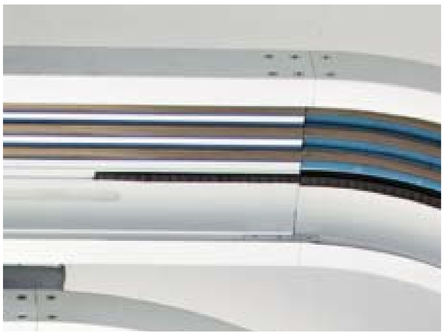


2008
ANNUAL REPORT

BUILDING ON OUR SOLUTIONS

swisslog

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, to intra-company logistics solutions for hospitals. Customers in more than 50 countries around the world rely on our decades of experience in planning and implementing integrated logistics solutions.

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

Continuing and discontinued operations

At 31 December	Unit	2008	2007	2006	2005	2004
Order intake	MCHF	610.4	862.9	677.3	628.6	579.4
Order backlog (at year-end)	MCHF	445.6	688.8	538.0	510.8	410.6
Net sales	MCHF	798.3	707.6	646.9	556.4	596.6
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	MCHF	41.5	41.5	37.8	28.8	16.1
Operating profit before impairment of goodwill (EBITA)	MCHF	35.5	34.5	31.1	21.8	7.8
Operating profit (EBIT)	MCHF	29.6	34.5	21.0	21.8	–0.5
Net result	MCHF	11.2	18.8	–3.5	1.8	1.9
Total assets	MCHF	424.9	428.6	435.7	432.0	415.3
Tangible and other intangible assets	MCHF	26.8	21.2	19.3	21.4	22.5
Goodwill	MCHF	78.1	90.8	88.3	100.9	94.0
Net working capital[1] (NWC)	MCHF	–32.2	–19.5	–20.1	–9.5	–31.0
Net operating assets[2] (NOA)	MCHF	64.5	88.0	81.5	103.5	73.2
Financial assets	MCHF	7.8	20.3	19.9	19.9	23.5
Net liquidity[3]	MCHF	75.4	99.5	104.2	84.1	90.7
Net cash/net debt (–)[4]	MCHF	75.4	45.5	40.4	–42.9	–29.9
Equity	MCHF	148.5	156.4	143.0	80.2	68.4
Investment in tangible and intangible assets	MCHF	14.1	10.5	5.3	5.6	19.0
Depreciation and amortization	MCHF	6.0	7.0	6.7	7.0	8.3
Amortization/impairment of goodwill	MCHF	5.9	0.0	10.1	0.0	8.3
Employees (at year-end)	Employees	2 239	2 060	1 813	1 841	1 858
EBITA as % of sales (EBITA margin)	%	4.4	4.9	4.8	3.9	1.3
EBITA as % of net operating assets (RONOA)	%	55.0	39.2	38.2	21.1	10.6
Shares at 31 December	Thousands	251 277	251 277	251 277	179 484	179 484
Cash EPS[5, 6, 7]	CHF	0.08	0.08	0.04	0.05	0.13

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

2008: KEY POINTS IN BRIEF

> **Operational improvements** Net sales increased, EBITA slightly higher

> **Streamlining of strategic portfolio** Consulting Services/Wassermann division business sold

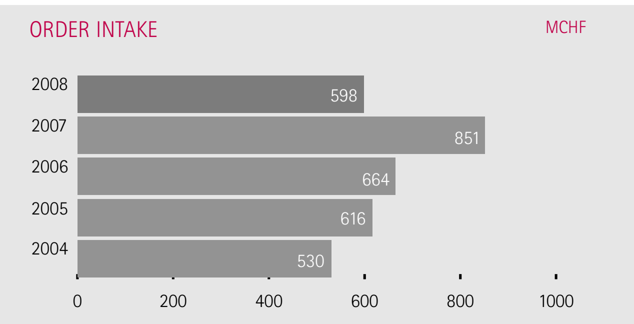
> **Targeted acquisitions** Market position strengthened by takeover of Ergotrans

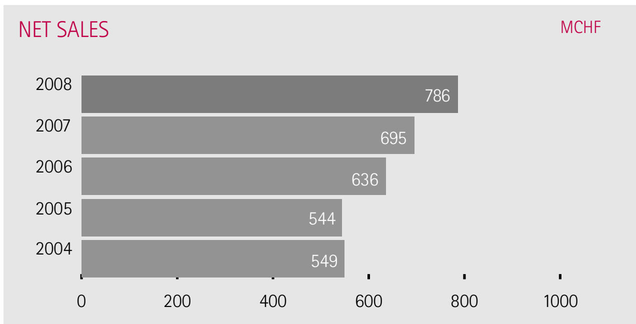
> **Long-term customer relations** Once again major project acquired from existing customer

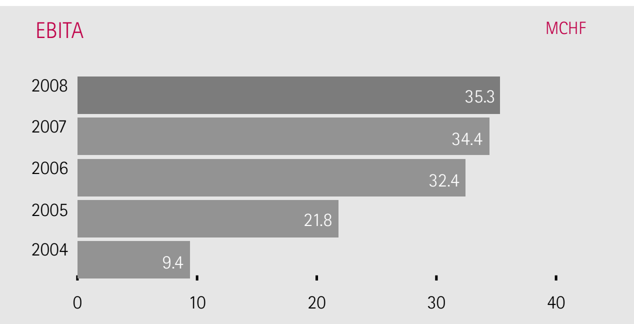
> **Strengthening of management capacities** Heads of WDS division, WDS Scandinavia and Corporate Development appointed

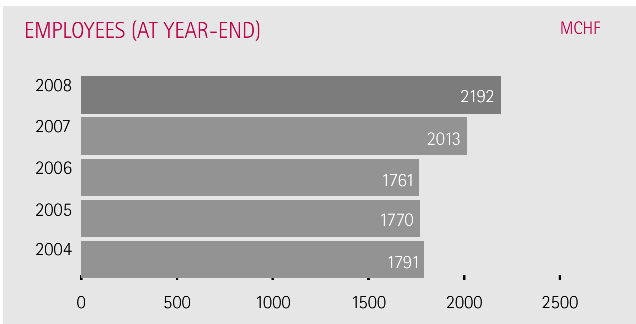
> **Prepared for a more difficult environment** Flexible structures and lean organization created

OVERVIEW OF SWISSLOG*









* continuing operations

BUILDING ON OUR SOLUTIONS

The success of Swisslog is based on integrated logistics solutions we develop and implement for our customers. And we are building the future on the trust that our customers place in us.

In a series of double-page spreads, this Annual Report displays selected logistics solutions that are representative of Swisslog's offering to customers and business partners.

WWW.SWISSLOG.COM

CONTENTS







Top left (front page): detail of an electric track vehicle system routed along the ceiling.
Lower right (back page): close-up view of the CaddyPick picking solution.
Other pictures: see captions on respective double page.

SHAREHOLDERS' LETTER

Dear Shareholder

For Swisslog too, the past year was marked by turmoil on the financial markets and the start of the global recession. Nevertheless, we managed to achieve several important objectives. Net sales once again increased year-on-year, and operating profit (EBITA) was slightly improved. With the acquisition of Ergotrans the tried and tested strategic focus was reinforced. In an increasingly uncertain environment, the fact that we were able to renew our bank guarantee line on attractive terms for a longer maturity is a sure sign of the confidence lenders place in Swisslog.

In addition, our prudent resource management is paying off. Swisslog has a solid balance sheet and significant net cash. On the one hand, this gives us considerable entrepreneurial scope: Swisslog can make plans for the more difficult times ahead without having to take out loans or other forms of debt. On the other hand, the Board of Directors proposes to make a dividend payment.

“Swisslog is well equipped for the future.“

Hans Ziegler, Chairman of the Board of Directors

In the year under review, despite increasingly difficult conditions, the Warehouse & Distribution Solutions division was able to acquire a major order from an existing customer, the leading Norwegian retail group NorgesGruppen. Also, the attractive customer support business grew in line with the target set. However, the consistent improvement of margins, namely for new business, remains a priority task for the division.

The Healthcare Solutions division managed to keep up the trend from previous years in its core markets with its products for hospitals, especially pneumatic tube systems. Once again the division reported an improved operating result and a higher EBITA margin.

In December 2008 the business of the Consulting Services/ Wassermann division was acquired by its management team, completing the planned divestment of this non-strategic business and the streamlining of the Swisslog portfolio.

The worsening business environment left its mark on the 2008 results. Moreover, negative currency effects reduced the operating result and net profit. Swisslog was able to grow operating profit from continuing operations before interest, tax and goodwill amortization (EBITA) slightly from MCHF 34.4 to MCHF 35.3. The financial result fell because of the crisis, but at MCHF 17.9, profit from continuing operations was only marginally below last year’s level of MCHF 18.6. However, the Group net result decreased to MCHF 11.2 owing to the book loss incurred on the disposal of Consulting Services/ Wassermann.

“We have lean and flexible structures.”

Remo Brunschwiler, Chief Executive Officer

The economic slump which set in during the second half of the year is reflected in order intake and order backlog; these finished the year at MCHF 598.0 (-29.7%) and MCHF 445.6 (-34.7%) respectively, for continuing operations. Apart from the cyclical effect it is also worth noting that order intake was exceptionally high in 2007 because of a major order from dm-drogerie markt (over MCHF 200). At MCHF 786.1 (+13.1%), net sales rose as projected. The EBITA margin fell from 5.0% the previous year to 4.5%, due to higher initial investments in innovative projects in Warehouse & Distribution Solutions as well as the changed proportion of new business and customer support business. The balance sheet and key financial ratios are solid: net cash rose markedly to MCHF 75.4 (MCHF 45.5) and equity stands at MCHF 148.5, giving an equity ratio of 34.9%.

An adjustment to the company strategy on the basis of recent developments is not indicated. The major challenge for 2009 lies in ensuring we use our flexible structures to manage uncertainties or delays in the course of business, both as regards results and organization – and without compromising on quality or customer satisfaction. Another target for the current year is to expand our market position in a shrinking market. We will, as previously, endeavor to develop and to improve our service offering.

Organic growth will still remain at the forefront. Nonetheless we will – as in the year under review – carefully evaluate and as appropriate take up any options that may be offered for targeted external growth.

Remo Brunschwiler Hans Ziegler

Aware that our skills and performance depend on the ability and motivation of our staff, we continued to make targeted investments in training and development in 2008 and expanded management capacity. The flexible team-working skills of our employees are a key element behind the success of Swisslog. We would like to thank them sincerely for the dedication they have shown.

We would also like to thank you, our shareholders. Your commitment in providing capital is a sign of trust that motivates us to keep on giving our best for the company's development. The economic environment will remain difficult in the current year, but Swisslog as an organization is prepared for it and will take suitable measures if required.

Together with our esteemed shareholders we shall do all we can to increase the value of our company in 2009.

Hans Ziegler
Chairman of the
Board of Directors

Remo Brunschwiler
Chief Executive Officer

B. Braun Melsungen

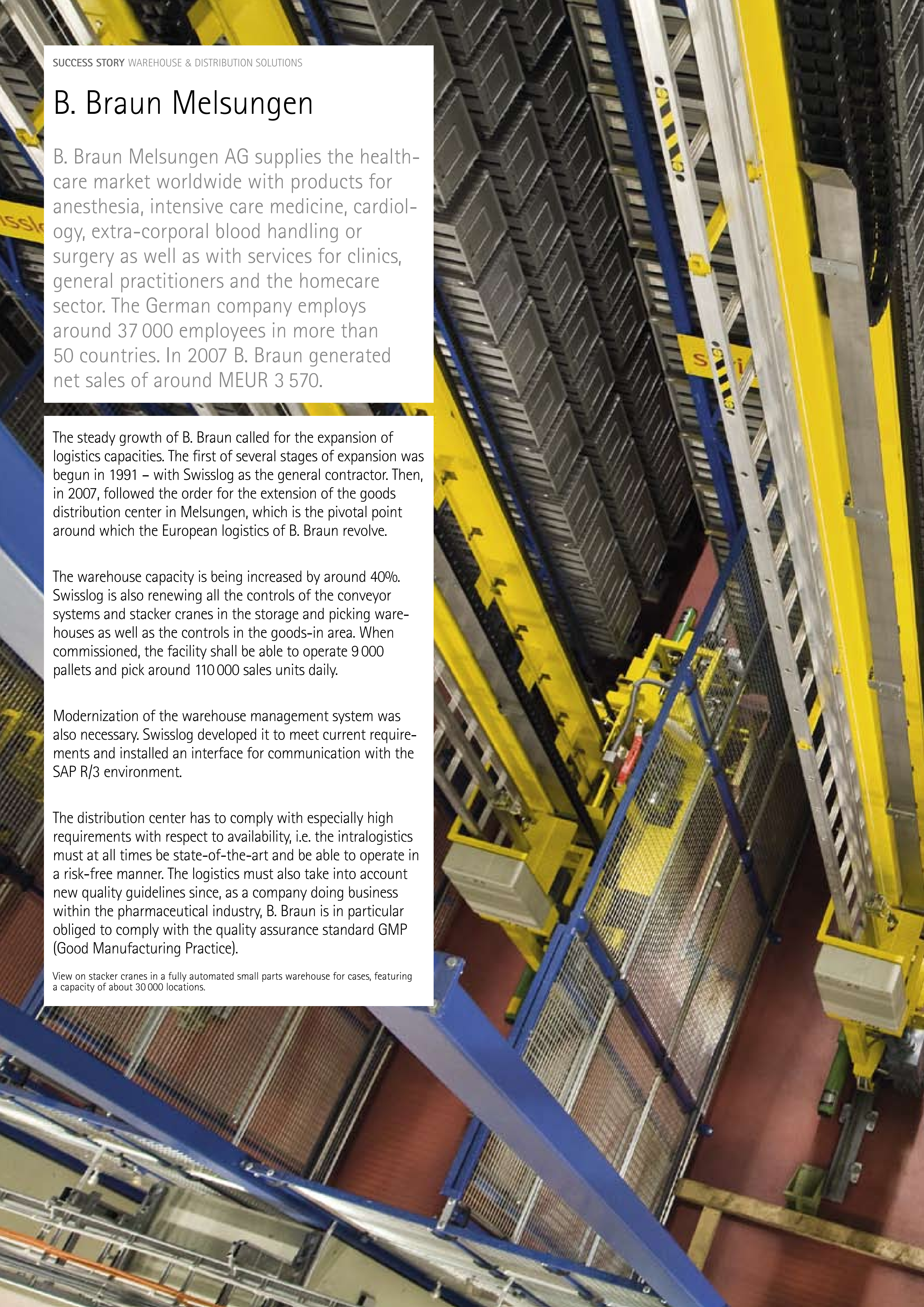
B. Braun Melsungen AG supplies the healthcare market worldwide with products for anesthesia, intensive care medicine, cardiology, extra-corporal blood handling or surgery as well as with services for clinics, general practitioners and the homecare sector. The German company employs around 37 000 employees in more than 50 countries. In 2007 B. Braun generated net sales of around MEUR 3 570.

The steady growth of B. Braun called for the expansion of logistics capacities. The first of several stages of expansion was begun in 1991 – with Swisslog as the general contractor. Then, in 2007, followed the order for the extension of the goods distribution center in Melsungen, which is the pivotal point around which the European logistics of B. Braun revolve.

