and subsequent offering to the previous shareholders.

Subscription rights that are not exercised shall be at the disposal of the board of directors which shall use said rights in the interest of the company.

Subscription and acquisition of the new shares as well as every subsequent assigning of shares are subject to the limitations set forth in Art. 6 of the articles of incorporation.

The board of directors is also authorized to limit or withdraw the subscription rights of shareholders and to assign them to third parties in the case of use of the shares: for the acquisition of companies, parts of companies or participations or in the event of placing shares for the financing of said transactions; or for the purpose of enlarging the shareholders' base in conjunction with the admission of the shares to listing on domestic or foreign exchanges; or for the participation of employees of the company or its subsidiaries.

Conditional capital

The articles of incorporation contains the following provisions concerning conditional capital: The share capital shall be increased by a maximum of CHF 2,000,000.– by issuing up to 1,000,000 registered shares at a par value of CHF 2.– each by exercising conversion and/or option rights granted in conjunction with bonds or similar debt instruments of the company or one of the group companies issued on national or international capital markets and/or by exercising option rights which are granted to the shareholders. The subscription rights of the shareholders are excluded in regard to the issuing of bonds or similar debt instruments that are linked to conversion or option rights. The respective holders of the conversion and/or option rights are entitled to subscribe for the new shares. The terms of the conversion and/or option rights are to be determined by the board of directors.

Purchase of the shares through the exercising of conversion and/or option rights as well as any subsequent assigning of shares are subject to the limitations of Art. 6 of the articles of incorporation.

When issuing bonds or similar debt instruments with which conversion and/or option rights are connected, the board of directors has the power to limit or withdraw the advance subscription right of the shareholders (1) in the event said bonds or similar debt instruments are issued to finance the acquisition of companies, parts of companies, or for the purpose of participation or (2) in the event said bonds or similar debt instruments are issued on international capital markets. If the advance subscription rights of the shareholders are withdrawn by a resolution of the board of directors, the following shall apply: the convertible bond and/or bonds with warrants are to be sold at conditions customary in the respective market (including the standard escape clause regulating dilution of equity customary in the respective market), and the issuing of new shares shall take place at the respective

convertible bond or option conditions. Conversion privileges may be exercised for ten years at the most and option rights for seven years at the most starting from the date on which respective bonds were issued. The conversion price or option price must equal at least the average of the share price last paid on the SWX Swiss Exchange over the five business days preceding the fixing of the definitive issuing conditions for the respective convertible bonds or bonds with warrants.

Under exclusion of subscription rights of existing shareholders, the share capital of the company shall be increased by issuing a maximum of 626,000 registered shares at a par value of CHF 2.– each for a maximum amount of CHF 1,252,000.– by exercising the subscription and option rights granted to employees of the company or of its subsidiaries under the terms of one or several employee participation plans. The issuing of shares to employees below market price is permissible. The board of directors shall determine the terms and conditions of the issue.

The purchase of shares within the framework of employee participation as well as any subsequent assigning of shares is subject to the limitations as set forth in Art. 6 of the articles of incorporation.

Under exclusion of subscription rights of existing shareholders, the share capital may be raised by issuing a maximum of 965,961 registered shares at a par value of CHF 2.– each for a maximum amount of CHF 1,931,922 through the exercising option rights assigned to the shareholders (shareholder options). The board of directors is authorized to determine terms and conditions of the issue.

The purchase of shares through the exercising of shareholder options as well as any subsequent assigning of shares is subject to the limitations as set forth in Art. 6 of the articles of incorporation.

Convertible bond 2000–2005

With the authorization of the shareholders' meeting on May 17, 2000 Swisslog Holding AG issued a convertible bond in the year 2000 with the following terms and conditions: the convertible bond with a par value of CHF 150 million shall be due and payable at the latest on July 7, 2005 at par value. 2.25% interest shall be paid annually on July 7. Bonds at a par value of CHF 2,500.– each can be converted at any time (American Style) during the conversion period into 13.39765 registered shares of Swisslog Holding AG of CHF 2.– nominal value at a conversion price of CHF 186.60 per registered share. The conversion period shall expire at the latest five trading days (SWX Swiss Exchange) prior to termination or contractual maturity of the specified redemption date.

