


Annual Report 2003






Swisslog is a global provider of integrated logistics solutions for optimizing production and distribution processes. Swisslog's solutions increase their customers' flexibility, responsiveness, and quality of service, while minimizing logistics costs.

The comprehensive portfolio ranges from automated to manual warehouses and distribution centers including Swisslog's software, in-house logistics solutions for hospitals and pharmacies as well as consulting services in the field of supply chain management. With years of experience in the development and implementation of integrated logistics solutions, Swisslog provides the expertise that customers in more than 50 countries around the world rely on.

Headquartered in Buchs/Aarau, Switzerland, Swisslog currently employs around 2,350 staff in 23 countries worldwide. The group's parent company, Swisslog Holding AG, is listed on SWX Swiss Exchange (security number: 1232462, Telekurs: SLOG, Reuters: SLOGn.S). For more information, visit: www.swisslog.com



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Shareholders' Letter



Konrad Peter
Chairman of the
Board of Directors

Dear Shareholders

2003 was a difficult year for Swisslog and at the same time it was a decisive year for the company's future. The global economic slowdown as well as necessary adjustments to the balance sheet resulted in a consolidated net loss of 245 million Swiss Francs. The net loss was primarily caused by extraordinary write-offs and amortizations amounting to a total of 151.7 million Swiss Francs, which were necessary due to the revised business plan. The net earnings of the core business were also affected by ordinary goodwill amortization and financial charges as well as through the losses caused by the discontinuing activities. As a result of the high net loss, the Swisslog group posted negative shareholders' equity of 122.4 million Swiss Francs, and the Swisslog Holding AG was over indebted. This made a comprehensive balance sheet restructuring inevitable.

Comprehensive Package for financial Stabilization

Swisslog's management thus prepared a financial restructuring package during months of challenging negotiations with the lending banks, the bondholders and the bank Lombard Odier Darier Hentsch & Cie. The balance sheet restructuring concept was officially presented to the public at the end of January 2004, and on February 26, 2004, it was approved by a clear majority at an extraordinary shareholders' meeting. As expected, the corresponding bondholders' meeting which took place on the afternoon of the same day did not bring the necessary support of the two-thirds majority required by law of the total outstanding nominal value. However, the missing votes were acquired during the statutory period in March 2004.

With these votes the package for the Swisslog financial restructuring concept was accepted. Within the framework of this concept, bank loans were repaid by issuing new shares worth 141 million Swiss Francs; these shares were subscribed by new investors. Additional subscribed shares worth a total of 22.8 million Swiss Francs were offered to existing shareholders who sustained a dilution of equity with the original offering. The lending banks expressed their willingness to waive their claims totalling 45 million Swiss Francs. And, the bondholders also agreed to extend the term of the convertible bond from 2005 to the end of 2009 and to accept an interest rate adjustment.

Backing for Operational Restructuring

The package for the financial restructuring of the company and the strengthening of the balance sheet demanded a sacrifice from all parties involved. Their willingness to bear the added burdens illustrates their faith in the business future of Swisslog. This confidence is linked above all to the operational restructuring that began prior to implementation of the financial restructuring plan. Fundamental to this operational restructuring that was originally addressed in the Annual Report 2002 was Swisslog's focus on two core divisions, namely, Warehouse & Distribution Solutions (logistics solutions for complex warehouses and distribution centers) and Healthcare Solutions (logistics solutions for hospitals), as well as the division Consulting Services. In this context, three of four firms to be divested have already been sold. Moreover, comprehensive measures were introduced to cut operating costs and net working capital as well as to increase the efficiency of operations.

The restructuring of our company has not always been easy for our employees. Nevertheless, they have always given their best and thereby made an important contribution to Swisslog's surviving this difficult period. We would like to take this opportunity to express our thanks for their support.

"Swisslog can look to the future with confidence."



Remo Brunschwiler
Chief Executive Officer

Roadmap for a successful future defined

The positive effects of the restructuring measures will be reflected during the fiscal year 2004. Together with this strengthened financial platform Swisslog can look to the future with confidence. In order to enable the company a fresh start, the Board of Directors decided to resign from their function. Four new board members were elected at the extraordinary shareholders' meeting in February, 2004. A fifth member will be nominated for election at the Annual General Meeting.

The primary task facing us now is to win back the trust of the market. The market's confidence in Swisslog has suffered from the long uncertainty of whether the financial restructuring plan would succeed. Management and employees of Swisslog are thus working hard to offset the loss of confidence of our customers.

An argument in our favour is that Swisslog continues to stand for innovative and high-quality logistics solutions and reliable service. A fair number of new orders received over the past few months is proof that the market appreciates what Swisslog represents. Moreover, both core segments focus on markets with positive growth potential. In the Warehouse & Distribution Solutions division, the increasing globalization of business will lead to greater demand for new solutions in warehousing and distribution. In the healthcare sector, the pressure to cut costs will force hospitals to adopt more and more automation and all-in-one solutions like those Swisslog can offer. For this reason, the Board of Directors and Management are certain that our confidence in Swisslog's future is well-placed.

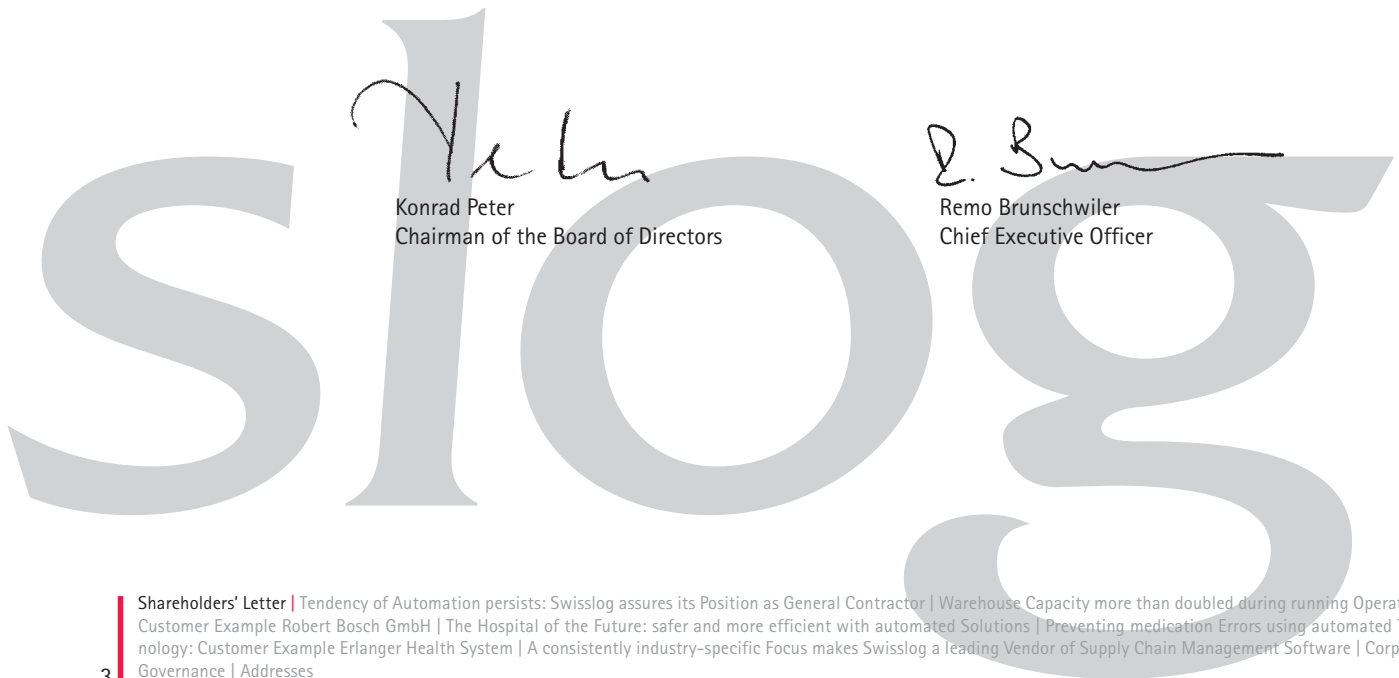
2004 as a year of transition – 2005 break-even result

2004 will be a year of transition in the Swisslog turnaround process. During the first months of this year, order intake was below expectations. On the one hand, this is due to the late cyclicality of our business, and on the other to the insecurity concerning the success of the financial restructuring concept. We are convinced, however, that order intake will improve over the course of the year and that the restructuring measures introduced will have a positive impact on costs. This is why we expect to achieve a break-even result for the fiscal year 2005 and an EBITDA margin of 8 percent in the medium-term with a turnover of 700 to 800 million Swiss Francs.

We are happy that you as our shareholders have chosen to accompany us on this road, and on behalf of the entire Swisslog management and our employees, we would like to thank you for your trust.


Konrad Peter
Chairman of the Board of Directors


Remo Brunschwiler
Chief Executive Officer



Tendency of Automation persists: Swisslog assures its Position as General Contractor

The demand for automated solutions designed for the distribution requirements particularly of the food industry and retail set the course for the project business for Swisslog's Warehouse & Distribution Solutions last year. To keep investment risks down when realizing new warehouses and distribution centers, more and more businesses have come to rely on the expertise and experience of general contractors. These are not only aware of the industry-specific demands to be taken into consideration when designing a suitable logistics solution. They afterwards also take the responsibility for implementing the developed concept. With a profile as a full-service operator, Warehouse & Distribution Solutions, Swisslog's division with highest sales, benefited from this development in 2003.