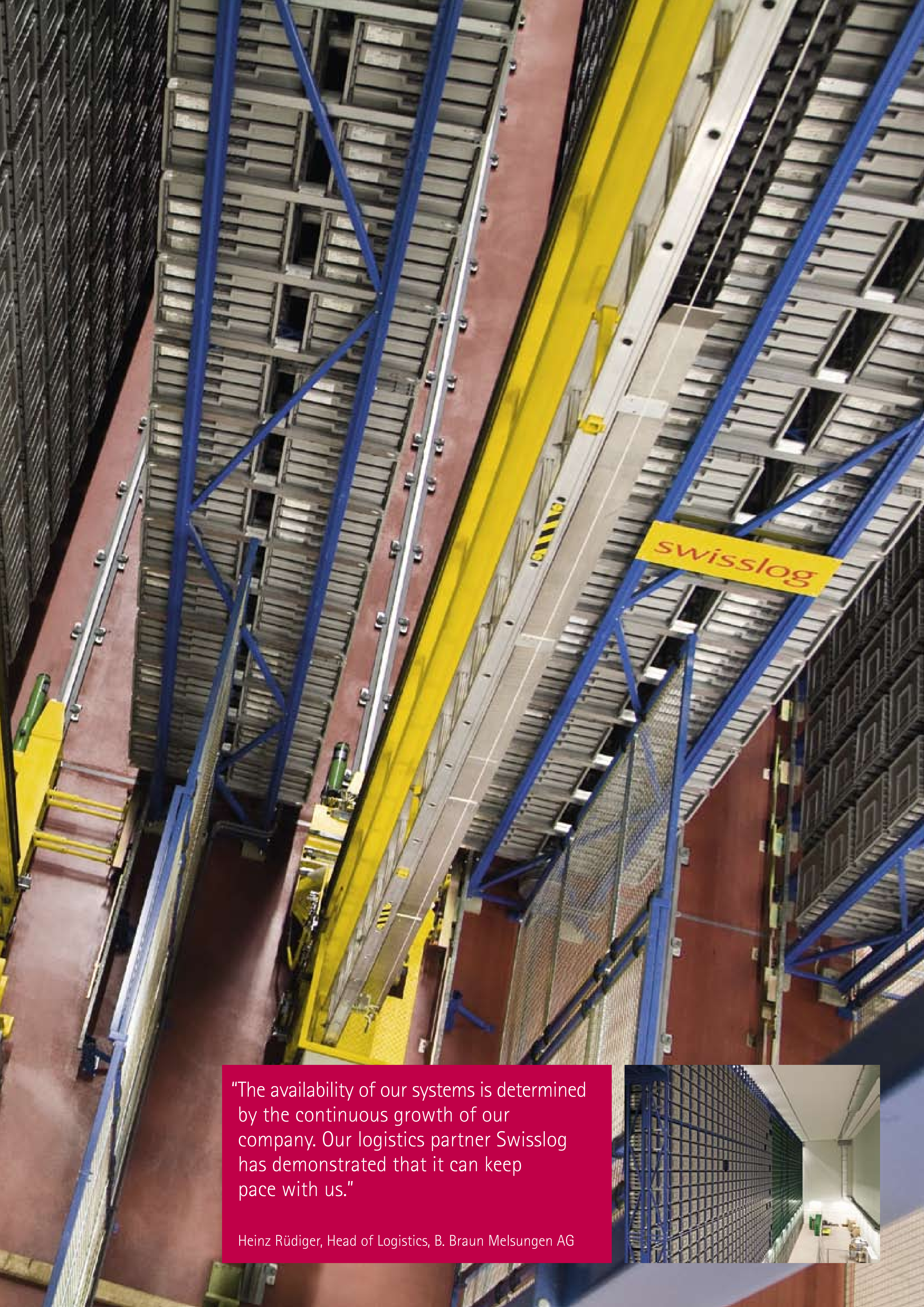
The warehouse capacity is being increased by around 40%. Swisslog is also renewing all the controls of the conveyor systems and stacker cranes in the storage and picking warehouses as well as the controls in the goods-in area. When commissioned, the facility shall be able to operate 9 000 pallets and pick around 110 000 sales units daily.

Modernization of the warehouse management system was also necessary. Swisslog developed it to meet current requirements and installed an interface for communication with the SAP R/3 environment.

The distribution center has to comply with especially high requirements with respect to availability, i.e. the intralogistics must at all times be state-of-the-art and be able to operate in a risk-free manner. The logistics must also take into account new quality guidelines since, as a company doing business within the pharmaceutical industry, B. Braun is in particular obliged to comply with the quality assurance standard GMP (Good Manufacturing Practice).



View on stacker cranes in a fully automated small parts warehouse for cases, featuring a capacity of about 30 000 locations.



"The availability of our systems is determined by the continuous growth of our company. Our logistics partner Swisslog has demonstrated that it can keep pace with us."

Heinz Rüdiger, Head of Logistics, B. Braun Melsungen AG

SWISSLOG GROUP

STRENGTHENING OF STRATEGIC FOCUS, CREATION OF FLEXIBLE STRUCTURES AND INCREASE IN MANAGEMENT CAPACITIES WERE THE FOCAL POINTS OF A CHALLENGING YEAR.

The financial year 2008 was marked at Group level by new as well as continued emphases and initiatives. In the second half of the year in particular, the ever increasing financial crisis and approaching worldwide recession made their effects felt also on our company.

From a strategic point of view the strengthening of the existing, successful business focus is worth mentioning. For one thing, the initiative launched in 2007 concerning the targeted acquisitions to round off the core business of Healthcare Solutions in Europe was continued. In the Netherlands the company Ergotrans was acquired, which was previously our partner of many years standing in the planning, installation and customer support of pneumatic tube systems in Holland and Belgium. For another, the Consulting Services/Wassermann division business was the subject of a management buyout. With the divestment of this strategically irrelevant business the Swisslog portfolio was eventually tidied up.

The "design-to-cost" programs launched in the previous year in the product centers as well as the various profit optimization programs were carried forward. In addition, the production plant in China, where we produce high-quality conveyor systems inexpensively, started operations. This focusing on profitability was supplemented by a reinforcement of management capacity. This meant that, in the year under review, new managers were appointed to lead the WDS division and the WDS region Scandinavia, respectively, and a new "Corporate Development" position was created.

REVIEW OF 2008

Strategy

- > Round-off acquisition to strengthen the HCS core business in Europe
- > Sale of Consulting Services/Wassermann
- > Reinforcement of the position of WDS in the light goods segment

Operations

- > Focus on profitable growth in all divisions
- > Continuation of the "design-to-cost" programs in all production centers
- > Implementation of profit optimization programs
- > Establishment of production plant in China

Personnel

- > Increase in management capacity
- > Groupwide introduction of uniform performance management process

Leading US hospitals rely on Swisslog

The reputation of Swisslog as a leading supplier of integrated logistics solutions is due not only to its being entrusted with complex and innovative projects, as noted several times in the past, but also quintessentially to the customer base for the pneumatic tube systems product line. In the year under review no fewer than 17 out of the 20 leading hospitals in the USA were reliant on pneumatic tube systems from Swisslog.

Driving forward and implementing innovations was once again an important activity for the whole Group. In the past year, for instance, the new conveyor technology ProMove from Swisslog-Accalon was introduced, the increasing significance of light goods logistics accounted for in our service offering, and further functionality added to our software products and logistics systems. The divisional reports go into more details concerning individual projects.

Reinforcement of the performance culture

With respect to the long-term development of our company, a uniform and improved performance management process was introduced groupwide as an element of the performance culture. The feedback received from employees and management regarding its first application is testimony to the benefits that are seen to be attached.

Other features of the Swisslog company culture are a readiness to undertake self-criticism and a willingness to learn. After 2006 a survey of employee satisfaction was once again carried out, recording a very high participation and giving a positive picture overall. Over this current year measures will be taken which have become necessary as a result of the critical points raised.

BOARD OF DIRECTORS

Chairman Hans Ziegler

Jürg Rückert **Vice-Chairman**
Jacques Réjeange
Manfred Schuster
Heinz Bachmann

EXECUTIVE COMMITTEE

CEO Remo Brunschwiler*

Finance Christian Mäder*
Warehouse & Distribution Solutions Daniel Fink*
Healthcare Solutions Charlie Kegley*
Human Resources Philipp Uschatz*
Corporate Development Jens Fankhänel
Legal Christoph Schwyn
Corporate Communications Christian Winiker

*Members of the Executive Committee

OUR DIVISIONS

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

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.

Christian Mäder Philipp Uschatz Remo Brunschwiler Daniel Fink Charlie Kegley

ASKO

ASKO is the wholesale arm of NorgesGruppen, Norway's leading retail group. The group supplies around 50% of the food consumed in Norway – hence the slogan "ASKO – We supply Norway with food". NorgesGruppen generated net sales in 2007 of around MCHF 8 775.

In order to increase capacity within distribution ASKO commissioned Swisslog to design and implement a highly automated central distribution center (DC) in Vestby, south-east of Oslo. In addition to relieving the pressure on the twelve regional distribution centers ASKO will also be able to reduce overall logistics costs with the new central DC.

As the general contractor, Swisslog will unite the central DC with the existing regional distribution center. The new DC will comprise two warehouses for pallets and cases, respectively. Swisslog will be responsible for the integration of all warehouse and conveyor equipment – which includes our newly developed conveyor technology ProMove – as well as for the control systems. The warehouse management and goods flows will be handled by Swisslog systems, which are linked with the corresponding ASKO IT systems.

The facility is due to be put into service at the end of 2010. Swisslog's involvement will not end there however. After the start of operations the facility will be maintained by a team of on-site technicians from Swisslog, who will be there to ensure smooth day-to-day running.

Complex and extensive conveyor system for cases and bins.

"We rely on Swisslog because of its competence in highly complex projects, our experience of good collaboration and its local after-market presence."

Per Tellef Arning, CEO, ASKO Sentrallager AS

WAREHOUSE & DISTRIBUTION SOLUTIONS

SATISFIED CUSTOMER BASE DUE TO SUCCESSFUL PROJECT COMPLETIONS, WEAKER NEW BUSINESS GIVEN THE GENERAL MARKET UNCERTAINTY.

In addition to the increase in attractive customer support business, innovative solutions and improvements to existing solutions have been implemented for our core markets. Important reference projects were delivered to customers on time.

Swisslog's Warehouse & Distribution Solutions division services its customers from project conception, 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 highlighted once again 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.

Further major order from existing customer

Although order intake continued at a good rate during the first half of the year the worldwide economic crisis started to have a clear impact in the second semester. This meant that order intake amounted to MCHF 354.9 by the end of 2008, which represents a decrease of 41.7%; however, order intake in 2007 was extraordinarily boosted by a high number of major projects. At the end of the year order backlog stood at MCHF 298.2, which is 43.1% less than in the previous year.

In contrast, the division benefited from the high order backlog at the end of 2007 and grew net sales by 19.9% to MCHF 542.6. The EBITA of MCHF 21.3 was slightly below that for the previous year (MCHF 22.8).

With the acceptance of the contract for a new distribution center from the Norwegian retail group NorgesGruppen Swisslog was once again able to prove its competence in logistics solutions for retail. This major order as well as numerous small- and medium-sized projects from existing customers show that Swisslog has a base of satisfied customers, from which important projects keep being generated. Furthermore, in the year under review the retrofit business (i.e. the modernization of existing facilities) has in particular seen pleasing growth.

CaddyPick is based on a computer-controlled electric monorail system, enabling efficient picking of transport units for individual outlets.

For example, a master agreement worth MCHF 23, callable over 24 months, was signed with Woolworths in Australia for the modernization in stages of both distribution centers erected there by Swisslog.

Projects successfully concluded and awarded

A whole series of major projects acquired over previous years were successfully concluded in the year under review, or are close to being handed over to the customer. These include, in particular, the projects for the American retail chain Target, the Swiss discounter Denner or Coca-Cola Amatil in New Zealand. Also worthy of mention is the successful commissioning of the distribution center of the radiator manufacturer Quinn Radiators in Newport, Wales (United Kingdom). The warehousing solution developed and implemented by Swisslog was singled out by the British Chartered Institute of Logistics and Transport (CILT) for the award of the prestigious CILT Prize for "Materials Handling Equipment and Technology".

The largest project in the history of Swisslog, a new distribution center that is being implemented in Weilerswist (Germany) for the leading German drugstore chain dm-drogerie markt, is all progressing according to plan.

COMPETITIVE LANDSCAPE WDS MARKET ENVIRONMENT

Competition

> First wave of industry consolidation happened, next wave coming up
> Increased competition resulting in strong price pressure
> Hardware suppliers are building up system integrator skills

Economy

> Globalization
> Reduced availability of low-skilled labor, shortage of building land
> Negative GDP growth in key markets
> Reduced availability of sources for financing

Customers

> Trend towards smaller, highly automated warehouses closer to economic centers
> Postponements of projects due to negative economic situation
> Increased need to extend life cycle of existing facilities

System suppliers/integrators

> Overcapacity
> Price pressure
> Focus on smaller projects with faster paybacks

WAREHOUSE & DISTRIBUTION SOLUTIONS

Pleasing developments in the Customer Support business

In the year under review significant progress was made within the Customer Support business. On the one hand this is to be attributed to the fact that several facilities were completed and have thus gone into service mode. On the other hand, especially the retrofit business as well as spare parts and software support clearly improved.

This is all the more pleasing since this business area, which is less susceptible to economic cycles, is coming to be of particularly great significance precisely in these difficult economic times. We shall make good use of this positive momentum in the current year and continue to expand this business area.

View into an aisle of a fully-automated pallet warehouse.

Innovation within our core markets

In order to respond to the increased requirements for automated solutions in the beverage industry, we developed the innovative solution "CasePick®" in the past year. It enables distribution centers in the beverage industry to automatically pick individual cases for each destination. The installation of a pilot solution in the USA is currently being planned together with a client.

The proven industry solution CaddyPick was further enhanced and successfully integrated into new projects.

Due to the consistent standardization and modularization of our tried and tested industry solutions it has been possible to further improve CaddyPick, the solution that has proven itself for semi-automatic order picking within retail, and to successfully integrate it into new projects. CaddyPick is being used by Denner and dm-drogerie markt amongst others.

The successful software product line WarehouseManager, AutomationManager (WM/AM), AutomationControl (AC) and Single Point of Control (SPOC) has once again undergone further development. For example, WMPack-Pallet™, a preconfigured solution for pallet operations, has been successfully introduced onto the market. The different WMPack™ solutions allow rapid application at minimal cost and risk. Additionally, the progress made in the standardization of our software processes in accordance with the internationally recognized CMMI (Capability Maturity Model Integrated) guarantee higher quality and greater flexibility for product development, project realization as well as customer support.


The modular Vectura stacker cranes are applicable in a large number of industries; in this case, at a warehouse for highly sensitive plastic film.

Impetus through the integration of Swisslog-Accalon

The integration of the Swedish company Accalon, which was acquired in 2007, has been successfully carried forward. Swisslog-Accalon's products, conveyor systems and stacker cranes, have contributed significantly to the profitable growth of the retrofit business. The construction of a production plant in Kunshan (China), which was also started in 2007, has now been completed and production has commenced according to plan.

In the year under review there was additional investment with a view to improving the competitiveness of hardware components. The new conveyor system ProMove®, which was presented for the first time in May 2008 at the leading intra-logistics trade fair CeMAT 08, is planned to be used in its first projects for customers. In Scandinavia, a clear progress in market penetration may be seen within the market segment of less complex projects, where conveyor systems and stacker cranes make up a high proportion of the value added.

Outlook

The trend towards recession in the world economy will naturally have an effect on new business for the Warehouse & Distribution Solutions division. It cannot be ruled out that the downward trend in order intake, which has prevailed since the middle of 2008, may have an influence on utilization in the project business as from summer 2009. A consistent focus on our core markets as outlined at the start of this divisional report should ensure an adequate order intake. In addition, we will further expand our activities within the Customer Support business. Finally, we will endeavor to sustainably increase the profitability of new business through a comprehensive program.

Our business model enables us to use resources flexibly across countries and business units. Coupled with the long lead times of projects this allows timely reactions to business trends.

