



2007 ANNUAL REPORT



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WHO WE ARE

Swisslog is a global supplier of integrated logistics solutions with a comprehensive portfolio of services. These services range from building complex warehouses and distribution centers, through intra-company logistics solutions for hospitals, to software and consulting services in the field of supply chain management.

Customers in more than 50 countries around the world rely on our decades of experience in planning and implementing integrated logistics solutions.
www.swisslog.com

2007: KEY POINTS IN BRIEF

Continuous progress

Growth process continued on all levels

Operational improvements

Order intake and order backlog at a record high, further increase in EBITA

Targeted acquisitions

Stronger market position through takeover of Accalon and Collett

International expansion

Major projects acquired from well-known companies

Strengthened resource base

Intensified recruitment and further training for employees

Structures for next growth phase

Organization and processes adjusted for continuing profitable growth

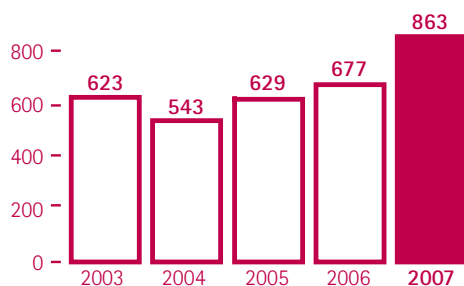
OUR VISION

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

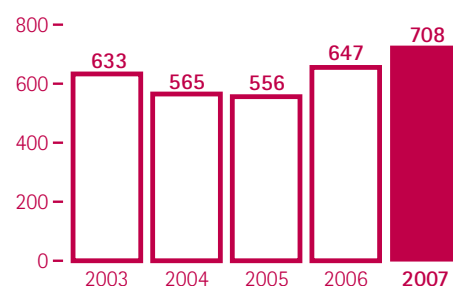
OVERVIEW OF THE SWISSLOG GROUP*

MCHF

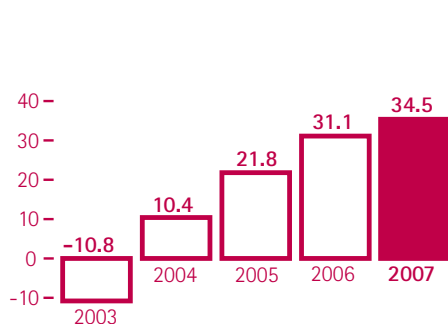
Order intake



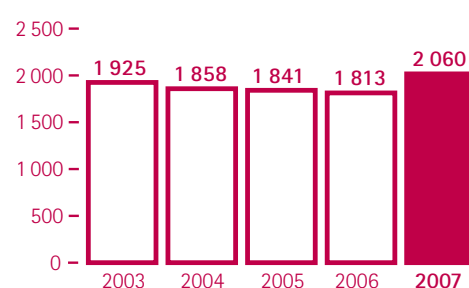
Net sales



EBITA



Employees (at year-end)



* continued operations

"We have become more powerful."

Remo Brunswiler
Chief Executive Officer



Dear Shareholders,

Swisslog reached the objectives set for the past fiscal year. We were successful, not only from a financial and strategic standpoint, but also with regard to organization, structures and processes. Swisslog's reported net profit clearly demonstrates the achievement of its planned return to profitability. Net sales once again showed growth compared to the prior year, order intake and order backlog have even reached a record high. The conditions are ready for our company to tackle the next steps on its growth path. The acquisitions of Accalon and Collett support our proven strategic direction in this regard.

Thanks to top-quality services, customer-oriented innovations, and the commitment of our employees, we again achieved important successes during the year. The four orders from Target, the US retail chain, underscored our claim of being a leading provider of integrated logistics solutions in the North American market. A highlight in Europe is the project for a new distribution center in Germany commissioned by our existing customer, dm-drogerie markt. This is the largest order that Swisslog has ever received. In Scandinavia, we intensified our presence with the acquisitions mentioned above.

The Warehouse & Distribution Solutions division fortified its position in important markets in the reporting year. In addition to the orders from Target and dm-drogerie markt already mentioned, the division won significant projects from other existing customers such as B. Braun Melsungen (Germany) and from new customers such as Thurella (Switzerland). The high level of order intake and order backlog will allow us to realize an increase in net sales during the next year as well. The acquisition of Accalon also provides us with in-house hardware components such as conveyor systems or stacker cranes, which will increase our competitiveness in the market segment for less complex projects. Our customer focus was strengthened, not least through targeted innovations. However, there is still room for improvement regarding the EBITA margin.

In Healthcare Solutions, we achieved a high level of growth in the core markets with our products for hospitals, most notably the pneumatic tube systems. The division expanded its sales markets with the installation of the first PillPick system in a hospital in Bangkok, Thailand. This demonstrates that our logistics solutions make a relevant contribution to efficiency, productivity, and—last but not least—safety in health care in very different regions. Overall,

the division posted significantly improved operating results as well as an increase in the EBITA margin.

The re-positioning of the Consulting Services/Wassermann division made an impact: the desired improvement in profitability was attained thanks to a better utilization of capacities as well as focusing on consulting and software services in the supply chain area. The turnaround was achieved with the division showing a positive operating result.

Overall, we had a pleasing business performance in 2007. Swisslog posted an improvement in operating results compared to the prior year. Operating profit before interest, taxes and amortization (EBITA) increased from MCHF 31.1 to MCHF 34.5, which corresponds to an increase of 10.9%. Operating profit at EBIT level increased by 64.3% from MCHF 21.0 to MCHF 34.5. This success was due to consistent exploitation of growth opportunities on the one hand, and concentration on profitable business on the other hand. In addition, net profit of MCHF 18.8 was no longer reduced by negative one-time effects.

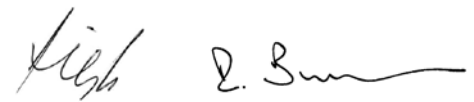
Order intake and order backlog reached record levels thanks to growth rates of 27.4% and 28.0%, respectively. Group net sales was MCHF 707.6, an increase of 9.4%. As expected, the EBITA margin grew only slightly from 4.8% to 4.9%, which is attributable to stronger growth in new business compared to the service business. The balance sheet was strengthened yet again. Swisslog's key financial figures are solid and the net cash position increased. Equity totals MCHF 156.4, corresponding to 35.2% of the balance sheet total.

Our goal for the current year is to systematically exploit the favorable conditions for further growth. We will continue our efforts to improve operational excellence in handling projects, to further strengthen our reputation as an outstanding supplier of logistics solutions, and to seize opportunities for profitable growth. We intend to develop this potential primarily through internal, i.e. organic growth. At the same time, as in the year under review, we will carefully examine options for targeted external growth and avail ourselves of these options, should the occasion arise.

In the knowledge that our expertise and performance is rooted in our employees' competence and motivation, we also paid appropriate attention in the 2007 fiscal year to investments in basic and further training programs. Our employees are a central pillar of Swisslog's success, and we would like to thank them sincerely at this point for their commitment and hard work.

We would also like to thank you, our shareholders. With your commitment as investors, you have placed your trust in us, which motivates us to continue to do our best for the further development of the company. Swisslog has strengthened its basis and reputation yet again and looks to the future with self-confidence.

Together with you, our shareholders, we will continue on Swisslog's path of profitable growth in 2008.



Hans Ziegler
Chairman of the Board
of Directors

Remo Brunchwiler
Chief Executive Officer



"Swisslog is ready for further growth."

Hans Ziegler
Chairman of the Board of Directors

"WE SEE OURSELVES AS SERVICE PROVIDERS FOR THE BENEFIT OF BOTH THE GROUP AND THE OPERATING UNITS."

LUDWIG HECHT, GROUP TAX MANAGER



Group finance staff discussing a report

Continuous growth, targeted acquisitions and adjusting structures and processes were the key points in a successful year for the SWISSLOG GROUP.

At group level, the business year 2007 was characterized by a number of central themes and initiatives. Among the most important were:

- > the acquisition of Accalon and Collett,
- > the organic, further development of business activities,
- > the creation of internal prerequisites for additional growth,
- > the build-up of management capacities, and
- > the anchoring of core values and a culture of innovation.

The acquisitions in Scandinavia were made after a careful evaluation. Accalon is a leading manufacturer of conveyor systems and stacker cranes headquartered in Boxholm, Sweden. This takeover significantly improves our competitiveness in the market segment for less complex projects. Collett, headquartered in Oslo, Norway, was previously our partner for planning, installation, and customer support for pneumatic tube systems. This purchase gives us direct access to customers in the Norwegian market. It therefore fits well with the Healthcare Solutions division's strategy to strengthen the presence in attractive European markets through selected acquisitions.

Foundations for additional growth

The two acquisitions supplemented the organic development of business activities. On the one hand, this involved strengthening our presence in promising regions, even though some of them are still limited (e.g. Asia), as well as in certain product lines (pneumatic tube systems, PillPick). On the other hand, we adjusted our organization, structures, processes, and resources with a view to additional growth: Swisslog operates in a more de-centralized way and hence even closer to the market. The projects launched last year for optimizing profitability are continuing. The workforce was increased. Investments in further training and targeted recruiting activities ensure the future availability of sufficient management capacities.

Strengthening of corporate culture

Noteworthy progress was achieved in implementing our core values of "competence", "collaboration", "commitment", and "clarity". Swisslog's corporate culture increasingly reflects these core values, indicating their acceptance. But management is aware that the internalization of values is a long-term process that can only succeed if the values are consistently exemplified.

In connection with promoting innovation, special mention should be made of our first in-house innovation contest. This contest resonated highly among

employees and showed how much creativity, competence, and motivation exist in our organization.

We have defined the following goals and measures for the individual divisions for the fiscal year 2008:

Warehouse & Distribution Solutions

- > Generate follow-up orders at key accounts
- > Improve operating result
- > Optimize the customer support business
- > Increase competitiveness with regard to less complex projects

Healthcare Solutions

- > Implement measures for profit optimization
- > Accelerate sales growth of PillPick systems
- > Make targeted acquisitions in selected geographical markets

Consulting Services/Wassermann

- > Broaden consulting activities in supply chain management
- > Further improve operating profit



WAREHOUSE & DISTRIBUTION SOLUTIONS

supplies industry-specific solutions for automated and manual warehouses and distribution centers. Its portfolio ranges from consulting services to lifetime support.

Swisslog's Warehouse & Distribution Solutions division services its customers from conception of the project, through project implementation, and on to operational support in the day-to-day operation of warehouses and distribution centers. Its services range from simple solutions for warehouse management to highly complex and fully automated logistics systems. As a general contractor for logistics systems and specialist for the required software solutions, the division expanded its global market position through the sale and implementation of a broad spectrum of projects.

The division's core markets are the wholesale and retail trades, the food, beverage, and consumer goods sector, and the pharmaceuticals industry. Logistics accounts for a substantial portion of the operating and capital investment costs in these industries. But Swisslog is also a leading supplier of customized logistics solutions in niche markets such as the banking sector.

Largest order in the history of Swisslog

Order intake developed very positively in 2007 and totaled MCHF 609.1 at the end of the fiscal year, corresponding to an increase of 43.1%. Order backlog grew by 41.8%, reaching MCHF 524.2. Net sales increased by 8.9% to MCHF 452.6 while EBITA reached MCHF 22.8, which is slightly below the value for the previous year (MCHF 23.2). The high level of order intake and order backlog will allow the division to realize an increase in net sales during the current year as well.

In North America we succeeded in expanding our business relationship launched last year with Target, one of the leading retail chains in the USA. During the course of the reporting year we received no less than four additional major orders.

In Europe, both existing customers such as B. Braun Melsungen (Germany) and new customers such as the beverage producer

Thurella (Switzerland) placed significant projects with us. Particularly noteworthy is the new distribution center that we are creating for the German drugstore chain dm-drogerie markt in Weilerswist, Germany. With a volume of around MCHF 210, this is the largest order that Swisslog has ever received. We have a longstanding business relationship with dm-drogerie markt, having already realized the dm distribution center in Waghäusel (Germany) in 2003–2004.

The acquisition of Accalon improves our competitiveness in the segment of less complex projects. This is a market segment in which conveyor systems and stacker cranes account for a high proportion of added value. The takeover of Accalon therefore delivers a significant contribution to the division's strategy of offering innovative and economic logistics solutions for the entire spectrum of automated warehouses and distribution centers.

An additional advantage lies in our ability to push ahead with the cost-efficient production of conveyor systems in China, where Accalon already operated part of its production. In addition, we expect synergies in the Scandinavian customer support business from this takeover.



"FOR SWISSLOG, TO CONSULT MEANS COMBINING TECHNICAL EXPERTISE WITH INDUSTRY KNOWLEDGE TO DEVELOP INNOVATIVE SOLUTIONS IN CLOSE INTERACTION WITH THE CLIENT."

ALEX HÄUSERMANN, SALES MANAGER



Empty pallets are supplied for coming orders (left)

Customer and consultants discuss the pros and cons of alternative scenarios (right)



Innovations for direct customer benefits

In order to increase customer benefits, we focused primarily on the following two initiatives regarding innovations in the reporting year: on the one hand, we began standardizing and codifying our proven industry solutions. This allows for a modular design of a given solution and thereby shortens the systems planning phase. Moreover, customer benefits arise via repeated implementation of the industry solutions in terms of availability, minimizing risks and optimizing costs. On the other hand, we pushed ahead with the development of a new pallet conveyor technology. This new conveyor technology, designed from scratch, boasts improved performance and offers the following two major advantages: production costs decline further while the installation and ramp-up of a facility is simplified and thus achieved faster.

Additional investments in our software

Our software product line, Warehouse-Manager and AutomationManager (WM/AM), AutomationControl (AC), and Single Point of Control (SPOC) continues to enjoy strong acceptance on the market. The universal applicability of the product line—independent of the degree of automation of a specific solution—remains a decisive competitive advantage. We made significant investments in the core components and their future enhancement for the most recent version of the software (3089). The newly developed user interface utilizing the most recent, web-based Java frameworks will be deployed during the course of 2008. A preconfigured solution for WM/AM/SPOC/AC was created in view of a rapid operational start-up of our applications. The improvement in the software's internal structure in version 3089 resulted in a striking transformation of the WM/AM components.

Extensive new control functionalities were integrated in version 3089 in order to meet the increasing requirements for light goods logistics; additional improvements are already intended for the next version (3090). The software's internal quality assurance is being continually improved in accordance with the CMMI standard (Capability Maturity Model Integrated). The software offshoring in Malaysia launched in previous years was strengthened in the past financial year.

The offshoring unit grew again and supports the activities of various Swisslog offices.

Outlook

Overall, the Warehouse & Distribution Solutions division anticipates continued positive development of the logistics market for the current year. As a late-cyclical sector, a promising course of business can be assumed, although economic setbacks observed primarily in the USA may not bypass the logistics sector without leaving a mark. Europe should therefore be an important growth engine. We will do our utmost to generate follow-up projects and customer support orders by delivering operational excellence and high-quality service. Additional focal points are the complete integration of Accalon and, related to that, increased acquisitions of less complex projects.



View of control box of stacker crane in a high-bay warehouse (left)

Swisslog's CaddyPick picking system is based on an electric monorail system (right)

Success Story

dm-drogerie markt

The corporate philosophy of dm-drogerie markt is based on people being the measure of all things—which is warranted over and over again by the company's popularity. Customers appreciate the attractive drug-store offering at favorable prices as much as the pleasing atmosphere and competent advice they are given. Over 27 000 employees work in the approximately 1 850 outlets spread over ten European countries, about 17 400 of them in Germany alone. With sales revenue of MEUR 4 015 across Europe in fiscal year 2006/2007, dm is one of the 200 largest companies based in Germany in terms of sales.

Swisslog and dm-drogerie markt unites a proven partnership. In 2003 and 2004, Swisslog already implemented a distribution center for dm in Waghäusel, south Germany, with a storage area of about 20 000 m². In December 2007, Swisslog received the order to plan and implement a new dm logistics center in Weilerswist near Cologne.

On the facility's total area of 50 000 m², an individual picking warehouse for both boxed goods and small parts as well as a high-bay warehouse will be set up. As in Waghäusel, Swisslog's CaddyPick system which is based on an electric overhead track system shall be installed in the picking area of the new logistics center. The material flow within the entire logistics center will be operated by the Swisslog material flow system, with an interface to dm's warehouse management system.

Equipped with state-of-the-art technology, Weilerswist will be one of the most modern logistics centers in Europe. The order volume is approximately MCHF 210 and represents the largest single investment in the history of dm-drogerie markt.

"Swisslog's proven expertise in major projects convinced us to entrust it with the realization of this distribution center as well."

Michael J. Kolodziej
Executive Vice-President of dm in charge of logistics



"OUR MODULAR APPROACH TO THE DESIGN OF LOGISTICS SYSTEMS ALLOWS TO GENERATE THE SOLUTION WHICH BEST FITS THE CUSTOMER'S NEEDS." JÜRGEN BÄUMLE, MANAGER SYSTEM DESIGN



The design of the material flow system is thoroughly checked to meet the complex requirements

Success Story

Denner

Denner, the leading Swiss food discounter, operates more than 430 retail outlets nationwide and employs around 3 300 people. The company also delivers to almost 300 Denner "satellites"-independent franchisers in rural areas that offer an expanded product range in addition to the Denner assortment. Denner focuses on lively competition using attractive prices and thus makes an important contribution to a high-performing food and beverage trade in Switzerland.

In order to cover the growing demand for consumer goods in the retail outlets and satellites, the company decided to expand and automate its distribution center in Mägenwil (Canton of Aargau) in 2005. Swisslog was commissioned to plan and execute the large-scale project. The goal was to triple the warehouse volume and goods throughput, at the same time increasing logistics efficiency.

The expanded distribution center began operation in the fall of 2007 as planned. The heart of the facility is the new picking warehouse with around 19 300 pallet locations. The CaddyPick system developed by Swisslog is used for picking and packing. The system is based on a computer-controlled electric monorail system and allows transport units to be filled efficiently for the individual retail outlet.

"By using the Swisslog solution we will sustainably reduce logistics costs through efficiency increases."

