

2006 FINANCIAL REPORT
OF THE SWISSLOG GROUP

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Note on the pagination: the present Financial Report 2006 of the Swisslog Group is an excerpt from the Annual Report 2006 of the Swisslog Group, where it can be found starting on page 36.

Overview of the Swisslog Group

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

1 Net working capital = current assets (excl. cash, cash equivalents, marketable securities and income tax receivables) less current liabilities and provisions (excl. interest-bearing borrowings and income tax payables).

2 Net operating assets = current and non-current assets ./ operating liabilities and provisions.

3 Net liquidity = cash, cash equivalents and marketable securities less short-term borrowings.

4 Net cash/net debt (-) = cash, cash equivalents and marketable securities less interest-bearing borrowings.

5 2000-2002: 5 for 1 shares split in May 2001 to a par value of CHF 2 per registered share. All key figures per registered share on the basis of the weighted average of outstanding registered shares excluding rights issue (issue of share capital from May to September 2002 by 43 039 registered shares).

6 2004: all key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2004 by 164 305 520 registered shares).

7 2006: all key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2006 by 71 793 424 registered shares).

8 Related to net result before amortization/impairment of goodwill and non-cash interest expense convertible bonds.

2006 CONSOLIDATED
FINANCIAL STATEMENTS
OF SWISSLOG GROUP

Consolidated Balance Sheet

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

Consolidated Income Statement

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

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

Consolidated Cash Flow Statement

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

Consolidated Statement of Changes in Equity

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

Foreign Currency Exchange Rates

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

Notes to the Consolidated Financial Statements

1. Consolidation and accounting principles

1.1 General remarks and changes to accounting principles

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

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

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

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

The major effects of the changes are:

IAS 19 (Amendments): Employee Benefits

Swisslog doesn't apply the option of an alternative recognition approach for actuarial gains/losses in a separate category directly in equity. New disclosure items are expressed in Note 18.

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

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

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

IFRS 8: Operating Segments (effective from 1 January 2009)

This standard replaces IAS 14 Segment Reporting. Swisslog doesn't expect any material changes.

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

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

1.2 Consolidated companies and principles of consolidation

The consolidated financial statements include Swisslog Holding AG, Buchs, and all companies directly and indirectly controlled by Swisslog Holding AG, Buchs.

Group companies are included in the consolidated financial statements using the full consolidation method. Capital consolidation is based on the purchase method.

Intragroup transactions, intragroup balances and intragroup profits are eliminated. Companies acquired or sold during the year under review are consolidated from the date of acquisition (change of control) and eliminated from the consolidated financial statements from the date of sale. A list of consolidated companies is shown on page 67.

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

1.3 Foreign currencies

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

1.4 Property, plant and equipment

Property, plant and equipment are shown in the balance sheet at purchase or manufacturing cost less accumulated depreciation. Land and buildings covered by finance lease agreements are reported at the fair value of the leased objects or, if lower, at the present value of the minimum lease payments. The corresponding financial lease liabilities are shown as liabilities according to their term of maturity at their present value less repayments calculated by the annuity method.

Property, plant and equipment are depreciated over the estimated useful life using the straight-line method, i.e., 25 to 50 years for buildings, 3 to 15 years for plant and machinery (mostly 5 to 8 years) and 3 to 10 years (mostly 3 to 5 years) for office machinery and fittings including computer hardware. Property, plant and equipment are excluded from the financial statements at the time of disposal or when no further use can be expected. All profit or loss resulting from the disposal of property, plant and equipment is shown in the income statement.

If there is an impairment, an impairment loss will be recognized until the carrying amount is equal to the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value in use.