TARGETS FOR 2009

> Increased generation of major orders
> Improvement of operating results within new business
> Further expansion of customer support business
> Expansion of market penetration for less complex projects

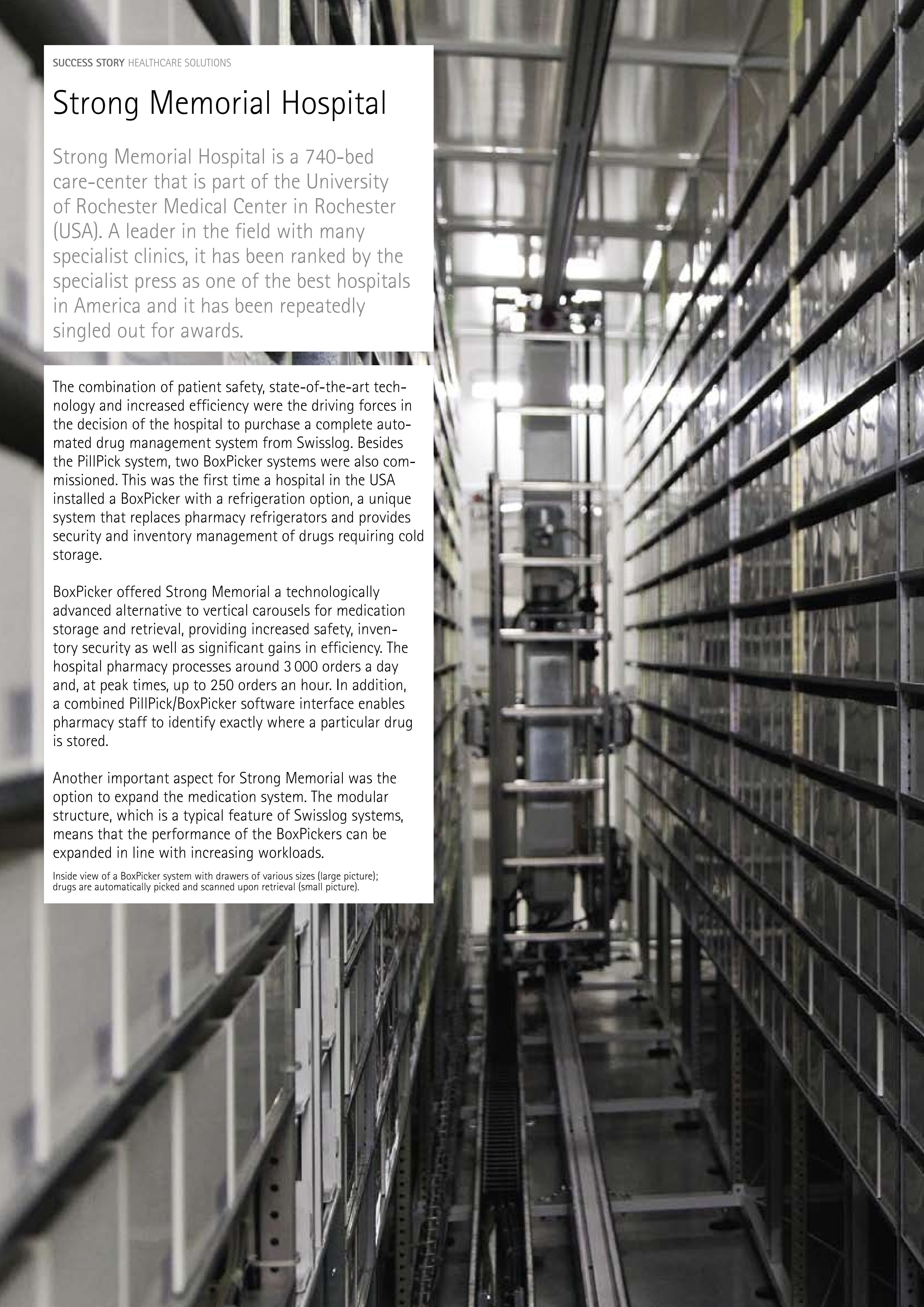
Strong Memorial Hospital

Strong Memorial Hospital is a 740-bed care-center that is part of the University of Rochester Medical Center in Rochester (USA). A leader in the field with many specialist clinics, it has been ranked by the specialist press as one of the best hospitals in America and it has been repeatedly singled out for awards.

The combination of patient safety, state-of-the-art technology and increased efficiency were the driving forces in the decision of the hospital to purchase a complete automated drug management system from Swisslog. Besides the PillPick system, two BoxPicker systems were also commissioned. This was the first time a hospital in the USA installed a BoxPicker with a refrigeration option, a unique system that replaces pharmacy refrigerators and provides security and inventory management of drugs requiring cold storage.

BoxPicker offered Strong Memorial a technologically advanced alternative to vertical carousels for medication storage and retrieval, providing increased safety, inventory security as well as significant gains in efficiency. The hospital pharmacy processes around 3 000 orders a day and, at peak times, up to 250 orders an hour. In addition, a combined PillPick/BoxPicker software interface enables pharmacy staff to identify exactly where a particular drug is stored.

Another important aspect for Strong Memorial was the option to expand the medication system. The modular structure, which is a typical feature of Swisslog systems, means that the performance of the BoxPickers can be expanded in line with increasing workloads.



Inside view of a BoxPicker system with drawers of various sizes (large picture); drugs are automatically picked and scanned upon retrieval (small picture).

"A major reason for choosing Swisslog is the modularity of their systems, which allows for an expansion as needed."

Dave Webster, Associate Director of Pharmacy, Strong Memorial

HEALTHCARE SOLUTIONS

IMPROVED MARGINS AND HIGHER GROWTH AS GEOGRAPHICAL PRESENCE IS EXPANDED.

The pneumatic tube systems have once again proven to be the stable mainstay of net sales and profit for the division. In addition to the geographical and product-oriented expansion Healthcare Solutions has also strengthened its position through a targeted acquisition in a core market.

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 wards. The division's Automated Drug Management Systems (ADMS) focus on automating the medication process to increase efficiency and safety in preparing, distributing and administering medicines.

Whether a country is building up its healthcare system or tries to improve its efficiency in view of budgetary pressures, the products and systems offered by the Healthcare Solutions division can provide safer, faster and lower cost logistics processes.

Better margins, higher profits

In the year under review the values of order intake and net sales were sustained, reaching MCHF 243.3 (+0.7%) and MCHF 243.8 (+0.6%), respectively. At 10.0%, the EBITA margin was once again higher than in the past year, thus leading to an increased EBITA of MCHF 24.3. As in previous years the pneumatic tube system product line was the mainstay of net sales (around 50%) and profit, followed by customer support (approx. 25% share of net sales). The other product lines each accounted for around 8% of total net sales and were all profitable. In geographical terms, North America accounted for 60% of net sales, followed by Europe (35%) and Asia (5%). Whilst the main part of profits were made once again in North America – despite the unfavorable dollar exchange rate – all three regions showed an increase in profit.

The unit doses produced by the PillPick system feature barcodes and are attached to a PickRing.

Global expansion progresses

The PillPick system, which was installed during the year under review in Bumrungrad International Hospital in Bangkok, Thailand, has aroused much interest in the region. This has resulted in an increasing number of hospitals in south-east Asia giving serious consideration to this type of pharmacy automation system given its increased safety and efficiency. Led by the developments in China, sales of the division's other product lines also grew in this region.

All our products have also attracted increased attention from the Middle East, where a significant number of hospitals are being built or in the planning stage. To make sure we are adequately represented in this growing market, in the past year an office was established in Dubai. This office will be responsible to promote the division's products to the many organizations involved in developing stronger healthcare delivery systems in this region.

Healthcare Solutions continues to pursue selected opportunities in niche markets where our systems offer tangible benefits to those customers as well. An example is the globally increasing market for libraries where we noted a high demand for automated solutions for the retrieval and return processes of books and documents. On the basis of our existing MultiCar track vehicle system we are in the process of developing a system that is as fully automated as possible, and which will allow to retrieve books quicker. This should avoid library personnel being absent for an extended period on time-consuming searches. Likewise, it will be much easier for the library's customers to return books.

As well as the geographical and product-oriented expansion, the division also grew by making an acquisition: the Dutch company Ergotrans, which has been a partner of our division for many years for the distribution of pneumatic tube systems. This acquisition strengthens Healthcare Solutions' presence in Europe and makes a significant contribution to this region's net sales and profits.

COMPETITIVE LANDSCAPE HCS MARKET ENVIRONMENT

Competition

> Highly fragmented competitive situation with large number of competitors for each product line
> Market too small to attract larger players

Economy

> Cost pressure in healthcare sector
> Negative construction trend for new hospitals in the USA
> Increased credit cost
> Economic stimulation programs will benefit healthcare sector

Customers

> More emphasis on process improvements to reduce cost and to increase reliability
> Higher salary levels
> More difficult to finance projects through credit
> Larger and better managed healthcare facilities

System suppliers/integrators

> Fewer projects for new hospitals in North America
> Customer support and modernization as stable income sources
> Focus on emerging markets such as Asia and Middle East

HEALTHCARE SOLUTIONS

Innovations spanning from products to customer support

Innovation continues to be a significant means of maintaining the division's leading market position. Numerous features have been introduced within the pneumatic tube systems area, which reduce costs as well as increase performance in hospital applications. Particular mention may be made here of the introduction of Ethernet connections, by means of which our systems can communicate using a hospital's IT network. This makes it no longer necessary to lay separate communication cables in buildings, thus reducing installation costs and increasing the reliability of equipment communications.

The laser-guided Automated Guided Vehicles (AGV) navigate independently throughout a building, including different floors.

This innovation does not only provide us with a unique differentiation from competition; the greater bandwidth will serve us well as it can cover increased communications requirements that arise when customers want additional functionality.

Further developments have also been launched within the Automated Guided Vehicle Systems (AGV) product line. Two projects are at the forefront. The first is an AGV with a modular structure for light weight transport, the origins of which lie in related approaches to this made by our organizations in France and Germany. The second is an AGV for the upper end of the payload scale which can transport heavy loads, as is necessary in certain industries. Both projects are to be significantly taken forward over this year.

The next stage is a multi-temperature model, in which different drugs may be kept either cooled or at ambient temperature.

Within the ADMS area the BoxPicker has undergone further development. Originally designed as a self-contained secure storage and retrieval system for drugs, a first innovation was implemented in the past year with a refrigerated model for highly expensive drugs which have to be kept in a strictly monitored and cooled environment.

The next stage is a multi-temperature model, in which different drugs may be kept either cooled or at ambient temperature. This will save valuable space as well as costs, since many of our hospital pharmacy customers are already having to cope with limited working space.

Electric Track Vehicle Systems (ETV) such as UniCar are increasingly being used in libraries.

Finally we are endeavoring to introduce innovations regarding customer support. In the current year we intend to develop this business by means of increased sales activity and the introduction of innovative offerings, starting with existing North American customers.

Outlook

On the basis of the prevailing economic conditions there are moderate prospects in view. Although the healthcare market has proven in the past to be more resistant to recession, the effects of the economic crisis may lead various hospitals to defer to or to simply cancel new construction projects. This applies especially for the USA where, after a period recording a record high in construction, this was expected to level off anyway. We are also assuming that fewer projects with a high order value will be awarded, which will lead to increased competition for them.

Nonetheless, we are remaining cautiously optimistic as our order backlog is substantial and we have a very promising list of potential customers from regions that may be less affected by the economic downturn. Furthermore, the customer support area – with a share of net sales of 25% – will help cushion the potential reduction in new business. In addition, different units will produce lower costs having implemented a number of projects aiming to increase efficiency.

TARGETS FOR 2009

> Expansion into high-growth healthcare markets
> Extension of services offering including customer support business
> Targeted acquisitions to round off the portfolio within selected markets
> Continuation of the programs to optimize costs and to develop personnel

Rupiner Kliniken

Ruppiner Kliniken (Neuruppin, Germany) is a modern hospital with around 800 beds and a large number of specialist clinics. In addition, it serves as an academic teaching hospital for the well-known Charité University Clinic of the Humboldt University, Berlin.

In 2006 Swisslog was commissioned to implement a pneumatic tube system of highest technical complexity, with for example PowerLine combinations to bridge long distances between buildings and to increase sending frequencies, respectively. A transfer unit, multi-send stations and a wide variety of station designs ensure smooth handling of the exacting logistics processes. Moreover, all tube carriers and stations are equipped with so-called RFID readers.

The pneumatic tube system connects the operating theaters, the intensive-care unit and the laboratory and has a great many innovative features such as, for example, laboratory receiving stations with sensor technology. At busy times it handles around 1 300 transactions per day.

Since the area covered by the hospital grounds is so large (distance from the main building to the laboratory is approx. 250 meters, to the pathology unit approx. 700 meters) the system allows significant savings on travel time as well as on transport costs. The time for which patients are under anesthesia can also be shortened and thus more efficient use made of operating theaters.

Detail of a complex pneumatic tube system (large picture); blood samples are put into a special tube carrier to ensure gentle transportation (small picture).

"The complex pneumatic tube system from Swisslog ensures rapid and safe transportation of critical items – reliably and round the clock."

Horst-Michael Arndt, Business Manager,
Ruppiner Kliniken GmbH

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. All companies of the Swisslog Group to be consolidated are itemized on page 76 (2008 Financial Report, Subsidiaries and investments).

The Swisslog Group's operational group structure reflects the division of its operations into the two segments (divisions) Warehouse & Distribution Solutions and Healthcare Solutions. Page 7 of this Annual Report shows an overview of the operational group structure. For detailed information on the activities of the two divisions, please refer to pages 10 et sqq. of this Annual Report. For reporting by segment according to IFRS, please refer to page 51 (2008 Financial Report, Note 2 to the Consolidated Financial Statement).

In December 2008, the business of the Consulting Services/ Wassermann division was sold to the unit's management. The reporting by segment according to IFRS on page 51 shows the former division accordingly under discontinued operations (2008 Financial Report, Note 2 to the Consolidated Financial Statement). For information on the activities of the former division, please refer to page 18 of the 2007 Annual Report (http://www.swisslog.com/crp-ir-2007-annualreport-en.pdf).

Significant shareholders
According to its notification under Article 20 of the Stock Exchange Act dated 3 September 2008, Baillie Gifford & Co, Edinburgh, and its wholly owned subsidiary Baillie Gifford Overseas Limited as at 28 August 2008 held together 7 609 109 registered shares, corresponding to 3.03% of voting rights.

According to its notification under Article 20 of the Stock Exchange Act dated 26 November 2008, F&C Asset Management plc, Edinburgh, acting as investment manager for several clients as at 25 November 2008 held 12 423 238 registered shares, corresponding to 4.94% of voting rights. After the 2008 year-end closing, F&C Asset Management plc has notified on 21 January 2009 that its shareholdings have fallen below the threshold of 3% of voting rights and as at 19 January 2009 amount to 7 536 281 registered shares, corresponding to 2.99% of voting rights.

These notifications, the former notifications by F&C Asset Management plc and the notifications by Valartis Bank AG, Zurich, whose shareholdings according to its notification dated 23 June 2008 have fallen below the threshold of 3% of voting rights triggered by the expiry of options, are published on Swisslog's website under http://www.swisslog.com/index/home/crp-investor-relations/crp-share-structure.htm.

As at 31 December 2007 Chase Nominees Limited, London, as a nominee held 5.12% 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.

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 stands at CHF 2 512 769.84, all of which is fully paid up. The share capital consists of 251 276 984 registered shares with a par value of CHF 0.01. Each share registered with the right to vote entitles the holder to one vote at General Meetings of Swisslog Holding AG.

The registered shares of Swisslog Holding AG are traded on the SIX Swiss Exchange (Securities No.: 1 232 462, ISIN CH0012324627). For details on the market capitalization of Swisslog Holding AG, please refer to page 77 (2008 Financial Report, Key figures for share capital).

Neither conditional nor authorized capital exists. The company has not issued participation certificates (Partizipationsscheine) nor profit sharing certificates (Genussscheine).