Arthur Mathys
Head of Logistics, Denner AG

As general contractor, Swisslog brought a wide variety of professional competence to this project: from planning and managing the necessary civil engineering work, through implementing the conveyor and picking technology, on to development of the new warehouse management system, all of these services stemmed from a single source.



HEALTHCARE SOLUTIONS

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

The Healthcare Solutions division offers first-class solutions for automating logistics in hospitals, primarily in the areas of material transport and medication management. The Automated Material Transport Systems (AMTS) product group comprises a multitude of systems for delivering supplies, medications, and specimens to and from the patient stations. The division's Automated Drug Management Systems (ADMS) focus on automating the medication processes to increase efficiency and safety in preparing and distributing medicines.

The healthcare sector around the globe is increasingly faced with rising demands for higher efficiency, quality, and safety at lower costs. Our solutions are designed at reducing both the response time as well as the number of manual tasks that arise in connection with the multitude of logistical processes in a healthcare facility. By means of faster and safer provisioning of medical attention, our systems enable better patient care.

Results reflect growth of the entire division

The division's sales growth exceeded 10% and operating profit at the EBITA level jumped by more than 20%. The two product lines Pneumatic Tube Systems (55% of net sales) and Customer Support (25% of net sales) were the most important revenue sources. The ADMS product group (around 10% revenue share), led by the PillPick system, matched its previous year's net sales but with a sharp improvement in operating profit. On a regional basis, North America contributed 62% to net sales, while Europe accounted for 35% and Asia for 3%. The division gained around 150 new customers overall.

EBITA growth significantly exceeded net sales growth in spite of higher legal fees in connection with defending a patent infringement suit. Key contribution to the improved gross margin was made by a program to optimize profits in North America that boosted efficiency and reduced costs. As in the prior year, the major portion of the division's net profit was generated in North America, while Europe showed marked improvement year-on-year; Asia attained a positive result.

Expansion of target markets

Interest in modern logistics processes in healthcare is growing, not only in Western Europe and the USA, but around the globe. This was demonstrated by increased investments, for example, in Eastern Europe, the Middle East, and countries such as China and India. The division has strengthened its sales organization in China and expanded its network of agents in Eastern Europe, the Middle East, and India in order to share in this growth.

In addition, the ADMS product line began attracting attention internationally, which was reflected in the first order for a PillPick system in Asia (Bumrungrad International Hospital in Bangkok, Thailand). Another ADMS product, BoxPicker, met with increased interest in both North America and Europe in the year under review. This product, a kind of vertical carousel storage and retrieval system, allows hospital pharmacies to securely safeguard medications that are not packed in unit dose.

The Norwegian company Collett was acquired in August 2007 as part of the division's strategy of strengthening its geographical market presence by acquiring small companies with similar product lines. Collett was formerly a partner of Swisslog for sales of pneumatic tube systems. The company was integrated into the Nordics region to increase the division's clout with its products in this important region.

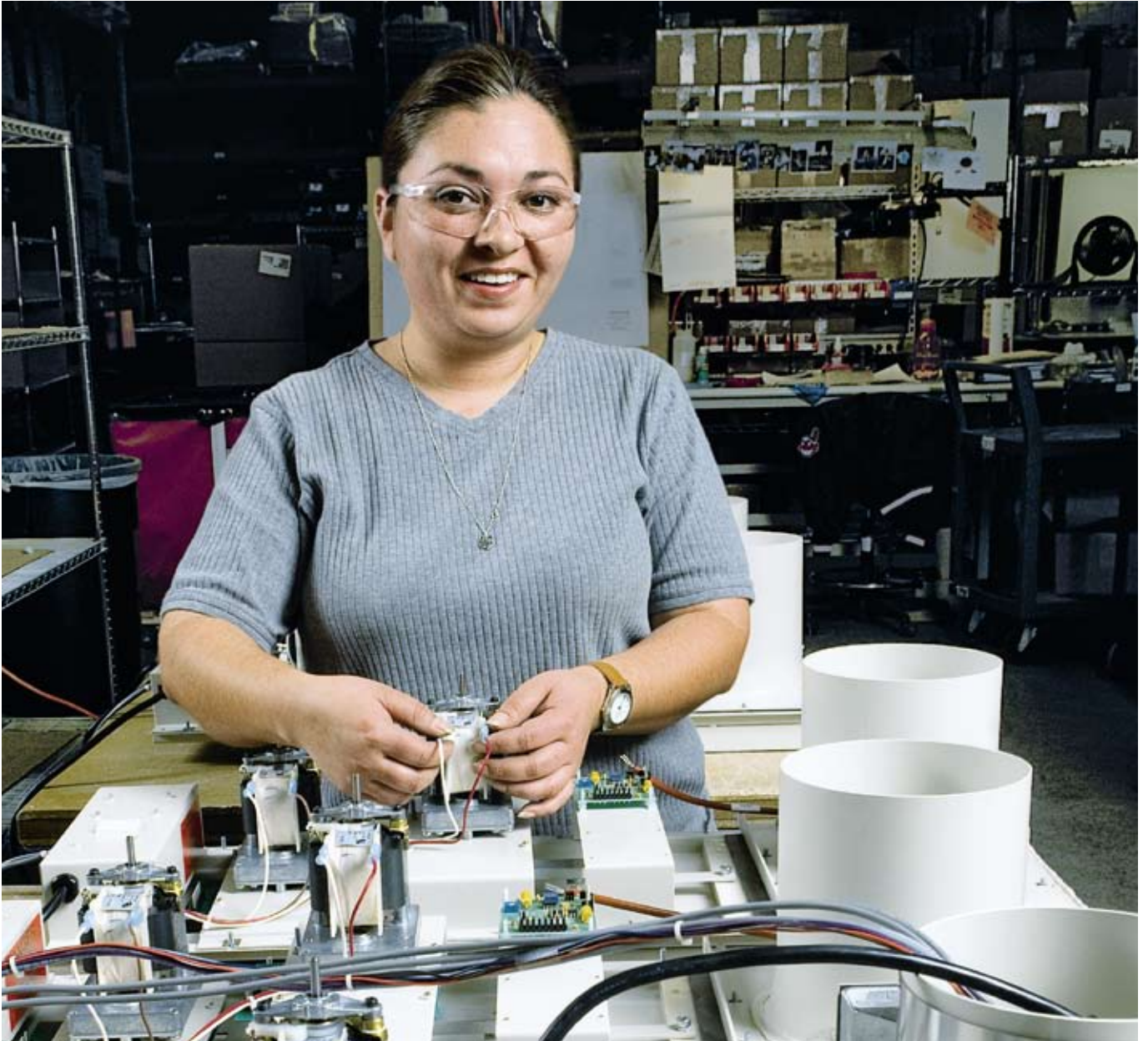


Assembly of pneumatic tube carrier (left)

Flexible and efficient in-house transportation using the UniCar track vehicle system (right)

"AS A PROVIDER OF INTEGRATED LOGISTICS SOLUTIONS,
WE IMPLEMENT TURNKEY SYSTEMS AND FACILITIES."

DARLENE Y. AGUILAR, MECHANICAL ASSEMBLY APPRENTICE



Continued emphasis on innovation and expanded product portfolio

In our product centers for pneumatic tube systems we are focusing our innovation efforts on a next generation of functionalities that meet the most pressing concerns of modern hospital operations: security, reliability, and lower noise emissions. In order to meet these requirements we are introducing innovations in both physical components and software.

To date, automated guided vehicles (AGV) have primarily been used for planned deliveries to various hospital wards. There are plans to expand this product line by introducing transport containers with a reduced load, which will allow spontaneous transport based on the needs of the respective ward.

An innovative model of the PillPick system was launched in Canada. This model uses smaller individual dose bags (55 mm) to prepare and issue refills of medicine cabinets at wards. This application has aroused the interest of various potential customers. In addition, Healthcare Solutions is

working on redesigning the basic PillPick principle as a more modular system. This is intended to introduce automation of medication in a modular manner.

While the division's emphasis lies in the healthcare market, around 20% of its revenue was generated by office solutions and the transportation of light goods. In these markets, track vehicle systems are proving to be the most versatile product line in that they enable the delivery of light goods with a payload of up to 60 kg in the greatest variety of applications. An enhanced version of the MultiCar conveyor system that allows transport both horizontally and vertically has opened new applications and generated strong interest from industrial customers. For example, we received a MultiCar order from Volkswagen for transporting bumpers in its production facility in Wolfsburg (Germany).

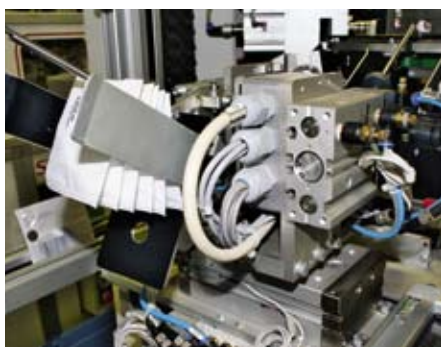
Cost awareness, increasing efficiency, and human resources development

Three of the division's product centers achieved cost savings and quality improvements by focusing on design-to-cost programs, which improve our competitive position and create greater added value for customers. These programs will be continued in the current year. Investments in basic and advanced training programs for future

managers were continued in order to ensure the availability of sufficient management resources. At the same time we are working on strengthening various management positions in Europe.

Outlook

For 2008, we expect the growth achieved in the prior year to continue at both regional and product line level. The majority of the growth will be organic, but targeted complementary acquisitions remain an integral component of the division's core strategy. Continued emphasis will be placed on innovation, expansion of the product portfolio (in particular with regard to customer support and ADMS solutions), as well as human resource development and recruitment to strengthen the management team.



Production of patient-specific daily medication (left)
 Bedside verification of patient-specific medication (right)

Success Story

William Osler Health Centre

With patient safety and well-being representing its top priority, William Osler Health Centre (WOHC) in Brampton, Ontario, Canada, has invested in the latest technologies to enhance its care quality. This investment has been extended to the pharmacy.

The new 140 000 m² Brampton Civic Hospital, part of the WOHC's family of hospitals, selected a closed-loop medication management system that packages and picks without human intervention. They selected Swisslog to install a PillPick® automated drug management system. The system packages, stores and dispenses solids, injectables, cups and syringes in bar-coded, unit dose bags. Medications are dispensed using Swisslog's patented PickRing, a flexible ring with a patient-specific, 24-hour medication order.

The PillPick system allows the 479-bed (608 by 2011/12) Brampton Civic Hospital to meet rising volume demand while reducing potential for medication errors. The PillPick robot has high-capacity storage of 53 000 unit doses. The system improves staff productivity while giving pharmacists more time to spend consulting with physicians and nurses, ensuring greater patient safety.

"Swisslog's PillPick technology represents a significant milestone in William Osler Health Centre's achievement of its medication management and patient safety goals."

Sue Alderson
Director of Pharmacy at WOHC

The Swisslog robot offers the required capacity to bar-code almost all medicines within the medication management system. Bar-coded medication provides the platform for future WOHC initiatives which include bedside verification and documentation by the nurse. Bar-coded medication is a widely recognized patient safety practice. It also enables bar code based restocking of the dispensing cabinets.

Brampton Civic Hospital has the largest PillPick system installed in Canada. The Centre Hospitalier Pierre-Le Gardeur in Montréal, Québec, has already been enjoying the advantages of this Swisslog system since 2005 and the Centre Hospitalier Universitaire de Québec, in the provincial capital, has purchased two systems to be installed in 2008.



"WE SUPPORT OUR SOLUTIONS OVER THEIR WHOLE LIFESPAN TO ENSURE THE CLIENT'S LOGISTICS SYSTEMS REMAIN RELIABLE AND UP-TO-DATE."

BRAD SMITH, ADVANCED SENIOR FIELD SERVICE ENGINEER



Success Story

University of Leipzig Hospital

Around 3 500 employees—doctors, nurses and administrative staff, as well as service providers in facilities from the kitchen to the beauty salon—look after patients' health, convalescence, and well-being at the Leipzig University Clinic. About 298 500 out-patients, 44 190 inpatients, and 2 280 partial inpatients are treated annually.

In the past decade, the Leipzig University Clinic with its 28 clinics and polyclinics has been completely modernized, including some new buildings. Additional construction measures are planned in coming years. In order to cope with this dynamic, constantly changing environment, the clinic relies on state-of-the-art systems and equipment that will ensure a high degree of flexibility and reliability.

"Swisslog's automated guided vehicles have proven themselves, thanks to their capability and reliability."

Peter Lang

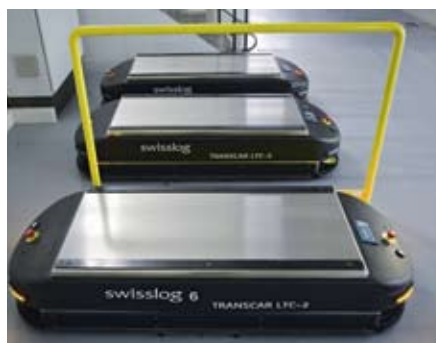
General Project Manager new hospital constructions, University of Leipzig Hospital

That is why, in 2003, the Clinic decided in favor of a Swisslog transport system using so-called automated guided vehicles to provide patients and wards with containerized goods. Three years later, based on the positive experience with the first six vehicles, which serviced the Clinic's 450-bed operating center, the decision was made to expand the system to another three buildings (the Women's and Children's Center, the Conservative Medicine Center and the Operational Logistics Center).

Today, the supply and disposal of sterile goods, medications, meals, laundry, and waste for wards with just under 1 000 beds, as well as operating rooms and central stations in the hospital is ensured by a fully-automated transport system from Swisslog. A total of 16 TransCar LTC2 vehicles function with the highest efficiency and security.

Gentle discharging of pneumatic tube carrier in the lab (left)

Effective and reliable transport of containerized goods with TransCar (right)



CONSULTING SERVICES/WASSERMANN

is a leading supplier of supply chain solutions for planning, scheduling, and optimizing supply chains.

The Consulting Services/Wassermann division further expanded its range of consulting services during the business year with a view to opening up new market segments to supplement its core business. This pertained primarily to the areas of smart manufacturing, after sales, as well as information technology.

In the year under review the division was managed jointly by Günter F. Baumann and Martin Hofer, with a focus on implementing the various measures arising from the reorganization of Wassermann AG. The realignment and the corresponding improvement in market development have shown initial successes. Net sales grew by 11.4% and the division reached a positive operating result at both EBITA and EBIT levels.

Expanded consulting portfolio

Since the beginning of the fiscal year, two distribution units have been concentrating on new customer business, on the one hand with manufacturers of pharmaceutical and life science products, and on the other with companies with discrete production. These include, for example, suppliers from industries such as engineering, automotive or high-tech/electronics, and new clients such as Hans-Hermann Bosch, Kuka Roboter, Maria Soell, Nocado or Prettl.

In the reporting year, the consulting services offered saw a market expansion and now cover large parts of the supply chain. Consulting was performed in the areas of planning & scheduling (way method), smart manufacturing, distribution and after-sales, as well as information technology. For example, the value stream of Baltic Metalltechnik in Grevesmühlen was analyzed using the smart manu-

facturing method, whereby the potential for the sustainable optimization of processes was determined. By identifying the potential for reducing the throughput time by 50% and the work-in-progress inventory by about 30%, as well as activities that do not add value, it was possible to initiate a productivity increase and cost reductions. To minimize the complexity of planning, the improvements at Baltic are currently being implemented and further developed using Kaizen methods, alongside an additional reduction in processing steps. In the after-sales business, strategic consulting projects were successfully executed with renowned customers from the automotive industry.

Various enterprise resource planning (ERP) projects can be mentioned as examples of consulting services provided in the area of information technology. An example with customers in the discrete production industry is the harmonization of a SAP system with the customer's business processes, which was brought back to the SAP standard, and then rolled out internationally. In addition, the division was commissioned with the complete introduction of an ERP/way project, which will be concluded in 2008.

Consultants in full action



Clear organization for the new positioning

To consistently exploit business opportunities in the area of supply chain management in the coming years, the division will operate with two business units. Wassermann Software Solutions continues to offer first-class software solutions and consulting for supply chain planning and scheduling. In the second unit, Wassermann Management Consultants support our customers with an expanded consulting portfolio covering the core areas of the supply chain: procurement management, smart manufacturing, distribution and after sales, as well as information technology. Our consulting approach combines the experience of practitioners from the industry with innovative concepts and extensive expertise in information technology. Both business units, however, are pursuing the same goal: supply chain excellence for our customers.

Success Story

Boehringer Ingelheim

Boehringer Ingelheim, a pharmaceutical research and manufacturing company, is currently among the leading pharma researchers internationally. In Germany, the family-owned company belongs to the top ten in the industry. Having used Wasserman AG's wayRTS Advanced Planning & Scheduling system (real-time simulation) in Germany since 2005, Boehringer Ingelheim disposes of a powerful solution for planning and scheduling the complete order life-cycle during production, packing, and quality control. The real-time supply chain management solution was deployed globally in mid-2007. It also allows the processes in multiple sites to be depicted concurrently. The rollout and upgrade, respectively, of the solution at up to ten international sites will be carried out by 2010.

The transparent overview of all current resources, as well as the fast processing of extensive quantities of data in simulation and planning, allow a precise coordination of the entire supply chain—including other locations and countries. Since the introduction of wayRTS in Ingelheim, the flexibility of the supply chain has increased significantly, alongside the optimization of inventories. This optimization potential will now be implemented systematically at additional sites.

"The real-time capability of wayRTS allows us to calculate new orders or changes in demand and their effects on the entire supply chain within seconds."

Dr. Karsten Benzing
Head of Supply Chain Processes
Boehringer Ingelheim GmbH

Quite a few locations produce not only Boehringer products, but other pharmaceuticals as a contract manufacturer for third parties. The real-time simulation capability of wayRTS allows the locations to plan-in the growing volumes of the industrial customer business at optimal cost. At the same time, they reach the high level of service that customers expect, even with short handling times.

In addition, the installation of wayRTS is a tool for Boehringer Ingelheim to support the dialog between the various supply chain partners in the plant. All functions have direct access to wayRTS. This transparency promotes trust and, together with the rapid confirmation of actual values, assists Boehringer in further increasing efficiency.