The ongoing weak economic cycle in certain regions, however, had a direct impact on order intake. Whereas Swisslog could improve its leading market position in Scandinavia, received good order intake in Italy and Great Britain, the market development in the USA as well as in the German-speaking countries proved rather difficult.

During the previous year, Swisslog received numerous requests regarding studies to proof current logistics structures, develop new distribution concepts, or to analyze the impact of different degrees of automation in distribution centers. In large-scale projects the contracting of consulting services prior to the awarding of implementation projects is increasingly accepted as a strategic step in many industries. While in the past this was primarily the business of independent solely consulting firms, many companies are now seeking the advice of general contractors like Swisslog. With the practical experience derived from numerous projects Swisslog gives their clients the certainty of being able to realize the best possible solution suggested with its specific objectives.

Current examples for customers, who first of all were counseled concerning changed requirements in logistics and subsequently contracted Swisslog with the implementation of the suggested measures are the German drugstore chain dm-drogerie markt, the Israeli dairy company Tnuva and the Norwegian food corporation Prior.

Modernization of old installations

Besides the development of concepts for and the actual construction of new warehouses and distribution centers, the modernization of logistics sites is increasingly gaining in importance for Swisslog. Today, so-called "retrofit" projects constitute a considerable portion of the earnings of the Warehouse & Distribution Solutions division.

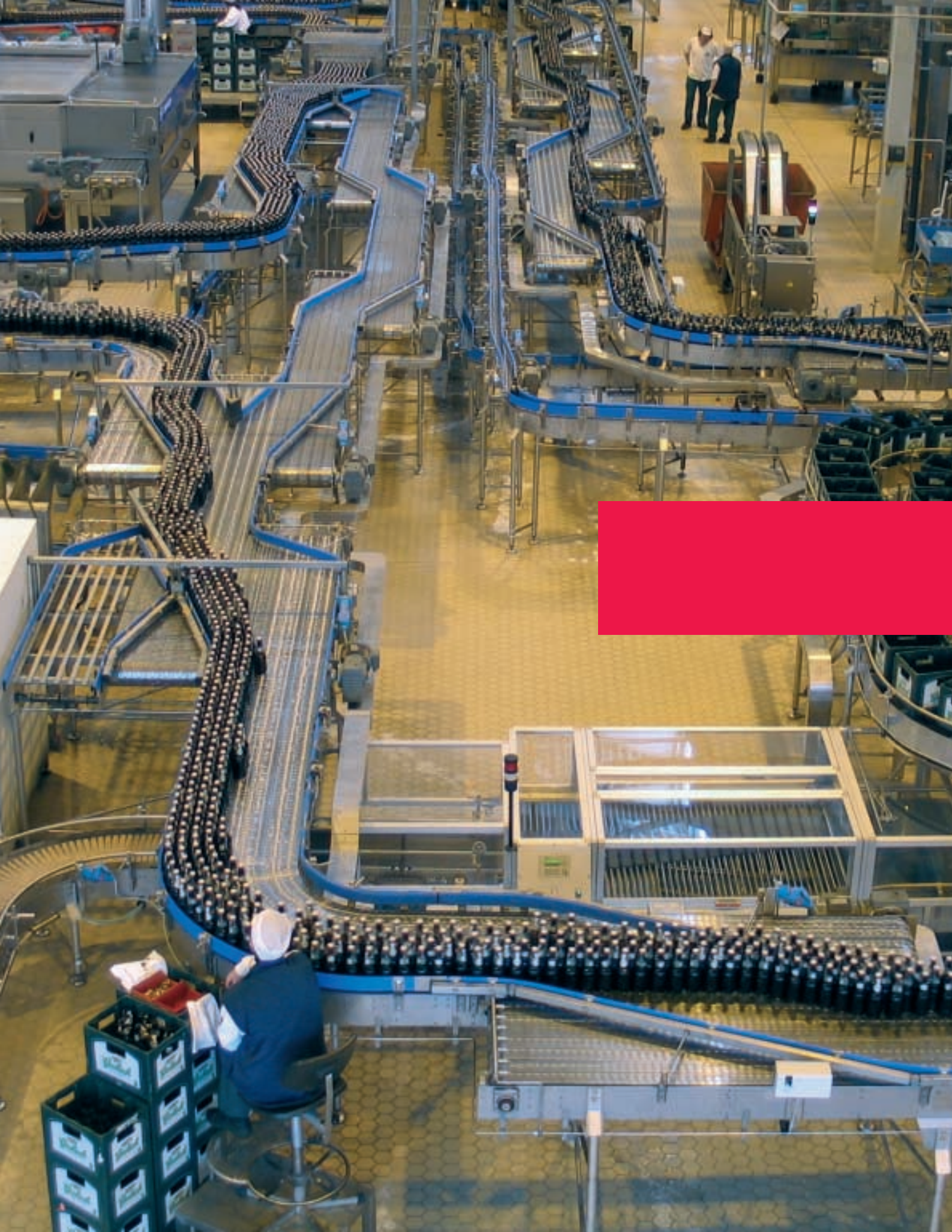
The modernization of logistics sites is a hot topic for many companies today. Very often built over 30 years ago in the course of the first major automation trend, many warehouses in Western Europe have now passed their prime technologically. Spare parts are ever harder to receive, maintenance costs are raising, and threatening system break-downs jeopardize performance. Since outdated systems and machines are also rarely compatible to new technical logistics solutions, companies are awarding contracts for the modernization of part or all of their automation systems – depending on the warehouse's condition.

Last year Swisslog realized many of these modernization projects, amongst others for the Swedish subsidiaries of Kraft Foods and Unilever Bestfoods, as well as for the pharmaceutical companies Baxter and Glaxo Smith Kline, both located in Great Britain.

RFID in the retail sector

Last year companies worldwide began looking into ways of improving their logistics processes through the use of Radio Frequency Identification (RFID). In particular Swisslog clients from the retail trade whose success depends on short lead times, a high frequency of deliveries, and small, specific picked orders carefully consider the advantages of this technology for their distribution. The front runners in implementation of this technology are Wal-Mart and the Metro group.

Experts anticipate that it will not be long before RFID completely replaces the labeling of goods with barcodes. Barcodes based on UPC (Universal Product Code) or EAN (European Article Numbering System) will be replaced by the Electronic Product Code (EPC). This new goods labeling technology enables identifying single products clearly using serial numbers. Another argument in favor of the new method is that RFID – unlike barcoding – does not require a line of sight to a scanner as data is transmitted via radio wave. RFID labels consist of chip units that save many



Tendency of Automation persists: Swisslog assures its Position as General Contractor



Beverage companies like the Dutch brewery Grolsch, for whom Swisslog realized a semi-automated distribution center in Enschede, the Netherlands, last year, have to ensure a seamless goods tracking according to EU regulation 178/2002 as of January 2005.

Picture: Transport + Opslag, May 2004

different kinds of information which can also be read over vast distances. This enables automated, rapid data collection throughout the entire life cycle of products and parts and guarantees seamless goods tracking along the entire supply chain.

Despite the definite advantages of RFID vis-à-vis other labeling methods, there are currently still several aspects that hinder its introduction on a larger scale. For example, the chips are difficult to read close to metal and water. The international standardization of the frequencies used to read the chips is currently underway, but is not yet definitive in the USA and Europe. In addition to organizational issues, the price of the so-called "tags" plays a major role. Not every useful solution can be realized sensibly from an economic standpoint given the current chip prices.

Due to the complexity of this subject, Swisslog is currently carefully following the ongoing developments in the area of RFID and is assessing the potential of the new technology for a variety of distribution structures. Swisslog supports its clients identifying specific areas in which RFID labeling can be used and reveals the benefits of these new solution.

Special requirements in the foods & beverage industry

RFID is of great interest to the producers of beverages and food who are based and/or sell their products in Europe, among other reasons because of EU regulation 178/2002. This directive requires the entire industry to seamlessly track and document the flow of their goods and commodities as of January 2005. RFID would make back-tracking batches much easier than it is now possible with established methods. In any case, compliance with the new EU directive places additional demands on logistics for the foods & beverage industry in Europe.



In May 2003 Swisslog started preparation of land for building the new distribution center of drugstore chain dm-drogerie markt between Karlsruhe and Mannheim, Germany. About 2,400 pallets daily are planned to be loaded on trucks to be delivered to dm-drugstores located in Southern Germany as of mid September 2004.

Picture: dm-drogerie markt, 2003

Swisslog together with the company Locanis has developed an integrated logistics solution for batch tracking in the low-cost block storage areas commonly found in the beverages industry. Consisting of a warehouse management software, a fork lift truck guidance system, as well as a radio-based module for the physical tracking of goods, this Swisslog solution helps breweries and bottlers of juices, carbonated drinks, and mineral water with stocking and picking operations in their block storage areas. All data necessary for the tracking of merchandise – from production to storage to distribution – is stored electronically. This ensures compliance with EU directive 178/2002. In Germany, the BeverageLogistics solution is currently being implemented at the Bitburger brewery as well as by the mineral water bottler Hassia & Luisen.