1.5 Investment property

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

1.6 Intangible assets

Swisslog classifies its intangible assets into three categories:

a) Goodwill

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

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

b) Development

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

c) Other

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

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

1.7 Financial instruments

The Group classifies its financial instruments into the following categories:

a) Financial assets at fair value through profit or loss:

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

b) Held to maturity:

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

c) Loans and receivables:

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

d) Available for sale:

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

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

1.8 Cash, cash equivalents and marketable securities

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

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

1.9 Inventories

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

1.10 Construction contracts

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

1.11 Trade receivables

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

1.12 Other receivables, prepaid expenses and accrued income

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

1.13 Liabilities

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

1.14 Convertible bonds

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

1.15 Provisions

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

a) Provisions for projects

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

b) Warranty provisions

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

c) Restructuring provisions

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

1.16 Order intake

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

1.17 Order backlog

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

1.18 Revenue

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

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

1.19 Borrowing costs

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

1.20 Income taxes

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

1.21 Employee benefits

a) Defined benefit plans

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

b) Defined contribution plans

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

1.22 Related parties

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

1.23 Financial risk management

a) Financial risk factors

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

(i) Foreign exchange risk

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

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

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

(ii) Interest rate risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

b) Accounting for derivative financial instruments and hedging activities

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

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

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

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

c) Fair value estimation

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

1.24 Critical accounting estimates and judgements

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

1.25 Segment information

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

The Group distinguishes between the following segments and corresponding activities:

a) Warehouse & Distribution Solutions (WDS)

Delivers leading industry-specific solutions for automated, semi-automated and manual warehouses and distribution centers. Provides consulting services, software solutions, general contracting, implementation, and lifetime support.

b) Consulting Services/Wassermann (CSW)

Optimizes customers' supply chains by using and implementing its own supply-chain-planning software.

c) Healthcare Solutions (HCS)

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

d) Headquarters

Headquarters comprise central management and service functions.

1.26 Changes in consolidation scope

In 2006 the following company was liquidated:

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

2. Information by Segment

2.1 Business unit Segmentation

2006	Warehouse & Distribution Solutions	Consulting Services/Wassermann	Health-care Solutions	Head-quarter/ Holdings	Elimination	Total Group
MCHF						
Order intake	425.5	13.6	238.6	0.0	-0.4	677.3
Order backlog (at year-end)	369.7	6.6	161.8	0.0	-0.1	538.0
Net sales	415.7	11.4	220.0	0.2	-0.4	646.9
Net sales to third parties	415.5	11.3	219.9	0.2	0.0	646.9
Net sales internal ¹	0.2	0.1	0.1	0.0	-0.4	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	26.3	-0.3	21.6	-9.8	0.0	37.8
Depreciation and amortization	3.1	1.0	2.6	0.0	0.0	6.7
Operating profit before impairment of goodwill (EBITA)	23.2	-1.3	19.0	-9.8	0.0	31.1
Impairment of goodwill	0.0	10.1	0.0	0.0	0.0	10.1
Operating profit (EBIT)	23.2	-11.4	19.0	-9.8	0.0	21.0
Goodwill	39.6	9.3	39.4	0.0	0.0	88.3
Current and non-current assets ²	145.6	13.5	140.3	10.5	-8.2	301.7
Operating liabilities and provisions ³	170.5	2.3	46.4	8.6	-7.6	220.2
Net operating assets ⁴ (NOA)	-24.9	11.2	93.9	1.9	-0.6	81.5
Investment in property, plant, equipment and intangible assets	3.3	0.1	1.9	0.0	0.0	5.3
Changes in provisions	3.9	0.0	0.6	-0.6	0.0	3.9
Employees (at year-end)	999	52	744	18	0.0	1 813
EBITA as % of sales (EBITA margin)	5.6	-11.4	8.6	NA		4.8
EBITA as % of NOA (RONOA)	NA	NA	20.2	NA		38.2