The ordinary shareholders' meeting of Swisslog Holding AG resolved on May 15, 2002, among other things, to distribute shareholder options to shareholders instead of dividends. The issuing of shareholder options is as a rule conditional upon adjusting of the conversion price pursuant to Article 7.7 of the terms and conditions of the options. Since the calculations made to determine an adjustment of the conversion price compliant to the conversion conditions resulted in a value for the adjustment that is less than CHF 1.–, the conversion price was not adjusted.

Shareholder options

On the occasion of the shareholders' meeting on May 15, 2002, 14,985,161 share options were distributed to the shareholders. The date by which the options were to be exercised, September 9, 2002 has expired. 15 shareholder options entitled the shareholder to request one new registered share of Swisslog Holding AG at a par value of CHF 2.-. A total of 645,615 options were exercised and 43,039 registered shares were created.

Changes in capital

On May 17, 2000, the shareholders' meeting of Swisslog Holding AG agreed to the creation of conditional capital amounting to CHF 2,000,000.- nominal in conjunction with the granting of conversion and/or option rights and to the creation of conditional capital amounting to CHF 752,000.- nominal for the purpose of employee participation.

On May 16, 2001, the shareholders' meeting agreed to the creation of authorized capital amounting to nominal CHF 5,504,000.-. The meeting of the shareholders further agreed to a share split in a ratio of 1 to 5. The nominal value of a registered share was reduced from CHF 10- to CHF 2.-.

The share capital was increased on December 6, 2001 by resolution of the board of directors by CHF 2,750,000.- using a portion of the authorized capital by issuing 1,375,000 Swisslog registered shares.

On May 15, 2002, the shareholders' meeting agreed to the creation of additional conditional share capital amounting to CHF 2,018,000.-. The shareholders' meeting further agreed to the creation of additional conditional share capital amounting to CHF 500,000.- as well as to the creation of additional authorized share capital amounting to CHF 3,300,000.-.

Derivatives

On December 31, 2002 there were no third-party options for registered Swisslog shares in circulation.

Shareholders' obligation to register

Pursuant to the Bundesgesetz über die Börsen und den Effektenhandel (Swiss Act on Stock Exchanges and Securities Trading; "Börsengesetz") Art. 20, every shareholder of Swisslog Holding AG who purchases or sells shares either directly, indirectly or by agreement with third parties and reaches, falls below or exceeds the threshold of 5, 10, 20, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ of the voting rights, whether exercisable or not, is obligated to notify Swisslog Holding AG and the Disclosure Office of the SWX Swiss Exchange.

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Offenlegungsstelle/Disclosure Office
Postfach
CH-8021 Zürich
Switzerland
Phone +41 1 229 29 16 or 51
Fax +41 1 229 29 35
E-mail: Offenlegung@swx.com

Registration forms in English can be downloaded at www.swx.com/admission/disclosure_thresholds_en. The company is required to disclose the information received in compliance with Art. 21 of the Swiss Securities Exchange Act.

Own Shares

As per 31.12.2002 the Swisslog group held 14,995 registered shares of Swisslog Holding AG. The book value of said shares is CHF 190,436.50. The registered shares are valued in the portfolio of Swisslog Management AG at an average price of CHF 12.70.

Shareholders

As per December 31, 2002 approximately 5,587 registered shareholders were entered in the share register. The registered shares are spread in the public.

Important shareholders as per December 31, 2002

In the year under review, the following shareholders made disclosure notifications pursuant to Art. 20 Börsengesetz that they hold more than 5% shares in Swisslog:

- 17.7% Chase Nominees Ltd., London
- 12.4% Fidelity International Ltd. Bermuda
- 10.7% Franklin Templeton Companies, LLC, Florida
- 6.8% B.V.B.A. Group 2000 Participatie, Antwerpen
- 5.1% Julius Bär Multistock, Luxembourg
- 5.0% Henderson Investors, London

Cross-participations

The Swisslog group has not entered into any capital or vote-related cross-involvements with other companies.

Shareholder rights

Each registered share is entitled to one vote at the shareholders' meeting of Swisslog Holding AG. Voting rights may only be exercised if the shareholder is entered in the Swisslog Holding AG share register as a shareholder with voting rights.

The registered shares are entitled to dividends.