Asia, the future market

Over the past few years Swisslog has acquired several large-scale orders in China. The first fully-automated distribution center for the Haiyan Logistics group, a corporation of the Shanghai Tobacco Group, the Shanghai Tobacco and Sugar Group and the Shanghai Jie Qiang Group, as well as their local subsidiaries will begin operations in June of this year. The state-sponsored realization of the logistics site is one of the reference projects of the business center Shanghai.

With an above average annual growth rate in the area of automation technology, China is currently one of the most interesting markets worldwide for the logistics industry as well. In 2003, Swisslog continued to pursue a consistent path of building their market in China and will open an office in Shanghai this summer. Shanghai with its emerging economy and an excellent infrastructure aimed at international business offers Swisslog optimum conditions for expanding its business activities in the area of Warehouse & Distribution Solutions.

Development of project business worldwide

The realization of Swisslog's strategy to focus on two core businesses which was decided and carried out in 2003, also tied up internal resources in Warehouse & Distribution Solutions. Despite these efforts and the precarious economic situation in several target markets, the operative business year was satisfactory for Swisslog.

Swisslog acquired new customers, among them the Swiss technical trading and manufacturing company Maag Technic, the Bitterfeld plant of German pharmaceutical company Bayer, as well as Wal-Mart Mexico. Follow-up orders were received from the pharmaceutical companies Roche, Switzerland, and Novartis, Italy, as well as sweets producer Ferrero, Germany, and the Carlsberg brewery, Sweden.

The logistics industry in Europe will get a positive impulse this year presumably by the eastern expansion of the EU. The addition of ten new nations to the European Union opens up additional sales markets to businesses and simplifies the moving of production facilities to neighboring countries. Sales concepts have to be reconsidered, distribution networks expanded, or even completely redesigned – numerous tasks for companies with a comparable range of offerings as Swisslog.

Warehouse Capacity more than doubled during running Operations: Swisslog expands fully-automated Distribution Center for Bosch



"The most persuasive arguments in favor of Swisslog as the ideal partner to realize this complex project were their experience in construction and their specialized system knowledge, both of which we have found to be confirmed again and again throughout the many years of our cooperation."

Ruprecht Hammerbacher, Business Manager at Bosch, Karlsruhe

For more than 25 years Swisslog has implemented logistics solutions for the Bosch group in Germany, one of the world's leading enterprises in the areas of automobile technology, industrial technology, consumer goods and building technology. Following the construction of a finished goods warehouse for automotive spare parts in Karlsruhe, Germany, during the late seventies, Swisslog went on to install a conveyor system at the company's Dillingen site at the end of the eighties, and reorganized a shipping depot in Hildesheim during the late nineties.

When Bosch decided not only to modernize their warehouse in Karlsruhe, but also to use the facility as the central distribution center worldwide, the Automotive Aftermarket division commissioned Swisslog as general contractor to expand warehouse capacity by 125%. Within just 15 months Swisslog built an extension directly adjacent to the old finished goods warehouse and equipped it with automation systems and software applications for the storage, picking and packing as well as distribution of car accessories. To create a total of 52,000 new pallet storage locations, Swisslog first extended the existing 19 aisles of the high-bay warehouse and then went on to build five additional aisles.

One of the big challenges of this project was to execute all project work during running operations. The existing distribution workflow should not be affected at all, neither being disturbed nor influenced in any other way, by building the extension to guarantee a smooth handling of the daily business. Working very closely with the project team of Bosch, Swisslog performed this task successfully and handed the new system over to the customer on schedule in September 2003.

Automotive technology is the largest division within the Bosch group. With 143,000 employees and turnover of 23.6 billion (2003) Bosch is one of the world's leading and largest manufacturers of automotive parts and systems. From the finished goods warehouse in Karlsruhe Bosch ships automotive spare parts from an assortment of more than 160,000 different articles to 130 countries around the world. Supplying automobile manufacturers, dealers, and service shops with V-belts, spark plugs, oil filters, engines, braking systems, and other wearing parts of the car takes place within 24 hours in Europe and within a maximum of 96 hours to countries outside of Europe.



In autumn 2003 Swisslog completed the 125%-extension of the storage capacity of Bosch at their site in Karlsruhe, Germany. Within the new high-bay warehouse the supplier of the automotive industry has now 52,000 additional pallet storage locations at his disposal.

From an assortment of more than 160,000 different articles the Bosch division Automotive After-market picks – in two-shift operation – automotive spare parts for shipment to 130 countries.



The Hospital of the Future: safer and more efficient with automated Solutions

There has been a considerable increase in the willingness of hospitals to use automation technologies world-wide. The reasons behind this development are the rising cost pressure that has come to bear on western healthcare systems, forcing them to operate more efficiently as well as the increasing demands for safety and quality in patient care. Consequently, last year Swisslog began focusing their offerings in the healthcare sector on the specific needs of hospitals and pharmacies. The services provided by the Swisslog automation solutions in regard to optimizing in-house processes convinced both established hospitals as well as managers responsible for building new healthcare facilities.



The hospital of the future relies on Swisslog logistics solutions: St. Olav's Hospital, Trondheim, Norway, as it will appear in the morning of August 7th, 2006.

The Automated Guided System Transcar LTC 2 handles plan transports within a hospital, laser-controlled and fully automatically.



Swisslog provides the dynamic healthcare market with automation technologies for scheduled and spontaneous in-house material transports, so-called Automated Material Transport Systems (AMTS), and Automated Drug Management Systems (ADMS) for the storage, dispensing and inventory management of pharmaceuticals. In 2003, the Swisslog Healthcare Solutions division defined these two product groups and has marketed both every since. Moreover, Swisslog is working on concepts which will link individual system components for the storage, prescription preparation and transport to integrated logistics solutions, for example, fully-automatic supplying of hospital wards with patient-individual single doses (unit-doses) picked to order direct from the pharmacy.

Integrated systems for special requirements

Swisslog achieved first successes last year with the introduction of the Pillpick drug management system because of its convincing return on investment (ROI) and a guaranteed high standard of quality for the distribution of pharmaceuticals in hospitals. Reactions to this innovative solution from Swisslog for storage and picking-and-packing unit-doses were exceedingly positive among visits to reference customers in the U.S., Scandinavia, and Central Europe, as well as at trade congresses around the world.



The Pillpick System relieves clinic personnel of time consuming tasks like individual picking of prescribed medications.

The Pillpick system enables the distribution of medication to patients in the prescribed doses and packed in individual bags stripped with barcodes on a daily basis. The patient-based distribution of drugs direct from the pharmacy and the individual labeling of the medications make a decisive contribution to safety in patient care and simplify billing by flat rate per case (diagnosis related groups = DRGs). This has been standard procedure in the U.S. for many years. The introduction of the new billing system in Germany will boost demand for unit-dose systems over the next two years. As of 2007, billing by flat rate per case will be mandatory in German hospitals. Other European countries are sure to follow.

Since early 2004, Swisslog has also been offering a ADMS with enhanced functionality together with its partner Theriak, a provider of prescription and therapy management software. This comprehensive solution provides the Pillpick system for storage and prescription preparation combined with seamless support for drug and therapy management in hospital operations thereby noticeably reducing errors occurring at prescribing, ordering, commissioning, and administering drugs in hospitals.

Portable terminals are used to record electronically the drugs prescribed for an individual patient and to mo-

onitor the drugs bedside prior to administration. The electronic devices use wireless technology to communicate with the system. Thereby all of the necessary informations regarding patients and drugs are available electronically to doctors, nurses, and the hospital pharmacy staff. Intolerances and interactions with other pharmaceuticals can thus be recognized early and their consequences can be prevented.

Software-supported material transports in sensitive environments

In addition to efficiency and safety, the innovative aspects of technology speaks out in favor of deploying automation technology in hospitals. The "hospital of the future" must be able to maintain its competitiveness internationally in an increasingly deregulated market. In order to be able to keep specialists and highly trained staff and to be attractive as a health-care facility of high quality to patients, hospitals worldwide must not only keep abreast of the latest developments in the medical sector, but more and more they must also utilize state-of-the-art IT solutions.

It was in this context that Swisslog discovered last year the growing influence that logistics managers and hospital pharmacists have on investment deci-

The Hospital of the Future: safer and more efficient with automated Solutions

sions at hospitals. Whereas in the past healthcare facilities primarily purchased individual devices, instruments, and machines, they are now willing to make larger investments to improve their in-house logistics. The expert knowledge of these logistics specialists and pharmacists is needed to define the requirements for integrated solutions in this sector and to assess their performance.

These trends and developments are particularly easy to monitor in renovation and new construction projects. One example is a Swisslog project in Scandinavia. Over the next ten years, the St. Olav's hospital in Trondheim will be expanded, creating a modern clinic complex. An area of approximately 200,000 m² is to house both institutes for teaching and research as well as wards for patient care.

To relieve personnel of spontaneous transports of sensitive materials in the new spacious complex, hospital management decided two years ago on a Swisslog pneumatic tube system. More than 150 sending and receiving stations are currently being installed in Trondheim. Blood, tissue samples, X-rays, and drugs will be sent over a pneumatic tube network of 9 kilometers by laboratory staff, doctors, pharmacists, and care personnel.