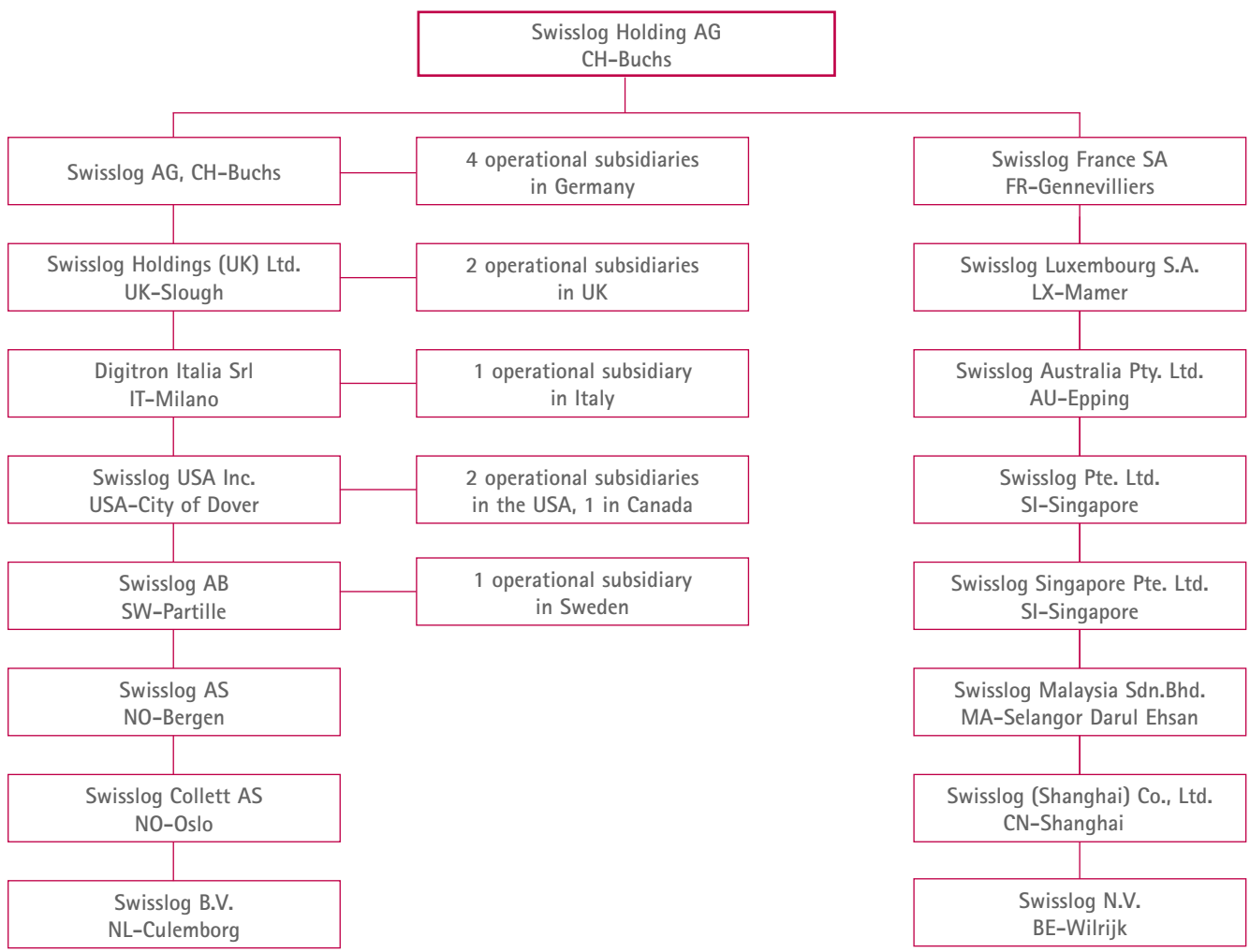


CORPORATE GOVERNANCE

Group Structure and Shareholders

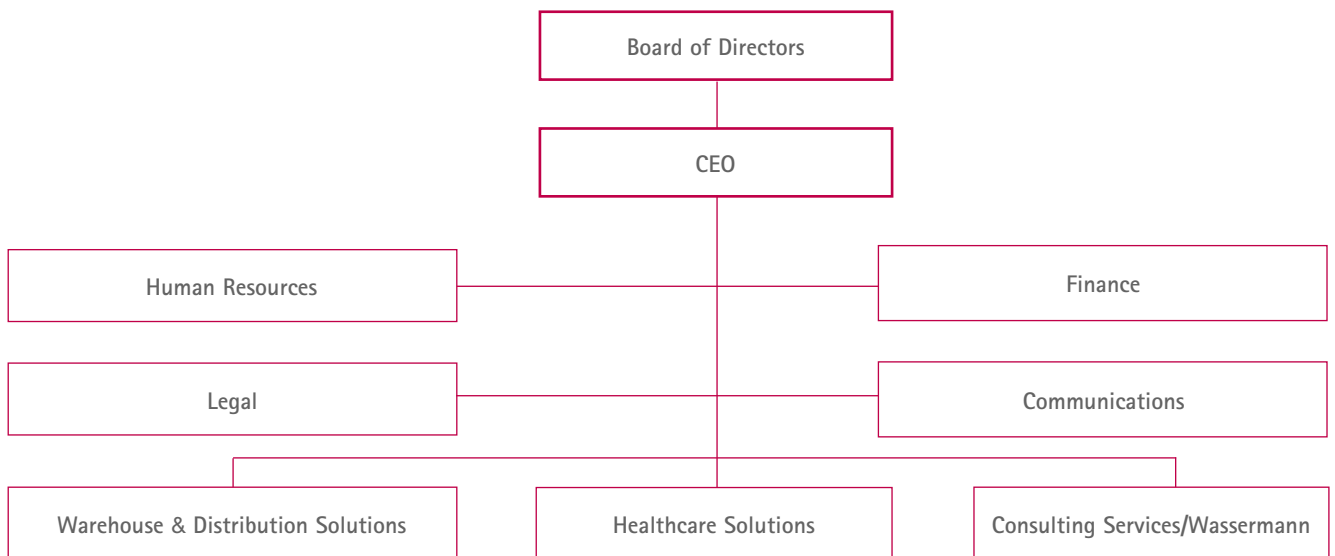
Group structure

Swisslog Holding AG, headquartered in Buchs/Aarau, Switzerland, is the ultimate parent company of the Swisslog Group. The illustration below provides an overview of the group structure. All companies of the Swisslog Group to be consolidated are itemized on page 72 (2007 Financial Report, Subsidiaries and investments).



Management structure

The Swisslog Group's operations are divided into three segments (divisions), and this is reflected in the management structure. For detailed information on the activities of individual divisions, please refer to pages 6ff. of this Annual Report. For reporting by segment according to IFRS, please refer to page 49 (2007 Financial Report, Note 2 to the Consolidated Financial Statement).



Shareholders

The registered shares of Swisslog Holding AG are traded on the main board of the SWX Swiss Exchange (Securities No.: 1 232 462). For details on the market capitalization of Swisslog Holding AG, please refer to page 73 (2007 Financial Report, Key Figures for Share Capital).

As at 31 December 2007, there were 13 250 registered shareholders entered in the share register. The registered shares are held by the public. The number of shares traded daily in 2007 averaged 1 374 197 with an average daily trading volume of CHF 2 396 000.

Significant shareholders

As at 31 December 2007 Chase Nominees Limited, London, as a nominee held 6.3% of the company's share capital. Chase Nominees Limited acts as a nominee for the shares it holds, that is, the shares were entered in its own name in the share register by order of its clients for the account of these clients. Apart from Chase Nominees Limited, no shareholder holding more than 3% or more of the company's share capital was entered in the share register as at 31 December 2007.

Valartis Bank AG, Sihlstrasse 24, 8021 Zurich, held at 31 December 2007 shares in Swisslog Holding AG reportable under Art. 20 of the Swiss Stock Exchange Act as follows (notification of Valartis Bank AG of 28 December 2007, status as at 27 December 2007): as purchase positions, Valartis Bank AG held 2 884 572 registered shares (CH12324627) representing 1.15% of the company's voting rights; 12 359 145 voting rights representing 4.92% of the company's voting rights respectively are linked to sales positions of Valartis Bank AG (in detail: SLOVO [CH0034389897]: 1 663 236 options and 831 618 voting rights; SLOVB [CH0035796349]: 1 368 344 options and 684 172 voting rights; SLOGO [CH0031413898]: 16 746 850 options and 8 373 425 voting rights; SLOVA [CH0030058348]: 4 939 860 options and 2 469 930 voting rights). This notification and previous notifications from Valartis Bank AG are published at [<http://www.swisslog.com/de/index/home/crp-investor-relations/crp-share-structure/crp-share-shareholders.htm>]. In accordance with Art. 20 of the Swiss Stock Exchange Act, the company, apart from the notification from Valartis Bank AG, received no additional disclosures from shareholders in the year under review.

Cross-shareholdings

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

Capital Structure

Shares and share capital

The share capital of Swisslog Holding AG consists of 251 276 984 registered shares with a par value of CHF 0.01. The share capital stands at CHF 2 512 769.84, all of which is fully paid up.

Neither conditional nor authorized capital exists.

Changes to the share capital

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

Limitation on transferability and nominee registrations

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

There is a nominee agreement with one nominee.

Convertible bond 2000–2009

The conversion rights attached to the Swisslog Holding AG convertible bond 2000 to 2009, securities no. 001090606, expired on 4 July 2005. No conversion rights had been exercised by the expiry date of the conversion period.

For detailed information on the bond, please refer to page 67 (Financial Report, Note 2 to the Financial Statements of Swisslog Holding AG).

Options

Swisslog Holding AG and its Group Companies did not issue any options on shares.

For employee options details, please refer to page 59 (2007 Financial Report, Note 14 to the Consolidated Financial Statements).

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 for its own account and thus causing the percentage of voting rights—whether exercisable or not—to reach, exceed or fall below the 3, 5, 10, 15, 20, 25, $33\frac{1}{3}$, 50 or $66\frac{2}{3}$ percent threshold, is required to notify Swisslog Holding AG and the Disclosure Office of the SWX Swiss Exchange accordingly.

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

Disclosure forms in English can be downloaded from
http://www.swx.com/admission/being-public/disclosure/disclosure_form_en.html.

In Accordance with Art. 21 of the Swiss Stock Exchange Act, the company, for its part, is required to publish such information it has received.

Board of Directors

Members of the Board of Directors in the year under review

In the year under review, the Board of Directors of Swisslog Holding AG, after the election of Mr. Heinz Bachmann at the General Meeting of 16 May 2007, is comprised of the following people:

	Position	In office since	Term of office expires
HANS ZIEGLER ¹	CHAIRMAN, NON-EXECUTIVE	2/26/2004	2008
JÜRIG RÜCKERT ¹	VICE-CHAIRMAN, NON-EXECUTIVE	2/26/2004	2009
HEINZ BACHMANN ²	MEMBER, NON-EXECUTIVE	5/16/2007	2010
JACQUES RÉJEANGE ²	MEMBER, NON-EXECUTIVE	2/26/2004	2009
MANFRED SCHUSTER ¹	MEMBER, NON-EXECUTIVE	6/30/2004	2008

1 Audit and Risk Management Committee; 2 HR Committee



Jürg Rückert

Jacques Réjeange

Hans Ziegler

Manfred Schuster

Heinz Bachmann

Hans Ziegler, born 1952, Swiss national

Hans Ziegler is Chairman of the Board of Directors of Swisslog Holding AG. He earned a degree as business economist (KSZ) and attended post-graduate studies in business administration and information technology at TCU Dallas-Fort Worth. After holding a number of positions, including CFO/Controller at Alcon Pharmaceuticals Cham/Fort Worth, USA, and CFO of Usego Trimerco Group as well as Globus Group, he founded a consultancy company operating in Switzerland and abroad, specializing in corporate restructuring, turnaround management, and repositioning. Hans Ziegler is also Chairman of the Board of Schlatter Holding AG and Elma Electronic AG and serves on the board of a number of other Swiss and foreign companies.

Jürg Rückert, born 1945, Swiss national

Jürg Rückert, a graduate in political science (lic. rer. pol.), owner of C.M.C. Consulting Management Coaching AG with headquarters in Pfäffikon (SZ), is Vice-Chairman of the Board of Directors. He has held various management positions in the Swiss retail sector, including various functions at Denner, and has been COO of Waro and UHC (Bon appétit Group), as well as CEO of Usego. Jürg Rückert is a member of the Board of Directors of Distributionsuisse Holding SA, Zuckerfabriken Aarberg-Frauenfeld AG, Lüchinger+Schmid AG, GROBA AG and Zellweger Consulting AG. In addition he is Vice-Chairman of the Board of Directors of réservesuisse, a member of the Board of Trustees of Max Havelaar and a member of the board of the Swiss Retail Federation and VSIG Handel.

Heinz Bachmann, born 1942, Swiss national

Heinz Bachmann holds a degree in engineering from the Fachhochschule für Textilindustrie in Reutlingen, Germany. He acted as President and CEO of Saurer Textile Systems from 1990 to 2003 and subsequently became a member of the Board of Directors of Saurer Management AG. Previously he was a director and member of the Executive Committee of Rieter, Lauffenmühle-Gruppe, and Wellington Industries. Since 1990, Heinz Bachmann is a member of the management committee of Swissmem (textile machines) and since 1995 a member of the management committee of Cematex. In addition, he is a Visiting Professor and academic consultant at Donghua University in Shanghai. Heinz Bachmann is Chairman of the Board of Directors of Santex-Gruppe, Vice-Chairman of the Board of Directors of Burckhardt Compression AG as well as a member of the Board of Directors of Hunziker AG, Grob AG and AUTO-i-DAT AG.

Jacques Réjeange, born 1940, French national

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

Manfred Schuster, born 1953, German national

Manfred Schuster has an education as industrial manager. He held various management positions at Oracle, Siemens and Deutsche Post World Net and worked for several years as managing director of small- and medium-sized IT distribution and consulting companies.

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

Elections and terms of office

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

At the General Meeting of 18 May 2005, Hans Ziegler and Manfred Schuster were reelected for a three-year term in advance of the expiration of the previous term. At the General Meeting of 17 May 2006 Jacques Réjeange and Jürg Rückert were reelected for a three-year term in advance of the expiration of the previous term. At the General Meeting of 16 May 2007, Heinz Bachmann was elected for a three-year term.

Internal organization structure and regulation of areas of responsibility

The Board of Directors has issued Bylaws that regulate the organization and methods of procedures of the Board of Directors, the delegation of management to the Executive Committee, the attribution of authority and the reporting system.

The Board of Directors is responsible for the overall governance of Swisslog Holding AG and the Swisslog Group and for overseeing the management of its affairs. The Board of Directors has the organizational and financial responsibility and determines the strategic objectives, the general ways and means to reach them and the persons to be charged with management. Accordingly, the responsibilities of the Board of Directors comprise, among other things, the determination of the strategy and the legal and management structure of the Group, the decision on the compensation of the Board of Directors, the decision on appointments to and compensation of the Executive Committee and on the basic compensation strategy of the Group, the adoption of the business plan and the annual budget, the structuring of the accounting system, of the financial controls and the financial planning as well as the system for internal control, the attribution of functions and authority between the Board of Directors and the CEO as well as the enactment of basic corporate policies.

Based on the Bylaws, the Board of Directors assigned the entire business management to the Chief Executive Officer (CEO), who assumes this function with the support of additional members of the Executive Committee. The Board of Directors has defined the financial authority of the Executive Committee and has reserved affairs that exceed this authority for approval.

The CEO is responsible for the implementation of the strategy and of the resolutions of the Board of Directors, for the organization, management, and control of the overall business and affairs, for the supervision of management, for the management of the accounting system, as well as for the reporting to the Board of Directors. He prepares proposals on the affairs of the Board of Directors, including the strategy, the organization of the Group and appointments to the Executive Committee, the business plan, and the annual budget.

The Chairman of the Board of Directors is entrusted with the management of the Board. He assures the flow of information within the Board of Directors and between the Board of Directors and the Executive Committee. He arranges the convocation and preparation of meetings and establishes the agenda. He conducts the meetings and monitors the implementation of decisions made by the Board of Directors. The Chairman is in constant contact with the CEO. The Vice-Chairman takes the place of the Chairman of the Board of Directors in his absence.

The Board of Directors is self-constituted and elects the Chairman, Vice-Chairman and members of committees from among the Board Members.

The Board of Directors holds meetings as often as it is required, but at least four times during the year. During the 2007 financial year, the Board of Directors convened eight ordinary meetings of the Board of Directors, which normally lasted about five hours. Six circular resolutions were passed. The CEO and CFO regularly attend the meetings of the Board of Directors. If needed, additional persons in charge are included for a specific agenda item. Yearly during one of its meetings, the Board of Directors focuses on one division, with the involvement of the divisional management.

Committees

The Board of Directors set up two committees to assist it in its work: the Audit & Risk Management Committee and the HR Committee. The Committees support the Board of Directors by preparing the business activities in their area of responsibility and by monitoring their implementation. They report to the Board of Directors and file proposals. The decision authority and the overall responsibility remain in the hands of the Board of Directors.

Audit & Risk Management Committee

The Audit & Risk Management Committee consists of three non-executive members: Jürg Rückert (Chairman), Hans Ziegler, and Manfred Schuster. The Committee convenes at least three times a year, reporting constantly to the Board of Directors on its activities. The primary function of the committee in the area of audits is to audit the annual financial statements and submit a recommendation on their approval to the Board of Directors. It also monitors the external auditors on behalf of the Board of Directors, their audit planning and execution, the coordination with the external auditors, the internal controlling as well as the preparation of the annual financial statements and the financial reporting. The Group auditors are required to report their findings to the Committee, whose job it is to recommend any improvements in the audit process. In the area of Risk Management, the Committee's main responsibilities are monitoring, evaluating and adjusting of the Risk Management System as well as following the development of the relevant laws and regulations affecting the Group. Permanent attendees of meetings of the Committee are the CFO, the CEO and usually the Group Risk Manager. In the year under review the Committee met three times, with meetings lasting about three hours.