2005

Order intake	405.7	12.9	211.4	0.0	-1.4	628.6
Order backlog (at year-end)	359.0	4.2	147.9	0.0	-0.3	510.8
Net sales	354.8	12.6	191.2	0.0	-2.2	556.4
Net sales to third parties	354.1	12.0	190.3	0.0	0.0	556.4
Net sales internal ¹	0.7	0.6	0.9	0.0	-2.2	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	22.1	-0.9	20.1	-12.5	0.0	28.8
Depreciation and amortization	2.8	1.1	3.0	0.1	0.0	7.0
Operating profit before impairment of goodwill (EBITA)	19.3	-2.0	17.1	-12.6	0.0	21.8
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	19.3	-2.0	17.1	-12.6	0.0	21.8
Goodwill	40.9	19.0	41.0	0.0	0.0	100.9
Current and non-current assets ²	151.4	24.6	137.9	9.5	-3.2	320.2
Operating liabilities and provisions ³	157.4	2.3	50.8	9.4	-3.2	216.7
Net operating assets ⁴ (NOA)	-6.0	22.3	87.1	0.1	0.0	103.5
Investment in property, plant, equipment and intangible assets	2.9	0.3	2.2	0.2	0.0	5.6
Changes in provisions	-0.2	-0.4	-3.0	-2.6	0.0	-6.2
Employees (at year-end)	1 004	71	744	22	0.0	1 841
EBITA as % of sales (EBITA margin)	5.4	-15.9	8.9	NA		3.9
EBITA as % of NOA (RONOA)	NA	NA	19.6	NA		21.1

1 Internal transactions are concluded at arms-length terms.

2 Excluding cash, cash equivalents, marketable securities, deferred tax assets, and financial assets.

3 Excluding interest-bearing borrowings and income tax payables.

4 Current and non-current assets /. current liabilities and provisions.

5 Excluding goodwill.

2.2 Geographical Segmentation

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

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

3.1 Property, plant, equipment

2006 MCHF	Land	Buildings	Machinery/ equipment	Total
Cost at 1 January	0.6	15.1	43.1	58.8
Additions	0.0	0.6	2.5	3.1
Disposals	-0.2	-0.3	-3.9	-4.4
Currency translation differences	0.0	0.0	0.3	0.3
COST AT 31 DECEMBER	0.4	15.4	42.0	57.8
Accumulated depreciation at 1 January	0.0	-10.6	-33.7	-44.3
Depreciation charge	0.0	-0.8	-3.6	-4.4
Accumulated depreciation on disposals	0.0	0.3	3.4	3.7
Currency translation differences	0.0	0.2	-0.3	-0.1
ACCUMULATED DEPRECIATION AT 31 DECEMBER	0.0	-10.9	-34.2	-45.1
TOTAL NET BOOK VALUE AT 31 DECEMBER 2006	0.4	4.5	7.8	12.7
2005 MCHF	Land	Buildings	Machinery/ equipment	Total
Cost at 1 January	0.6	14.7	42.7	58.0
Additions	0.0	0.3	3.0	3.3
Disposals	0.0	0.0	-4.2	-4.2
Currency translation differences	0.0	0.1	1.6	1.7
COST AT 31 DECEMBER	0.6	15.1	43.1	58.8
Accumulated depreciation at 1 January	0.0	-10.0	-32.3	-42.3
Depreciation charge	0.0	-0.6	-4.2	-4.8
Accumulated depreciation on disposals	0.0	0.0	3.8	3.8
Currency translation differences	0.0	0.0	-1.0	-1.0
ACCUMULATED DEPRECIATION AT 31 DECEMBER	0.0	-10.6	-33.7	-44.3
TOTAL NET BOOK VALUE AT 31 DECEMBER 2005	0.6	4.5	9.4	14.5

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

3.2 Investment property

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

3.3 Goodwill

MCHF	2006	2005
Gross amount at 1 January	125.2	118.2
Additions	0.0	0.0
Disposals	0.0	-0.3
Currency translation differences	-1.5	7.3
GROSS AMOUNT AT 31 DECEMBER	123.7	125.2
Accumulated impairment losses at 1 January	-24.3	-24.2
Impairment	-10.1	0.0
Currency translation differences	-1.0	-0.1
Accumulated impairment losses at 31 December	-35.4	-24.3
BOOK VALUE AT 31 DECEMBER	88.3	100.9

The goodwill is allocated to the Cash Generating Units as follows:

Warehouse & Distribution Solutions	39.6	40.9
Healthcare Solutions	39.4	41.0
Consulting Services/Wassermann	9.3	19.0
TOTAL GOODWILL	88.3	100.9

3.3.1 Goodwill impairment 2006

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

3.3.2 Impairment test of goodwill as per 31 December 2006

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

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

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

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

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

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

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

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

Key assumptions for the goodwill impairment test:

Warehouse & Distribution Solutions (WDS):

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

* Headquarters cost proportionally allocated

In 2006 the Warehouse & Distribution Solutions division reported net sales of MCHF 415.7. It is planned that net sales should raise to MCHF 524.9 from 2007 to 2011. This corresponds to an average growth rate of 4.2% per year. In the same period of time EBITDA (after Headquarters cost allocation) should be raised by 7.8% annually to MCHF 29.3. From 2009 to 2011 it is planned to increase net sales by 4.2% and EBITDA by 7.2% per year.

With the described plan data the value in use exceeds goodwill by MCHF 114.2. Goodwill will still be covered – assuming the plan data remains unchanged – if the pre-tax rate increases to 20.3%.

Healthcare Solutions (HCS):

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

* Headquarters cost proportionally allocated

In 2006 the activities of Healthcare Solutions developed in most areas according to plan. HCS achieved net sales of MCHF 220.0, which is expected to increase to MCHF 273.8 until 2011. In the period from 2007 to 2011, EBITDA is planned to increase by 10.3% per year (after Headquarters cost allocation). From 2009 to 2011, a yearly increase of net sales by 5.3% and of EBITDA by 8.9% is planned.

With the described plan data the value in use exceeds goodwill by MCHF 112.4. Goodwill will still be covered – assuming the plan data remains unchanged – if the pre-tax rate increases to 19.6%.

Consulting Services/Wassermann (CSW):

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

* Headquarters cost proportionally allocated

In 2006 Consulting Services/Wassermann reported net sales of MCHF 11.4. EBITDA has been improved by MCHF 0.7 – compared to the previous period – due to lower costs. Further measures to increase the results have been defined and initiated in the last months.

The expected net sales increase has not been achieved in business year 2006. The lower net sales lead – despite cost saving measures – to an EBITDA below plan.

Due to the negative deviations, the strategy has been reviewed and the plans of Consulting Services/Wassermann have been revised and reduced. From 2007 to 2011, net sales and EBITDA are expected to increase by 7.8% respectively 71.4% annually. From 2009 to 2011, an increase of net sales by 7.6% and of EBITDA by 41.7% is expected per year.

Consideration of risk:

Consulting Services/Wassermann renders its services mainly in the German-speaking supply chain management market. An external study reveals net sales growth rates between 13% and 15%.

At the end of 2006 the value in use of the CSW unit exceeds its carrying value by MCHF 3.7. A potential raise of the pre-tax rate – assuming that the net sales growth rate, EBITDA growth rate and cash flow growth rate remain unchanged – up to 15.5% will not affect the goodwill coverage. Goodwill will still be covered if the yearly net sales growth rate is reduced by 1.0% (assuming that the pre-tax rate remains unchanged at 12.8%).

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

3.4 Other intangible assets

2006 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	7.5	11.1	18.6
Additions	1.5	0.7	2.2
Disposals	-0.6	-0.6	-1.2
Currency translation differences	0.1	0.3	0.4
COST AT 31 DECEMBER	8.5	11.5	20.0
Accumulated amortization at 1 January	-3.5	-9.7	-13.2
Amortization of the current year	-1.6	-0.7	-2.3
Accumulated amortization on disposals	0.5	0.6	1.1
Currency translation differences	-0.1	-0.2	-0.3
ACCUMULATED AMORTIZATION AT 31 DECEMBER	-4.7	-10.0	-14.7
TOTAL NET BOOK VALUE AT 31 DECEMBER 2006	3.8	1.5	5.3
2005 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	6.1	11.1	17.2
Additions	1.4	0.9	2.3
Disposals	0.0	-1.0	-1.0
Currency translation differences	0.0	0.1	0.1
COST AT 31 DECEMBER	7.5	11.1	18.6
Accumulated amortization at 1 January	-2.1	-9.8	-11.9
Amortization of the current year	-1.4	-0.8	-2.2
Accumulated amortization on disposals	0.0	0.9	0.9
Currency translation differences	0.0	0.0	0.0
ACCUMULATED AMORTIZATION AT 31 DECEMBER	-3.5	-9.7	-13.2
TOTAL NET BOOK VALUE AT 31 DECEMBER 2005	4.0	1.4	5.4

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

4. Financial assets

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

The Swisslog Group holds 8.17% of shares of CPS Color Group Oy, Finland. The shares are classified as available-for-sale and are disclosed with MCHF 13.1 (2005: MCHF 12.4) in financial investments. The increase of the investments of MCHF 0.7 includes changes in fair value of MCHF 0.2 and currency exchange gains of MCHF 0.5.