In 2003, St. Olav's also decided to use the Swisslog laser-guided vehicle system to optimize scheduled transports. By 2007, the system will expand to 22 vehicles and 220 loading and unloading locations. Covering a distance of about 450 kilometers daily, the freely navigating vehicles will then transport laundry, meals, and medical devices to the wards.

Situated at the base of the Wasatch Mountains, the University of Utah Health Sciences Center (UUHSC) is a sprawling campus of medical and educational facilities that serve the Salt Lake City community in the United States. The movement of laboratory specimens and other important patient-care items through a multi-building campus, had been reliant upon messengers and professional staff, costing the hospital time and money.

The hospital therefore contacted Swisslog to examine the feasibility of a tube system and – upon thorough review – chose a six-inch pneumatic tube system with 50 stations. The new system also extends beyond the University Hospital to provide blood bank services to Primary Children's Medical Center, a separate organization that is located within the UUHSC campus. In addition, the University Hospital provides blood products to the Huntsman Cancer Institute, also located in an adjacent building. The distance from the institute to the main hospital is over 1,000 feet. UUHSC benefits from a dramatically improved turnaround time, fewer staff utilized for material transports, and excellent flexibility for supplying Primary Children's Hospital and Huntsman Cancer Institute.

Since 2001 the pneumatic tube system solution at UUHSC has been expanded step-by-step. The Huntsman Cancer Research Institute has a 50-bed hospital that will be completed this year. This part of UUHSC will then as well be served by Swisslog's pneumatic tube system.

Automation solutions for a dynamic growing business

Around the world healthcare is a dynamic growing business. Regardless of whether a country has a mature healthcare delivery system, such as in the U.S., or a developing one in an emerging nation, people are demanding improved medical treatment leading to a healthier and longer life expectancy. Like companies in any expanding industry, healthcare facilities must look into technology to improve efficiency and productivity in order to relieve staff of non-professional tasks and improve the quality of their service. With a wide range from automated material transport to drug management systems Swisslog's logistics solutions for hospitals clearly contribute to these objectives with an attractive return on investment. The continued development and expansion of the division's products and customer organizations serving key markets, positions Swisslog Healthcare Solutions to capitalize on these opportunities in the healthcare business.

With the implementation of the Swisslog pneumatic tube system, the University of Utah Health Sciences Center (UUHSC) was able to reduce turnaround time for the transport of sensitive goods by 50%.



Preventing medication Errors using automated Technology: the first Pillpick System in the USA starts Operations

"This new, robotic system from Swisslog enhances the safety of every patient at Erlanger."

Jim Lowe, RPh, Pharmacy Director at Erlanger

According to a study by the US Food and Drug Administration, the most common reasons for medication errors are faulty drug labeling, the incorrect flow of information from the prescription to administration, as well as the confusing of product names. These mistakes are often the result of human error. To minimize their effects, Erlanger in Chattanooga, Tennessee, has installed the Pillpick automated drug management system from Swisslog. Current studies confirm that drug management systems like Pillpick are 99.8% error free.

The storage and picking robot began assisting hospital personnel on the wards and in the adult pharmacy at the Erlanger main campus just a few weeks ago. The system is able to stock up to 2,700 different drugs – from tablets to active ingredients in ampoules or disposable syringes. Software-controlled Pillpick operates fully automatically singularizing, packing and

labeling up to 12,000 individual patient unit doses every day. This figure corresponds to approximately 90% of all drugs administered on the wards of the 800-bed main campus.

Some of the patients treated at Erlanger need up to 20 different medications per day. Pillpick relieves doctors, nurses and care personnel of the job of unpacking the drugs and preparing the appropriate doses for the wards. To supply a patient with the various drugs required on a given day, Pillpick beads the unit doses required onto a plastic ring sorted by the time they should be administered and attaches a patient-specific barcode to the ring.

Erlanger staff has found that Pillpick frees up about three hours of their daily time each – valuable time that they can now devote to better patient care.



An employee of the hospital pharmacy at Erlanger scans the barcode of a drug and thus feeds the specific information of the preparation in the drug management system.



A consistently industry-specific Focus makes Swisslog a leading Vendor of Supply Chain Management Software

During 2003 cost cutting and improvements in efficiency were the predominant topics for production sector companies in the German-speaking countries of Europe, the core target group of Swisslog Consulting Services. Due to the tense economic situation, managing directors, operations and production managers expected solutions from supply chain management suppliers that above all were readily implemented and user-friendly and promised shorter periods of amortization as well as expertise in implementation and guaranteed success. Nothing major about these requirements will change in 2004 although at the beginning of the year many companies seemed to have a much more optimistic view of the future. While many suppliers of supply chain management solutions suffered last year from the persistent reluctance of the market, particularly in the area of IT investments, the Swisslog Consulting Services division was able to stabilize their market position due to their combining of software offerings and consulting services as well as their clear focus on selected industries.

Besides the fast and simple deployment of software tools, it is soft factors, which are increasingly influencing decision-making, when it comes to a supply chain management solution. Clients thus attach great significance to manageable products, distinct competence in implementation, professional project management and delivery, as well as to the reliability of their contacts. Moreover, they expect rapid project amortization with a return on investment (ROI) within one year.

Wassermann AG, Swisslog's Consulting Services division, has been advising industrial enterprises on how to optimize their service and supply chains for more than 20 years. By using the supply chain software products from Wassermann AG, businesses achieve more flexibility, are able to improve their schedule effectiveness and ultimately have higher profits thanks to optimized process control. The WAY Supply Chain Simulation visualizes all business processes relevant to customers. Thereby providing the user with the necessary transparency regarding the entire flow of information and material from receipt of an order to development, design, purchasing, storage, production, assembly, quality assurance, order picking to the delivery of the products and services to the customer.

By combining IT solutions and a process-oriented management approach, the Swisslog Consulting Services division clearly sets itself apart from competitors in the area of Supply Chain Management. The more than 110 small to medium sized businesses as well as major corporations in machine and systems engineering, in series production and the pharmaceuticals industry who are the clients of Wassermann AG appreciate the years of experience and competence in

implementation with which they are able to make their production and manufacturing processes faster, more flexible, and more productive within the shortest amount of time.

After having concentrated for many years on project business in the German-speaking countries of Europe, Wassermann AG recently began accompanying their clients abroad. The Swisslog subsidiary, following projects in France and England, last year implemented a supply chain management solution for the pharmaceutical company Boehringer Ingelheim at its subsidiary plants in Mexico and Brazil.