As at 31 December 2008, there were 13 171 registered shareholders entered in the share register (previous year: 13 250).

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. The proceeds were used for a partial repayment of the convertible bond.

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 provision (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, ISIN CH0010906060) 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 69 (2008 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. No employee options exist. For information on the share matching plan, please refer to the respective section on page 30 and to page 63 (2008 Financial Report, Note 19 to the Consolidated Financial Statements).

Board of Directors

Members of the Board of Directors

The particulars of the members of the Board of Directors can be found on pages 26 and 27.

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 operational 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 2008 financial year, the Board of Directors convened seven 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 and the CEO. 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 three times, with meetings lasting about two hours.

Members of the Board of Directors

In the year under review, the Board of Directors of Swisslog Holding AG was comprised of the following people:

BOARD OF DIRECTORS	POSITION	IN OFFICE SINCE	TERM OF OFFICE EXPIRES
Hans Ziegler[1]	Chairman, non-executive	2/26/2004	2011
Jürg Rückert[1]	Vice-Chairman, non-executive	2/26/2004	2009
Jacques Réjeange[2]	Member, non-executive	2/26/2004	2009
Manfred Schuster[1]	Member, non-executive	6/30/2004	2011
Heinz Bachmann[2]	Member, non-executive	5/16/2007	2010

1 Audit and Risk Management Committee; 2 HR Committee

Jürg Rückert Manfred Schuster Hans Ziegler Jacques Réjeange Heinz Bachmann

Hans Ziegler, Chairman, 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 postgraduate studies in business administration and information technology at TCU Dallas-Fort Worth, USA. 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 serves on the board of a number of other Swiss and foreign companies, inter alia of OC Oerlikon Corporation AG, Charles Vögele Holding AG and Elma Electronic AG.

Jürg Rückert, Vice-Chairman, born 1945, Swiss national
Jürg Rückert is Vice-Chairman of the Board of Directors. He graduated in economics (lic. rer. pol.) from the University of Basle. Jürg Rückert is the owner of C.M.C. Consulting Management Coaching AG with headquarters in Pfäffikon (SZ). He has held various management positions in the Swiss retail sector, including various functions at Denner, as COO of Waro and UHC (Bon appétit Group), and as CEO of Usego. Jürg Rückert is inter alia Chairman of Lagerhausgenossenschaft (LHG) Bern, Vice-Chairman of réservesuisse and a member of the Board of Directors of Distribution Suisse Holding SA, Valrhône SA, Lüchinger+Schmid AG, Groba AG, Zuckerfabriken Aarberg+Frauenfeld AG, and Zellweger Management Consultants AG. In addition he is a member of the board of the Swiss Retail Federation and of GS 1.

Jacques Réjeange, Member, 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, Member, 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.

Heinz Bachmann, Member, 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. Heinz Bachmann is a member of the management committee of Swissmem (textile machines) and 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.

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 17 May 2006 Jacques Réjeange and Jürg Rückert were reelected for a three-year term. At the General Meeting of 16 May 2007, Heinz Bachmann was elected for a three-year term. At the General Meeting of 30 April 2008, Hans Ziegler and Manfred Schuster were reelected for a three-year term.

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 provided 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 71 (2008 Financial Report, Note 8 to the 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, Chief Executive Officer, born 1958, Swiss national

Remo Brunschwiler is Chief Executive Officer of the Swisslog Group since 1 March 2003. Between December 2007 and the end of June 2008, he additionally managed the Warehouse & Distribution Solutions division ad interim. He studied economics at the University of Basel and holds an MBA from INSEAD, Fontainebleau, France. Between 1996 and 2003 he headed the Eurocargo division of Danzas. From 1989 to 1996, he was a consultant at McKinsey in Switzerland and Germany for logistics and pharmaceutical companies. He began his career as a strategic planner with Ciba-Geigy AG in Basel and as product manager for pharmaceuticals with Ciba-Geigy in Italy. Remo Brunschwiler is a member of the Board of Directors of Papyrus AB, Sweden.

Christian Mäder, Chief Financial Officer, born 1969, Swiss national

Christian Mäder is Chief Financial Officer of the Swisslog Group since 1 December 2005. He is a Swiss-certified expert in accounting and controlling. Christian Mäder occupied various positions in Swisslog's finance department from 2000 to the date of his appointment. From 1993 to 1999 he was with a subsidiary of the Motor-Columbus Group as Head of Finance & Controlling and worked as a management consultant for BearingPoint from 1999 to 2000. Christian Mäder is a member of the Board of Directors of O. Kleiner AG.

Daniel Fink, President Warehouse & Distribution Solutions, born 1961, Swiss national

Daniel Fink is President of the Warehouse & Distribution Solutions division since July 2008. He graduated in law from the University of Zurich and was admitted to the Bar. After two years as Legal Counsel with NCR Switzerland, Daniel Fink joined Georg Fischer AG where he held several management positions for about 15 years – at the group's headquarters in Switzerland as well as in the USA and China. Before joining Swisslog, he led the Asian division of GF Piping Systems and acted as Delegate of the Corporate CEO in China.

Charlie Kegley, President Healthcare Solutions, born 1946, US national

Charlie Kegley is President of the Healthcare Solutions division since April 2003. He graduated with a Bachelor of Science in technical engineering from Penn State University, USA. 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 continued to hold this position within the Swisslog Group.

Philipp Uschatz, Head Corporate Human Resources, born 1963, Swiss national

Philipp Uschatz is Head of Corporate HR since 20 November 2006. He 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. From 2000 to 2006, 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).

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 2 200 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 71 (2008 Financial Report, Note 8 to the 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 and documented in according regulations. Compensation consists of a fixed monthly fee, paid quarterly. Furthermore, Directors are eligible to participate in the share matching plan of Swisslog.

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.

Cash compensation of members of the Executive Committee consists of a fixed base salary and a variable salary. The base salary plus the variable salary of executives shall result in a target cash compensation that is competitive with those 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 increase rates in the country where the particular member of the Executive Committee is employed;
- Salary levels in comparison with the market.

Variable salaries are based in detail on the modalities described in the below section "Variable salary scheme for Executive Committee members and upper management".

The compensation of the Executive Committee members is based on the above approach, which is consistently applied for the Group's upper management. The base salary usually is 65% and the target variable salary 35% of the total cash compensation of an Executive Committee member since 1 April 2008.

The HR Committee proposes target cash compensation of the Executive Committee members as well as their calculated variable salary for approval by the Board of Directors.

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.

Variable salary scheme for Executive Committee members and upper management

Variable salaries are paid 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 consistently incentivized.

Variable salaries are calculated based on the audited results according to IFRS.

Share Matching Plan (long-term incentive scheme)

Under the Swisslog share matching plan participants agree to buy a certain number of Swisslog shares at market price or to bring-in Swisslog shares from their private portfolios ("base shares"). Participants can dispose of their base shares only after a blocking period of three years. Upon expiry of the three years' blocking period, participants get free Swisslog shares ("matching shares") whereas the number depends on how many base shares the participant had bought and on the level of achievement of a three years' performance target. Participants get one matching share per base share if the target is met at 100%. The performance target relates to a ratio that combines profits and cost of capital; the plan thus aims at the long term creation of company value.

The first grant under the new Swisslog share matching plan was made as per 1 July 2008. The plan shall be continuing with grants on a yearly basis. Eligibility to the plan is limited to Directors, members of the Executive Committee, and members of the second management level. Participation in the plan is optional for the eligible persons.

Additional compensation components and employment conditions

Besides cash compensation (base salary and variable salary), 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. Details on benefits with regard to a change of control are given in the section "Change of Control and Defense Measures".

Reference

For board and executive compensation disclosure based on the requirements of the Swiss Law on Obligations, please refer to page 70 (2008 Financial Report, Note 7 to the Financial Statement of Swisslog Holding AG).

Shareholders' Participation

Statutory rules on participation at the General Meeting of Shareholders

Each share registered in the Swisslog Holding AG share register with the right to vote entitles the holder to one vote at General Meetings of Shareholders. No restrictions on voting rights exist besides the nominee provision (see section "Limitations on transferability and nominee registrations" on page 24).

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, cut-off date for entitlement to vote

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 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.

The agreements with the members of the Board of Directors and the members of the Executive Committee with regard to a change of control in the Swisslog Group (takeover bonus) were canceled in the year under review (see page 32 of the 2007 Annual Report, http://www.swisslog.com/crp-ir-2007-annualreport-en.pdf).

Auditors

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

At the Annual General Meeting on 30 April 2008, Ernst & Young AG, Basel, were reelected for a one-year term of office as auditors. Ernst & Young AG acts as auditor since 2005.

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 1.1 for auditing services and around MCHF 0.1 for additional services in the year under review.

Informational instruments pertaining to the external audit

On behalf of the Board of Directors, the Board of Directors' Audit and Risk Management Committee exercises the supervision and control of the external audit. The auditors usually take part in meetings of the Audit & Risk Management Committee where audit plans are approved; audit execution and results are reported by the auditors and analyzed by the Committee. The Committee further relies on documents developed by the auditors, such as the management letter, as well as their verbal and written statements concerning the accounting and the audit. 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.

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 SIX Swiss Exchange.

Key dates

End of fiscal year:	31 December
Announcement of annual results:	10 March 2009
General Meeting of Shareholders:	21 April 2009
End of half-year:	30 June
Announcement of half-year results:	18 August 2009

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

For more contact information please refer to page 80 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 SIX Swiss Exchange. If any of the points contained in these guidelines is not mentioned here, it is either not applicable or immaterial for Swisslog. Unless otherwise stated, the data refer to 31 December 2008.

Bumrungrad International Hospital

Bangkok's Bumrungrad is the largest private hospital in Southeast Asia with over 30 specialty centers and 554 beds. More than 1 mio. patients are attended each year, including some 400 000 foreigners from 190 countries. Internationally certified, Bumrungrad offers the highest standard of medical care based on experienced doctors and latest medical technology.

In 2008 Swisslog was commissioned to install its PillPick automated drug management system for the packaging and dispensing of medications in unit doses. On average, the medication for some 350 patients is dispensed every day. The sealed unit doses for a patient are hung onto a ring ("PickRing"), which has a barcode on it.

Scanner technology ensures that each PickRing is delivered to the right ward, relying on a Swisslog pneumatic tube system for quick and safe transportation. This automated procedure is unique and virtually excludes any operational error.

The PillPick system from Swisslog is the first system of this kind to be installed in a hospital in all Asia. Its commissioning in spring 2008 attracted a great deal of attention, especially by those responsible for healthcare in the region.

A further innovation is the cooperation with Microsoft, whose software is used at Bumrungrad to administer the electronic patient records. One element of this patient record is the prescription software which is linked to PillPick, thus enabling an automatic communication between the Swisslog and Microsoft systems.

PillPick: close-up view of device taking up single drugs (large picture). When picked, the unit doses are sealed and stored (small picture).

"Swisslog's PillPick system significantly reduces potential medication mistakes and frees up valuable time for patient care."

Mack Banner, CEO,
Bumrungrad International Hospital

FINANCIAL REPORT
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2008 CONSOLIDATED FINANCIAL STATEMENTS OF SWISSLOG GROUP

Consolidated Balance-Sheet

At 31 December	Note	2008 MCHF	2007 MCHF
ASSETS			
Property, plant and equipment	3	13.0	14.0
Goodwill	4	78.1	90.8
Other intangible assets	3	13.8	7.2
Deferred tax assets	13	6.0	5.9
Other assets	5	7.8	20.3
NON-CURRENT ASSETS		**118.7**	**138.2**
Inventories	6	26.4	28.6
Trade receivables	7	105.7	106.1
Amount due from customers for construction contracts	8	37.2	25.3
Income tax receivables		1.3	4.3
Prepaid expenses and accrued income	9	13.2	18.6
Other receivables		9.1	8.0
Marketable securities	10	12.3	19.2
Cash and cash equivalents	10	101.0	80.3
CURRENT ASSETS		**306.2**	**290.4**
TOTAL ASSETS		**424.9**	**428.6**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	2.5	2.5
Treasury shares		–1.9	0.0
Share premium		80.0	80.0
Other reserves		–48.5	–31.2
Retained earnings		116.3	105.0
Minority interest		0.1	0.1
EQUITY		**148.5**	**156.4**
Convertible bonds	12	0.0	54.0
Deferred tax liabilities	13	0.8	1.3
Other liabilities	14	9.5	8.8
NON-CURRENT LIABILITIES		**10.3**	**64.1**
Trade payables	15	65.6	64.1
Amount due to customers for construction contracts	8	98.0	73.4
Provisions	16	10.2	11.4
Income tax payables		4.4	2.0
Accrued expenses and deferred income	17	34.0	43.2
Convertible bonds	12	37.9	0.0
Other liabilities		16.0	14.0
CURRENT LIABILITIES		**266.1**	**208.1**
TOTAL EQUITY AND LIABILITIES		**424.9**	**428.6**

Consolidated Income Statement

1 January to 31 December	Note	2008 MCHF	2007 MCHF
CONTINUING OPERATIONS			
NET SALES		**786.1**	**694.9**
Other operating income		0.3	2.7
Material and service expenses	18	398.4	311.9
Personnel expenses	18, 19	256.7	251.9
Other operating expenses	18	90.2	92.7
Depreciation and amortization	3	5.8	6.7
OPERATING PROFIT (EBIT)		**35.3**	**34.4**
Financial income	20	9.4	3.8
Financial expense	20	–15.3	–9.0
RESULT BEFORE TAX		**29.4**	**29.2**
Income taxes	13	–11.5	–10.6
RESULT CONTINUING OPERATIONS		**17.9**	**18.6**
RESULT DISCONTINUED OPERATIONS	1.28	**–6.7**	**0.2**
NET RESULT		**11.2**	**18.8**
Attributable to:			
Equity holders of the parent		11.2	18.8
EARNINGS PER SHARE	24	CHF	CHF
Basic earnings per share continuing operations		0.07	0.07
Basic earnings per share discontinued operations		–0.03	0.00
Basic earnings per share		0.04	0.07

Consolidated Cash Flow Statement

1 Januay to 31 December	Note	2008 MCHF	2007 MCHF
CONTINUING OPERATIONS			
CASH FLOW FROM OPERATING ACTIVITIES			
Net result		17.9	18.6
Adjustments for:			
Income taxes	13	11.5	10.6
Depreciation and amortization	3	5.8	6.7
Net financial result	20	5.9	5.2
Change in pension liabilities		–1.7	–1.1
Profit (–)/loss (+) from sales of tangible assets and investments		–4.2	–1.9
Share-based payment expense	19	0.1	0.0
Other non-cash transactions		–3.3	–1.3
Income taxes paid		–7.5	–13.4
CASH FLOW BEFORE WORKING CAPITAL CHANGES		**24.5**	**23.4**
Increase (–)/decrease (+) of:			
Inventories		1.1	–1.5
Trade receivables, amount due from customers for construction contracts, prepaid expenses, accrued income and other receivables		–35.7	12.6
Increase (+)/decrease (–) of:			
Trade payables		12.9	–12.9
Amount due to customers for construction contracts		24.3	–4.2
Other liabilities and accrued expenses and deferred income		9.9	4.9
Provisions		–0.4	0.6
CASH FLOW FROM NET CURRENT ASSETS		**12.1**	**–0.5**
NET CASH FLOW FROM OPERATING ACTIVITIES		**36.6**	**22.9**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets	3	–5.4	–6.8
Investments in intangible assets	3	–8.5	–3.5
Disposal of marketable securities		5.2	–2.7
Disposal of tangible and intangible assets		0.3	6.0
Cash outflow on acquisition, net	1.27	–4.9	–8.9
Other non-current assets	5	21.4	–0.5
Interest received		1.7	2.5
NET CASH FLOW FROM INVESTING ACTIVITIES		**9.8**	**–13.9**
CASH FLOW FROM FINANCING ACTIVITIES			
Partial repurchase of convertible bonds	12	–18.5	–13.2
Interest paid		–1.2	–1.3
Other financial expenses paid		–1.4	–1.4
Price premium for the purchase of minority interests		0.0	–1.8
Purchase of treasury stocks	11	–1.9	0.0
NET CASH FLOW FROM FINANCING ACTIVITIES		**–23.0**	**–17.7**
NET CASH FLOW FROM DISCONTINUED OPERATIONS	1.28	**–0.4**	**1.4**
Currency translation differences on cash and cash equivalents		–2.3	–0.7
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**20.7**	**–8.0**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**80.3**	**88.3**
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	**101.0**	**80.3**