HR Committee

The HR Committee consists of two non-executive members: Jacques Réjeange (Chairman) and Heinz Bachmann. The Committee convenes at least twice a year, reporting to the Board of Directors when the latter convenes. The main functions of the Committee is to monitor, on behalf of the Board of Directors, the Group's compensation strategy, compensation programs and instruments, remuneration of the Board of Directors, CEO and Executive Committee, employee benefit policy and plans, administration of employee stock ownership plans, and development and career plans, as well as to follow compensation comparisons. Permanent attendees of meetings of the Committee are the CEO and the head of Corporate Human Resources. In the year under review the HR Committee met four times, with meetings lasting about two hours.

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

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

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

Internal Audit

Internal audit carries out audits of certain companies in the Swisslog Group each year. The main focal points of the audit are determined, on the one hand, by the reports of the external auditors, and, on the other, in consultation with Group Risk Management. The internal audit reports to the Chairman of the Audit & Risk Management Committee.

Reference

For disclosure of shareholdings in Swisslog Holding AG held by members of the Board of Directors based on the requirements of the Swiss Law on Obligations, please refer to page 68 (Financial Report, Note 8 to the 2007 Financial Statement of Swisslog Holding AG).

Executive Committee

The Executive Committee consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Heads of the Warehouse & Distribution Solutions and Healthcare Solutions divisions, and the Head of Corporate Human Resources. The CEO reports to the Board of Directors. The remaining members of the Executive Committee report to the CEO. The Board of Directors appoints the members of the Executive Committee, including the CEO.

Remo Brunschwiler, born 1958, Swiss national

Remo Brunschwiler studied economics at the University of Basel and holds an MBA from INSEAD, Fontainebleau, France. He has been Chief Executive Officer of the Swisslog Group since 1 March 2003. Meanwhile, since 1 December 2007, he additionally manages the Warehouse & Distribution Solution division ad interim. Between 1996 and 2003 he headed the Euro-cargo division of Danzas. From 1989 to 1996, he was a consultant at McKinsey in Switzerland and Germany for logistics and pharmaceutical companies. He began his career as a strategic planner with Ciba-Geigy AG in Basel and as product manager for pharmaceuticals with Ciba-Geigy in Italy.

Christian Mäder, born 1969, Swiss national

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



Philipp Uschatz

Charlie Kegley

Remo Brunschwiler

Christian Mäder

Philipp Uschatz, born 1963, Swiss national

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

Charlie Kegley, born 1946, US national

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

The Warehouse & Distribution Solutions division was headed by Charles Teissonnière until 30 November 2007 (2006 Annual Report, page 29).

The members of the Executive Committee, provided there is no information given for a specific member above, apart from their positions at Swisslog do not hold significant positions in governing or supervisory committees of bodies, institutions and foundations, and they do not engage in permanent managerial or consulting functions for lobbies, nor in official functions or political office.

Management contracts

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

A management contract was agreed with Dr. Sven Bartsch in 2004 on the management of the Healthcare Solutions Europe unit and related consulting services. His mandate can be terminated at any time at short notice. In the year under review, compensation amounted to EUR 2 000 gross per day.

Reference

For disclosure of shareholdings in Swisslog Holding AG held by members of the Executive Committee based on the requirements of the Swiss Law on Obligations, please refer to page 68 (Financial Report, Note 8 to the 2007 Financial Statement of Swisslog Holding AG).

Compensation, Shareholdings and Loans

Content and method of determining compensation

Board of Directors

Directors' compensation is proposed by the HR Committee and approved by the Board. Directors' compensation is adjusted from time to time.

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

Executive Committee

The Board of Directors and the Executive Committee aim to maintain a modern compensation system, which allows the group to retain executives or win new executives with the appropriate qualifications. Furthermore, the system must align the interests of shareholders with the interests of the executives and foster a performance-oriented corporate culture.

The HR Committee proposes compensation and bonus payments relating to the members of the Executive Committee for approval by the Board of Directors. Bonus payments are based on modalities described in the section "Bonus Plan for the Executive Committee".

Cash remuneration of members of the Executive Committee consists of a fixed base salary plus an annual bonus. In the year under review, the base salary usually was 73% of the total cash compensation (CEO: 61%) and the target bonus 27% (CEO 39%).

The base salary plus the target bonus shall result in a salary that is competitive with salaries paid for comparable functions by other Swiss companies of similar size and complexity. The salaries are adjusted annually as at 1 April. The following parameters are taken into consideration when reviewing individual salaries:

- Financial situation of the group
- Individual performance and (management) conduct; both items are assessed within the scope of a standardized performance appraisal process
- Expected average salary increases in the country where the particular member of the Executive Committee is employed
- Salary levels in comparison with the market

Salary levels are checked regularly. Studies of independent companies, specialized in compensation questions, and publicly accessible salary data of selected companies in Switzerland are consulted.

Bonus plan for the Executive Committee (short-term incentive scheme)

Bonus awards are made annually and are based on the extent to which individual targets as well as financial objectives for the Group and the divisions have been achieved. The following financial objectives apply:

- Operating profit before impairment of goodwill (EBITA) or net result
- Order intake
- Average net working capital days

The use of the three parameters above ensures that profitability (EBITA/net result), growth (order intake) and the efficient use of capital (average net working capital days) are rewarded.

Bonus awards are calculated based on the audited results according to IFRS and paid out after the General Meeting of Shareholders.

Shareholders' Participation

Long-term incentive system

Today's compensation system of Swisslog does not include a long-term incentive system for the members of the Board of Directors and Executive Committee. Such a system would allow aligning the interests of these groups with the interests of the shareholders even more and keeping qualified executives in the group and if necessary be able to win new ones. Therefore, the Board of Directors is currently examining the introduction of such a plan.

Additional compensation components and employment conditions

Besides cash compensation (base salary and bonus), the members of the Executive Committee are entitled to pension and social security benefits that are legally prescribed or customary in their countries of origin. All members of the Executive Committee are also provided with a company car.

The contractual period of notice for members of the Executive Committee is maximum 12 months. For disclosures of existing clauses of change in control, please refer to page 32.

Reference

For board and executive compensation disclosure based on the requirements of the Swiss Law on Obligations, please refer to page 68 (Financial Report, Note 7 to the 2007 Financial Statement of Swisslog Holding AG).

Statutory rules on participation at the General Meeting of Shareholders

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

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

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

Statutory quorums

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

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

Convocation of the General Meeting of Shareholders and agenda

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

If one or several shareholders, who together represent at least 10% of the company's share capital request it, the Board of Directors also convenes a General Meeting of Shareholders. The request must be lodged in writing and state the subjects for discussion and proposals.

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

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

Entry in the share register

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

Change of Control and Defense Measures

Duty to make an offer

Swisslog Holding AG has waived its right to include in the Articles of Association any so-called opting-out or opting-up clause, which would limit or abrogate the obligation to make a public offer under the rules applicable since January 1, 1998 contained in Art. 32 of the Stock Exchange Act. In accordance with said Art. 32 of the Stock Exchange Act, any shareholder of Swisslog Holding AG who purchases shares in Swisslog Holding AG directly, indirectly or by mutual arrangement with a third party, and thereby exceeds the threshold of 33 $\frac{1}{3}$ % of the voting rights—whether exercisable or not—is required to submit a purchase or exchange offer to all shareholders of Swisslog Holding AG. Any such offers shall also be subject to the minimum-price rules of the Stock Exchange Act.

Clauses on changes of control

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

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

Auditors

Duration of mandate and term of office of the auditor in charge

At the Annual General Meeting on 16 May 2007, Ernst & Young AG, Basel were reelected for a one-year term of office as auditors of Swisslog Holding AG and Group auditors for the Swisslog Group.

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

Audit and other fees

Ernst & Young charged the Swisslog Group around MCHF 1.0 for auditing services and around MCHF 0.4 for additional services in the year under review.

Informational instruments pertaining to the external audit

Ernst & Young AG is regularly informed about matters dealt with by the Board of Directors and takes part in meetings of the Board of Directors' Audit & Risk Management Committee, where audit plans are approved and audit results are reported and analyzed. In the year under review, the auditors attended the three meetings of the Audit & Risk Management Committee, and attended the Meeting of the Board of Directors that discussed the year-end financial statement.

Information Policy

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

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

Key dates

End of fiscal year:	31 December
Announcement of annual results:	6 March 2008
General Meeting of Shareholders:	30 April 2008
End of half-year:	30 June
Announcement of half-year results:	19 August 2008

The exact dates can be viewed at www.swisslog.com under "Investor Relations".

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

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

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

For more contact information please refer to page 76 of this Annual Report.

Note

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

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Overview of the Swisslog Group

At 31 December	Unit	2007	2006	2005	2004	2003
Order intake	MCHF	862.9	677.3	628.6	579.4	775.7
Order backlog (at year-end)	MCHF	688.8	538.0	510.8	410.6	467.9
Net sales	MCHF	707.6	646.9	556.4	596.6	770.8
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	MCHF	41.5	37.8	28.8	16.1	-7.5
Operating profit before impairment of goodwill (EBITA)	MCHF	34.5	31.1	21.8	7.8	-44.8
Operating profit (EBIT)	MCHF	34.5	21.0	21.8	-0.5	-146.1
Net result	MCHF	18.8	-3.5	1.8	1.9	-245.9
Total assets	MCHF	443.8	435.7	432.0	415.3	440.0
Tangible and other intangible assets	MCHF	21.2	19.3	21.4	22.5	51.8
Goodwill	MCHF	90.8	88.3	100.9	94.0	108.8
Net working capital ¹ (NWC)	MCHF	-19.5	-20.1	-9.5	-31.0	-6.0
Net operating assets ² (NOA)	MCHF	88.0	81.5	103.5	73.2	133.9
Financial assets	MCHF	20.3	19.9	19.9	23.5	26.5
Net liquidity ³	MCHF	99.5	104.2	84.1	90.7	-137.0
Net cash/net debt (-) ⁴	MCHF	45.5	40.4	-42.9	-29.9	-280.4
Equity	MCHF	156.4	143.0	80.2	68.4	-121.7
Investment in tangible and intangible assets	MCHF	10.5	5.3	5.6	19.0	29.1
Depreciation and amortization	MCHF	7.0	6.7	7.0	8.3	37.4
Amortization/impairment of goodwill	MCHF	0.0	10.1	0.0	8.3	101.1
Employees (at year-end)	Employees	2 060	1 813	1 841	1 858	2 336
EBITA as % of sales (EBITA margin)	%	4.9	4.8	3.9	1.3	NA
EBITA as % of net operating assets (RONOA)	%	39.2	38.2	21.1	10.6	NA
Shares at 31 December	Thousands	251 277	251 277	179 484	179 484	15 178
Cash EPS ^{5, 6, 7}	CHF	0.08	0.04	0.05	0.13	-8.05

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

2 Net operating assets = current and non-current assets (excl. cash, cash equivalents, marketable securities, deferred tax assets and financial assets) less operating liabilities and provisions (excl. interest-bearing borrowings, deferred tax liabilities and income tax payables)

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 bonds

5 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)

6 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)

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

2007 CONSOLIDATED
FINANCIAL STATEMENTS
OF SWISSLOG GROUP

Consolidated Balance Sheet

At 31 December	Note	2007 MCHF	2006 MCHF
ASSETS			
Property, plant and equipment	3	14.0	12.7
Investment property	3	0.0	1.3
Goodwill	4	90.8	88.3
Other intangible assets	3	7.2	5.3
Deferred tax assets	13	5.9	9.9
Financial assets	5	20.3	19.9
NON-CURRENT ASSETS		138.2	137.4
Inventories	6	30.8	25.5
Trade receivables	7	106.1	111.9
Amount due from customers for construction contracts	8	38.3	36.3
Income tax receivables		4.3	3.4
Prepaid expenses and accrued income	9	18.6	12.1
Other receivables		8.0	4.9
Marketable securities	10	19.2	15.9
Cash and cash equivalents	10	80.3	88.3
CURRENT ASSETS		305.6	298.3
TOTAL ASSETS		443.8	435.7
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	2.5	2.5
Share premium		80.0	80.0
Other reserves		-31.2	-27.6
Retained earnings		105.0	88.0
Minority interest		0.1	0.1
EQUITY		156.4	143.0
Convertible bonds	12	54.0	63.8
Deferred tax liabilities	13	1.3	3.1
Other liabilities	14	8.8	9.5
NON-CURRENT LIABILITIES		64.1	76.4
Trade payables	15	64.1	69.5
Amount due to customers for construction contracts	8	65.1	68.2
Provisions	16	17.6	15.4
Income tax payables		2.0	5.5
Accrued expenses and deferred income	17	60.5	44.9
Other liabilities		14.0	12.8
CURRENT LIABILITIES		223.3	216.3
TOTAL EQUITY AND LIABILITIES		443.8	435.7

Consolidated Income Statement

1 January to 31 December	Note	2007 MCHF	2006 MCHF
NET SALES		707.6	646.9
Other operating income		3.1	0.2
Material and service expenses	18	312.8	290.0
Personnel expenses	18	259.3	228.2
Other operating expenses	18	97.1	91.1
Depreciation and amortization	3	7.0	6.7
Impairment of goodwill	4	0.0	10.1
OPERATING PROFIT (EBIT)		34.5	21.0
Financial income	19	3.7	5.0
Financial expense	19	-8.8	-19.9
RESULT BEFORE TAX		29.4	6.1
Income taxes	13	-10.6	-9.6
NET RESULT		18.8	-3.5
Attributable to:			
Equity holders of the parent		18.8	-3.5
EARNINGS PER SHARE	23	CHF	CHF
Basic earnings per share		0.07	-0.02

Consolidated Cash Flow Statement

1 January to 31 December	Note	2007 MCHF	2006 MCHF
CASH FLOW FROM OPERATING ACTIVITIES			
NET RESULT		18.8	-3.5
Adjustments for:			
Income taxes	13	10.6	9.6
Depreciation and amortization	3	7.0	6.7
Impairment of goodwill	4	0.0	10.1
Net financial result	19	5.1	14.9
Change in pension liabilities		-1.0	-1.8
Profit (-)/loss (+) from sales of tangible assets		-1.9	-0.5
Other non-cash transactions		-1.4	0.6
Income taxes paid		-13.4	-12.4
CASH FLOW BEFORE WORKING CAPITAL CHANGES		23.8	23.7
Increase (-)/decrease (+) of:			
Inventories		-1.5	1.6
Trade receivables, amount due from customers for construction contracts, prepaid expenses, accrued income and other receivables		13.5	2.3
Increase (+)/decrease (-) of:			
Trade payables		-13.0	-0.4
Amount due to customers for construction contracts		-3.8	3.5
Other liabilities and accrued expenses and deferred income		4.6	-1.6
Provisions		0.6	3.6
CASH FLOW FROM NET CURRENT ASSETS		0.4	9.0
NET CASH FLOW FROM OPERATING ACTIVITIES		24.2	32.7
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets	3	-6.9	-3.1
Investments in intangible assets	3	-3.6	-2.2
Investments in marketable securities		-2.7	-15.9
Disposal of tangible and intangible assets	3	6.0	1.2
Cash outflow on acquisition, net	1.28	-8.9	0.0
Financial assets		-0.4	0.8
Interest received		2.7	2.4
NET CASH FLOW FROM INVESTING ACTIVITIES		-13.8	-16.8
CASH FLOW FROM FINANCING ACTIVITIES			
Partial repurchase of convertible bonds	12	-13.2	-76.6
Interest paid		-1.3	-1.5
Other financial expenses paid		-1.4	-6.4
Price premium for the purchase of minority interests		-1.8	0.0
Proceeds from issue of share capital		0.0	73.2
NET CASH FLOW FROM FINANCING ACTIVITIES		-17.7	-11.3
Currency translation differences on cash and cash equivalents		-0.7	-0.4
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		-8.0	4.2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		88.3	84.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	80.3	88.3

Consolidated 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 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	5				0.2			0.2
Issue of share capital	11	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
Net result 2007						18.8		18.8
Change in fair value on available-for-sale financial assets	5				0.4			0.4
Price premium for the purchase of minority interests						-1.8		-1.8
Currency translation differences				-4.0				-4.0
AT 31 DECEMBER 2007		2.5	80.0	-31.8	0.6	105.0	0.1	156.4

Foreign Currency Exchange Rates

Currency	Country	Unit	Income Statement		Balance Sheet	
			2007	2006	2007	2006
AUD	Australia	1	1.0048	0.9448	0.9912	0.9578
CNY	China	100	15.7399	15.7878	15.4600	15.6040
DKK	Denmark	100	22.0380	21.1165	22.1300	21.5440
EUR	Europe	1	1.6410	1.5750	1.6523	1.6061
GBP	UK	1	2.3953	2.3097	2.2500	2.3926
HKD	Hong Kong	100	15.3359	16.2068	14.5300	15.6940
MYR	Malaysia	100	34.8077	34.2622	34.1800	34.5500
NZD	New Zealand	1	0.8859	0.8161	0.8669	0.8570
NOK	Norway	100	20.5118	19.5606	20.8200	19.5190
PLN	Poland	100	43.4072	40.4868	45.9000	41.8300
SEK	Sweden	100	17.7428	17.0131	17.4800	17.7940
SGD	Singapore	1	0.7941	0.7903	0.7853	0.7943
USD	USA	1	1.1962	1.2590	1.1325	1.2203
ZAR	South Africa	100	17.0018	18.6808	16.5500	17.4170

Notes to the Consolidated Financial Statements

1. Consolidation and accounting principles

1.1 General information and changes to accounting principles

General information

Swisslog's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and are in conformity with the Swiss law and the requirements of the Swiss stock exchange (SWX). The individual financial statements of the Group companies are the basis. The consolidated financial statements have been prepared under the historical cost convention, modified by balance-sheet positions measured at fair value. 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 comma except where otherwise indicated.

In order to improve the transparency the format of the balance sheet of these consolidated financial statements has been adjusted as follows: the former two positions "Prepayments" and "Prepaid expenses and accrued income" are summarized in the position "Prepaid expenses and accrued income". The split into the former two positions is presented in the notes of these consolidated financial statements.

Swisslog Holding AG is a Swiss public limited company domiciled in Buchs/Aarau.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 February 2008. The approval of the consolidated financial statements by the shareholders will take place at the Annual General Meeting.

Accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.26.