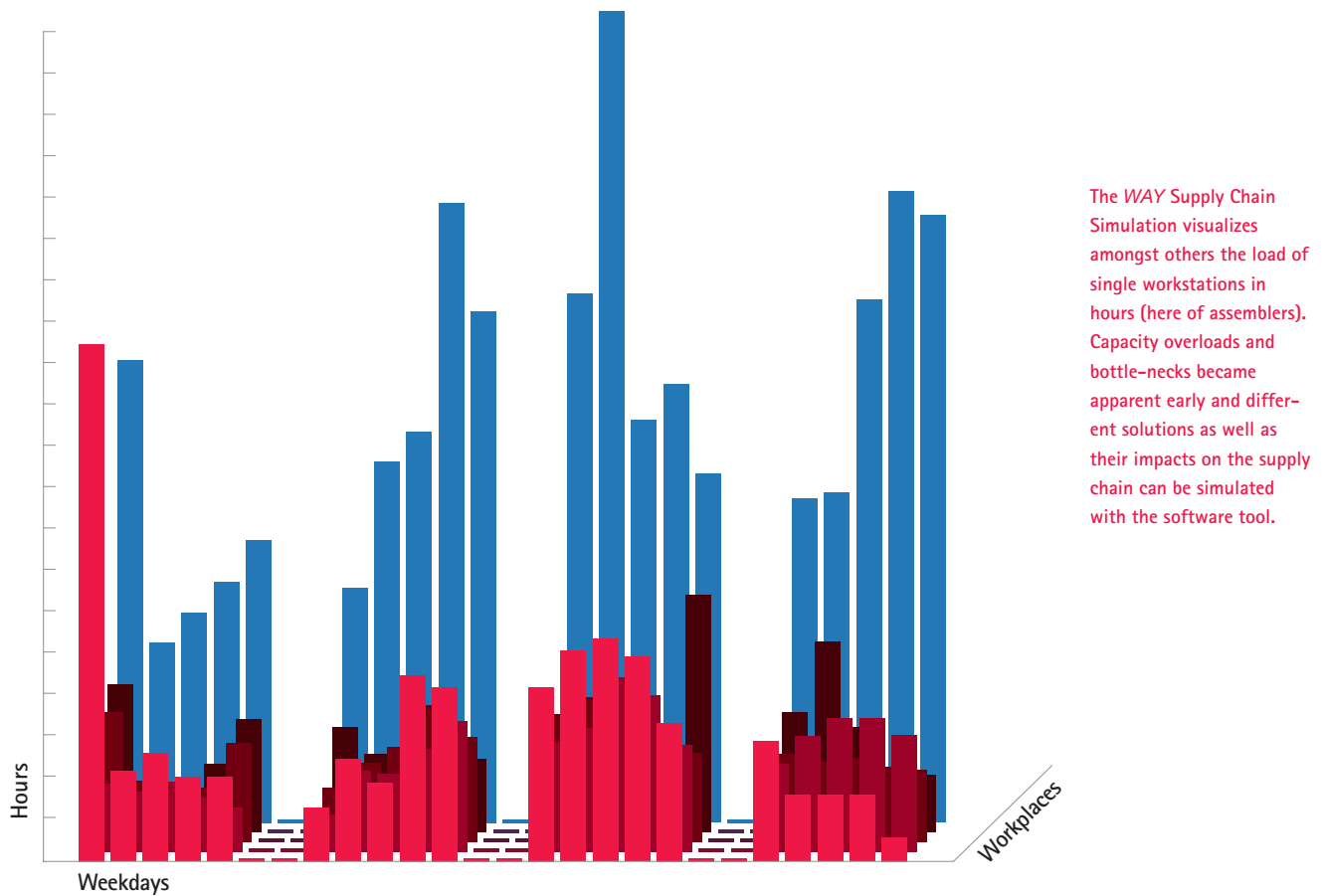
Greater focus on selected industries

The decline in the IT sector hit many supply chain management suppliers hard as well. Strategic projects were postponed because their economic benefit was long in coming; software-intensive projects were scrutinized closely for their return on investment. Wassermann AG profited in this situation from their combination of software offerings and consulting services. The deployment of a rapidly implemented IT solution with a short period of amortization and the specific expertise in selected segments of industry such as machine and systems engineering, the pharmaceuticals sector, and series production were responsible for keeping sales at Wassermann AG stable despite a declining market development.

With a consistent focus on companies characterized by a combination of process and discrete manufacturing (e.g. pharma industry), Wassermann AG last year developed the WAYRTS product line. In virtually no other industrial sector is the success of a company so dependent on the availability of its products on the

Swisslog developed the planning and controlling software WAYRTS (Realtime Simulation) according to the special demands of logistics networks in the processing industry. With WAYRTS production and distribution processes can be synchronized across several locations and resources can be used more efficiently.





market. Numerous pharmaceutical companies whose production structure includes several locations have already restructured their organization over the past few years in the context of efficient supply chain management. However, many companies still fail in the implementation of software tools that effectively support these new structures.

From a functional standpoint WAYRTS covers operative planning and control completely from procurement to production and distribution to the point of sale. WAYRTS rapidly provides the user with a breakdown of the entire planning situation and assists in operative supply chain management – from feasibility studies to production planning and control to inventory management in the distribution chain.

New or modified process data such as delivery dates, raw material stocks, resource capacity constraints or defective machines are calculated in realtime. All planning results are thus always complete and up-to-date for WAYRTS users. WAYRTS can be integrated into existing enterprise resource planning systems via a standard interface.

The Swisslog Consulting Services division started out 2003 with a focus on marketing their new product line to companies in the pharmaceuticals industry. A pilot project was launched with long-time customer Boehringer Ingelheim. The Altana group also decided last year to use WAYRTS to optimize their processes.

This year Wassermann consultants plan on focusing on other core markets for their new software: subcontractors of the automotive industry and the consumer goods sector.

Expansion of key account business

In 2004, Swisslog subsidiary Wassermann will increasingly concentrate on their core target industries and has defined specific growth prospects based on their knowledge of the requirements of pharmaceutical companies, machine and systems engineering, as well as series producers of electronics and automobile components and durable consumer goods.

The Swisslog division sees further potential among industrial groups with several production sites with comparable structures. With WAYRTS product line developed in 2003 and customized specifically for the planning and control of so-called "multi-site" supply chains Wassermann AG hopes to consistently expand their key account business as of 2004.

Corporate Governance





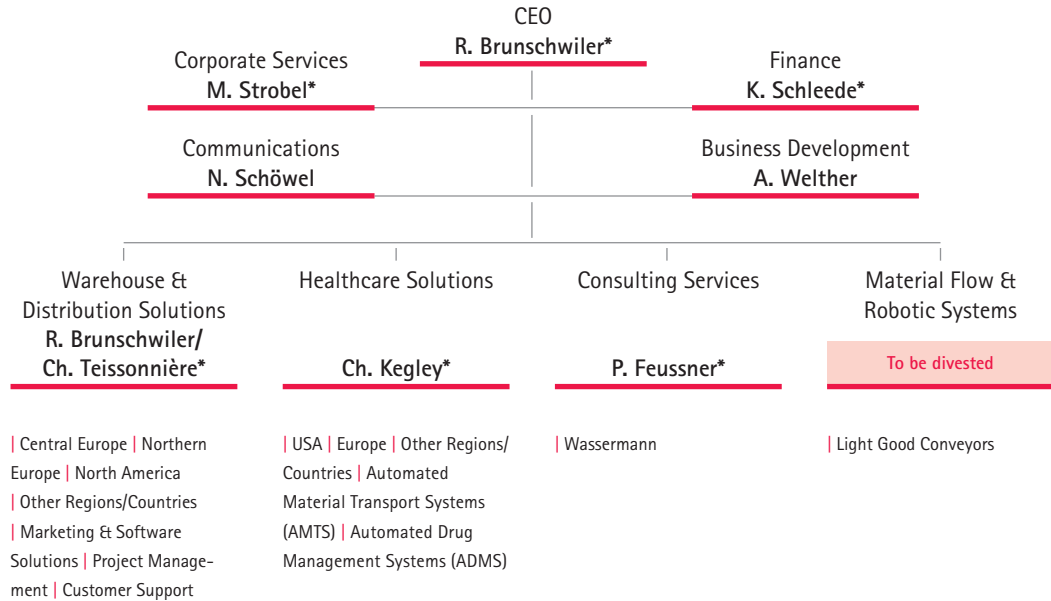
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Corporate Governance

Group Structure and Shareholders

Group structure

* Members of the Executive Committee



Swisslog Holding AG, domiciled in Buchs, AG, Switzerland is the ultimate parent company of the Swisslog Group. The registered shares of Swisslog Holding AG are traded on the main board of the SWX Swiss Exchange (security number: 1232462). The number of shares traded daily in 2003 averaged 132,628 with an average trading volume of CHF 719,922.

For the details concerning all companies to be consolidated and concerning the market capitalization of Swisslog Holding AG refer to the pages 35/36 of the Financial Report 2003.

Swisslog provides logistics solutions to improve production and distribution for medium and large-sized enterprises as well as for hospitals and other healthcare facilities. Swisslog optimizes their customers' flexibility, responsiveness, and service offering with a comprehensive consulting approach, integrated logistic solutions and proprietary software products. Swisslog also analyzes existing production and distribution structures and processes.

Swisslog is a logistics partner to over 5,000 enterprises and organizations in more than 50 countries worldwide. The following section describes the three divisional activities of Swisslog.

Warehouse & Distribution Solutions

Swisslog's Warehouse & Distributions Solutions division plans, implements, and supports warehouses and distribution centers worldwide. Services include manual, semi-automated logistics solutions, as well as the related warehouse management software. As general contractor, Swisslog accompanies its customer throughout the entire life-cycle of an installation, offering tailor-made logistics solutions from one source: consulting, planning, project management, civil engineering, implementation, software, training and customer support.

Healthcare Solutions

Swisslog Healthcare Solutions division provides the healthcare market with highly specialised logistics technologies and products for drugs and medical supplies handling. The automation equipment focuses primarily on the in-house dispensing and movement of materials between ancillary departments and patient care areas on a routine or a random-demand basis. Materials include a wide range of individual or batched items such as pharmaceuticals, lab specimens, medical supplies, x-rays, food, waste and paperwork.

The Healthcare Solutions product offering includes design consulting, system installation and integration, as well as customer support.

Consulting Services

The Consulting Services division provides consulting services ranging from strategic organizational consulting, network modeling, production and distribution planning and optimization to recommendations regarding the IT infrastructure ideal for the requirements of the respective enterprise. The legal entity and brand name Wassermann AG provides Swisslog's Consulting Services.

Material Flow & Robotic Systems

Following the sale of various companies in the non-core Material Flow & Robotic Systems division during the year under review, only the Transnorm Group (light goods conveyors) remains. It, too, is currently up for sale. The Transnorm Group is a provider of logistics subsystems and components for light goods conveyance in the automation of material flow systems for production and distribution purposes.

Significant shareholders

As at 31 December 2003, only one shareholder had more than a 5% stake in Swisslog pursuant to Art. 20 of the Swiss Stock Exchange Act:

	2003	2002
B.V.B.A. Group 2000 Participatie, Antwerpen	6.8%	6.8%
Chase Nominees Ltd, London	<5.0%	17.7%
Fidelity International Ltd., Bermuda	<5.0%	12.4%
Franklin Templeton Companies, LLC, Florida	<5.0%	10.7%
Julius Bär Multistock, Luxembourg	<5.0%	5.1%
Henderson Investors, London	<5.0%	5.0%

As per 31 December 2003, there were 6,272 registered shareholders listed in the share register. The registered shares are widely held by the public.

Cross-shareholdings

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

Capital Structure

Share capital

As at 31 December 2003, the company's share capital consisted of 15,178,039 registered shares with a par value of CHF 2.00 each. Swisslog Holding AG's share capital stands at CHF 30,356,078.00, all of which is fully paid up.