Registered shareholders may only vote by proxy at the general meeting of the shareholders through the legal representative, another shareholder entitled to vote, a member of the corporate bodies, the independent proxy exercising a voting right, or a depository.

Statutory quorums

The properly convened shareholders' meeting is competent to negotiate and pass resolutions irrespective of the number of shareholders present and represented shares. The shareholders' meeting makes decisions, passes resolutions and holds its elections with the absolute majority of the represented votes, provided no mandatory provision of law demands otherwise. In the event of a parity of votes, the chairman shall have the deciding vote.

Ballots and elections are held open, unless the shareholders' meeting decides on a written ballot or election or the chairman takes said decisions.

Calling of the shareholders' meeting and agenda

The calling of the shareholders' meeting and the setting of the agenda shall comply with statutory requirements. The cutoff date for voting at the general meeting of the shareholders is generally seven days prior to the holding of the shareholders' meeting.

Shares' quotation

The registered shares of Swisslog Holding AG are traded in the main segment of the SWX Swiss Exchange. In 2002, the number of shares traded on average per day was 45,079 shares at an average trading volume of CHF 949,403.97.

Registration limits

With the introduction of the Börsengesetz on January 1, 1998, the percentage limit of entries of registered shares (restriction on transferability) contained in Art. 6 para. 2 of the articles of incorporation was automatically repealed. There remains only a nominee rule (Art. 6 para. 4), according to which the entry of individuals who hold shares as a trustee for undisclosed third parties is limited to a maximum of 5% of the

Auditors

registered share capital. The object of this rule is to prevent someone from obtaining control of Swisslog Holding AG anonymously.

Waiver of opting out and opting up clauses

Swisslog Holding AG has waived its right to include a so-called opting-out or opting-up clause in their articles of incorporation which limits or revokes the public offer rules in effect since January 1, 1998 on the basis of Art. 32 of the Swiss Securities Exchange Act. According to Art. 32 Börsengesetz, a shareholder who purchases shares in Swisslog Holding AG directly, indirectly or in joint agreement with third parties and thereby exceeds the threshold of 33⅓% of the voting rights (whether exercisable or not), is required to submit a purchase or exchange offer to all Swisslog Holding AG shareholders. Minimum price rules according to the Börsengesetz apply for an offer of this type.

Change of control and defense measures

In the event of a change in control, the board of directors is entitled to extend the conditions of outstanding options and to change them if the board deems it important and appropriate.

Duration of mandate and term of office of lead auditor

PricewaterhouseCoopers, Basel/Switzerland, are the auditors of Swisslog Holding AG since 1999 and have acted as the group auditors for the Swisslog group since 1999.

The lead auditor has been responsible for the audit mandate of Swisslog Holding AG and the Swisslog group since 1999.

Auditing and additional fees

In the fiscal year 2002 PricewaterhouseCoopers invoiced the Swisslog group approximately CHF 1.3 million auditing fees for auditing the annual accounts of the Swisslog Holding AG and the Swisslog group.

PricewaterhouseCoopers also invoiced the Swisslog group around CHF 1 million for other services such as accounting services and tax consulting.

Information Policy

The Swisslog group is dedicated to an open information policy vis-à-vis all stakeholder groups. Swisslog supports an open dialog and communicates actively with customers, staff, shareholders, the media, and the public. The communication policy at Swisslog is based on five principles:

- consistency and clarity
- continuity and quick information
- transparency and verifiability
- the same information for all
- strict compliance with all statutory and regulatory provisions and regulations.

Important dates

Conclusion of the fiscal year: December 31

Announcement of annual results: March

Ordinary shareholders' meeting: May

Conclusion of half year: June 30

Announcement of the half-yearly results: August

Accurate and current data is available at www.swisslog.com in the section "Investor Relations" under "Financial Calendar".

Swisslog Holding AG informs their shareholders of the trend of business in a half-year report and an annual report.

The latest share price as well as the business reports, media releases and presentations can be downloaded at www.swisslog.com. Visitors to the site can also register to receive all relevant media releases from Swisslog by e-mail. Media and analysts' conferences take place at least once per year. Swisslog publishes important information in keeping with disclosure regulations of price sensitive information (ad-hoc publicity) of the SXW Swiss Exchange.

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