The shares are measured at fair value. The fair value has been evaluated using the discounted cash flow method and is based on the business plan of CPS Color Group Oy, Finland.

Swisslog IP B.V. holds the shares of CPS Color Group Oy. The shares of Swisslog IP B.V. were pledged in favor of the bondholders. The pledge becomes effective in case of a merger between Swisslog Holding AG and Swisslog Management AG, but no later than 30 June 2007.

5. Inventories

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

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

6. Trade receivables

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

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

7. Construction contracts

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

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

8. Cash, cash equivalents and marketable securities

8.1 Cash and cash equivalents

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

8.2 Marketable securities

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

The entire position consists of short-term investments with a maturity of 12 months maximum.

Marketable securities are valued at fair value. Unrealized gains and losses are recognized in the income statement.

9. Share capital

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

9.1 Number of shares

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

9.2 Nominal value

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

Based on the resolution of the Annual General Meeting of Swisslog Holding AG of 17 May 2006, the share capital of CHF 1 794 835.60 was increased by CHF 717 934.24 to CHF 2 512 769.84 by issuing 71 793 424 new registered shares with a nominal value per share of CHF 0.01.

The offered shares were drawn and fully paid up to the nominal value by Lombard Odier Darier Hentsch & Cie with the obligation of offering the new shares to the existing shareholders within their subscription rights.

Existing shareholders were granted the right to subscribe 2 new shares for 5 existing registered shares at a price of CHF 1.02.

Nearly all the subscription rights were exercised. The new registered shares were traded for the first time on SWX Swiss Exchange on 26 May 2006.

10. Convertible bonds

On 7 July 2000 Swisslog Holding AG issued 60 000 2.25% convertible bonds at a nominal value of MCHF 150.0.

The rights to exercise the bonds have expired on 4 July 2005.

On 1 June 2006 Swisslog Holding AG repurchased and destroyed 31 270 convertible bonds with an aggregate nominal value of MCHF 78.2. The remaining nominal value at 31 December 2006 amounts to MCHF 71.8. The generally applicable repurchase price was fixed by the tendering procedure and amounts to 98.00%.

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

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

The bonds are recorded in the balance sheet as follows:

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

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

The financial liabilities are limited by the bonds as follows:

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

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

11. Income taxes and deferred taxes

11.1 Income taxes

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

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

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

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

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

11.3 Tax loss carry forwards

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

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

98% (2005: 98%) of tax loss carry forwards are within Europe. Thereof MCHF 300.0 (2005: MCHF 290.0) are only limitedly utilizable.

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

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

11.4 Deferred taxes

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

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

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

12. Provisions and contingent liabilities

12.1 Provisions

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

All provisions are classified as current because it is expected that they will be settled in the entity's normal operating cycle.

The provisions for projects are created to cover losses as soon as losses are apparent and a reliable estimate can be made. Reversal takes place in relation to the progress of project execution. A considerable part of the additions of MCHF 6.0 is related to a project of Warehouse & Distribution Solutions in Europe.

Warranties are related to costs which occur during the warranty period.

Provisions for restructuring are only recognized in the balance sheet if a detailed formal plan exists which was communicated to the affected persons. Most of the MCHF 1.3 reported as used during the year can be attributed to the German region of the Warehouse & Distribution Solutions division.

In connection with its ordinary business operations, the Group is involved in various legal disputes. The necessary provisions have been created on the basis of the currently available information.

12.2 Contingent liabilities

Contingent liabilities amount to MCHF 2.6 (2005: MCHF 2.5). The major part of the contingent liabilities is related to a project of Warehouse & Distribution Solutions in Europe.