Authorized capital

As at 31 December 2003, the company had the following authorized capital in accordance with the Articles of Association:

The Board of Directors is authorized to increase the share capital at any time up to 14 May 2004 by a maximum of CHF 6,054,000.00 by issuing a maximum of 3,027,000 registered shares of CHF 2.00 par value each (which must be fully paid up). This increase may be effected in increments.

The Board of Directors shall determine the time of issuance of new shares, the issue price, the method of payment, the conditions for exercising the subscription rights and the beginning of the entitlement to dividends. The Board of Directors may arrange for the issue of new shares to be underwritten by a bank or a consortium and subsequently offered to the existing shareholders.

Subscription rights which are not exercised shall be at the disposal of the Board of Directors, who shall use them in the best interests of the company.

The subscription and purchase of the new shares, as well as any subsequent transfer of shares, shall be subject to the restrictions specified in Art. 6 of the present Articles of Association.

The Board of Directors shall furthermore be entitled to limit or to waive the subscription rights of shareholders and to assign these subscription rights to others if the new shares are used: to acquire companies, parts of companies or equity interests or for an equity placement to finance such transactions; or for the purpose of broadening the shareholder base in connection with a listing of the shares on domestic or foreign stock exchanges;

or for employee share ownership of the company or its subsidiaries. The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 passed a resolution cancelling the entire authorized capital of up to CHF 6,054,000 (nominal) divided into 3,027,000 registered shares.

Conditional capital

As at 31 December 2003, the company had the following conditional capital in accordance with the Articles of Association:

The share capital may be increased by a maximum of CHF 2,000,000.00 through the issuance of no more than 1,000,000 fully paid-up registered shares with a par value of CHF 2.00 each, via exercise of conversion and/or option rights granted in connection with bonds or similar instruments issued by the company or by one of its group companies on the domestic or international capital markets and/or the exercise of option rights granted to shareholders. When bonds or similar instruments are issued to which conversion and/or option rights are attached, shareholders will not be granted subscription rights. Holders of conversion and/or option rights will be entitled to subscribe the new shares. The terms governing such conversion and/or option rights will be defined by the Board of Directors. The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 passed a resolution reducing the par value of the shares from CHF 2.00 to 0.01. Consequently, the share capital can be increased by a maximum of CHF 10,000 through the issuance of no more than 1,000,000 registered shares of CHF 0.01 par value each (which must be fully paid up).

The purchase of shares through the exercise of conversion and/or option rights as well as any subsequent transfer of the shares are subject to the registration restrictions set out in Art. 6 of these Articles of Association.

Where bonds or similar instruments are issued to which conversion and/or option rights are attached, the Board of Directors is empowered to limit or to exclude the shareholders' pre-emptive rights (1) if such bonds or similar instruments are issued to finance the acquisition of companies, parts of companies or equity interests or (2) if such bonds or similar instruments are issued on the international capital markets. If the Board of Directors resolve to exclude the said pre-emptive rights, the following shall apply: The convertible bonds or bonds with warrants shall be issued on market terms (including the standard market dilution protection clauses) and the issue of new shares shall be in accordance with the respective terms governing conversion or option rights. Conversion rights shall be exercisable for a maximum of 10 years and option rights shall be exercisable for a period of no more than 7 years from the date on which the bond concerned is issued. The conversion or option price must correspond to no less than the average last-paid price of the shares on the SWX Swiss Exchange during the last five business days preceding the date on which the definitive terms of issue were stipulated for the respective convertible bonds or bonds with warrants.

The share capital of the company is to be increased by a maximum of CHF 1,252,000.00, excluding shareholders' pre-emptive rights, through the issuance of no more than 626,000 fully paid-up registered shares with a par value of CHF 2.00 each, via the exercise of subscription and option rights which shall be granted to the employees of the company or of its subsidiaries as part of one or more share option plans. Shares may be issued to employees at a price lower than the market price. The Board of Directors shall define the specific terms and conditions of issuance. The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 passed a resolution reducing the par value of the shares from CHF 2.00 to 0.01. Consequently, the share capital can be increased by a maximum of CHF 6,260 through the issuance of no more than 626,000 registered shares of CHF 0.01 par value each (which must be fully paid up).

The acquisition of shares under the employee share option plan and any subsequent transfer of shares are subject to the restrictions specified in Art. 6 of the present Articles of Association.

The share capital may be increased by a maximum of CHF 1,931,922.00, 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 each, via the exercise of option rights which shall be granted to shareholders (shareholder options). The Board of Directors shall be authorized to define the specific terms of issue. The Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004 passed a resolution deleting this section of the Articles of Association.

The purchase of shares through the exercise of shareholder options and any subsequent transfer of shares are subject to the restrictions specified in Art. 6 of the present Articles of Association.

Capital changes

On 17 May 2000, the General Meeting of Shareholders of Swisslog Holding AG approved the creation of conditional capital amounting to a nominal value of no more than CHF 2,000,000.00 in conjunction with the granting of conversion and/or option rights and conditional capital amounting to a nominal value of no more than CHF 752,000.00 for the purposes of the employee share option plan.

On 16 May 2001, the General Meeting of Shareholders approved the creation of authorized capital in a maximum amount of CHF 5,504,000.00. A 1:5 share split was also passed by resolution of the General Meeting of Shareholders. The par value of a registered share was reduced from CHF 10 to CHF 2.

On 6 December 2001, the share capital was increased by CHF 2,750,000.00 by resolution of the Board of Directors using part of the authorized capital to issue 1,375,000 Swisslog registered shares.

On 15 May 2002, the General Meeting of Shareholders approved the creation of additional conditional capital in a maximum amount of CHF 2,018,000.00. The General Meeting of Shareholders also approved the creation of additional conditional capital of CHF 500,000.00 and of additional authorized share capital of CHF 3,300,000.00.

In the framework 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 reduces 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' preemptive rights. This capital increase will serve to indirectly replace bank loans with equity capital. The issuance of new shares will increase 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 3-for-2 basis, i.e. three new shares for two existing ones. The issuance of new shares will increase the share capital by CHF 227,670.59

The capital increase will take place once the relevant authorities have given their approval and the applicable appeal periods have elapsed, which will be in May 2004. Details of the Swisslog Group financial restructuring strategy can be found in Note 2 to the Financial Report 2003 "Group Result 2003 and Financial Restructuring".

Following the financial restructuring and completion of the capital increase, the share capital will thus comprise 179,483,560 registered shares with a par value of CHF 0.01 each. Swisslog Holding's share capital will then stand at CHF 1,794,835.60.

For details of the changes to authorized and conditional capital approved by the Extraordinary General Meeting of Shareholders of Swisslog Holding AG on 26 February 2004, please refer to the relevant sections above.

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. 2 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 section 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 they hold 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 2000–2005

With the approval of the General Meeting of Shareholders of 17 May 2000, Swisslog Holding AG issued a convertible bond in 2000 with the following terms and conditions: The convertible bond for a principal amount of CHF 150 million will mature at face value by 7 July 2005 at the latest. Interest will be paid annually on 7 July at 2.25%. Bonds with a par value of CHF 2,500 each may be converted at any time during the conversion period (American style) into 13.39765 Swisslog Holding AG registered shares with a par value of CHF 2.00 each at a conversion price of CHF 186.60 per registered share. The conversion period will run up to five trading days (SWX Swiss Exchange) prior to the redemption date, as determined by termination or contractual maturity, at the latest.

The Ordinary General Meeting of Shareholders of Swisslog Holding AG on 15 May 2002 resolved, among other things, to distribute shareholders options to shareholders instead of dividends. The issuance of shareholder options as a rule requires an adjustment of the conversion price pursuant to Art. 7.7 of the Terms and Conditions of Conversion. Since the calculations to determine a reduced conversion price in line with the Terms and Conditions of Conversion resulted in an adjustment of less than CHF 1.00, no change was made to the conversion price.

The previous conversion price of CHF 186.60 per registered share was reduced to CHF 164.00 in accordance with section 2.7.5 of the bond's terms of issue (conversion right, conversion period and conversion price [including reset]) with effect from 7 July 2003. As of that date, all bonds with a par value of CHF 2,500.00 can now be converted into 15.24390 registered shares (previously 13.39764). All other terms and conditions in respect of the convertible bonds remain unchanged.

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. Details of the proposed Swisslog Group financial restructuring strategy can be found in Note 2 to the Financial Report 2003 under "Group Result 2003 and Financial Restructuring". The proposal in question was not approved during the meeting, with the result that the required $\frac{2}{3}$ quorum had to be obtained during the 60-day extension period.

Options

As at 31.12.2003 there were no shareholders' options or other options issued by the company.

For details of employee options, please refer to the "Options" section on page 31 of this report and to page 26 of the Financial Report 2003.

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, $33\frac{1}{3}$, 50 or $66\frac{2}{3}$ 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
P.O. Box
CH-8021 Zurich
Telephone +41-1-229 29 16 or +41-1-229 29 51
Fax +41-1-229 29 35
E-mail: offenlegung@swx.com

Disclosure forms can be downloaded under www.swx.com/admission/disclosure_forms_de. 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.

Own shares

As at 31 December 2003, the Swisslog Group held 2,565 registered shares of Swisslog Holding AG with a book value of CHF 14,543.55. The registered shares in question are valued in the portfolio of Swisslog Management AG at an average price of CHF 5.67.