New standards and interpretations

a) Standards and interpretations effective in 2007:

IFRS 7: Disclosure of Financial Instruments

This standard replaces the disclosure rules of IAS 32 and does not have any impact on the classification and valuation of the Group's financial instruments. However, it requires additional sensitivity analyses of key financial risks.

IAS 1 (Amendment): Presentation of financial statements – capital disclosure

The amendment requires the disclosure of the Group's objectives, policies and processes for managing its capital.

IFRIC 11: Group and treasury share transactions

This interpretation provides further guidance on accounting for share-based transactions. Since the Group has currently no share plan this interpretation does not have an impact on the financial statements.

b) Standards and interpretations not yet effective:

These will be applied by the Swisslog Group when they become effective, if they are relevant for the Swisslog Group.

IFRS 2 (Amendment): Share-based payment (effective 1 January 2009)

The amendment clarifies that vesting conditions are either service conditions or performance conditions. Moreover, according to the amendment, a failure to satisfy a non-vesting condition that is with the control of the entity or the counterparty shall be accounted for as a cancellation. Swisslog Group has currently no share plan.

IFRS 3 (Revised): Business combinations (effective 1 July 2009)

The revised standard introduces several changes such as the choice to measure the non-controlling interest in the acquiree either at fair value or at its proportionate interest in the acquiree's net assets, the accounting for additional acquisitions of non controlling interests as well as the treatment of transaction costs.

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

This standard replaces IAS 14 and includes detailed disclosure requirements. The Group does not expect significant changes on the consolidated financial statements.

IAS 23 (Amendment): Borrowing costs (effective from 1 January 2009)

The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The option of immediately expensing those borrowing costs will be removed. This amendment does not have a significant impact on the Group's consolidated financial statements as there are currently no qualifying assets.

IAS 27 (Revised): Consolidated and separate financial statements (effective 1 July 2009)

The major change in the revised standard considers changes in a parent's ownership interest in a subsidiary: If the change does not result in a loss of control it will be accounted for as an equity transaction.

IFRIC 12: Service concession agreements (effective from 1 January 2008)

This interpretation applies to contractual arrangements between the public sector and private companies. IFRIC 12 has no significant relevance to the Group's operation.

IFRIC 13: Customer loyalty programs (effective from 1 July 2008)

Customer loyalty programs are customer rewards and should provide incentives for further sales. This interpretation provides clarification where goods or services are sold together with a customer loyalty incentive. Whereas customer loyalty programs are typical for other industries, this interpretation does not have a material impact for the Group.

IFRIC 14: The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008)

This interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but does not expect to have a substantial impact on the Group accounts.

1.2 Consolidated companies and principles of consolidation

The consolidated financial statements include Swisslog Holding AG and all companies over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. The list of consolidated companies is presented on page 72.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group. Intragroup transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

1.3 Foreign currencies

The functional currency of each Swisslog company is the currency of the primary economic environment in which the entity operates. 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 statements are recorded directly in equity.

1.4 Property, plant, equipment and leasing

Property, plant and equipment are measured at cost less accumulated depreciation. Costs include the purchase price plus directly related costs which occur for bringing the asset to the location and in condition necessary for it to be capable of operating in the manner intended by management. 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.

The carrying amounts and the estimated useful lives of the property, plant and equipment are annually reviewed for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Leased assets in which substantially all the risk and rewards are transferred to the Group are classified as financial leases. 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. As per end of 2007 Swisslog Group has no substantial finance lease agreements, but discloses operating leases.

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 classified its intangible assets into three categories:

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities at the time of the acquisition. The participation in the capital is based on the held shares of the acquired subsidiary. Negative goodwill (badwill) is fully recorded in the income statement at the time of the acquisition. Goodwill, allocated to the cash-generating units, is not amortized, but tested annually and in case of impairment, evaluated for its recoverability. Where an impairment exists, the carrying amount is written down immediately to its recoverable amount; the recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

b) Development expenses

Expenses incurred on development projects are recognized to the extent they fulfil certain criteria such as technical feasibility and availability of adequate resources, if the Group's intention is to finalize the product and to use or sell it, if the Group will generate future economic benefit and the costs can be measured reliably. Recognized development costs are amortized over their estimated useful life (not exceeding 5 years). 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. The capitalized development costs as per balance-sheet date mainly include internally developed software with a limited useful life.

c) Other

Licenses, software, patents, trademarks and similar rights are recognized at cost less accumulated amortization. Amortization 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.

No intangible assets with an indefinite useful life exist as per the balance-sheet date except goodwill.

1.7 Financial instruments

The Group designates its financial instruments into the following four categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition and reviews it at each balance-sheet date. Note 21 includes the overview of the existing financial instruments at Swisslog Group split into categories and classes.

a) Financial assets at fair value through profit or loss

This designation is split into two subcategories: financial assets held for trading, and those designated at fair value through profit or loss at inception (fair value option). Swisslog Group does not use the fair value option. 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. Swisslog Group uses derivatives mainly for hedging currency risk from future cash flows which arise from the project business. No hedge accounting is applied and gains or losses are directly recognized in the income statement.

b) Held-to-maturity financial instruments

Financial instruments with fixed maturity that management intends and has the ability to hold to maturity are classified as held-to-maturity financial instruments and are included in non-current assets, unless the repayment is not due within 12 months after the balance-sheet date. Swisslog Group has no held-to-maturity financial instruments as per the balance-sheet date.

c) Loans, receivables and other liabilities

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 or withholds money, goods or services directly to a debtor with no intention of trading with the receivable or payables. They are measured at amortized costs and are included in current assets, except for maturity exceeding 12 months after the balance-sheet date; these are classified as non-current assets and non-current liabilities, respectively.

d) Available-for-sale

Available-for-sale financial instruments are non-derivative financial assets which are either designated as available-for-sale financial instruments or which are not designated to any of the other categories. These are included in non-current assets unless management has the clear intention to sell them within 12 months after the balance-sheet date.

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. Held-for-trading and available-for-sale financial instruments are subsequently measured at fair value, whilst held-to-maturity financial instruments are measured 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; for sale or impairment of available-for-sale financial instruments, the accumulated fair value adjustments in equity are recycled to the income statement.

The fair value of financial assets is based on current bid prices. In case there is no active market for a financial asset and no current market prices are available, management determines the fair value using certain valuation techniques. These include the use of recent arm's length transactions or discounted cash flow analyses.

1.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Manufacturing costs comprise individual material and production costs and production overheads. Cost is determined on the basis of weighted average cost calculation. For inventories with low turnover and non-marketable goods, adjustments are made.

1.9 Trade receivables

Trade receivables are measured at amortized cost less allowances. Doubtful accounts are individually measured and impaired. Indications for an impairment are: substantial financial problems of the customer, a declaration of bankruptcy or a likely financial reorganization, or a material delay in payment. The amount of the provision is the difference between the asset's nominal amount and the net present value of estimated future cash flows and is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance.

1.10 Construction contracts

Construction contracts are medium- to long-term orders which are generally based as fixed-price contracts. Construction contracts are recognized 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 – the stage of completion – up to customer acceptance of the order (completion). Regular progress statements about the stage of completion are obtained from the suppliers and included as cost accruals in the cumulated manufacturing costs. Each individual project is either

classified as current asset or as current liability depending on the financing ratio. Identifiable losses are immediately recognized 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 and are recognized in the amount due to respectively from customers for construction contracts.

1.11 Other current assets and liabilities

Other receivables and tax receivables are measured at their net realizable value. Prepaid expenses are measured at the lower of purchase cost or realizable value.

Other short-term liabilities, accrued expenses and deferred income comprise liabilities with a maturity of less than 1 year; these are recognized at fair value.

1.12 Cash and cash equivalents, marketable securities

Cash and cash equivalents include 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 (held for trading) comprise all securities which can be readily converted into cash, including money market investments with a maturity of 3 to 12 months. These are measured at fair value and shown in the current assets. Changes of the fair value of cash, cash equivalents and marketable securities are recognized in the income statement.

1.13 Equity

The registered shares of Swisslog Holding AG are classified as equity. Treasury stocks and incremental costs directly attributable to the issue of new shares are shown in equity as a deduction. Dividends are deducted from the equity in the period in which they were approved.

1.14 Convertible bonds

The convertible bonds have been discounted using a market interest rate for equivalent non-convertible bonds at the time of the issuance; the discounted value is recorded as liability and is annually recorded as accretion expense on an amortised cost basis until maturity of the bonds. The difference between the discounted value and the nominal value has been recorded in the equity at the time of the issuance. According to IAS 39, the convertible bonds are designated as other liabilities. At a partial repurchase of the convertible bonds the difference between the carrying amount in the non-current liabilities and the repurchase price is recorded as financial expense. All conversion rights of the convertible bonds were extinguished as per 4 July 2005; up to that date no conversion rights had been exercised.

1.15 Liabilities

Other non-current liabilities include the obligations from employee benefits based on defined benefit plans (see 1.22) and are not considered as financial instruments according to IAS 39.

Trade payables include liabilities with a residual term of less than one year. They are initially recognized at fair value and subsequently measured at amortized costs.

1.16 Provisions and contingent liabilities

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. Provisions are classified as short-term when their usage is expected to occur within the usual operating cycle.

Provisions for closed projects for long-term contracts are recognized when an additional cash outflow is identifiable. Provisions for product warranties are made to the extent of the outflow of resources that can be expected during the warranty period. 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.

A contingent liability is reported, unless the possibility of any outflow of resources in connection with a liability is remote.

1.17 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.

1.18 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.

1.19 Revenue recognition

Revenue from construction contracts is based on the percentage-of-completion (POC) method (see 1.10). Maintenance revenue and interest income are recognized on a time-proportion basis. Dividend income is recognized when the right to receive payment is established.

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue includes the invoiced value for the sale of goods or services net of value-added tax, rebates and discounts.

1.20 Borrowing costs

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

1.21 Income taxes

Income taxes include paid or accrued income taxes on the relevant earnings of the individual companies, calculated in accordance with tax legislation in the respective countries.

Deferred tax liabilities are 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 taxes are 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.

1.22 Employee benefits

Swisslog Group operates mainly defined benefit pension schemes but also defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. All other pension plans are classified as defined benefit plans.

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 service-based pension 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). The plan assets are measured at fair value. The net liability recognized in the balance sheet (Other long-term liability) represents the defined benefit obligation less the fair value of the plan assets, adjusted for unrecognized actuarial gains or losses (see Note 14). Annual pension costs calculated according to actuarial principles (net periodic costs) are shown, net of employee contributions, including past pension costs (past service costs) in the income statement. Plan amendments, curtailment and settlements are recognized in 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.

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.

c) Share-based payments

Swisslog Group has no share or share option plan for its employees, management and members of the Board of Directors.

1.23 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, pension plans and shareholders with 5% or more of the votes of Swisslog Holding AG.

1.24 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 selectively uses derivative financial instruments such as forward foreign exchange contracts and short-term share options solely for the purpose of hedging economical exposures without applying hedge accounting according to IAS 39. Risk management is carried out by the central treasury department (Group Treasury) in co-ordination with the subsidiaries. All transactions are executed under policies approved by the Board of Directors.

(i) Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to AUD, EUR, GBP, NOK, NZD, SEK and USD. If the foreign exchange rates during 2007 had not changed compared to the year 2006, the financial situation would have developed as following in 2007:

	2007 (in MCHF)	2007 at unchanged foreign exchange rates compared to 2006 (in MCHF)	Deviation	
			Absolute (in MCHF)	In %
Order intake	862.9	868.1	5.2	0.6
Order backlog*	688.8	695.9	7.1	1.0
Net sales	707.6	706.6	-1.0	-0.1
EBITA	34.5	35.5	1.0	2.9

* at period-end

If the foreign exchange rates hadn't been changed in the year 2006 compared to the previous year 2005, the financial situation would have developed as following in 2006:

	2006 (in MCHF)	2006 at unchanged foreign exchange rates compared to 2005 (in MCHF)	Deviation	
			Absolute (in MCHF)	In %
Order intake	677.3	670.3	-7.0	-1.0
Order backlog*	538.0	544.4	6.4	1.2
Net sales	646.9	639.9	-7.0	-1.1
EBITA	31.1	30.8	-0.3	-1.0

* at period-end

Customer projects, net working capital and short-term loans: The Group uses selectively foreign exchange hedging instruments, transacted with its banks, to hedge 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. Changes in the major foreign exchange rates have the following impacts (MCHF):

31 December 2007	EUR +5%	EUR -5%	USD +5%	USD -5%
Impact on shareholder's equity	-3.8	+3.8	+3.2	-3.2
31 December 2006	EUR +5%	EUR -5%	USD +5%	USD -5%
Impact on shareholder's equity	-3.7	+3.7	+3.1	-3.1

(ii) Interest rate risk

The Group's net results 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. As per 31 December 2007, Swisslog Group has no borrowings from banks. Excess cash is invested in different products of the capital market (see Note 10) in accordance with policies approved by the Board of Directors and is regularly monitored by the investment board (consists of CFO and responsible persons from the treasury department). There is no quoted market price for the financial asset designated as available-for-sale. The share of financial assets exposed to interest rate risks is not material as per 31 December 2007; therefore, no interest rate sensitivity analyses are disclosed.

(iii) Credit risk

Credit risk may arise from cash and cash equivalents, deposits with banks and from trade receivables. Cash transactions among contractual parties are limited to excellent financial institutions; these need to have an independently evaluated minimum rating of "A" (Standard & Poors) in order to do business with the Swisslog Group. The Group normally has no significant concentrations of credit risk on the loans and receivables. Occasionally big construction contracts can result for a short time in an increase of the credit risk. Due to the different sizes of projects the Group has not issued generally accepted credit limits for customers. However, the credit quality of the customers is systematically monitored. Additionally, customers usually perform a pre-financing of the project; therefore, the credit risk exposure of the Group is further minimized.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash in order to secure the daily operations of the Group and the readiness to pay, respectively. A rolling liquidity forecast for four weeks respectively six

months is conducted based on the expected cash flows. It further estimates arising changes of cash flows from the project business. The rolling liquidity forecast builds the basis for the allocation of the cash within the Group. The liquidity forecast is intended to avoid short-term funding from the money or capital market as much as possible. As per balance-sheet date the situation about the available liquidity is as following:

	2007	2006
Liquidity reserves and credit facilities		
Cash and cash equivalents	80.3	88.3
Marketable securities (with maturity below one year)	19.2	15.9
Committed credit facilities	7.0	2.0
thereof used	0.0	0.0
Total liquidity and unused credit facilities	106.5	106.2
Committed guarantee lines	100.0	80.0
thereof used	50.9	75.3

b) Accounting for derivative financial instruments and hedging activities
Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently 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.

c) Fair value estimation

The fair value of publicly traded derivatives and 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.

1.25 Capital management

Swisslog Group's objectives when managing its capital are the Group's ability to continue as a going concern, to provide adequate returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors the capital structure mainly by adherence to its covenants from the guarantee facilities (see explanation in Note 16.2); these require among other things a minimum equity of MCHF 105.0 and a maximum adjusted net debt factor of 2.25.

1.26 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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the balance sheet within the next financial year are discussed below:

a) Goodwill and financial assets

Goodwill defined as intangible asset with an indefinite lifetime is at least annually tested for impairment. These calculations require an estimate of

the future cash flows of the cash-generating units to which goodwill has been allocated.

The valuation of the financial asset designated as available-for-sale is based on discounted cash flows prevailed in the business plan of this company. Especially wrong estimates and assumptions for the value-in-use calculations of the goodwill respectively for the financial asset might lead to revised assessments of the recoverability (see Notes 4 and 5).

b) Construction contracts and related provisions

The accounting for construction contracts according to the percentage-of-completion method requires a reliable determination of the project progress and the related costs. The manufacturing costs incurred to date are set in proportion to the total estimated costs which will incur up to the customer acceptance of the project. Provisions for closed construction contracts are recognized when the manufacturing costs including costs for warranty exceed the sales price of the project. Thereby, the valuation of each project is periodically analysed and updated by internal project risk reviews (see Note 8).

c) Income taxes

As per balance-sheet date, the Group has recognized deferred tax assets on tax loss carryforwards (Note 13.3). Such recognition is based on the estimated future positive development of the profits.

1.27 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 industry-specific solutions for automated, semi-automated and manual warehouses and distribution centres. 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 through lifetime customer support.

d) Headquarters/Holdings

The headquarters comprises central management and service functions.

1.28 Changes in consolidation scope

In 2007 the consolidation scope changed primarily due to the acquisition of the following two companies:

	Segment	Since	Equity interest
Accalon AB (Sweden)	Warehouse & Distribution Solutions	1 June 2007	100%
Collett AS (Norway)	Healthcare Solutions	1 September 2007	100%

After the acquisition Accalon AB and Collett AS were renamed as Swisslog-Accalon AB and Swisslog Collett AS.

a) Accalon AB

As per 1 June 2007, Swisslog Group acquired 100% of the shares of Accalon AB, Sweden. The purchase consideration amounted to MCHF 8.3. The acquired goodwill consists primarily of anticipated synergy potential between Accalon and the Warehouse & Distribution Solutions division.

Effect of acquisition

MCHF	Acquiree's carrying value	Fair value
Property, plant and equipment	2.2	2.2
Inventories	3.3	3.3
Trade receivables	14.7	14.7
Amount due from customers for construction contracts	4.3	4.3
Prepaid expenses and accrued income	2.5	2.5
Cash and cash equivalents	0.7	0.7
Deferred tax liabilities, net	0.0	-0.1
Trade payables	-8.5	-8.5
Amount due to customers for construction contracts	-3.9	-3.9
Provisions	-1.4	-1.4
Income tax payables	-0.4	-0.4
Accrued expenses and deferred income	-3.1	-3.1
Other liabilities	-5.7	-6.1
NET ASSETS ACQUIRED		4.2
Goodwill		4.1
TOTAL PURCHASE CONSIDERATION		8.3

DETAILS OF PURCHASE CONSIDERATION

Purchase price	8.0
Direct cost related to the acquisition	0.3
Total purchase consideration	8.3
Cash and cash equivalents in subsidiary acquired	-0.7
CASH OUTFLOW ON ACQUISITION, NET	7.6

If Accalon had been acquired on the first day of the business year 2007, Swisslog Group would have recorded MCHF 710.7 in consolidated net sales and a consolidated operating profit (EBIT) of MCHF 35.0. Accalon contributed an operating profit of MCHF 0.3 for the period from 1 June to 31 December 2007.