Consolidated Changes in Equity

MCHF	Note	Share capital	Treasury stocks	Share premium	Total of other equity movements	Fair value and other reserves: Currency translation differences	Fair value and other reserves: Other	Retained earnings	Minority interests	Total income and expense directly recognized in equity	Total Equity[1]
AT 31 DECEMBER 2006		**2.5**	**0.0**	**80.0**	**82.5**	**−27.8**	**0.2**	**88.0**	**0.1**	**60.5**	**143.0**
Net result 2007								18.8		18.8	18.8
Change in fair value on available-for-sale financial assets	5						0.4			0.4	0.4
Price premium for the purchase of minority interests								−1.8		−1.8	−1.8
Currency translation differences						−4.0				−4.0	−4.0
AT 31 DECEMBER 2007		**2.5**	**0.0**	**80.0**	**82.5**	**−31.8**	**0.6**	**105.0**	**0.1**	**73.9**	**156.4**
Net result 2008								11.2		11.2	11.2
Sale of available-for-sale financial assets	5						−0.6			−0.6	−0.6
Treasury stock	11		−1.9		−1.9					0.0	−1.9
Share-based compensation	19							0.1		0.1	0.1
Currency translation differences											
from discontinued operations						0.1				0.1	0.1
from continuing operations						−16.8				−16.8	−16.8
AT 31 DECEMBER 2008		**2.5**	**−1.9**	**80.0**	**80.6**	**−48.5**	**0.0**	**116.3**	**0.1**	**67.9**	**148.5**

1 Total includes Total of other equity movements and Total income and expense directly recognized in equity

Foreign Currency Exchange Rates

Currency	Country	Unit	Income Statement 2008	Income Statement 2007	Balance Sheet 2008	Balance Sheet 2007
AUD	Australia	1	0.9140	1.0048	0.7266	0.9912
CNY	China	100	15.4619	15.7399	15.3800	15.4600
DKK	Denmark	100	21.2348	22.0380	20.1210	22.1300
EUR	Europe	1	1.5858	1.6410	1.5026	1.6523
GBP	UK	1	1.9898	2.3953	1.5536	2.2500
HKD	Hong Kong	100	13.8185	15.3359	13.6122	14.5300
MYR	Malaysia	100	32.1714	34.8077	30.3200	34.1800
NZD	New Zealand	1	0.7645	0.8859	0.6121	0.8669
NOK	Norway	100	19.2037	20.5118	15.1200	20.8200
PLN	Poland	100	45.3050	43.4072	36.8080	45.9000
SEK	Sweden	100	16.4422	17.7428	13.5400	17.4800
SGD	Singapore	1	0.7608	0.7941	0.7321	0.7853
USD	USA	1	1.0757	1.1962	1.0553	1.1325
ZAR	South Africa	100	13.2417	17.0018	10.9600	16.5500

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 (SIX). 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.

The format of the balance-sheet of these consolidated financial statements has been adjusted as follows: provisions for projects, so far presented within the position provisions, are newly presented within the positions amount due from and due to customers for construction contracts, respectively; additionally, project-related accruals, so far presented under the positions prepaid expenses and accrued income respectively accrued expenses, are presented within the positions amount due from and due to customers for construction contracts, respectively. Furthermore, small projects which are not accounted according to the percentage-of-completion method have been reclassified from inventories to the construction contracts. These reclassifications do not have any impact on the consolidated income statement but change the total assets in the previous year. The financial impact per balance-sheet position is disclosed in the concerning notes.

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 20 February 2009. 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 1.25.

New standards and interpretations

a) Standards and interpretations effective in 2008:

IAS 39 / IFRS 7 (Amendment): Reclassification of financial assets (13 October 2008)
On 13 October 2008, the IASB published the amendments of IAS 39 allowing the reclassification of certain financial instruments for which the active market ceased to exist. Since Swisslog Group does not have such financial instruments this amendment does not have any impact on the Group's consolidated financial statements.

IFRIC 12: Service concession agreements (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 (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 (1 January 2008)
This interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized 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 applies IFRIC 14 from 1 January 2008; this interpretation does not have a substantial impact on the Group accounts.

IFRIC 16: Hedges of a net investment in a foreign operation (1 October 2008)
According to IAS 39 an entity can hedge foreign exchange gains and losses on a net investment in a foreign operation. This interpretation provides further clarification on how to proceed when hedging a net investment in a foreign operation. IFRIC 16 has no significant relevance to the Group's consolidated 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.

Amendments of IFRS 1 and IAS 27: Cost of an investment in a subsidiary, jointly controlled entity or associate (1 January 2009)
The first change relates to the determination of the cost of an investment at the time of the first-time adoption of IFRS with a choice between historical cost or deemed costs (fair value or based on previous accounting standards). The second change relates to group reorganizations where a new parent is inserted as an intermediate holding or above an existing parent of the Group. Swisslog will apply these amendments but expects no material impact on the consolidated financial statements.

IFRS 2 (Amendment): Share-based payment (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 cancelation. Swisslog Group has introduced a new share matching plan in 2008 but expects no material impact from this interpretation on the consolidated financial statements.

IFRS 3 (Revised): Business combinations (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. Swisslog will apply these amendments but expects no material impact on the consolidated financial statements.

IFRS 8: Operating segments (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 1 (Amendment): Presentation of financial statements – capital disclosure (1 January 2009)
The major change of this amendment concerns the presentation of all items of income and expenses directly recorded in equity in the new position "other comprehensive income"; transactions with the owners are still presented in the statement of changes in equity. Swisslog will apply this amendment as of 1 January 2009.

IAS 23 (Amendment): Borrowing costs (1 January 2009)
The amendment to the standard requires an entity to capitalize 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 (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. Swisslog will apply these amendments but expects no material impact on the consolidated financial statements.

Amendments of IAS 32 and IAS 1: Puttable financial instruments and obligations arising on liquidation (1 January 2009)
These amendments provide a short-term and practical solution which allows entities to recognize their capital as equity rather than as financial liabilities; this relates to certain financial instruments which must currently be recognized as a liability by IAS 32. Swisslog Group currently has no such instruments and does not expect a significant impact on the Group's consolidated financial statements.

Amendment of IAS 39: Eligible hedged items (1 July 2009)
The amendment provides clarity about the designation of only a part of the cash flows or of the fair value of a financial instrument as a hedged item. Since the Group performs no hedge accounting according to IAS 39 this amendment is not expected to have a material impact on the consolidated financial statements.

IFRIC 15: Agreements for the construction of real estate (1 January 2009)
So far real estate developers applied different approaches for the accounting of real estate developments. Whereas some recorded the earnings in accordance with the percentage-of-completion (IAS 11) others realized the profits at the time when a real estate has been finished and transferred to the buyer (IAS 18). IFRIC 15 gives guidance about when applying IAS 11 and IAS 18, respectively. Swisslog Group records its logistics projects including real estate construction in accordance with the percentage-of-completion and does not expect a material impact on the Group's consolidated financial statements.

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 liabilties and contingent liabilities assumed in a business combination are measured initially at fair value 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 76.

The purchase method of accounting is used to account for acquisitions 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 recognized 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 2008 Swisslog Group has no substantial finance lease agreements, but discloses operating leases which are recognized as operating expenses in the income statement.

1.5 Intangible assets

Swisslog classifies 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 software internally developed 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.

1.6 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 22 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 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 and receivables
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading with the receivable. They are measured at amortized costs and are included in current assets, except for maturity exceeding 12 months after the balance-sheet date which are classified as non-current assets.

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; furthermore, there is no intention of trading with these financial instruments. They are included in non-current assets unless management has the clear intention to sell them within 12 months after the balance-sheet date. The financial instrument designated as available-for-sale as per 31 December 2007 has been sold as per 25 April 2008 (see Note 5.1).

e) Other liabilities
Included in this category are non-derivative financial instruments which present an obligation for a future cash payment and where there is no intention of trading with them including the convertible bonds.

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. At the initial recognition, financial assets and liabilities are recorded at fair value including transaction costs directly attributable to the acquisition of the financial instrument. Transaction costs for financial assets are not added to the purchase price. Financial assets at fair value and available-for-sale financial instruments are subsequently measured at fair value, whilst held-to-maturity financial instruments, loans and receivables and other liabilities are measured at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss 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 (market value in active market). 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.

1.7 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.

1.8 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.

1.9 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 and from customers for construction contracts, respectively.

1.10 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. The valuation of the financial instruments within these positions is described in Note 1.6.

1.11 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 an initial 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 an initial 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.

1.12 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.

1.13 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.

1.14 Liabilities

Other non-current liabilities include the obligations from employee benefits based on defined benefit plans (see 1.21) and are not considered as financial instruments according to IAS 39.

Trade payables include liabilities with a residual term of less than one year.

1.15 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.

1.16 Order intake

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

1.17 Order backlog

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

1.18 Revenue recognition

Revenue from construction contracts is based on the percentage-of-completion (POC) method (see 1.9). 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.

1.19 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred. No borrowing costs are capitalized since no assets are constructed for their own use.

1.20 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 or sufficient deductible temporary differences are existing. Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. No deferred taxes are recognized for the temporary differences arising from investments in subsidiaries and associates because it is probable that the temporary differences will not reverse in the foreseeable future. Deferred taxes are reported under non-current assets and liabilities.

1.21 Employee benefits

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 (Other long-term liability) and the net asset (Other asset), respectively, represents the defined benefit obligation less the fair value of the plan assets, adjusted for unrecognized actuarial gains or losses (see Note 5 and 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 compensation

Swisslog Holding AG introduced a new employee share matching plan to a limited number of participants in 2008. The shares are measured at fair value at the time of the grant date. The estimated number of shares to be vested over the vesting period of three years is revised at each balance-sheet date. The expense is recorded on a pro-rata basis in the consolidated income statement over the vesting period and is included in the personnel expenses.

1.22 Related parties

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

1.23 Financial risk management

a) Financial risk factors

The Group's activities are exposed to a variety of financial risks, including the effects of changes in debt and in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group 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. The main exposure to foreign exchange is with EUR, GBP, SEK and USD. The exposure on the financial instruments is disclosed in Note 22. If the foreign exchange rates during 2008 had not changed compared to the year 2007, the financial situation would have developed as following in 2008:

	2008 (in MCHF)	2008 at unchanged foreign exchange rates compared to 2007 (in MCHF)	Deviation	
			Absolute (in MCHF)	In %
Order intake[1]	598.0	639.3	41.3	6.9
Order backlog[1, 2]	445.5	494.6	49.1	11.0
Net sales[1]	786.1	835.0	48.9	6.2
EBITA[1]	35.3	38.1	2.8	7.9

1 Continuing operations
2 At period-end

If the foreign exchange rates had not changed in the year 2007 compared to the previous year 2006, the financial situation would have developed as following in 2007:

	2007 (in MCHF)	2007 at unchanged foreign exchange rates compared to 2008 (in MCHF)	Deviation	
			Absolute (in MCHF)	In %
Order intake[1]	850.5	856.2	5.7	0.7
Order backlog[1, 2]	682.3	689.6	7.3	1.1
Net sales[1]	694.9	694.5	–0.4	–0.1
EBITA[1]	34.4	35.4	1.0	2.9

1 Continuing operations
2 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.

(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. 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). The financial asset designated as available-for-sale as per 31 December 2007 has been sold as per 25 April 2008 (see Note 5.1). Under the fixed income securities disclosed in Note 10.2 is a credit letter in the amount of MCHF 9.0 (MEUR 6.0), whose price is independent from the interest rate risk. No interest rate sensitivity is disclosed as the share of financial instruments exposed to interest rate risk is not material.

(iii) Price risk
Swisslog Group's exposure to the price risk is minimal since the share of the financial assets at fair value through profit or loss (within the position marketable securities) amounts to MCHF 0.7 as per 31 December 2008 (2007: MCHF 1.8). The investments include publicly traded shares at the Swiss Stock Exchange (SIX).

(iv) 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. 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.

(v) 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 and six months, respectively, 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:

Liquidity reserves and credit facilities	2008	2007
Cash and cash equivalents	101.0	80.3
Marketable securities (with maturity below one year)	12.3	19.2
Committed credit facilities	26.8	7.0
thereof used	0.0	0.0
Total liquidity and unused credit facilities	140.1	106.5
Committed guarantee lines	100.0	100.0
thereof used	58.1	50.2

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.

1.24 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 140.0 and a maximum adjusted net debt factor of 2.5.

1.25 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 investment classified as available-for-sale financial instrument has been sold on 25 April 2008. Especially wrong estimates and assumptions for the value-in-use calculations of the goodwill might lead to revised assessments of the recoverability (see Note 4).

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 customers' 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 analyzed 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.

1.26 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) Continuing operations
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.

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.

Headquarters/Holdings
The headquarters comprises central management and service functions.

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

1.27 Changes in consolidation scope

In 2008 the consolidation scope changed due to the acquisition of the following company:

	Segment	Since	Equity interest
Swisslog Ergotrans B.V. (Netherlands)	Healthcare Solutions	18 April 2008	100%

Ergotrans B.V. has been renamed to Swisslog Ergotrans B.V. after the acquisition.

As per 18 April 2008 Swisslog Group acquired 100% of the shares of Swisslog Ergotrans B.V., Netherlands. The purchase consideration amounted to MCHF 5.3. The acquired goodwill consists primarily of anticipated synergy potential between Swisslog Ergotrans B.V. and the Swisslog Healthcare Solutions division.

Effect of acquisition

MCHF	Acquiree's carrying value	Fair value
Property, plant and equipment	0.2	0.2
Inventories	0.5	0.5
Trade receivables	0.9	0.9
Amount due from customers for construction contracts	0.6	0.6
Prepaid expenses and accrued income	0.3	0.3
Cash and cash equivalents	0.4	0.4
Trade payables	–0.4	–0.4
Amount due to customers for construction contracts	–0.5	–0.5
Provisions	–0.1	–0.1
Accrued expenses and deferred income	–0.3	–0.3
Other liabilities	–1.0	–1.0
NET ASSETS ACQUIRED		**0.6**
Goodwill		4.7
TOTAL PURCHASE CONSIDERATION		**5.3**

DETAILS OF PURCHASE CONSIDERATION	
Purchase price	5.2
Direct cost related to the acquisition	0.1
TOTAL PURCHASE CONSIDERATION	**5.3**
Cash and cash equivalents in subsidiary acquired	–0.4
CASH OUTFLOW ON ACQUISITION, NET	**4.9**

If Swisslog Ergotrans B.V. had been acquired on the first day of the business year 2008, Swisslog Group would have posted MCHF 786.5 in consolidated net sales and an operating profit (EBIT) of MCHF 35.2 (continuing operations). Swisslog Ergotrans B.V. achieved an operating profit of MCHF 0.6 for the period from 18 April to 31 December 2008.

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

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 698.0 in consolidated net sales and a consolidated operating profit (EBIT) of MCHF 34.9. 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 698.3 in consolidated net sales and a consolidated operating profit (EBIT) of MCHF 33.9. The acquired business contributed MCHF –0.1 for the period from 1 September to 31 December 2007.

Page 76 "Subsidiaries and investments of Swisslog Group" provides an overview of the Group companies as per 31 December 2008.