A competitor has filed a complaint against Swisslog's PillPick solution in North America in 2005, alleging infringement of two patents. Swisslog does not expect a material impact from that complaint because the PillPick sales of Swisslog amount to less than 10% of total sales of the Healthcare Solutions division in 2006, and because as of today Swisslog does not believe to infringe on any patents. Swisslog will defend this position.

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

Guarantee facilities of MCHF 80.0 (2005: MCHF 72.2) of a bank syndicate are secured by the pledge of the shares of TransLogic Corp. (USA). As per 31 December 2006, the shareholders' equity of TransLogic Corp. (USA) amounted to MCHF 33.3 (2005: MCHF 37.2).

The guarantee facilities are bonded by the following covenants:

- minimum equity (monthly compliance)
- earnings before interest, taxes, depreciation and amortization (quarterly compliance)
- net debt in relation to the operating profit before interest, tax, depreciation and amortization (quarterly compliance)

13. Operating leases

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

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

14. Accrued expenses and deferred income

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

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

15. Operating expenses

	2006 MCHF	2005 MCHF
MATERIAL AND SERVICE EXPENSE		
Change in inventories	-1.2	-6.0
Material- and service expense	291.2	228.0
Total	290.0	222.0
	2006 MCHF	2005 MCHF
PERSONNEL EXPENSE		
Wages and salaries	173.2	168.9
Social security and other personnel costs (compare with Note 18)	55.0	49.9
Total	228.2	218.8
	2006 MCHF	2005 MCHF
OTHER OPERATING EXPENSE	91.1	87.0

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

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

16. Financial result

	2006 MCHF	2005 MCHF
FINANCIAL INCOME		
Interest income	3.5	1.4
Other financial income	0.1	1.0
Foreign exchange gains	1.4	2.0
TOTAL	5.0	4.4
FINANCIAL EXPENSE		
Interest expense for convertible bonds	-1.7	-1.9
Interest expense for convertible bonds market interest rate applied	-4.4	-6.6
Other interest expense	-0.4	-0.7
Effect from the partial repurchase of the convertible bonds	-9.0	0.0
Other financial expense	-3.8	-3.8
Foreign exchange losses	-0.6	-0.2
TOTAL	-19.9	-13.2

Interest income relates to interest on money market investments in CHF and foreign currencies. It does include MCHF 1.0 from the release of accrued interest related to the partial repurchase of the convertible bonds.

Details with respect to the partial repurchase of the convertible bonds are included in Note 10, Convertible bonds.

Other financial expense includes costs for the guarantee line.

17. Derivative Instruments

The derivative financial instruments are used solely for the purpose of managing foreign currency exposure.

Contracts are only concluded with first-class financial institutions.