According to IAS 19 the pension plan of Accalon would qualify as a defined benefit plan. Since the plan assets of the multi-employer plan can not be allocated to the participating entities, Accalon does not have sufficient information to account for as defined benefit plan. In consequence Accalon accounts for the plan as if it were a defined contribution plan.

b) Collett AS

As per 1 September 2007, Swisslog Group acquired 100% of the shares of Collett AS, Norway. The purchase consideration amounted to MCHF 1.7. The acquired goodwill consists primarily of anticipated synergy potential between Collett and the Swisslog Healthcare Solutions division.

Effect of acquisition

MCHF	Acquiree's carrying value	Fair value
Property, plant and equipment	0.1	0.1
Inventories	0.5	0.5
Trade receivables	1.0	1.0
Deferred tax assets, net	0.0	0.1
Cash and cash equivalents	0.1	0.1
Non-current liabilities	-0.2	-0.4
Trade payables	-0.4	-0.4
Accrued expenses and deferred income	-0.1	-0.1
Other liabilities	-0.6	-0.6
NET ASSETS ACQUIRED		0.3
Goodwill		1.4
TOTAL PURCHASE CONSIDERATION		1.7

DETAILS OF PURCHASE CONSIDERATION

Purchase price	1.6
Direct cost related to the acquisition	0.1
TOTAL PURCHASE CONSIDERATION	1.7
Deferred cash payment	-0.3
Cash and cash equivalents in subsidiary acquired	-0.1
CASH OUTFLOW ON ACQUISITION, NET	1.3

If Collett had been acquired on the first day of the business year 2007, Swisslog Group would have recorded MCHF 711.0 in consolidated net sales and a consolidated operating profit (EBIT) of MCHF 34.0.

The acquired business contributed MCHF -0.1 for the period from 1 September to 31 December 2007.

In 2006, the following company has been liquidated:

	Segment	As per	Participation
Swisslog Svenska Holding AB (Sweden)	Headquarters/ Holdings	19 May 2006	100%

Page 72 "Subsidiaries and investments of Swisslog Group" provides an overview of the Group companies as per 31 December 2007.

2. Information by Segment

2.1 Division Segmentation

2007	Warehouse & Distribution Solutions	Consulting Services/Wassermann	Health-care Solutions	Head-quarters/Holdings	Elimination	Total Group
MCHF						
Order intake	609.1	12.4	241.5	0.0	-0.1	862.9
Order backlog (at year-end)	524.2	6.5	158.1	0.0	0.0	688.8
Net sales	452.6	12.7	242.4	0.0	-0.1	707.6
Net sales to third parties	452.5	12.7	242.4	0.0	0.0	707.6
Net sales internal ¹	0.1	0.0	0.0	0.0	-0.1	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	26.2	0.4	26.3	-11.4	0.0	41.5
Depreciation and amortization	3.4	0.3	3.2	0.1	0.0	7.0
Operating profit before impairment of goodwill (EBITA)	22.8	0.1	23.1	-11.5	0.0	34.5
Operating profit (EBIT)	22.8	0.1	23.1	-11.5	0.0	34.5
Goodwill	41.8	9.5	39.5	0.0	0.0	90.8
Current and non-current assets ²	167.2	12.8	140.5	8.1	-10.5	318.1
Operating liabilities and provisions ³	175.6	2.5	52.0	10.5	-10.5	230.1
Net operating assets ⁴ (NOA)	-8.4	10.3	88.5	-2.4	0.0	88.0
Investment in property, plant, equipment and intangible assets ⁵	7.1	0.1	3.0	0.3	0.0	10.5
Changes in provisions	1.4	0.0	0.4	0.4	0.0	2.2
Employees (at year-end)	1 210	47	783	20	0.0	2 060
EBITA as % of sales (EBITA margin)	5.0	0.8	9.5	NA		4.9
EBITA as % of NOA (RONOA)	NA	1.0	26.1	NA		39.2
2006						
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 ⁵	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

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, deferred tax liabilities, and income tax payables

4 Current and non-current assets less current liabilities and provisions

5 Excluding goodwill

2.2 Geographical Segmentation

MCHF	Europe		North America		Asia/Pacific		Total Group	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	392.2	375.8	232.3	212.0	83.1	59.1	707.6	646.9
Current and non-current assets ²	188.2	178.3	110.5	108.9	19.4	14.5	318.1	301.7
Investment in property, plant, equipment and intangible assets ⁵	7.5	4.0	2.4	1.1	0.6	0.2	10.5	5.3
Employees (at year-end)	1 397	1 242	399	364	264	207	2 060	1 813

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

3.1 Property, plant, equipment

2007 MCHF	Land	Buildings	Machinery/ equipment	Total
Cost at 1 January	0.4	15.4	42.0	57.8
Additions	0.0	0.7	6.2	6.9
Changes in consolidation scope	0.3	1.4	0.5	2.2
Disposals	-0.4	-8.1	-4.4	-12.9
Currency translation differences	0.0	0.0	-0.2	-0.2
COST AT 31 DECEMBER	0.3	9.4	44.1	53.8
Accumulated depreciation at 1 January	0.0	-10.9	-34.2	-45.1
Depreciation charge	0.0	-0.5	-4.8	-5.3
Accumulated depreciation on disposals	0.0	6.1	4.4	10.5
Currency translation differences	0.0	0.0	0.1	0.1
ACCUMULATED DEPRECIATION AT 31 DECEMBER	0.0	-5.3	-34.5	-39.8
TOTAL NET BOOK VALUE AT 31 DECEMBER 2007	0.3	4.1	9.6	14.0
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

In the business year 2007 properties with a carrying amount of MCHF 2.0 have been sold within the division Warehouse & Distribution Solutions; thereof a net gain of MCHF 0.6 has been realised and is recognized as other operating income. The insurance value of the property, plant and equipment was MCHF 93.9 at the end of 2007 (2006: MCHF 76.2).

3.2 Investment property

The investment property with a carrying amount of MCHF 1.3 as per 31 December 2006 has been revalued to MCHF 3.1 as per end of June 2007 and thereafter sold at this value. The fair value increase of the investment property by MCHF 1.8 which equals the net gain of the sale, is recognized as other operating income and disclosed within the division Warehouse & Distribution Solutions. Rental income from investment property in the amount of MCHF 0.1 (2006: MCHF 0.2) was partly offset by cost of MCHF 0.0 (2006: MCHF 0.1).

3.3 Other intangible assets

2007 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	8.5	11.5	20.0
Additions	3.4	0.2	3.6
Disposals	0.0	-2.6	-2.6
Currency translation differences	0.1	0.1	0.2
COST AT 31 DECEMBER	12.0	9.2	21.2
Accumulated amortization at 1 January	-4.7	-10.0	-14.7
Amortization of the current year	-1.0	-0.7	-1.7
Accumulated amortization on disposals	0.0	2.6	2.6
Currency translation differences	-0.1	-0.1	-0.2
ACCUMULATED AMORTIZATION AT 31 DECEMBER	-5.8	-8.2	-14.0
TOTAL NET BOOK VALUE AT 31 DECEMBER 2007	6.2	1.0	7.2

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

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

4. Goodwill

4.1 Goodwill balance

MCHF	Note	2007	2006
Cost at 1 January		123.7	125.2
Additions	1.28	5.5	0.0
Currency translation differences		-1.5	-1.5
COST AT 31 DECEMBER		127.7	123.7
Accumulated impairment losses at 1 January		-35.4	-24.3
Impairment		0.0	-10.1
Currency translation differences		-1.5	-1.0
ACCUMULATED IMPAIRMENT LOSSES AT 31 DECEMBER		-36.9	-35.4
TOTAL NET BOOK VALUE AT 31 DECEMBER		90.8	88.3

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

MCHF	2007				2006			
	Warehouse & Distribution Solutions	Consulting Services/ Wassermann	Health- care Solutions	Total	Warehouse & Distribution Solutions	Consulting Services/ Wassermann	Health- care Solutions	Total
CHF	7.2	0.0	2.0	9.2	7.2	0.0	2.0	9.2
EUR	3.9	9.5	12.9	26.3	3.7	9.3	12.4	25.4
USD	20.1	0.0	21.9	42.0	21.7	0.0	23.6	45.3
Others	10.6	0.0	2.7	13.3	7.0	0.0	1.4	8.4
TOTAL GOODWILL	41.8	9.5	39.5	90.8	39.6	9.3	39.4	88.3

4.2 Goodwill impairment 2007

No impairment has been recognized in the year 2007 whereas in the previous year an impairment loss of MCHF 10.1 had been recognized for Consulting Services/Wassermann.

4.3 Impairment test of goodwill as per 31 December 2007

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

The cash flows are based on the budget for the year 2008 and the business plan for the year 2009, which are both approved by the Board of Directors. The cash flows for the period of 2010 to 2012 are an extrapolation corresponding to the expected growth rate in each market. The cash flow for the residual value calculation in 2013 is based on the cash flow in the year 2012 (unchanged). For the inflation a growth rate of 1.0% is included in the calculation of the residual value. The following calculations are based on the value in use. Since the value in use exceeds the carrying amount, the determination of the fair value less cost to sell is no longer required.

Based on a cost of capital model a pre-tax discount factor has been defined to determine the present value of the future cash flows of each CGU (primary segments). Additionally, a risk premium based on the country risk and the risk of the underlying CGU has been added. Compared to the previous year, these individual discount factors per CGU increased for Warehouse & Distribution Solutions (WDS) and Healthcare Solutions (HCS) whereas it decreased for Consulting Services/Wassermann (CSW).

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

MCHF	2007			2006 (incl. periods 2007–2011 and 2009–2011, respectively)		
	Warehouse & Distribution Solutions	Consulting Services/Wassermann	Health-care Solutions	Warehouse & Distribution Solutions	Consulting Services/Wassermann	Health-care Solutions
Net sales	452.6	12.7	242.4	415.7	11.4	220.0
<i>Growth rate p.a. 2008–2012**</i>	4.8%	8.3%	5.1%	4.2%	7.8%	4.3%
EBITDA*	18.3	0.3	22.9	20.4	-0.6	17.9
<i>Growth rate p.a. 2008–2012**</i>	16.1%	47.0%	8.9%	7.8%	71.4%	10.3%
<i>Growth rate p.a. 2010–2012</i>	9.9%	31.2%	6.0%	7.2%	41.7%	8.9%
Pre-tax discount factor	10.6%	11.7%	12.5%	10.3%	13.2%	12.0%

* Headquarter cost proportionally allocated

** Year 2008 and 2009 approved by the Board of Directors

Warehouse & Distribution Solutions (WDS):

With the described plan data the value in use exceeds the goodwill by MCHF 186.0. The goodwill will still be covered – assuming unchanged plan data – if the pre-tax discount factor increases to 24% (2006: 20.3%).

Consulting Services/Wassermann (CSW):

The planned net sales and EBITDA have not been fully achieved in 2007. However, due to the measures implemented in 2006 Consulting Services/Wassermann achieved a significant improved EBITDA of MCHF 0.3 compared to the previous year of MCHF -0.6. With the described plan data above the value in use exceeds the goodwill by MCHF 0.7 as per 31 December 2007. The goodwill will still be covered – assuming unchanged growth of net sales, EBITDA and cash flows – if the pre-tax discount factor increases to 12.2% (2006: 15.5%). Furthermore, the goodwill is covered, if the growth rate in the residual value is reduced from 1.0% to 0.4%.

Healthcare Solutions (HCS):

With the described plan data the value in use exceeds the the goodwill by MCHF 141.8. The goodwill will still be covered – assuming unchanged plan data – if the pre-tax discount factor increases to 27.6% (2006: 19.6%).

Risk judgment:

The Board of Directors and the Swisslog Executive Committee consider the underlying assumptions as prudent and justifiable. Thus, the value in use of the CGU depends on the effective achievement of the expected target values. Possible deviations of the effective values could cause changes in value in use.

5. Financial assets

	2007 MCHF	2006 MCHF
Available-for-sale financial investments	13.9	13.2
Long-term interest-bearing receivables	6.4	6.7
TOTAL	20.3	19.9

5.1 Available-for-sale financial investments

The Swisslog Group holds 8.17% of shares of CPS Color Group Oy, Finland. The shares are classified as available-for-sale (since not classified as held-for-trading) and are disclosed with MCHF 13.9 (2006: MCHF 13.1) in financial assets. The increase of the investments of MCHF 0.8 includes changes in fair value of MCHF 0.4 (2006: MCHF 0.2) and currency exchange gains of MCHF 0.4 (2006: 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 favour of the bondholders.

5.2 Long-term interest-bearing receivables

	2007 MCHF	2006 MCHF
Amount recognized initially at 1 January	10.1	9.7
Additions	1.2	0.6
Disposals	-1.0	-0.4
Loan waiver	-1.4	0.0
Currency translation differences	0.2	0.2
AMOUNT RECOGNIZED INITIALLY AT 31 DECEMBER	9.1	10.1
Accumulated impairments at 1 January	-3.4	-2.5
Write-off of current year	0.0	-0.8
Loan waiver	0.8	0.0
Currency translation differences	-0.1	-0.1
ACCUMULATED IMPAIRMENTS AT 31 DECEMBER	-2.7	-3.4
TOTAL NET BOOK VALUE AT 31 DECEMBER 2006	6.4	6.7
Of which:		
Due later than one year but not later than five years	6.3	6.6
Due after five years	0.1	0.1

The long-term interest-bearing receivables include loans of MCHF 5.0 and cash collaterals of MCHF 1.4; depending on the maturity of the bank guarantee the nominal amount or a part of the nominal amount have to be deposited at the bank. They are measured at fair value which is based on a management's estimate. The net loss included in the income statement amounts to MCHF -0.5. (2006: MCHF -0.7). The average interest rate on total financial debts is 1.4% (2006: 1.0%).

6. Inventories

	2007 MCHF	2006 MCHF
Materials and supplies	16.9	12.7
Work in progress	2.6	2.5
Finished goods	11.3	10.3
TOTAL	30.8	25.5

In 2007 MCHF 0.7 (2006: MCHF 1.4) of obsolete raw materials and supplies have been written off.

7. Trade receivables

	2007 MCHF	2006 MCHF
Trade receivables	108.7	115.4
Allowance for bad debts	-2.6	-3.5
TOTAL	106.1	111.9

The following summarizes the movement in the impairment for bad debts:

	2007 MCHF	2006 MCHF
Allowance for bad debts at 1 January	-3.5	-3.2
Additions	-0.4	-1.1
Unused reversed	0.4	0.3
Used during year	0.9	0.5
ALLOWANCE FOR BAD DEBTS AT 31 DECEMBER	-2.6	-3.5

The effective bad debt losses in the past two years were approx. 0.1% of the annual net sales.

The analysis of trade receivables is as follows:

	2007 MCHF	2006 MCHF
Not overdue	63.6	55.5
Past due not more than one month	22.8	34.5
Past due more than one month and not more than two months	5.6	7.6
Past due more than two months and not more than three months	3.1	3.8
Past due more than three months and not more than six months	4.9	5.8
Past due more than six months	6.1	4.7
TOTAL NOT IMPAIRED TRADE RECEIVABLES	106.1	111.9

8. Construction contracts

	2007 MCHF	2006 MCHF
Asset:		
Contract costs recognized as expense plus recognized profits (less recognized losses)	267.1	261.8
Progress billings and advance payments from customers	-228.8	-225.5
AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS	38.3	36.3
Liability:		
Contract costs recognized as expense plus recognized profits (less recognized losses)	-158.4	-88.0
Progress billings and advance payments from customers	223.5	156.2
AMOUNT DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS	65.1	68.2
Construction contract net sales recognized in the presented period	532.1	476.3
Retentions ¹	6.5	5.2

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

9. Prepaid expenses and accrued income

	2007 MCHF	2006 MCHF
Prepaid expenses	9.0	4.5
Accrued income	9.6	7.6
TOTAL	18.6	12.1

10. Cash, cash equivalents and marketable securities

10.1 Cash and cash equivalents

	2007 MCHF	2006 MCHF
Cash at bank and on hand	74.8	76.9
Money market investments with a maturity of less than 90 days	5.5	11.4
TOTAL CASH AND CASH EQUIVALENTS	80.3	88.3

10.2 Marketable Securities

	2007 MCHF	2006 MCHF
Marketable securities – held for trading	19.2	15.9

The entire portfolio consists of short term investments which are traded regularly.
The overall asset-location is as follow:

	2007	2006
Shares	1.8	0.0
Bonds	14.4	5.0
Structured products and others	3.0	10.9
TOTAL	19.2	15.9

Marketable securities are measured at fair value which is the market value of the last trading day in the year. Unrealized gains and losses are recognized in the profit and loss statement (see Note 19).

11. Share capital

The share capital at 31 December 2007 amounts to MCHF 2.5 (2006: MCHF 2.5) and consists of 251 276 984 registered shares with a nominal value of CHF 0.01 (2006: CHF 0.01) per share. The share capital is fully paid up.

11.1 Number of shares

	2007	2006
Shares outstanding at 1 January	251 276 984	179 483 560
Capital increase through issue of new shares	0	71 793 424
Shares outstanding at 31 December	251 276 984	251 276 984

11.2 Nominal value

	2007	2006
Nominal value per share (CHF)	0.01	0.01
Share capital at 31 December (MCHF)	2.5	2.5

12. 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.

In 2007 Swisslog Holding AG has repurchased 5 483 convertible bonds in several steps with an aggregate nominal value of MCHF 13.7 and keeps them at its own; the repurchase prices were between 94.5% and 97.0%. In the previous year 31 270 convertible bonds with an aggregate nominal value of MCHF 78.2 were repurchased and destroyed as per 1 June 2006 at a fixed price of 98.0%. 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:

	2007 MCHF	2006 MCHF
LIABILITY COMPONENT AT 1 JANUARY	64.5	128.1
Interest expense before and after the partial repurchases of convertible bonds:		
Interest expense coupon interest rate 2.0%/2.5% and 1.5%/2.0%, respectively	1.4	1.7
Interest expense market interest rate applied	2.5	4.4
Effects from the partial repurchases of the bonds		
Partial repurchases of bonds against cash	-13.2	-76.6
Loss on repurchases of bonds (difference between purchase price and book value)	0.8	9.0
Release of accrued interest expenses	0.0	-1.0
Interest paid	-1.3	-1.1
TOTAL LIABILITY COMPONENT	54.7	64.5
Provision for interest payment under accrued expenses and deferred income	-0.7	-0.7
LIABILITY COMPONENT AT 31 DECEMBER	54.0	63.8

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 3.9 in 2007 (2006: MCHF 6.1).