1.28 Discontinued operations

As per 15 December 2008 Swisslog Group signed an agreement to sell the operating activities of the division Consulting Services/Wassermann (CSW) to its management. The two former managing directors of the division Consulting Services/Wassermann located in Munich acquired the operating activities in the form of a management buyout (purchase of net assets).

The activities of Consulting Services/Wassermann presented an independent segment in the segment reporting. Since the disposal has taken place with effect as per 31 December 2008, the income statement of Consulting Services/Wassermann is included in the Group's consolidated income statement under the position discontinued operations. However, the net assets sold to the former managing directors as per 31 December 2008 are not included in the Group's consolidated balance-sheet. The net sales, net profit, cash flow statement and net assets of the discontinued operations are as follows:

a) Income statement

MCHF	Consulting Services/Wassermann 1 January to 31 December 2008	Consulting Services/Wassermann 1 January to 31 December 2007
Net sales with third party	12.2	12.7
Net sales with Swisslog Group companies	0.3	0.0
Other operating expenses	–12.2	–12.5
Result from discontinuation	–7.0	0.0
Operating profit before tax	–6.7	0.2
Tax expenses	0.0	0.0
Net profit discontinued operations	–6.7	0.2

b) Cash flow statement

MCHF	Consulting Services/Wassermann 1 January to 31 December 2008	Consulting Services/Wassermann 1 January to 31 December 2007
Cash flow from operating activities	–0.5	1.3
Cash flow from investing activities	0.1	0.1
Cash flow from financing activities	0.0	0.0
Net cash flow from discontinued operations	–0.4	1.4

c) Balance-sheet

MCHF	Consulting Services/Wassermann 31 December 2008
Total assets	3.0
Total liabilities	1.6
Net assets[1]	1.4

1 Net assets of the discontinued operations are not included in the Group's consolidated balance-sheet as per 31 December 2008

d) Result from discontinuation of Consulting Services/Wassermann

MCHF	Consulting Services/Wassermann 31 December 2008
Impairment on assets	–5.1
Revaluation of goodwill to fair value less cost to sell	–0.8
Revaluation of other assets	–1.2
Recycling of currency translation differences from equity to the income statement	0.1
TOTAL LOSS FROM DISCONTINUATION OF CONSULTING SERVICES/WASSERMANN	**7.0**

The net assets sold to the former managing directors of the division Consulting Services/Wassermann as per 31 December 2008 are financed through a vendor loan in the amount of MCHF 3.1. The loan has an annual interest rate of 3% and is amortized over the maturity of 8 years. The annual amortization is a fixed percentage of the annually achieved EBITDA from the new independent company (see Note 5.2).

2. Information by Segment

2.1 Division Segmentation

2008 MCHF	Warehouse & Distribution Solutions	Healthcare Solutions	Head-quarters/ Holding	Elimi-nations	Total continuing operations[6]	Discon-tinued operations	Elimi-nations	Total Group
Order intake	354.9	243.3	0.0	–0.2	598.0	12.8	–0.4	610.4
Order backlog (at year-end)	298.2	147.4	0.0	0.0	445.6	0.0	0.0	445.6
Net sales	542.6	243.8	0.0	–0.3	786.1	12.5	–0.3	798.3
Net sales to third parties	542.3	243.8	0.0	0.0	786.1	12.2	0.0	798.3
Net sales internal[1]	0.3	0.0	0.0	–0.3	0.0	0.3	–0.3	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	24.8	26.4	–10.1	0.0	41.1	0.4	0.0	41.5
Depreciation and amortization	3.5	2.1	0.2	0.0	5.8	0.2	0.0	6.0
Operating profit before impairment of goodwill (EBITA)	21.3	24.3	–10.3	0.0	35.3	0.2	0.0	35.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	5.9	0.0	5.9
Operating profit (EBIT)	21.3	24.3	–10.3	0.0	35.3	–5.7	0.0	29.6
Goodwill	37.2	40.9	0.0	0.0	78.1	0.0	0.0	78.1
Current and non-current assets[2]	149.5	150.8	9.4	–11.9	297.8	0.0	0.0	297.8
Operating liabilities and provisions[3]	180.6	52.5	12.1	–11.9	233.3	0.0	0.0	233.3
Net operating assets[4] (NOA)	–31.1	98.3	–2.7	0.0	64.5	0.0	0.0	64.5
Investment in property, plant, equipment and intangible assets[5]	10.2	3.1	0.6	0.0	13.9	0.2	0.0	14.1
Changes in provisions	1.0	0.8	–3.0	0.0	–1.2	0.0	0.0	–1.2
Employees (at year-end)	1 315	857	20	0.0	2 192	0.0	0.0	2 192
EBITA as % of sales (EBITA margin)	3.9	10.0	NA		4.5	1.6		4.4
EBITA as % of NOA (RONOA)	NA	24.7	NA		54.7	NA		53.8
2007								
Order intake	609.1	241.5	0.0	–0.1	850.5	12.4	0.0	862.9
Order backlog (at year-end)	524.2	158.1	0.0	0.0	682.3	6.5	0.0	688.8
Net sales	452.6	242.4	0.0	–0.1	694.9	12.7	0.0	707.6
Net sales to third parties	452.5	242.4	0.0	0.0	694.9	12.7	0.0	707.6
Net sales internal[1]	0.1	0.0	0.0	–0.1	0.0	0.0	0.0	0.0
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	26.2	26.3	–11.4	0.0	41.1	0.4	0.0	41.5
Depreciation and amortization	3.4	3.2	0.1	0.0	6.7	0.3	0.0	7.0
Operating profit before impairment of goodwill (EBITA)	22.8	23.1	–11.5	0.0	34.4	0.1	0.0	34.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	22.8	23.1	–11.5	0.0	34.4	0.1	0.0	34.5
Goodwill	41.8	39.5	0.0	0.0	81.3	9.5	0.0	90.8
Current and non-current assets[2]	151.7	140.8	8.1	–10.5	290.1	12.8	0.0	302.9
Operating liabilities and provisions[3]	160.1	52.3	10.5	–10.5	212.4	2.5	0.0	214.9
Net operating assets[4] (NOA)	–8.4	88.5	–2.4	0.0	77.7	10.3	0.0	88.0
Investment in property, plant, equipment and intangible assets[5]	7.1	3.0	0.3	0.0	10.4	0.1	0.0	10.5
Changes in provisions	2.9	0.4	0.4	0.0	3.7	0.0	0.0	3.7
Employees (at year-end)	1 210	783	20	0.0	2 013	47	0.0	2 060
EBITA as % of sales (EBITA margin)	5.0	9.5	NA		5.0	0.8		4.9
EBITA as % of NOA (RONOA)	NA	26.1	NA		44.3	1.0		39.2

1 Internal transactions are concluded at arm's-length terms
2 Excluding cash, cash equivalents, marketable securities, deferred tax assets and other assets
3 Excluding interest-bearing borrowings, deferred tax liabilities and income tax payables
4 Current and non-current assets ./. current liabilities and provisions
5 Excluding goodwill
6 Information by segment includes all continuing operations. To arrive at consolidated net sales from continuing operations, net sales to other segments are eliminated

2.2 Geographical Segmentation

MCHF	Europe 2008	Europe 2007	North America 2008	North America 2007	Asia/Pacific 2008	Asia/Pacific 2007	Total Group 2008	Total Group 2007
Net sales	480.3	392.2	256.8	232.3	61.2	83.1	798.3	707.6
Current and non-current assets[2]	174.1	178.0	111.3	110.1	12.4	14.8	297.8	302.9
Investment in property, plant, equipment and intangible assets[5]	11.4	7.5	2.3	2.4	0.4	0.6	14.1	10.5
Employees (at year-end)	1 448	1 397	445	399	299	264	2 192	2 060

3. Property, plant, equipment and intangible assets

3.1 Property, plant, equipment

2008 MCHF	Land	Buildings	Machinery/ equipment	Assets under construction/ prepayments	Total
Cost at 1 January	0.3	9.4	44.1	0.0	53.8
Additions	0.0	0.9	4.2	0.4	5.5
Changes in consolidation scope	0.0	0.0	0.1	0.0	0.1
Disposals	0.0	0.0	–4.7	0.0	–4.7
Currency translation differences	0.0	–0.7	–3.0	0.0	–3.7
COST AT 31 DECEMBER	**0.3**	**9.6**	**40.7**	**0.4**	**51.0**
Accumulated depreciation at 1 January	0.0	–5.3	–34.5	0.0	–39.8
Depreciation charge	0.0	–0.9	–3.8	0.0	–4.7
Accumulated depreciation on disposals	0.0	0.0	4.1	0.0	4.1
Currency translation differences	0.0	0.1	2.3	0.0	2.4
ACCUMULATED DEPRECIATION AT 31 DECEMBER	**0.0**	**–6.1**	**–31.9**	**0.0**	**–38.0**
TOTAL NET BOOK VALUE AT 31 DECEMBER 2008	**0.3**	**3.5**	**8.8**	**0.4**	**13.0**

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

The insurance value of the property, plant and equipment was MCHF 99.0 at the end of 2008 (2007: MCHF 93.9).

3.2 Other intangible assets

2008 MCHF	Capitalized development expenses	Other	Total
Cost at 1 January	12.0	9.2	21.2
Additions	6.7	1.9	8.6
Change in consolidation scope	0.0	0.0	0.0
Disposals	–2.4	–1.5	–3.9
Currency translation differences	–0.7	–0.3	–1.0
COST AT 31 DECEMBER	**15.6**	**9.3**	**24.9**
Accumulated amortization at 1 January	–5.8	–8.2	–14.0
Amortization of the current year	–0.6	–0.7	–1.3
Accumulated amortization on disposals	2.3	1.2	3.5
Currency translation differences	0.3	0.4	0.7
ACCUMULATED AMORTIZATION AT 31 DECEMBER	**–3.8**	**–7.3**	**–11.1**
TOTAL NET BOOK VALUE AT 31 DECEMBER 2008	**11.8**	**2.0**	**13.8**

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

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

4. Goodwill

4.1 Goodwill

MCHF	Note	2008	2007
Cost at 1 January		127.7	123.7
Additions	1.27	4.7	5.5
Disposals	1.28	–43.1	0.0
Currency translation differences		–11.2	–1.5
COST AT 1 JANUARY		**78.1**	127.7
Accumulated impairment losses at 1 January		–36.9	–35.4
Impairment		–5.9	0.0
Disposals	1.28	42.3	0.0
Currency translation differences		0.5	–1.5
ACCUMULATED IMPAIRMENT LOSSES AT 31 DECEMBER		**0.0**	–36.9
TOTAL NET BOOK VALUE AT 31 DECEMBER		**78.1**	90.8

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

	2008				2007			
MCHF	Warehouse & Distribution Solutions	Health-care Solutions	Consulting Services/ Wassermann[1]	Total	Warehouse & Distribution Solutions	Health-care Solutions	Consulting Services/ Wassermann	Total
CHF	7.2	2.0	0.0	9.2	7.2	2.0	0.0	9.2
EUR	3.5	16.3	0.0	19.8	3.9	12.9	9.5	26.3
USD	18.8	20.4	0.0	39.2	20.1	21.9	0.0	42.0
Others	7.7	2.2	0.0	9.9	10.6	2.7	0.0	13.3
TOTAL GOODWILL	**37.2**	**40.9**	**0.0**	**78.1**	41.8	39.5	9.5	90.8

1 2008: Discontinued operations. The decrease of MCHF 9.5 (2007) to MCHF 0.0 (2008) consists of impairment charges (MCHF 5.9), disposal (MCHF 3.4) in the form of exchange of assets (vendor loan see Note 5.2) and derecognition of currency translation differences (MCHF 0.2)

4.2 Goodwill impairment 2008 (discontinued operations)

In December 2008 an impairment of MCHF 5.9 has been recorded on the goodwill of Consulting Services/Wassermann. The main reason for the recognition of an impairment was the revised business outlook based on the current development of the economy. The remaining balance of Consulting Services/Wassermann has been booked out in connection with the discontinuation of this business line (see Note 1.28). No goodwill impairment has been recorded in the previous year.

4.3 Impairment test of goodwill as per 31 December 2008 (continuing operations)

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. Based on the worsened economic environment the impairment tests of the goodwill have been revised after finalisation of the annual result 2008. Thereby, the cash flows, which are based on the budget for the year 2009 and the mid-term planning for the year 2010, have been revised and reduced. The cash flows for the period of 2011 to 2013 are an extrapolation corresponding to the expected growth rate in each market. The cash flow for the residual value calculation in 2014 is based on the cash flow in the year 2013 (unchanged). For the inflation a rate of 1% 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. 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 1.10 and EUR to CHF 1.50.

The cost of capital for Swisslog Group has been determined based on a cost of capital model; the cost of capital decreased by 0.7%-point due to lower equity costs, resulting from a lower beta, when compared to the previous year. To the Group-wide cost of capital, a risk premium based on the country risk and the risk of the underlying CGU has been added. These discount factors, defined on a pre-tax basis according to IAS 36, are then used to determine the present value of the future cash flows of each CGU (primary segments).

Key assumptions for the goodwill impairment test

	2008		2007 *(incl. periods 2008–2012 and 2010–2012, respectively)*		
MCHF	Warehouse & Distribution Solutions	Health-care Solutions	Warehouse & Distribution Solutions	Health-care Solutions	Consulting Services/ Wassermann[1]
Net sales	542.6	243.8	452.6	242.4	12.7
*Growth rate p.a. 2009–2013***	*–1.6%*	*2.5%*	*4.8%*	*5.1%*	*8.3%*
EBITDA*	18.1	22.8	18.3	22.9	0.3
*Growth rate p.a. 2009–2013***	*10.1%*	*7.9%*	*16.1%*	*8.9%*	*47.0%*
Growth rate p.a. 2011–2013	*8.2%*	*10.7%*	*9.9%*	*6.0%*	*31.2%*
Pre-tax discount factor	10.4%	10.5%	10.6%	12.5%	11.7%

1 2008: recorded impairment of MCHF 5.9 and discontinued operations

* Headquarter cost proportionally allocated
** Year 2009 and 2010 approved by the Board of Directors

Sensitivity analysis for most important assumptions used for impairment testing

The following table shows either the coverage of the goodwill when using the above stated assumptions but also the maximum value up to them the goodwill would be still covered respectively above them, the goodwill would not be covered anymore.

	2008		2007		
MCHF	Warehouse & Distribution Solutions	Health-care Solutions	Warehouse & Distribution Solutions	Health-care Solutions	Consulting Services/ Wassermann[1]
Coverage of goodwill using the above stated assumptions	118.7	202.9	186.0	141.8	0.7
Maximum discount factor which would still cover the goodwill	19.0%	29.7%	24.0%	27.6%	12.2%

1 2008: recorded impairment of MCHF 5.9 and discontinued operations

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. The risk of further goodwill impairment charges has significantly decreased due to the discontinuation of Consulting Services/Wassermann.

5. Other assets

	Note	2008 MCHF	2007 MCHF
Available-for-sale financial investments		0.0	13.9
Long-term interest-bearing receivables	5.2	4.6	6.4
Pension schemes with net assets	14	3.2	0.0
TOTAL		**7.8**	**20.3**

5.1 Available-for-sale financial investments

As per 25 April 2008 Swisslog Group sold its stake, including convertible bonds, in the Finnish CPS Color Group Oy to Nordic Capital. The cash proceeds from the sale amounted to MCHF 21.6 and have been received on 18 June 2008. The stake in CPS Color Group Oy consisted of an available-for-sale investment (participation 8.17%) of MCHF 13.6 (2007: MCHF 13.9) and of convertible bonds of MCHF 4.5 (see Note 5.2).