Board of Directors

Members of the Board of Directors in the year under review

During the year under review, the Board of Directors comprised the following five members:

Konrad Peter Chairman born 1946 Swiss national	Konrad Peter, a graduate in engineering from the Swiss Federal Institute of Technology (dipl. Ing. ETH), was elected to the Board of Directors in 1993. In 1994 he was elected vice-chairman and in 2001 appointed chairman of the Swisslog Board of Directors. Konrad Peter has been a delegate of the Board of Directors and CEO of Zellweger Luwa AG since 1994. He also chairs the Board of Directors of Arcont AG and has mandates at Seewer AG and Ruag Holding AG.
Guido Patroncini Vice-Chairman born 1944 Swiss national	Guido Patroncini, a graduate in electronic engineering from the Swiss Federal Institute of Technology (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 Buckhardt Compression AG, Pelikan Hardcopy AG, as well as a member for the Board of Baumann Federn AG.
René Garo born 1947 Swiss national	René Garo, a graduate in engineering from the Swiss Federal Institute of Technology (dipl. Ing. ETH) and holder of an MBA, has been a member of the Swisslog Board of Directors since 1995. He was CEO of Haag-Streit Holding AG from 1996 to 1999 and Delegate to the Board of Directors of the Mathys Medical Group from 1992 to 1996. René Garo is also a director of MicroValue AG and a number of private companies. He served on the Board of Directors of Jomed N.V. until 20 February 2004.
Hans Hulsbergen born 1945 Swiss national	Hans Hulsbergen has been a member of the Swisslog Board of Directors since 1988. After technical training in Holland, he completed a practical traineeship at Zellweger in Uster and was head of development until 1975. Since then, Hans Hulsbergen has been active as an entrepreneur and owner of several companies in Scandinavia, Holland, Britain, Australia and Switzerland.
Alois Sonnenmoser born 1939 Swiss national	Alois Sonnenmoser, a graduate in mechanical engineering (Masch.-Ing. HTL), has been a member of the Swisslog Board since 2001. He is a member of the council of the Federal Institute of Technology (ETH) and of the Canton of Aargau Technical College, as well as chairman of the Board of Directors of Alu Menziken. He was also a member of the EXPO "Steering Committee". Alois Sonnenmoser served on the management committee of ABB Switzerland between 1988 and 2001 and was its chairman from 1997 onwards.

Juhani Anttila, who stepped down as Delegate to the Board of Directors and CEO at the end of 2002, also resigned from the Board at the Annual General Meeting of Shareholders on 14 May 2003.

As of 1 January 2003, there have been no executive members on the Board of Directors.

With the exception of Konrad Peter, the entire Board resigned as of the Extraordinary General Meeting of Shareholders of 26 February 2004 in order to allow the company to make a fresh start following the successful financial restructuring. Konrad Peter will also resign as of the date of the Ordinary General Meeting of Shareholders 2004.

Members of the new Board of Directors

The following four new members were elected to the Board of Directors of Swisslog Holding AG at the Extraordinary General Meeting of Shareholders on 26 February 2004:

Hans Ziegler born 1952 Swiss national	Hans Ziegler, who holds postgraduate degrees in Business Administration and Information Technology from TCU Dallas-Fort Worth, has been appointed vice-chairman of the Swisslog Board until Konrad Peter resigns and is chairman designate of the new Board of Directors. He has been CEO of the Erb Group since 2003, and is also chairman of the Board of Elma Electronic AG. Currently he is serving on the Boards of, inter alia, the Pragmatica Group, Discounthaus Eschenmoser AG and NZB Neue Zürcher Bank AG.
Jacques Réjeange born 1940 French national	Jacques Réjeange, MBA, INSEAD Fontainebleau (France), was formerly, inter alia, Chairman of the Board of NMT Management Venture Capital, CEO of ZLB Bioplasma AG and President and CEO of Sterling Winthrop Inc. Currently he is vice-chairman of the Board of Directors of Mediservice AG and vice-chairman of the Board of Trustees of the Humanitarian Foundation of the Swiss Red Cross. Jacques Réjeange is also a member of the Board of Directors of POZEN Inc. and Amersham plc.

Corporate Governance

Jürg Rückert
born 1945
Swiss national

Jürg Rückert, graduate in political science (lic. rer. pol), is Managing Director of C.M.C. Consulting Management Coaching AG with registered office in Pfäffikon, Switzerland. Currently he chairs the Board of Syntrade AG, and is a member of the Board of Directors of Lüchinger + Schmid AG, Zuckerfabriken Aarberg + Frauenfeld AG, GROBA AG and réservesuisse. Jürg Rückert is also a member of the Board of the Swiss Retail Federation.

Dr. Michael Werder
born 1947
Swiss national

Michael Werder, who holds a law degree and a doctorate from University of Bern (Dr. iur.), is the official representative of the bondholders of Swisslog Holding AG. He is a Senior Partner in the Zurich firm of attorneys Werder Rechtsanwälte. Michael Werder is representative of the creditors and bondholders of Euroactividade AG, IGR Holding AG, SAirGroup AG and Von Roll Holding AG. Furthermore he is liquidator of Uniwood Holding AG, a company from the Erb-Group. He is currently a member of the Board of Directors of Zapp Robert (Switzerland) AG, Holding Liebegg AG and Lungershausen + Janson AG.

One additional new member will be elected at the Ordinary General Meeting 2004 to replace Konrad Peter, who will be stepping down as Chairman of the Board.

None of the members of the former and new Board of Directors have ever occupied an executive function within the Swisslog Group in the past. None of the members of the Board of Directors have any kind of business relationships with Swisslog.

Cross-involvement

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

Elections and terms of office

In accordance to the Articles of Incorporation, the Board of Directors shall consist of at least five members appointed for a term of three years, with a year as being understood as the period from one Ordinary Shareholders' Meeting to the next. Members may be reelected. 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.

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

As at 31 December 2003	Position	In office since	Term of office expires	Resignation effective
Konrad Peter	Chairman, non-executive	1993	2005	AGM 2004
Guido Patroncini	Vice-Chairman, non-executive	1996	2005	26.02.2004
René Garo	Member, non-executive	1995	2004	26.02.2004
Hans Hulsbergen	Member, non-executive	1988	2005	26.02.2004
Alois Sonnenmoser	Member, non-executive	2001	2005	26.02.2004

As per 26 February 2004	Position	In office since	Term of office expires	
Hans Ziegler	Vice-Chairman and Chairman Designate, non-executive	26.2.2004	2007	
Jacques Réjeange	Member, non-executive	26.2.2004	2007	
Jürg Rückert	Member, non-executive	26.2.2004	2007	
Dr. Michael Werder	Member, non-executive	26.2.2004	2007	

Internal organization structure and definition of areas of responsibility

The Board of Directors consists of a chairman, 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.

During the financial year 2003, the Board of Directors convened eight ordinary meetings and eight extraordinary meetings.

Committees

The Board of Directors has established two committees to support its work: an Audit Committee and an HR Committee.

The Audit Committee comprises three non-executive members. As of 4 July 2003, Guido Patroncini took over as chairman from René Garo, who continued to sit on the committee, along with Hans Hulsbergen. Since 12 March 2004, the Audit Committee has been chaired by Hans Ziegler, with Jacques Réjeange and Dr. Michael Werder as members. The term of office is one year. The Audit Committee convenes at least once a year, reporting annually to the Board of Directors on its activities. The primary function of the Audit Committee is to audit the annual financial statements and submit a recommendation on their approval to the full Board of Directors. The group external auditors are also required to report their findings to the Audit Committee at least once a year. It is then the job of the Committee to recommend any improvements in the audit process that may prove necessary.

The HR Committee comprises three members. In the year under review, these were Konrad Peter (chairman), Alois Sonnenmoser and Remo Brunschwiler. Following his departure from the Board of Directors, Alois Sonnenmoser was replaced by Jürg Rückert. The HR Committee convenes at least once a year. The primary function of the HR Committee is to submit recommendations to the full Board of Directors regarding compensation of the Board of Directors and the Executive Committee, to set salary structures – including bonuses and possible incentive schemes – and put these forward for approval.

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

The Management Information System (MIS) of the Swisslog Group consists out of the following: Monthly, quarterly, semi-annually, and annual reportings (balance sheet and profit and loss account) of the specific Swisslog subsidiaries. The figures are being consolidated for the divisions and the group. In doing so, the figures are compared to the previous year and the budget.

The division Presidents are reporting to the CEO and to the Board of Directors monthly about the status of the budget targets. During the Meetings of the Board of Directors these reports are being discussed with the CEO and the CFO.

Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the division Presidents and the Head of Corporate Services.

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 on the recommendation of the HR Committee.

Management contracts

There are no management contracts between Swisslog and companies or individuals outside the Swisslog Group.

Remo Brunschwiler
born 1958
Swiss national

Remo Brunschwiler has been CEO of Swisslog since 1 March 2003. He is President of the Warehouse & Distribution Solutions division. Between 1996–2003 he headed the Eurocargo division of Danzas. From 1989–1996, he was a consultant at McKinsey in Switzerland and Germany. He began his career as a strategic planner with Ciba-Geigy AG in Basel and as a pharmaceutical product manager with Ciba-Geigy in Italy. Remo Brunschwiler studied economics at the University of Basel and holds an MBA from INSEAD, in Fontainebleau (France).