The shares of Swisslog IP B.V. are pledged in favor of the convertible bond holders (see Note 5.1).

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 16.2) of the guarantee facilities the bonds may immediately be recalled at nominal value.

At the end of 2007 the bonds noted at the Swiss stock exchange with 97.50% (2006: 96.50%).

13. Income taxes and deferred taxes

13.1 Income taxes

	2007 MCHF	2006 MCHF
Current income taxes	8.2	11.6
Deferred taxes	2.4	-2.0
TOTAL INCOME TAXES	10.6	9.6

Current income tax includes a credit of MCHF 2.6 and vice versa deferred taxes include a debit of MCHF 2.6, both relating to previous year but in summary having no impact on total income tax. This change became due after substantial reduction of the tax base from the time of tax calculation for Group closing 2006 and the time of preparation of definitive tax declaration. This tax base reduction relates to temporary differences.

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

The applicable tax rate of 32.8% (2006: 32.2%) is a weighted Group tax rate, calculated from the income taxes based on the profits 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.

	2007 MCHF	2006 MCHF
INCOME TAXES AT THE APPLICABLE GROUP TAX RATE	9.6	2.0
Effect of applicable Group tax rate to consolidated individual applicable income taxes	2.3	3.0
Non-tax-deductible expenses and non-taxable income	0.9	5.0
Changes in recognition of tax losses	-1.8	0.3
Utilization of unrecognized tax loss carry forwards	-7.2	-3.0
Current year's losses for which no deferred tax assets are recognized	1.9	2.3
Income taxes from previous years	0.3	-0.7
Taxable events which are eliminated in Group closing	4.1	1.5
Others	0.5	-0.8
EFFECTIVE INCOME TAXES	10.6	9.6

13.3 Tax loss carry forwards

	2007 MCHF	2006 MCHF
AVAILABLE TAX LOSS CARRY FORWARDS AT 1 JANUARY	450.7	460.0
Changes due to new tax assessments	12.8	-9.7
Tax losses arising from current year	7.1	11.3
Tax losses utilized against current year profits	-33.7	-10.9
AVAILABLE TAX LOSS CARRY FORWARDS AT 31 DECEMBER	436.9	450.7

Deferred tax assets of MCHF 4.5 (2006: MCHF 2.5) were recorded in respect of available tax loss carry forwards of MCHF 16.9 (2006: MCHF 8.6). 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% (2006: 98%) of tax loss carry forwards are within Europe. Thereof MCHF 160.0 (2006: MCHF 300.0) are only limited utilizable. The reduction of the limited utilizable tax loss carry forwards is caused by the elimination of the double holding structure in Switzerland.

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

	2007 MCHF	2006 MCHF
After 1 year	0.0	0.0
After 2 years	3.1	0.0
After 3 and more years	316.1	351.5
Unlimited	100.8	90.6
TOTAL UNRECOGNIZED TAX LOSSES	420.0	442.1

13.4 Deferred taxes

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

MCHF	2007 Assets	2007 Liabilities	2007 Net	2006 Assets	2006 Liabilities	2006 Net
Tangible/intangible assets	1.5	0.5		0.9	0.2	
Inventories and work in progress	5.8	0.3		3.4	0.1	
Current receivables	0.3	1.6		0.3	2.3	
Long-term liabilities	1.5	1.7		1.7	1.0	
Provisions	1.2	0.0		1.4	0.0	
Short-term liabilities	0.9	7.0		3.9	3.7	
SUBTOTAL BY BALANCE-SHEET ITEMS	11.2	11.1	0.1	11.6	7.3	4.3
Deferred tax assets on tax loss carry forward	4.5	0.0		2.5	0.0	
Offsetting assets with liabilities	-9.8	-9.8		-4.2	-4.2	
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	5.9	1.3	4.6	9.9	3.1	6.8

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.

13.5 Investments in subsidiaries

Temporary differences associated with investments in subsidiaries, for which no deferred taxes have been recognized, amount to MCHF 30.7 (2006: MCHF 29.7). No deferred taxes had been recognized as the parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities have not been recognized for withholding tax and other taxes that would be payable on the undistributed earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested.

14. Other liabilities

	2007 MCHF	2006 MCHF
Pension schemes	7.8	9.0
Other long-term employee benefits	1.0	0.5
TOTAL	8.8	9.5

Pension schemes

Besides the statutory social security schemes there exist independent pension plans or pension insurance policies covering substantially all 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 three years (major subsidiaries annually) the obligations are reassessed by independent actuaries. The last valuations were done at effective dates between 31 December 2005 and 31 December 2007 (including all significant pension schemes).

The following is a summary of the status of the main defined benefit plans at 31 December 2007, using IAS 19 (revised) actuarial assumptions.

	2007 MCHF	2006 MCHF
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 1 JANUARY	-163.3	-151.6
Current service cost	-5.3	-5.7
Employee's contributions	-2.9	-2.5
Interest cost	-6.0	-5.5
Actuarial gains (+)/losses (-)	0.5	-2.3
Curtailement, settlement, plan amendments	0.7	0.7
Past service costs	0.0	-0.1
Benefit paid	6.0	6.3
Changes in consolidation scope	-1.5	-0.1
Currency translation differences	1.8	-2.5
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 31 DECEMBER	-170.0	-163.3
FAIR VALUE OF PLAN ASSETS AT 1 JANUARY	141.2	126.0
Expected return-on-plan assets	6.4	6.1
Employer's contributions	5.5	5.8
Employee's contributions	2.9	2.5
Actuarial gains (+)/losses (-)	-0.1	4.6
Benefit paid	-6.0	-6.3
Changes in consolidation scope	1.2	0.0
Currency translation differences	-1.9	2.5
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	149.2	141.2
Present value of benefit obligations at 31 December	-170.0	-163.3
Fair value of plan assets at 31 December	149.2	141.2
NET FUNDED STATUS	-20.8	-22.1
Present value of unfunded obligations	-0.2	-0.3
Unrecognized actuarial losses (+)/gains (-)	13.2	13.4
LIABILITY IN THE BALANCE SHEET	-7.8	-9.0
MOVEMENT IN THE LIABILITY	MCHF	MCHF
Liability recognized in balance sheet at the beginning of the period	-9.0	-10.0
Changes in consolidation scope	-0.2	0.0
Currency translation differences	-0.1	0.0
Expense for pension schemes recognized in the income statement	-4.0	-4.8
Employer's contributions	5.5	5.8
LIABILITY RECOGNIZED IN BALANCE SHEET AT THE END OF THE PERIOD	-7.8	-9.0
EXPENSE FOR PENSION SCHEMES RECOGNIZED IN THE INCOME STATEMENT	MCHF	MCHF
Current service cost	-5.3	-5.7
Interest cost	-6.0	-5.5
Expected return-on-plan assets	6.4	6.1
Net actuarial gains (+) and losses (-) recognized in the period	0.2	-0.3
Curtailement, settlement and plan amendments	0.7	0.7
Past service costs	0.0	-0.1
TOTAL, INCLUDED IN THE INCOME STATEMENT	-4.0	-4.8

Plan assets

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

	2007	2006
Equity instruments	23.9%	23.6%
Debt instruments	36.9%	38.1%
Property	10.2%	9.9%
Other ¹	29.0%	28.4%
TOTAL	100.0%	100.0%

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

Strategic pension plan asset allocations are 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 2008 are estimated at MCHF 6.0.

	MCHF	MCHF
Actual return-on-plan assets	6.3	11.1

The following shows a three-year summary reflecting the funding of defined benefit pensions and the actuarial gains and losses.

	2007 MCHF	2006 MCHF	2005 MCHF
Present value of benefit obligations at 31 December	-170.0	-163.3	-151.6
Fair value of plan assets at 31 December	149.2	141.2	126.0
NET FUNDED STATUS	-20.8	-22.1	-25.6
Experience adjustment on plan liabilities	0.5	-1.0	-0.7
Change in assumptions adjustments on plan liabilities	0.0	-1.3	-9.3
Experience adjustment on plan assets	-0.1	4.6	-0.5

ACTUARIAL ASSUMPTIONS

Discount rate	3.00%–6.00%	3.00%–5.75%
Expected return-on-plan assets	2.00%–7.50%	2.00%–7.75%
Future salary increases	1.25%–5.25%	1.25%–5.25%
Future pension-benefit increases	0.50%–3.50%	0.50%–3.50%

The total amount of contributions paid for defined contribution plans in 2007 amounts to MCHF 3.0 (2006: MCHF 2.4).

	2007 MCHF	2006 MCHF
OTHER LONG-TERM EMPLOYEE BENEFITS		
Liability at 1 January	0.5	1.1
Increase/decrease of the liability	0.5	-0.6
Liability at 31 December	1.0	0.5

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

Share-based payments

No shares or share options were offered to the employees in 2007 and 2006.

15. Trade payables

	2007 MCHF	2006 MCHF
TRADE PAYABLES	64.1	69.5

Trade payables are non-interest bearing and are generally settled on 60-day terms. They are initially recognized at fair value and subsequently measured at amortized costs which is equal to the carrying amount.

16. Provisions and contingent liabilities

16.1 Provisions

MCHF	Projects	Warranties	Current provisions		Total
			Restructuring	Other	
At 1 January 2007	7.6	5.2	0.2	2.4	15.4
Changes in consolidation scope	0.0	1.3	0.0	0.3	1.6
Additions	1.7	6.1	0.0	0.5	8.3
Unused reversed	-0.5	-1.5	0.0	-0.2	-2.2
Used during year	-2.5	-2.5	0.0	-0.5	-5.5
Currency translation differences	0.0	-0.1	0.1	0.0	0.0
AT 31 DECEMBER 2007	6.3	8.5	0.3	2.5	17.6
At 1 January 2006	2.3	4.7	1.4	3.1	11.5
Additions	6.0	2.7	0.1	1.6	10.4
Unused reversed	0.0	-0.3	0.0	-1.1	-1.4
Used during year	-0.9	-1.9	-1.3	-1.2	-5.3
Currency translation differences	0.2	0.0	0.0	0.0	0.2
AT 31 DECEMBER 2006	7.6	5.2	0.2	2.4	15.4

All provisions are classified as current because it is expected that they will be settled in the entity's normal operating cycle. The changes in consolidation scope relates to the acquisition of Accalon AB (Sweden) and Collett AS (Norway) (see Note 1.28).

A considerable part in the category projects relates to a project of the division Warehouse & Distribution Solutions in Europe and is unchanged compared to the previous year.

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

16.2 Contingent liabilities

Contingent liabilities amount to MCHF 4.8 (2006: MCHF 2.6). The major part of the contingent liabilities is related to projects 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 Group does not expect a material impact from that complaint because the PillPick sales are less than 10% of total sales of division Healthcare Solutions in 2007 and 2006, and on the other hand Swisslog Group does not believe to infringe patents from today's perspective. Swisslog defends this position.

The total amount of guarantees in favour of third parties is MCHF 123.4 at the end of 2007 (2006: MCHF 191.0).

Guarantee facilities of MCHF 100.0 (2006: MCHF 80.0) of a bank syndicate are secured by the pledge of TransLogic Corp. (USA). As per 31 December 2007, the shareholders' equity of TransLogic Corp. (USA) amounted to MCHF 32.0 (2006: MCHF 33.3).

The guarantee facilities are bonded mainly by the following covenants:

- Minimum equity of MCHF 105.0 (monthly compliance)
- Operating profit before depreciation, amortization and impairment of goodwill (EBITDA) on a 12 months rolling basis minimum MCHF 30.0; as of 30 June 2008 minimum MCHF 32.0 (quarterly compliance)
- Adjusted net debt in relation to operating profit before depreciation, amortization and impairment of goodwill (EBITDA) maximum 2.25; as of 30 June 2008 maximum 2.00 (quarterly compliance). The adjusted net debt consists of the convertible bonds (nominal value) minus fixed percentages of the issued guarantees by the banks less cash, cash equivalents and marketable securities.

In case of a breach of the covenants the banking syndicate has the right to cancel the credit facilities at any time. In the period of 2007 and 2006 Swisslog Group kept the conditions of the covenants without exception.

17. Accrued expenses and deferred income

	2007 MCHF	2006 MCHF
Personnel accruals	27.2	20.4
Business and project accruals	21.3	17.0
Tax accruals without income tax	0.6	0.6
Others	11.4	6.9
TOTAL	60.5	44.9

Income taxes are shown in Note 13, Income taxes and deferred taxes.

18. Operating expenses

	2007 MCHF	2006 MCHF
MATERIAL AND SERVICE EXPENSES		
Change in inventories	-1.5	-1.2
Material expense	294.5	279.1
Service expense	19.8	12.1
TOTAL	312.8	290.0

	2007 MCHF	2006 MCHF
PERSONNEL EXPENSE		
Wages and salaries	193.6	173.2
Social security and other personnel costs (compare with Note 14)	65.7	55.0
TOTAL	259.3	228.2

	2007 MCHF	2006 MCHF
OTHER OPERATING EXPENSES		
Other operating expense	97.1	91.1

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 2007 result includes development expenses of MCHF 11.4 (2006: MCHF 12.2).

19. Financial result

	2007 MCHF	2006 MCHF
FINANCIAL INCOME		
Interest income	2.6	3.5
Changes in the fair value of the marketable securities – held for trading	0.5	0.0
Other financial income	0.3	0.1
Foreign exchange gains	0.3	1.4
TOTAL	3.7	5.0

FINANCIAL EXPENSE		
Interest expense for the coupon of the convertible bonds	-1.4	-1.7
Interest expense for convertible bonds market interest rate applied	-2.5	-4.4
Other interest expense	-0.4	-0.4
Loss on repurchases of convertible bonds	-0.8	-9.0
Other financial expense	-2.1	-3.8
Foreign exchange losses	-1.6	-0.6
TOTAL	-8.8	-19.9

Interest income relates to interest on money market investments in CHF and foreign currencies. The position changes in the fair value of the marketable securities – held for trading includes interest income, dividends received, realized and unrealized foreign exchange gains and losses on a net basis (see Note 10.2). The portfolio with the financial instruments held for trading was only implemented at the end of 2006; therefore, there is no income for 2006. Details with respect to the partial repurchases of the convertible bond are included in Note 12 (convertible bonds). Other financial expense includes costs for the facility fee for the guarantees.

20. Operating leases

	2007 MCHF	2006 MCHF
Minimum lease payments per 31 December		
due within one year	8.6	7.6
due after one and before five years	22.3	19.8
due after five years	8.9	11.9
TOTAL	39.8	39.3

Minimum lease payments primarily include tenancy agreements. Operating leasing costs totalled MCHF 7.4 in 2007 (2006: MCHF 9.4).

21. Financial instruments by category

MCHF	Note	Held- for-trading	Loans and receivables	Available- for-sale	Other liabilities	Total
ASSETS AT 31 DECEMBER 2007						
Available-for-sale financial assets	5	0.0	0.0	13.9	0.0	13.9
Long-term interest-bearing receivables	5	0.0	6.4	0.0	0.0	6.4
Trade receivables	7	0.0	106.1	0.0	0.0	106.1
Marketable securities	10	19.2	0.0	0.0	0.0	19.2
Cash and cash equivalents	10	80.3	0.0	0.0	0.0	80.3
TOTAL		99.5	112.5	13.9	0.0	225.9
LIABILITIES AT 31 DECEMBER 2007						
Convertible bonds	12	0.0	0.0	0.0	54.0	54.0
Trade payables	15	0.0	0.0	0.0	64.1	64.1
TOTAL		0.0	0.0	0.0	118.1	118.1
ASSETS AT 31 DECEMBER 2006						
Available-for-sale financial assets	5	0.0	0.0	13.2	0.0	13.2
Long-term interest-bearing receivables	5	0.0	6.7	0.0	0.0	6.7
Trade receivables	7	0.0	111.9	0.0	0.0	111.9
Marketable securities	10	15.9	0.0	0.0	0.0	15.9
Cash and cash equivalents	10	88.3	0.0	0.0	0.0	88.3
TOTAL		104.2	118.6	13.2	0.0	236.0
LIABILITIES AT 31 DECEMBER 2006						
Convertible bonds	12	0.0	0.0	0.0	63.8	63.8
Trade payables	15	0.0	0.0	0.0	69.5	69.5
TOTAL		0.0	0.0	0.0	133.3	133.3

The above disclosed carrying amounts are reasonable approximation of fair value except the category loans and receivables which are recognized at amortized costs. The differences between the carrying amount and the fair values are not material. The net gains or net losses of some classes are disclosed in Note 19 Financial result. Within the marketable securities exists a derivative financial instrument of MCHF -0.1 which is measured at fair value.

22. Related-Party Transactions

The shares of Swisslog Holding AG are widely held. For major shareholders please refer to page 69.

No transactions were carried out with related parties in 2007.

	2007 MCHF	2006 MCHF
COST OF COMPENSATION FOR KEY MANAGEMENT		
Salaries and other short-term employee benefits	3.5	3.4
Termination benefits ¹	0.0	0.0
Post-employment benefits and insurance	0.3	0.3
TOTAL	3.8	3.7

Key Management includes the members of the Board of Directors (2007: 5/2006: 4) and the members of the executive committee (2007: 5/2006: 6).

¹ A clause of change in control in the amount of two annual compensations was agreed on with one member of the executive committee

23. Earnings per share (EPS)

	2007	2006
Net result (MCHF)	18.8	-3.5
Weighted average number of shares outstanding	251 276 984	227 893 232
Earnings per share, basic (CHF)	0.07	-0.02

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 251 276 984 (2006: 227 893 232). In 2007 and 2006 the Group did not hold any own shares.