The sale resulted in a book gain of MCHF 4.1 in the income statement. Included in this amount are fair value adjustments recognized in previous years on the available-for-sale investment of MCHF 0.6 which were transferred from equity to the income statement at the time of the sale. As per 31 December 2007 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. The discount factor used for the valuation was 11%. The shares of Swisslog IP B.V. are pledged in favour of the bondholders.

5.2 Long-term interest-bearing receivables

	2008 MCHF	2007 MCHF
Amount recognised initially at 1 January	9.1	10.1
Additions	4.6	1.2
Disposals	–7.4	–1.0
Loan waiver	0.0	–1.4
Currency translation differences	–0.3	0.2
AMOUNT RECOGNIZED INITIALLY AT 31 DECEMBER	**6.0**	**9.1**
Accumulated impairments at 1 January	–2.7	–3.4
Write-off of current year	–1.4	0.0
Disposals	2.5	0.0
Loan waiver	0.0	0.8
Currency translation differences	0.2	–0.1
ACCUMULATED IMPAIRMENTS AT 31 DECEMBER	**–1.4**	**–2.7**
TOTAL NET BOOK VALUE AT 31 DECEMBER	**4.6**	**6.4**
Of which:		
Due later than one year but not later than five years	0.3	6.3
Due after five years	4.3	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. Such cash collaterals qualify as restricted cash and are therefore not presented within the position cash. The net loss included in the income statement based on changes in the amortized costs amounts to MCHF –1.4 (2007: MCHF –0.5) and is mostly attributable to revised assessments based on the worsened economic environment. The average interest rate on total long-term interest-bearing receivables is 0.8% (2007: 1.4%). The major part of the long-term interest-bearing receivables is a vendor loan in connection with the divestment of the division Consulting Services/Wassermann; further information is included in Note 1.28.

6. Inventories

	2008 MCHF	2007 MCHF
Materials and supplies	13.2	14.7
Work in progress	1.5	2.6
Finished goods	11.8	11.3
TOTAL	**26.4**	**28.6**

In 2008 MCHF 0.3 (2007: MCHF 0.7) of obsolete raw materials and supplies have been written off. In the previous year small projects in the amount of MCHF 2.2 have been reclassified to the construction contracts (see Note 1.1).

7. Trade receivables

	2008 MCHF	2007 MCHF
Trade receivables	107.5	108.7
Allowance for bad debts	–1.8	–2.6
TOTAL	**105.7**	**106.1**

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

	2008 MCHF	2007 MCHF
Allowance for bad debts at 1 January	–2.6	–3.5
Changes in consolidation scope	0.5	0.0
Additions	–0.7	–0.4
Unused reversed	0.4	0.4
Used during year	0.6	0.9
ALLOWANCE FOR BAD DEBTS AT 31 DECEMBER	**–1.8**	**–2.6**

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:

Not due	64.3	63.6
Past due not more than one month	17.7	22.8
Past due more than one month and not more than two months	8.4	5.6
Past due more than two months and not more than three months	6.2	3.1
Past due more than three months and not more than six months	2.9	4.9
Past due more than six months	6.2	6.1
TOTAL TRADE RECEIVABLES NET	**105.7**	**106.1**

8. Construction contracts

	2008 MCHF	2007 MCHF
Asset:		
Contract costs recognized as expense plus recognized profits	278.2	285.3
Less recognized losses	–3.6	–5.5
Progress billings and advance payments from customers	–237.4	–254.5
AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS	**37.2**	**25.3**
Liability:		
Contract costs recognized as expense plus recognized profits (less recognized losses)	–323.0	–302.7
Plus recognized losses	1.1	0.7
Progress billings and advance payments from customers	419.9	375.4
AMOUNT DUE TO CUSTOMERS FOR CONSTRUCTION CONTRACTS	**98.0**	**73.4**
Construction contracts net sales recognized in the presented period	621.9	532.1
Retentions[1]	7.2	6.5

1 Retentions are amounts of progress billings that are not paid by the customer until the satisfaction of conditions specified in the contract for payment of such amounts. Retentions are presented within trade receivables in the balance sheet

Due to the reclassifications of provisions and accruals for projects (see Note 1.1) the amount due from customers for construction contracts has decreased by MCHF 13.0 and the amount due to customers for construction contracts has increased by MCHF 8.3 in the previous year.

9. Prepaid expenses and accrued income

	2008 MCHF	2007 MCHF
Prepaid expenses	3.6	9.0
Accrued income	9.6	9.6
TOTAL	**13.2**	**18.6**

10. Cash, cash equivalents and marketable securities

10.1 Cash and cash equivalents

	2008 MCHF	2007 MCHF
Cash at bank and on hand	101.0	74.8
Money market investments with a maturity of less than 90 days	0.0	5.5
TOTAL CASH AND CASH EQUIVALENTS	**101.0**	**80.3**

10.2 Marketable securities

	2008 MCHF	2007 MCHF
Marketable securities – held for trading	12.3	19.2

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

Shares	0.7	1.8
Bonds	1.0	14.4
Credit letter (see Note 1.23a (ii))	9.0	0.0
Others	1.6	3.0
TOTAL	**12.3**	**19.2**

Marketable securities are measured at fair value through profit and loss 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 20).

11. Share capital

The share capital at 31 December 2008 amounts to MCHF 2.5 (2007: MCHF 2.5) and consists of 251 276 984 registered shares with a nominal value of CHF 0.01 (2007: CHF 0.01) per share. The share capital is fully paid up.
As per 31 December 2008 Swisslog Holding holds 1 718 500 treasury shares, which are dedicated to the employee share matching plan (see Note 19).

11.1 Number of shares

	2008	2007
Shares outstanding at 1 January	251 276 984	251 276 984
Purchase of treasury stocks	–2 000 000	0
Sale of treasury stocks	281 500	0
Shares outstanding at 31 December	249 558 484	251 276 984

11.2 Nominal value

	2008	2007
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 2008 Swisslog Holding AG has repurchased 7 578 convertible bonds in several steps with an aggregate nominal value of MCHF 18.9 and keeps them at its own; the repurchase prices were between 90.00% and 98.25%. In the previous year 5 483 convertible bonds were repurchased in several steps with an aggregate nominal value of MCHF 13.7. 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:

	2008 MCHF	2007 MCHF
LIABILITY COMPONENT AT 1 JANUARY	**54.7**	64.5
Interest expense before and after the partial repurchases of convertible bonds:		
Interest expense coupon interest rate 2.5%/3.0% and 2.0%/2.5%, respectively	1.1	1.4
Interest expense market interest rate applied	1.8	2.5
Effects from the partial repurchases of the bonds		
Partial repurchases of bonds against cash	–18.5	–13.2
Loss on repurchases of bonds (difference between purchase price and book value)	0.6	0.8
Interest paid	–1.2	–1.3
TOTAL LIABILITY COMPONENT	**38.5**	54.7
Provision for interest payment under accrued expenses and deferred income	–0.6	–0.7
LIABILITY COMPONENT AT 31 DECEMBER	**37.9**	54.0

Interest expense for the liability component of the bonds is calculated on the effective yield basis by applying the coupon interest rate (7.0%) for equivalent bonds at the time of the issuance. The interest expense amounts to MCHF 2.9 in 2008 (2007: MCHF 3.9). The shares of Swisslog IP B.V. are pledged in favour 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 susidiaries held directly or indirectly are limited to MCHF 30.0 and their outstanding guarantee facilities are limited to MCHF 116.0.
- In case of breaching the covenants (Note 16.2) of the guarantee facilities the bonds may immediately be recalled at nominal value.

At the end of 2008 the bonds noted at the Swiss Stock Exchange with 96.00% (2007: 97.50%).

13. Income taxes and deferred taxes

13.1 Income taxes

	2008 MCHF	2007 MCHF
Current income taxes	13.0	8.2
Deferred taxes	–1.5	2.4
TOTAL INCOME TAXES	**11.5**	10.6

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

The applicable tax rate of 32.5% (2007: 32.8%) is a weighted Group tax rate, calculated from the income taxes based on the profits before taxes of each Group company, 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.

	2008 MCHF	2007 MCHF
INCOME TAXES AT THE APPLICABLE GROUP TAX RATE	**9.6**	9.6
Effect of applicable Group tax rate to consolidated individual applicable income taxes	0.4	2.3
Non-tax-deductible expenses and non-taxable income	–1.3	0.9
Changes in recognition of tax losses	–2.2	–1.8
Utilisation of unrecognized tax loss carry forwards	–12.0	–7.2
Current year's losses for which no deferred tax assets are recognized	2.2	1.9
Income taxes from previous years	0.0	0.3
Taxable events which are eliminated in Group closing	12.3	4.1
Withholding taxes not refundable	1.5	0.0
Others	1.0	0.5
EFFECTIVE INCOME TAXES	**11.5**	10.6

13.3 Tax loss carry forwards

	2008 MCHF	2007 MCHF
AVAILABLE TAX LOSS CARRY FORWARDS AT 1 JANUARY	**436.9**	**450.7**
Currency translation differences	–14.3	2.1
Changes due to new tax assessments	–1.8	10.7
Tax losses arising from current year	8.1	7.1
Tax losses utilised against current year profits	–118.7	–33.7
AVAILABLE TAX LOSS CARRY FORWARDS AT 31 DECEMBER	**310.2**	**436.9**

Deferred tax assets of MCHF 5.4 (2007: MCHF 4.5) were recorded in respect of available tax loss carry forwards of MCHF 21.8 (2007: MCHF 16.9). Deferred tax assets for unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised in the respective countries, or to the extent that the individual enterprises have sufficient taxable temporary differences.

99.0% (2007: 98.0%) of tax loss carry forwards are within Europe. Thereof MCHF 60.0 (2007: MCHF 160.0) can only be utilised to a limited extent.

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

	2008 MCHF	2007 MCHF
After 1 year	2.4	0.0
After 2 years	179.4	3.1
After 3 and more years	26.8	316.1
Unlimited	79.8	100.8
TOTAL UNRECOGNIZED TAX LOSS	**288.4**	**420.0**

13.4 Deferred taxes

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

MCHF	2008 Assets	2008 Liabilities	2008 Net	2007 Assets	2007 Liabilities	2007 Net
Tangible/intangible assets	2.2	0.3		1.5	0.5	
Inventories and work in progress	11.4	0.8		5.8	0.3	
Current receivables	1.3	3.2		0.3	1.6	
Long-term liabilities	1.0	0.9		1.5	1.7	
Provisions	1.1	0.3		1.2	0.0	
Short-term liabilities	1.4	13.5		0.9	7.0	
SUBTOTAL BY BALANCE-SHEET ITEMS	**18.4**	**19.0**	**–0.6**	**11.2**	**11.1**	**0.1**
Deferred tax assets on tax loss carry forward	5.4			4.5		
Deferred tax assets on unused tax credits	0.4					
Offsetting assets with liabilities	–18.2	–18.2		–9.8	–9.8	
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	**6.0**	**0.8**	**5.2**	**5.9**	**1.3**	**4.6**

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 43.0 (2007: MCHF 30.7). 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

	2008 MCHF	2007 MCHF
Pension schemes with net liabilities	8.6	7.8
Other long-term employee benefits	0.9	1.0
TOTAL	**9.5**	**8.8**

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 four years the obligations are reassessed by independent actuaries. The last valuations were done at effective dates between 31 December 2007 and 31 December 2008 (all significant pension schemes at year-end 2008).

The following is a summary of the status of the main defined benefit plans at 31 December 2008, using IAS 19 (revised) actuarial assumptions.

	Note	2008 MCHF	2007 MCHF
Pension schemes with net liabilities		–8.6	–7.8
Pension schemes with net assets	5	3.2	0.0
LIABILITY IN THE BALANCE-SHEET, NET		**–5.4**	**–7.8**

	2008 MCHF	2007 MCHF
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 1 JANUARY	**–170.0**	**–163.3**
Current service cost	–5.5	–5.3
Employee's contributions	–3.2	–2.9
Interest cost	–6.5	–6.0
Actuarial gains(+)/losses (–)	–5.7	0.5
Curtailment, settlement, plan amendments	0.0	0.7
Benefit paid	10.7	6.0
Changes in consolidation scope	0.0	–1.5
Currency translation differences	9.4	1.8
PRESENT VALUE OF BENEFIT OBLIGATIONS AT 31 DECEMBER	**–159.4**	**–170.0**
FAIR VALUE OF PLAN ASSETS AT 1 JANUARY	**149.2**	**141.2**
Expected return-on-plan assets	6.4	6.4
Employer's contributions	7.0	5.5
Employee's contributions	3.2	2.9
Actuarial gains(+)/losses (–)	–22.8	–0.1
Benefit paid	–10.7	–6.0
Changes in consolidation scope	0.0	1.2
Currency translation differences	–8.7	–1.9
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	**123.6**	**149.2**
Present value of benefit obligations at 31 December	–159.4	–170.0
Fair value of plan assets at 31 December	123.6	149.2
NET FUNDED STATUS	**–35.8**	**–20.8**
Present value of unfunded obligations	–0.1	–0.2
Unrecognized actuarial losses (+)/gains (–)	30.5	13.2
LIABILITY IN THE BALANCE SHEET, NET	**–5.4**	**–7.8**

MOVEMENT IN THE LIABILITY	MCHF	MCHF
Liability recognized in balance-sheet at the beginning of the period	–7.8	–9.0
Changes in consolidation scope	0.0	–0.2
Currency translation differences	0.8	–0.1
Expense for pension schemes recognized in the income statement	–5.4	–4.0
Employer's contributions	7.0	5.5
LIABILITY RECOGNIZED IN BALANCE-SHEET AT THE END OF THE PERIOD	**–5.4**	**–7.8**

EXPENSE FOR PENSION SCHEMES RECOGNIZED IN THE INCOME STATEMENT	MCHF	MCHF
Current service cost	–5.5	–5.3
Interest cost	–6.5	–6.0
Expected return-on-plan assets	6.4	6.4
Net actuarial gains (+) and losses (–) recognized in the period	0.2	0.2
Curtailment, settlement and plan amendments	0.0	0.7
TOTAL, INCLUDED IN THE INCOME STATEMENT	**–5.4**	**–4.0**

Plan assets

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

	2008	2007
Equity instruments	20.8%	23.9%
Debt instruments	43.0%	36.9%
Property	12.0%	10.2%
Other[1]	24.2%	29.0%
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 2009 are estimated at MCHF 5.8.

	MCHF	MCHF
Actual return-on-plan assets	–15.1	6.3

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

	2008 MCHF	2007 MCHF	2006 MCHF	2005 MCHF
Present value of benefit obligations at 31 December	–159.4	–170.0	–163.3	–151.6
Fair value of plan assets at 31 December	123.6	149.2	141.2	126.0
NET FUNDED STATUS	**–35.8**	**–20.8**	**–22.1**	**–25.6**
Experience adjustment on plan liabilities	1.7	0.5	–1.0	–0.7
Change in assumptions adjustments on plan liabilities	4.0	0.0	–1.3	–9.3
Experience adjustment on plan assets	–22.8	–0.1	4.6	–0.5

ACTUARIAL ASSUMPTIONS	2008	2007
Discount rate	3.25%–6.50%	3.00%–6.00%
Expected return-on-plan assets	2.00%–7.50%	2.00%–7.50%
Future salary increases	1.25%–5.25%	1.25%–5.25%
Future pension-benefit increases	0.50%–3.00%	0.50%–3.50%

The total amount of contributions paid for defined contribution plans in 2008 amounts to MCHF 3.7 (2007: MCHF 3.0).

OTHER LONG-TERM EMPLOYEE BENEFITS	2008 MCHF	2007 MCHF
Liability at 1 January	1.0	0.5
Increase/decrease of the liability	–0.1	0.5
Liability at 31 December	0.9	1.0

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

15. Trade payables

	2008 MCHF	2007 MCHF
TRADE PAYABLES	**65.6**	**64.1**

Trade payables are non-interest bearing and are generally settled on 60-day terms.