17.1 Net fair values of derivative financial instruments

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

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

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

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

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

17.2 Equity-hedging reserve

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

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

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

18. Employee benefits

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

Pension schemes

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

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

	2006 MCHF	2005 MCHF
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 1 JANUARY	-151.6	-139.7
Current service cost	-8.2	-8.1
Interest cost	-5.5	-5.0
Actuarial gains (+)/losses (-)	-2.3	-10.0
Curtailement, settlement and plan amendments	0.7	1.0
Past service costs	-0.1	0.5
Benefit paid	6.3	11.5
Changes in consolidation scope	-0.1	-3.2
Currency translation differences	-2.5	1.4
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 31 DECEMBER	-163.3	-151.6
FAIR VALUE OF PLAN ASSETS AT 1 JANUARY	126.0	122.8
Expected return on plan assets	6.1	5.3
Employer's contributions	5.8	5.1
Employees' contributions	2.5	2.5
Actuarial gains (+)/losses (-)	4.6	-0.5
Curtailement, settlement and plan amendments	0.0	0.0
Benefit paid	-6.3	-10.9
Other	0.0	-0.2
Changes in consolidation scope	0.0	3.1
Currency translation differences	2.5	-1.2
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	141.2	126.0
Present value of benefit obligations at 31 December	-163.3	-151.6
Fair value of plan assets at 31 December	141.2	126.0
NET FUNDED STATUS	-22.1	-25.6
Present value of unfunded obligations	-0.3	-0.4
Unrecognized actuarial losses (+)/gains (-)	13.4	16.0
LIABILITY IN THE BALANCE SHEET	-9.0	-10.0
MOVEMENT IN THE LIABILITY	MCHF	MCHF
Liability recognized in balance sheet at the beginning of the period	-10.0	-10.9
Changes in consolidation scope	0.0	0.1
Currency translation differences	0.0	-0.2
Expense for pension schemes recognized in the income statement	-4.8	-4.3
Employer's contributions	5.8	5.1
Other	0.0	0.2
LIABILITY RECOGNIZED IN BALANCE SHEET AT THE END OF THE PERIOD	-9.0	-10.0
EXPENSE FOR PENSION SCHEMES RECOGNIZED IN THE INCOME STATEMENT	MCHF	MCHF
Current service cost	-8.2	-8.1
Interest cost	-5.5	-5.0
Expected return-on-plan assets	6.1	5.3
Net actuarial gains and losses recognized in the period	-0.3	-0.5
Curtailement, settlement and plan amendments	0.7	1.0
Past service costs	-0.1	0.5
Employees' contributions	2.5	2.5
TOTAL, INCLUDED IN THE INCOME STATEMENT	-4.8	-4.3

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

Plan assets

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

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

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

Strategic pension plan asset allocation is determined by the objective to achieve an investment return which, together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans.

The expected contributions to be paid by the Group in respect of defined benefit pension plans for the year 2007 are estimated at MCHF 6.2.

	MCHF	MCHF
Actual return-on-plan assets	11.1	10.6

The actuarial gains and losses include the following components:

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

ACTUARIAL ASSUMPTIONS

	2006	2005
Discount rate	3.00%–5.75%	3.00%–5.75%
Expected return-on-plan assets	2.00%–7.75%	2.00%–7.75%
Future salary increases	1.25%–5.25%	1.25%–5.25%
Future pension-benefit increase	0.50%–3.50%	0.50%–3.50%

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

OTHER LONG-TERM EMPLOYEE BENEFITS

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

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

Share option plans

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

Movements in the number of share options are as follows:

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

19. Related Party Transactions

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

The following transactions were carried out with related parties:

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

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

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

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

20. Earnings per share (EPS)

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

In order to determine the earnings per share, the Group's average holding of own shares was deducted from the average number of shares outstanding of 227 893 232 (2005: 192 005 669). In 2006 and 2005 the Group did not hold any own shares.

In May a capital increase with 71 793 424 new shares was made. For 5 existing shares two new shares at CHF 1.02 could have been subscribed.

The rights issue increased the calculated average number of shares by 12 522 109 in 2005.

The rights to exercise the convertible bonds expired on 4 July 2005. There are no dilutive effects in 2006.

21. Dividends per share

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

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

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

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

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

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

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

Ernst & Young AG



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



Philip Klopfenstein
Swiss Certified Accountant

Basel, February 27, 2007

2006 FINANCIAL STATEMENTS
OF SWISSLOG HOLDING AG

Balance Sheet, Income Statement of Swisslog Holding AG

BALANCE SHEET

At 31 December

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

INCOME STATEMENT

1 January to 31 December

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

Notes to the 2006 Financial Statements of Swisslog Holding AG

1. Bonds/Convertible bonds 2000–2009

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

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

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

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

2. Contingent liabilities

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

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

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

4. Main investment

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

5. Major shareholders

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

6. Statement of changes in equity

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

¹ Before appropriation

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

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

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

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

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

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

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

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

Ernst & Young AG



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



Philip Klopfenstein
Swiss Certified Accountant

Basel, February 27, 2007

Significant subsidiaries and investments of Swisslog Group at 31 December 2006

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

Key figures for share capital

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

1 Proposal of the Board of Directors for 2006: no dividend to be distributed

2 Rate of the day.

3 Related to net result before amortization/impairment of goodwill

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

Consolidated data for the past five years

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED INCOME STATEMENT

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

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