The rights to exercise the convertible bonds expired on 4 July 2005. There are no dilutive effects in 2007 and 2006.

24. Dividends per share

At the Annual General Meeting in April 2008, no dividend distribution in respect of 2007 is to be proposed.

The dividends per share declared in respect of 2006 and 2005 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 63) of Swisslog Group for the year ended December 31, 2007.

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
(Auditor in charge)



Philip Klopfenstein
Swiss Certified Accountant

Basel, February 28, 2008

2007 FINANCIAL STATEMENTS
OF SWISSLOG HOLDING AG

Balance Sheet, Income Statement of Swisslog Holding AG

BALANCE SHEET

At 31 December

	Note	2007 ¹ TCHF	2006 TCHF
ASSETS			
Cash and cash equivalents		11 099	9 414
Marketable securities		24 749	13 007
Other assets			
Group companies		51 238	0
Third parties		609	17
Prepaid expenses and accrued income		311	3
CURRENT ASSETS		88 006	22 441
Tangible and intangible assets		275	0
Loans with Group companies		38 510	187 681
Investments in Group companies	10	181 509	0
Other financial assets	2/4	14 202	0
NON-CURRENT ASSETS		234 496	187 681
TOTAL ASSETS		322 502	210 122
EQUITY AND LIABILITIES			
Trade payables		470	0
Other liabilities			
Group companies		123 547	18 589
Third parties		108	65
Accrued expenses and deferred income		2 399	764
CURRENT LIABILITIES		126 524	19 418
Provision		887	0
Bonds/Convertible bonds 2000–2009	2	71 825	71 825
NON-CURRENT LIABILITIES		72 712	71 825
TOTAL LIABILITIES		199 236	91 243
Share capital		2 513	2 513
Statutory reserves		83 604	83 604
Retained earnings		37 149	32 762
<i>Carry forward</i>		32 762	34 764
<i>Net result</i>		4 387	-2 002
EQUITY		123 266	118 879
TOTAL EQUITY AND LIABILITIES		322 502	210 122

INCOME STATEMENT

1 January to 31 December

		2007 ¹ TCHF	2006 TCHF
INCOME			
Financial income		11 956	5 039
Dividend payments on investments		13 278	0
Fee for corporate services		8 113	0
TOTAL INCOME		33 347	5 039
EXPENSE			
Financial expense		16 309	5 824
Personnel expense		4 854	0
Other administration expense		7 077	1 162
Depreciation		123	0
TOTAL EXPENSE		28 363	6 986
Tax expenses		597	55
NET RESULT		4 387	-2 002

1 Including Swisslog Management AG, see Note 1

Notes to the 2007 Financial Statements of Swisslog Holding AG

1. Elimination of the double holding structure as per 1 January 2007

In connection with the elimination of the double holding structure the investments and the financing and management functions of the Swisslog Management AG have been transferred to the Swisslog Holding AG. Therefore, the prior year figures of the statutory financial statements have a limited comparability with the actual year.

2. Bonds/convertible bonds 2000–2009

In 2007 part of the bonds have been repurchased in the amount of TCHF 13 237 (nominal value TCHF 13 708); these are classified as non-current financial asset. 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 deadline no conversion rights were exercised.

3. Contingent liabilities

	2007 TCHF	2006 TCHF
Guarantees to third parties	50 193	94 613

Guarantee facilities of a bank syndicate are secured by the pledge of the shares of Translogic Corp. (USA) which is a subsidiary held indirectly by Swisslog Holding AG.

4. Restricted assets

	2007 TCHF	2006 TCHF
Rent deposit	965	0

5. Fire insurance value of tangible assets

	2007 TCHF	2006 TCHF
Fire insurance value of tangible assets	2 911	0

6. Liabilities due to pension plans

	2007 TCHF	2006 TCHF
Liabilities due to pension plans	46	0

7. Board and executive compensation disclosures

7.1 Compensation for current and former members of the board and the executive committee

The compensation of the members of the board and the executive committee for the year 2007 is as shown in the table (article 663b^{bis} of the Swiss Code of Obligations).

	Function	Fixed compensation in TCHF	Variable compensation ¹ in TCHF	Other costs of compensation ² in TCHF	Total 2007 in TCHF	
MEMBERS OF THE BOARD						
	Hans Ziegler	President	180	not applicable	0	180
	Jürg Rückert	Vice-president	70	not applicable	4	74
	Heinz Bachmann	Member	44 ³	not applicable	2	46
	Jacques Réjeange	Member	70	not applicable	2	72
	Manfred Schuster	Member	70	not applicable	0	70
	TOTAL		434		8	442
MEMBERS OF THE EXECUTIVE COMMITTEE						
	Remo Brunswiler	CEO	553	370	118	1 041
	Other members (4) ⁴	Members	1 226	435	234	1 895
	TOTAL		1 779	805	352	2 936
FORMER MEMBERS OF THE BOARD⁵						
	None		0	0	0	0
FORMER MEMBERS OF THE EXECUTIVE COMMITTEE⁵						
	Former member (1)	Member	145	20	26	191

1 Accrued bonus 2007 that will be paid out after the Annual General Meeting 2008

2 "Other costs of compensation" include compulsory social security contributions (e.g. Swiss AHV/IV/EO), contributions to pension schemes (in Switzerland and the USA), supplementary insurance benefits, and benefits in kind (e.g. company car)

3 The Annual General Meeting of 16 May 2007 has elected Mr. Bachmann as a new member of the board. The disclosed compensation covers the period from 16 May 2007 until 31 December 2007

4 Including compensation for one member of the executive committee who ceased acting in this capacity as per 30 November 2007. Payroll claims for 2008 (within the notice period) are not included here

5 Former members of the board and the executive committee are those persons who ceased their activity in a body of the company in 2006 or earlier. Dr. Michael Werder, who left the Board of Directors mid-2006, was paid CHF 60 000 in his capacity as bondholder representative

7.2 Loans and credits to members of the board and the executive committee

No loans, credits, or advances were granted to members of the board and the executive committee or persons closely linked to them. No such loans were outstanding as of 31 December 2007.

8. Investment in shares of Swisslog Holding AG held by members of the board and the executive committee

The table shows the number of Swisslog-shares owned by the members of the board and the executive committee (including persons closely linked to them) as per 31 December 2007 according to article 663c section 3 of the Swiss Code of Obligations.

			Number of Swisslog Shares in thousands
MEMBERS OF THE BOARD			
	Hans Ziegler	President	560
	Jürg Rückert	Vice-president	0
	Heinz Bachmann	Member	15
	Jacques Réjeange	Member	209
	Manfred Schuster	Member	0
	TOTAL		784
MEMBERS OF THE EXECUTIVE COMMITTEE			
	Remo Brunswiler	CEO, WDS Division President (ad interim)	400
	Charlie Kegley	HCS Division President	100
	Christian Mäder	CFO	0
	Dr. Philipp Uschatz	Head of Corporate HR	65
	TOTAL		565

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

Swisslog Holding AG together with 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.

10. Significant shareholders

		2007	2006
Chase Nominees Ltd., London	(Nominee)	6.3%	<5.0%

11. Investments

The investments directly held by Swisslog Holding AG are disclosed in the Annual Report on page 72 (point 1a and b).

12. Statement of changes in equity

TCHF	Share capital	Statutory reserves	Retained earnings carry forward	Retained earnings result	Equity
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
Appropriation of net loss 2006			-2 002	2 002	0
Net result 2007				4 387	4 387
AT 31 DECEMBER 2007 ¹	2 513	83 604	32 762	4 387	123 266

¹ Before appropriation

13. Appropriation of retained earnings at 31 December 2007 (proposal of the Board of Directors)

The net gain of TCHF 4 387 is appropriated to the retained earnings.

The retained earnings at 31 December 2007 of TCHF 37 149 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 66 to 69) of Swisslog Holding AG for the year ended December 31, 2007.

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
(Auditor in charge)



Philip Klopfenstein
Swiss Certified Accountant

Basel, February 28, 2008

SUBSIDIARIES AND INVESTMENTS
OF SWISSLOG GROUP

KEY FIGURES
FOR SHARE CAPITAL

CONSOLIDATED DATA
FOR THE PAST 5 YEARS

Subsidiaries and investments of Swisslog Group at 31 December 2007

Subsidiary	Registered office / Country	Consolidated on Y/M	Currency	Share capital Amount	Equity interest %
1. SUBSIDIARIES DIRECTLY HELD BY SWISSLOG HOLDING AG					
A) FULLY CONSOLIDATED MANAGEMENT AND FINANCING SUBSIDIARIES					
Swisslog IP B.V.	Amsterdam / Netherlands	99/01	EUR	0.02 Mio.	100%
Swisslog Holdings (UK) Ltd.	Slough / UK	97/12	GBP	1.01 Mio.	100%
Swisslog USA Inc.	City of Dover / USA	99/09	USD	0.00 Mio.	100%
Digitron Italia Srl	Milan / Italy	90/01	EUR	0.08 Mio.	100%
B) FULLY CONSOLIDATED OPERATIVE SUBSIDIARIES					
Swisslog AB	Partille / Sweden	97/01	SEK	10.00 Mio.	100%
Swisslog AG	Buchs / Switzerland	86/01	CHF	10.00 Mio.	100%
Swisslog AS	Bergen / Norway	98/07	NOK	0.40 Mio.	100%
Swisslog Australia Pty. Ltd.	Epping / Australia	96/01	AUD	0.00 Mio.	100%
Swisslog B.V.	Culemborg / Netherlands	86/01	EUR	0.02 Mio.	100%
Swisslog Collett AS	Oslo / Norway	07/09	NOK	4.00 Mio.	100%
Swisslog France SA	Gennevilliers / France	99/09	EUR	0.84 Mio.	100%
Swisslog Luxembourg S.A.	Mamer / Luxembourg	00/11	EUR	1.35 Mio.	100%
Swisslog Malaysia Sdn Bhd	Selangor Darul Ehsan / Malaysia	97/01	MYR	0.25 Mio.	100%
Swisslog N.V.	Wilrijk / Belgium	94/01	EUR	0.12 Mio.	100%
Swisslog Polska Sp. z o.o.	Warsaw / Poland	00/05	PLN	0.10 Mio.	100%
Swisslog Pte. Ltd.	Singapore	99/09	SGD	0.60 Mio.	95%
Swisslog (Shanghai) Co., Ltd.	Shanghai / China	04/02	USD	0.28 Mio.	100%
Swisslog Singapore Pte. Ltd.	Singapore	97/01	SGD	0.10 Mio.	100%
2. SIGNIFICANT SUBSIDIARIES NOT DIRECTLY HELD BY SWISSLOG HOLDING AG					
A) FULLY CONSOLIDATED MANAGEMENT AND FINANCING SUBSIDIARIES					
Swisslog (Deutschland) GmbH	Puchheim / Germany	89/01	EUR	3.40 Mio.	100%
B) FULLY CONSOLIDATED OPERATIVE SUBSIDIARIES					
Swisslog-Accalon AB	Boxholm / Sweden	07/06	SEK	1.00 Mio.	100%
Swisslog GmbH	Dortmund / Germany	97/12	EUR	1.00 Mio.	100%
Swisslog Healthcare (UK) Ltd.	Slough / UK	99/09	GBP	0.00 Mio.	100%
Swisslog Italia S.p.A.	Milan / Italy	89/01	EUR	0.55 Mio.	100%
Swisslog (UK) Ltd.	Slough / UK	94/01	GBP	0.25 Mio.	100%
Swisslog Logistics, Inc.	Newport News / USA	98/07	USD	0.12 Mio.	100%
Swisslog Rohrpostsysteme GmbH	Westerstede / Germany	99/09	EUR	0.50 Mio.	100%
Swisslog Teletift GmbH	Puchheim / Germany	99/09	EUR	0.84 Mio.	100%
TransLogic Corp.	Denver / USA	99/09	USD	0.00 Mio.	100%
TransLogic Ltd.	Mississauga / Canada	99/09	CAD	0.00 Mio.	100%
Wassermann AG	Munich / Germany	01/08	EUR	0.71 Mio.	100%

Key figures for share capital

	Unit	2007	2006	2005	2004	2003
Share capital	MCHF	2.5	2.5	1.8	1.8	30.3
Shares (at year-end)	Thousands	251 277	251 277	179 484	179 484	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 result	MCHF	18.8	-3.5	1.8	1.9	-245.9
Basic earnings per share	CHF	0.07	-0.02	0.01	0.02	-14.09
Cash EPS ¹	CHF	0.08	0.04	0.05	0.13	-8.05
Quoted price of registered share ²	High	CHF 2.11	1.79	1.32	6.60	12.80
	Low	CHF 1.45	1.16	0.99	0.84	1.95
Market capitalization (at year-end)	MCHF	402.0	387.0	221.2	179.5	86.1
Consolidated equity	MCHF	156.4	143.0	80.2	68.4	-121.7
Equity/registered share	CHF	0.6	0.6	0.4	0.6	-7.0
Market capitalization in % of the equity	%	257	271	276	262	NA
Price Earnings Ratio (PE Ratio) ³	Factor	21.4	58.6	122.9	17.6	NA

1 Proposal of the Board of Directors for 2007 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 5 years

CONSOLIDATED BALANCE SHEET

At 31 December	2007 MCHF	2006 MCHF	2005 MCHF	2004 MCHF	2003 MCHF
ASSETS					
Property, plant, equipment and investment property	14.0	14.0	16.0	17.2	45.1
Goodwill	90.8	88.3	100.9	94.0	108.8
Other intangible assets	7.2	5.3	5.4	5.3	6.7
Deferred tax assets	5.9	9.9	7.8	9.7	15.3
Financial assets	20.3	19.9	19.9	23.5	26.5
NON-CURRENT ASSETS	138.2	137.4	150.0	149.7	202.4
Inventories	30.8	25.5	26.7	32.7	38.0
Trade receivables, prepaid expenses/accrued income and other receivables	175.3	168.6	171.2	141.9	151.2
Cash, cash equivalents and marketable securities	99.5	104.2	84.1	91.0	48.4
CURRENT ASSETS	305.6	298.3	282.0	265.6	237.6
TOTAL ASSETS	443.8	435.7	432.0	415.3	440.0
EQUITY AND LIABILITIES					
Share capital	2.5	2.5	1.8	1.8	30.3
Reserves	153.8	140.4	78.3	66.4	-152.7
Minority interest	0.1	0.1	0.1	0.2	0.7
EQUITY	156.4	143.0	80.2	68.4	-121.7
Interest-bearing borrowings	54.0	63.8	127.0	120.6	143.4
Deferred tax liabilities	1.3	3.1	2.8	6.2	9.0
Other non-current liabilities	8.8	9.5	11.1	12.2	20.7
NON-CURRENT LIABILITIES	64.1	76.4	140.9	139.0	173.1
Trade and other payables	64.1	69.5	70.0	69.8	73.2
Advance payments from customers	65.1	68.2	65.7	53.3	24.6
Short-term borrowings	0.0	0.0	0.0	0.3	185.4
Provisions	17.6	15.4	11.5	17.7	35.3
Income tax payables	2.0	5.5	5.3	2.0	8.0
Other short-term liabilities	14.0	12.8	13.5	16.6	14.9
Accrued expenses and deferred income	60.5	44.9	44.9	48.2	47.2
CURRENT LIABILITIES	223.3	216.3	210.9	207.9	388.6
TOTAL EQUITY AND LIABILITIES	443.8	435.7	432.0	415.3	440.0
Number of consolidated operative companies	25	27	27	29	32

CONSOLIDATED INCOME STATEMENT

1 January to 31 December	2007 MCHF	2006 MCHF	2005 MCHF	2004 MCHF	2003 MCHF
Order intake	862.9	677.3	628.6	579.4	775.7
Order backlog (at year-end)	688.8	538.0	510.8	410.6	467.9
CONTINUING OPERATIONS:					
NET SALES	707.6	646.9	556.4	564.9	633.2
Other operating income	3.1	0.2	0.2	2.6	3.8
Material and service expense	312.8	290.0	222.0	234.8	294.9
Personnel expense	259.3	228.2	218.8	225.6	242.0
Depreciation, amortization and impairment	7.0	6.7	7.0	7.5	30.0
Other operating expense	97.1	91.1	87.0	89.2	80.9
Total operating expense	676.2	616.0	534.8	557.1	647.8
OPERATING PROFIT BEFORE AMORTIZATION/IMPAIRMENT OF GOODWILL (EBITA)	34.5	31.1	21.8	10.4	-10.8
Amortization/impairment of goodwill	0.0	10.1	0.0	8.3	85.0
OPERATING PROFIT (EBIT)	34.5	21.0	21.8	2.1	-95.8
Net financial result	-5.1	-14.9	-8.8	12.1	-76.8
RESULT BEFORE TAX	29.4	6.1	13.0	14.2	-172.6
Income taxes	-10.6	-9.6	-11.2	-8.1	-19.5
RESULT CONTINUING OPERATIONS AFTER TAX	18.8	-3.5	1.8	6.1	-192.1
Attributable to:					
Equity holders of the parent	18.8	-3.5	1.8	6.1	-191.2
Minority interest	0.0	0.0	0.0	0.0	-0.9
DISCONTINUED OPERATIONS:					
Net sales	0.0	0.0	0.0	32.6	169.6
Other operating income	0.0	0.0	0.0	0.1	2.5
Operating expense	0.0	0.0	0.0	-39.6	-201.4
Gain/loss on disposal of investments	0.0	0.0	0.0	4.3	-21.0
Net financial result	0.0	0.0	0.0	-0.9	-2.0
RESULT BEFORE TAX	0.0	0.0	0.0	-3.5	-52.3
Income taxes	0.0	0.0	0.0	-0.7	-1.5
RESULT DISCONTINUED AFTER TAX	0.0	0.0	0.0	-4.2	-53.8
Attributable to:					
Equity holders of the parent	0.0	0.0	0.0	-4.2	-53.8
Minority interest	0.0	0.0	0.0	0.0	0.0
NET RESULT	18.8	-3.5	1.8	1.9	-245.9
Attributable to:					
Equity holders of the parent	18.8	-3.5	1.8	1.9	-245.0
Minority interest	0.0	0.0	0.0	0.0	-0.9

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