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 politic posts.

Dr. Kristian Schleede
born 1958
German national

Kristian Schleede took over as CFO of Swisslog in September 2003. He knows the logistics industry from his time at Danzas, where he was initially head of Finance & Administration and also General Manager at Danzas Germany, later becoming Head of Business Development at Danzas headquarters in Basel. Previously, he worked as consultant for McKinsey. Furthermore he served as chairman of the management board at Dussmann KgaA for the Service Deutschland division. Kristian Schleede has a doctorate in mechanical engineering from the RWTH Aachen, Germany.

In addition to his function as CFO of Swisslog, Kristian Schleede 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 politic posts.



Charles Teissonnière
born 1952
French national

Charles Teissonnière is Deputy President of the Warehouse & Distribution Solutions division. 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 as Business Unit Manager for Logistics Systems until joining Swisslog in 1995. He holds a degree in electronics from the University of Marseille, France.

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 politic posts.



Charlie Kegley
born 1946
US national

Charlie Kegley is President of the Healthcare Solutions division since April 2003. He 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 the 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. Charlie Kegley graduated with a Bachelor of Science in Technical Engineering from Penn State University, USA in 1970.

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 politic posts.



Peter Feussner
born 1962
German national

Peter Feussner is President of the Swisslog Consulting Services division. He began his career with Siemens, working as a sales engineer in the field of semiconductors. In 1993, Peter Feussner joined Wassermann AG as a management consultant and became Partner in 2001. On 1 January 2002, he was appointed CEO of Wassermann AG, which was to become part of the Swisslog Group later that same year. Peter Feussner holds a master's degree in engineering from the University of Kassel and in business administration from the Ludwig-Maximilian University in Munich, Germany.

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 politic posts.



Martin Strobel
born 1957
Swiss national

Martin Strobel has been Head of Corporate Services at Swisslog since 1997. Prior to joining Swisslog, he worked for Credit Suisse and as legal counsel to Rehau GmbH and ABB. Martin Strobel graduated in law from the University of Berne, Switzerland.

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 politic posts.



Compensation & Shareholdings

Content and method of determining the compensation

Directors' compensation is proposed by the HR Committee and approved by the full Board for a period of one year.

Compensation and bonus payments to the members of the Executive Committee are approved by the HR Committee. Members of the Executive Committee are remunerated in the form 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. The bonuses for 2002 were paid in cash in 2003. The size of the bonus depends on the extent to which yearly targets for the Group and the Division 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

Term of office 2002/2003 (15.05.2002 to 14.05.2003)

Compensation for the 2002/2003 term of office consisted solely of an allocation of shares of Swisslog Holding AG and rights to purchase preferential Swisslog Holding AG options (2002 scheme).

Based on a market price for Swisslog Holding AG registered shares of CHF 19.50 (average price for the period 26.06.2002 to 10.07.2002), the Board of Directors decided on 11 July 2002, to allocate members a total of 18,979 shares as compensation for the 2002/2003 term of office. The shares in question were transferred to the members of the Board of Directors following the 2003 Annual General Meeting of Shareholders at a price of CHF 4.77.

Within the framework of the Swisslog Holding AG employee share option plan, the members of the Board of Directors purchased a total of 13,400 options. For further details of the employee share option plan 2002 and the applicable terms and conditions, please see page 26 of the Financial Report 2003.

Term of office 2003/2004 (15.05.2003 to 26.02.2004)

Directors' compensation for the 2003/2004 term of office consisted solely of an allocation of Swisslog Holding AG shares.

Based on a market price for Swisslog Holding AG registered shares of CHF 5.44 (average price for the period 29.04.2003 to 13.05.2003), the Board of Directors decided on 14 May 2003 to allocate members a total of 58,822 shares as compensation for the 2003/2004 term of office. The shares in question were transferred to the members of the Board of Directors in April 2004 at a price of CHF 3.35. With this, all claims of the outgoing members of the Board of Directors are satisfied.

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 country of origin.

All members of the Executive Committee are 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.

In 2003, Swisslog Holding AG did not offer any equity subscription rights (share options) to members of the Executive Committee or any other key employees.

The following gross salary payments were made to the current six members of the Executive Committee between 1 January and 31 December 2003:

2003 salary payments in CHF	Base salary	Bonus (2002)	Severance payment	Total Cash 2003
Current Executive Committee	1,830,450 ¹	394,772 ²	0	2,225,222

Compensation for former members of governing bodies

During the period under review no director's compensation was paid to the executive member of the Board of Directors who resigned from the board on 14.05.2003.

Between 1 January and 31 December 2003 the following gross salary payments were made to five former members of the Executive Committee that have left Swisslog:

2003 salary payments in CHF	Base salary	Bonus (2002)	Severance payment	Total Cash 2003
Members of the Executive Committee who left office in 2003	800,367	279,193	0	1,079,560
Former members of the Executive Committee who left office in 2002 or earlier	306,000 ³	0	121,500	427,500

Share allotment in the year under review

During the year under review, no shares were allotted to the members of the Executive Committee. For share allotments to the members of the Board of Directors please refer to page 30 (Compensation for acting members of governing bodies).

Share ownership

According to the share register, the members of the Board of Directors (as at 31 December 2003) and closely linked parties held a total of 1,078,974 shares in Swisslog Holding AG as at 31 December 2003. The members of the Executive Committee held 14,492.

Options

Members of the Board of Directors and the Executive Committee participated in the following options programs which are still outstanding:

Participants in share option plans	Allocation in 2001	Allocation in 2002	Allocation in 2003	Total as at 31.12.03
Entirety of executive members of the Board of Directors and the members of the Executive Committee	17,700	14,400	0	32,100
Entirety of non-executive members of the Board of Directors	13,400	13,400	0	26,800
Exercise price in CHF per share	51.50	26.30	-	-

The term of the programs is in each case three years. Each option embodies the right to buy one registered share of Swisslog Holding AG. Swisslog Holding AG has waived its right to repricing, repurchasing, offers of exchange or similar actions in conjunction with the current option programs. For details of options outstanding under these plans, please see the Financial Report 2003, page 26.

- 1 This does not include the respective salary portions in case of entry during the year under review.
- 2 Given that the CEO and CFO did not join Swisslog until 2003, the figure in question relates to four members of the Executive Committee.
- 3 Including compensation for the executive member of the Board of Directors who ceased to act in an executive function at the end of 2002. The compensation in question amounted to CHF 200,000 in respect of unused holiday entitlement. This sum has already been mentioned in the Annual Report 2002.

Additional fees and remuneration

Neither the members of the Board of Directors nor the members of the Executive Committee received any fees or remuneration in respect of additional services to Swisslog in the financial year 2003.

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

Apart from the payment of CHF 200,000 made to the member of the Board of Directors who resigned on 14.05.2003 and who was an executive member until the end of 2002, as mentioned on page 31 (Compensation to former members of the governing bodies), the highest compensation paid to a member of the Board of Directors for the 2002/2003 term was CHF 42,335 (allocation of 3,300 options at CHF 5.415⁴ and 5,129 shares at a market price of CHF 4.77).

For the 2003/2004 term of office, the highest compensation paid to a member of the Board of Directors was CHF 61,580 (allocation of 18,382 shares at a market price of CHF 3.35).

Shareholders' Participation

Statutory rules on participation in 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 can 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 and the agenda set in accordance with the applicable legal requirements.

Inscriptions into 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.

⁴ Value at grant date (Black-Scholes method).

Change of Control and defence 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 33¹/₃% 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 change of control

Swisslog generally strives for employment contracts, which do not provide for any extraordinary obligations for the company or any of its subsidiaries. However, due to special circumstances and for certain categories of employees it cannot always be excluded that certain special conditions are negotiated. This is the case for two Group Management members 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 members would become entitled to material severance payments. Such payments will become due if either of these members decides (within 3 months after the event of change of control) to leave the company or if they are given notice.

Both Group Management members have waived any financial rights, which may technically arise as a result of the execution of the financial restructuring (please see page 13 of the Financial Report 2003).

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 the mandate and term of office of the lead auditor

PricewaterhouseCoopers, Basel, have been the Auditors of Swisslog Holding AG and Group Auditors of the Swisslog Group since 1999.

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

Auditing & additional fees

In the financial year 2003, PricewaterhouseCoopers charged the Swisslog Group approximately CHF 1.6 million in fees for audit services provided in connection with the annual financial statements of Swisslog Holding AG and the Swisslog Group.

PricewaterhouseCoopers also invoiced the Swisslog Group the sum of approximately CHF 1.1 million for additional consulting services such as financial advisory and taxes.

Supervisory and control instruments pertaining to the audit

PricewaterhouseCoopers 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 analysed.

Information Policy

The Swisslog Group is committed to an open information policy vis-à-vis all stakeholder groups. Swisslog advocates open dialogue and is proactive in its communication with clients, staff, shareholders, the media and the general public alike. 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 (2004: June)

Conclusion of half-year: 30 June

Announcement of half-year results: August

For precise details of the latest figures, go to www.swisslog.com, "Investor Relations".

In order to keep its shareholders apprised of how the business is performing, 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. 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.

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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 Swiss Stock Exchange (SWX). If any of the points contained in these guidelines is not mentioned here, it is either not applicable or immaterial for Swisslog.

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