16. Provisions and contingent liabilities

16.1 Provisions

	Current provisions			
MCHF	Warranties	Restructuring	Other	Total
at 1 January 2008	8.5	0.3	2.6	11.4
Changes in consolidation scope	0.1	0.0	0.0	0.1
Additions	4.1	0.0	1.5	5.6
Unused reversed	–2.0	–0.2	–0.1	–2.3
Used during year	–3.0	–0.1	–0.5	–3.6
Currency translation differences	–0.9	0.0	–0.1	–1.0
AT 31 DECEMBER 2008	**6.8**	**0.0**	**3.4**	**10.2**
at 1 January 2007	5.2	0.2	2.4	7.8
Changes in consolidation scope	1.3	0.0	0.3	1.6
Additions	6.1	0.0	0.5	6.6
Unused reversed	–1.5	0.0	–0.2	–1.7
Used during year	–2.5	0.0	–0.4	–2.9
Currency translation differences	–0.1	0.1	0.0	0.0
AT 31 DECEMBER 2007	8.5	0.3	2.6	11.4

All provisions are classified as current because it is expected that they will be settled in the entity's normal operating cycle. The change in the consolidation scope relates to the acquisition of Swisslog Ergotrans B.V. (Netherlands) respectively to the acquisition of Swisslog-Accalon AB (Sweden) and Swisslog Collett AS (Norway) in the previous year (see Note 1.28). Warranties are related to costs which occur during the warranty period. In connection with its ordinary business operations, the Group is involved in various legal disputes. The necessary provisions have been created on the basis of the currently available information. In the previous year provisions for projects in the amount of MCHF 6.3 have been reclassified to the construction contracts (see Note 8).

16.2 Contingent liabilities and guarantees

Contingent liabilities amount to MCHF 16.0 (2007: MCHF 4.8). The major part of the contingent liabilities is related to a legal claim where the probability is below 50% that a future outflow of resources exceeds the amount provided as per 31 December 2008.

Furthermore, a competitor has filed a complaint against Swisslog's PillPick solution in North America in 2005 alleging infringement of two patents. Swisslog does not expect a material impact from that complaint because the PillPick sales of Swisslog are not more than 10% of total sales of division Healthcare Solutions in 2008 and 2007, and on the other hand Swisslog 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 149.1 at the end of 2008 (2007: MCHF 123.4).

As per 25 November 2008 guarantee facilities with a limit of MCHF 100.0 (2007: MCHF 100.0) of a bank syndicate have been renegotiated for a term of 4 years (maturity 31 December 2012). The guarantee facilities are secured by the pledge of the subsidiary TransLogic Corp. (USA). This pledge ends with the repayment of the convertible bonds (maturity 31 December 2009). As per 31 December 2008, the shareholders' equity of TransLogic Corp. (USA) amounted to MCHF 40.1 (2007: MCHF 32.0). The guarantee facilities include a cash credit line of MCHF 20.0 for the repayment of the convertible bonds and for acquisitions.

The guarantee facilities are bonded mainly by the following covenants:

a) Minimum equity of MCHF 140.0. For the quarterly compliance, the change in the currency translation adjustment within the equity since 31 December 2007 is to be neutralised.
b) Adjusted net debt in relation to operating profit before depreciation, amortization and impairment of goodwill (EBITDA) of maximum 2.5; the adjusted net debt consists of the convertible bonds (nominal value) minus fixed percentages of the issued guarantees by the banks less cash and marketable securities (quarterly compliance).

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 2008 and 2007 Swisslog Group kept the conditions of the covenants without exception.

17. Accrued expenses and deferred income

	2008 MCHF	2007 MCHF
Personnel accruals	23.4	27.2
Business accruals	3.7	4.0
Tax accruals without income tax	0.6	0.6
Others	6.3	11.4
TOTAL	**34.0**	**43.2**

Income taxes are shown in Note 13, Income taxes and deferred taxes. Based on the reclassification of accruals for projects to the construction contracts (see Note 8), the total accrued expenses and deferred income has decreased by MCHF 17.3 in the previous year.

18. Operating expenses

	2008 MCHF	2007 MCHF
MATERIAL AND SERVICE EXPENSES		
Change in inventories	2.2	–1.5
Material expense	374.0	294.5
Service expense	22.2	18.9
TOTAL	**398.4**	**311.9**

	2008 MCHF	2007 MCHF
PERSONNEL EXPENSES		
Wages and salaries	190.2	186.9
Social security and other personnel costs	66.5	65.0
TOTAL	**256.7**	**251.9**

	2008 MCHF	2007 MCHF
OTHER OPERATING EXPENSES		
Other operating expense	**90.2**	**92.7**

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 2008 result includes development expenses of MCHF 9.6 (2007 MCHF 11.4).

19. Share-based payment

Swisslog Holding AG introduced an employee share matching plan to a limited number of participants. The plan started on 1 July 2008 (grant date) and comprises a vesting period of three years. Prior to the grant date the participants were eligible to purchase Swisslog shares which are held in trust by Swisslog Holding AG during the vesting period. After the vesting period of three years the participants will receive in addition to the shares in custody a number of vesting shares depending on the achievement of defined metrics.

As per 31 December 2008 the estimated target achievement over the vesting period is 100%. After consideration of the fluctuation and the target achievement the estimated number of vesting shares amounts to 581 500 shares which is expected to be issued to the participants after the vesting period. The value per share has been determined at the grant date and amounts to CHF 1.20 (average share price in June 2008). This leads to an estimated total expense of CHF 697 800. This expense is recorded on a pro-rata basis over the vesting period in the personnel expenses; the amount recorded in the consolidated income statement 2008 amounts to CHF 116 300 for the Swisslog Group.

20. Financial result

	2008 MCHF	2007 MCHF
FINANCIAL INCOME		
Interest income	2.0	2.6
Changes in the fair value of the marketable securities – held for trading	0.0	0.5
Other financial income	4.4	0.4
Foreign exchange gains	3.0	0.3
TOTAL	**9.4**	**3.8**
FINANCIAL EXPENSE		
Interest expense for convertible bonds	–1.1	–1.4
Accretion expense for convertible bonds with market interest rate applied at issuance	–1.8	–2.5
Changes in the fair value of the marketable securities – held for trading	–1.2	0.0
Other interest expense	–1.0	–0.4
Loss on repurchases of convertible bonds	–0.6	–0.8
Other financial expense	–1.9	–2.2
Foreign exchange losses	–7.7	–1.7
TOTAL	**–15.3**	**–9.0**

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). Other financial income includes the gain from the sale of the investment in CPS Color Group Oy of MCHF 4.1 (see Note 5). Details with respect to the partial repurchases of the convertible bonds are included in Note 12 (convertible bonds). Other financial expense includes costs for the facility fee for the guarantees.

21. Operating leases

	2008 MCHF	2007 MCHF
Minimum lease payments per 31 December		
due within one year	9.1	8.6
due after one and before five years	22.9	22.3
due after five years	5.1	8.9
TOTAL	**37.1**	**39.8**

Minimum lease payments primarily include tenancy agreements. Operating leasing costs totalled MCHF 7.5 in 2008 (2007: MCHF 7.4).

22. Financial instruments by category

a) Categories

MCHF	Note	At fair value through profit or loss	Loans and receivables	Available-for-sale	Other liabilities	Total
ASSETS AT 31 DECEMBER 2008						
Long-term interest-bearing receivables	5	0.0	4.6	0.0	0.0	4.6
Prepaid expenses and accrued income	9	0.0	3.6	0.0	0.0	3.6
Trade receivables	7	0.0	105.7	0.0	0.0	105.7
Marketable securities	10	12.3	0.0	0.0	0.0	12.3
Cash and cash equivalents	10	0.0	101.0	0.0	0.0	101.0
TOTAL		**12.3**	**214.9**	**0.0**	**0.0**	**227.2**
LIABILITIES AT 31 DECEMBER 2008						
Convertible bonds	12	0.0	0.0	0.0	37.9	37.9
Accrued expenses and other liabilities	17	0.0	0.0	0.0	29.7	29.7
Trade payables	15	0.0	0.0	0.0	65.6	65.6
TOTAL		**0.0**	**0.0**	**0.0**	**133.2**	**133.2**
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
Prepaid expenses and accrued income	9	0.0	9.0	0.0	0.0	9.0
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	0.0	80.3	0.0	0.0	80.3
TOTAL		**19.2**	**201.8**	**13.9**	**0.0**	**234.9**
LIABILITIES AT 31 DECEMBER 2007						
Convertible bonds	12	0.0	0.0	0.0	54.0	54.0
Accrued expenses and other liabilities	17	0.0	0.0	0.0	38.6	38.6
Trade payables	15	0.0	0.0	0.0	64.1	64.1
TOTAL		**0.0**	**0.0**	**0.0**	**156.7**	**156.7**

The carrying amounts disclosed above are fair values except for trade receivables whose amortised cost is a reasonable approximation of fair value. The difference between the carrying amount and the fair values is not material. The net gains or net losses of some classes are disclosed in Note 20, Financial result. The marketable securities contain derivative financial instruments of MCHF –0.4 which are measured at fair value.

b) Foreign exchange exposure

The following table provides an overview of the exposure in Swisslog's main currencies as per balance-sheet date. The figures are presented in local currencies.

	USD	EUR	GBP	SEK
31 DECEMBER 2008				
At fair value through profit or loss	1.0	6.0	0.0	0.0
Loans and receivables	50.4	39.0	4.4	82.0
Other liabilities	15.8	15.9	1.3	44.8
NET BALANCE	**35.6**	**29.1**	**3.1**	**37.2**

	USD	EUR	GBP	SEK
31 DECEMBER 2007				
At fair value through profit or loss	1.0	5.0	0.0	0.0
Loans and receivables	51.6	36.3	4.6	87.6
Available-for-sale	0.0	8.4	0.0	0.0
Other liabilities	15.6	22.4	1.2	75.1
NET BALANCE	**37.0**	**27.3**	**3.4**	**12.5**

Sensitivity		MCHF
Hypothetical impact on the equity of Swisslog Group as per 31 December 2008:		
– Increase of the 4 main currencies against the Swiss Franc by	5%	4.6
– Increase of the 4 main currencies against the Swiss Franc by	10%	9.1
– Reduction of the 4 main currencies against the Swiss Franc by	5%	–4.6
– Reduction of the 4 main currencies against the Swiss Franc by	10%	–9.1

23. Related-Party Transactions

The shares of Swisslog Holding AG are widely held. For major shareholders please refer to page 71. No transactions were carried out with related parties in 2008.

	2008 MCHF	2007 MCHF
COST OF COMPENSATION FOR KEY MANAGEMENT		
Salaries and other short-term employee benefits	2.7	3.5
Termination benefits	0.0	0.0
Post-employment benefits and insurance	0.3	0.3
Share-based payments	0.1	0.0
TOTAL	**3.1**	**3.8**

Key Management includes the members of the Board of Directors (2008: 5 / 2007: 5) and the members of the Executive Committee (2008: 5 / 2007: 5). The amounts are calculated according to IFRS. A clause of change in control in the amount of two annual compensations was agreed on with one member of the Executive Committee.

24. Earnings per share (EPS)

	2008	2007
Weighted average number of shares outstanding	249 842 127	251 276 984
Net result continuing operations (MCHF)	17.9	18.6
Basic earnings per share continuing operations (CHF)	0.07	0.07
Net result discontinued operations (MCHF)	–6.7	0.2
Basic earnings per share discontinued operations (CHF)	–0.03	0.00
Basic earnings per share (CHF)	0.04	0.07

In order to determine the earnings per share, the Group's average holding of 1 434 857 own shares in 2008 (none in 2007) was deducted from the total number of shares of 251 276 984 (2007: 251 276 984). There are no dilutive effects in 2008 and 2007.

25. Dividends per share

At the Annual General Meeting in April 2009, a dividend of CHF 0.02 per entitled registered share in respect of 2008 is to be proposed.
The dividends per share declared in respect of 2007 was CHF 0.00.

26. Disclosure about the risk assessment according to the Swiss code of obligations

The group has a risk management in place. The Executive Committee performs a risk assessment on a yearly basis. Thereby, all identified risks are valued based on their likekelihood of occurrence and their significance of impact. The borne risks are strictly monitored. The risks not borne by the Group are avoided, reduced or hedged. The last risk assessment by the Board of Directors of Swisslog Holding AG has been performed on 12 December 2008.

This formal risk management process builds the basis for the companies which are in the scope of the internal audit. The scope is monitored and approved by the audit committee which meets at least three times a year. Furthermore, the Executive Committee has the possibility to request profound audits in order to flexibly react on changes in the risk environment. Risks particularly significant to the Group are monitored by separate boards; among them is the investment and currency board and the continuously performed internal risk reviews for construction contracts. Further information about the risk management of financial risks is included in Note 1.23.

Report of the Group Auditor to the General Meeting of Swisslog Holding AG

As statutory auditor, we have audited the accompanying consolidated financial statements of Swisslog Holding AG (which comprise the balance-sheet, income statement, cash flow statement, changes in equity and notes, shown on pages 38 to 65) for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Robert-Jan Bumbacher Licensed audit expert (Auditor in charge)	Philip Klopfenstein Licensed audit expert

Basel, 20 February 2009

2008 FINANCIAL STATEMENTS OF SWISSLOG HOLDING AG

Balance-Sheet, Income Statement of Swisslog Holding AG

BALANCE-SHEET

At 31 December

	Note	2008 TCHF	2007 TCHF
ASSETS			
Cash and cash equivalents		20 062	11 099
Marketable securities		4 067	24 749
Other assets			
Group companies		39 075	51 238
Third parties		836	609
Prepaid expenses and accrued income		1 182	311
Other financial assets	2, 4	31 687	0
CURRENT ASSETS		**96 909**	**88 006**
Tangible and intangible assets		759	275
Loans with Group companies		117 478	38 510
Investments in Group companies	10	175 518	181 509
Other financial assets	2, 4	0	14 202
NON-CURRENT ASSETS		**293 755**	**234 496**
TOTAL ASSETS		**390 664**	**322 502**
EQUITY AND LIABILITIES			
Trade payables		598	470
Other liabilites			
Group companies		81 378	123 547
Third parties		144	108
Bonds/Convertible bonds 2000–2009	2	71 825	0
Accrued expenses and deferred income		10 284	2 399
CURRENT LIABILITIES		**164 229**	**126 524**
Provision		987	887
Bonds/Convertible bonds 2000–2009	2	0	71 825
NON-CURRENT LIABILITIES		**987**	**72 712**
TOTAL LIABILITIES		**165 216**	**199 236**
Share capital		2 513	2 513
Statutory reserves		81 696	83 604
Reserve for treasury shares		1 908	0
Retained earnings		139 331	37 149
Carry forward		*37 149*	*32 762*
Net result		*102 182*	*4 387*
EQUITY		**225 448**	**123 266**
TOTAL EQUITY AND LIABILITIES		**390 664**	**322 502**

INCOME STATEMENT

1 January to 31 December

	2008 TCHF	2007 TCHF
INCOME		
Financial income	21 519	11 956
Dividend payments on investments	159 253	13 278
Fee for corporate services	7 072	8 113
TOTAL INCOME	**187 844**	**33 347**
EXPENSE		
Financial expense	44 018	16 309
Personnel expense	4 990	4 854
Other administration expense	5 621	7 077
Depreciation	143	123
Depreciation on investments	29 463	0
TOTAL EXPENSE	**84 235**	**28 363**
Tax expenses	1 427	597
NET RESULT	**102 182**	**4 387**

Notes to the 2008 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.

2. Bonds/Convertible bonds 2000–2009

In 2008 part of the bonds have been repurchased in the amount of TCHF 18 449 (nominal value: TCHF 18 945); these are classified as non-current financial asset. The final maturity date of the bonds with a nominal value of TCHF 71 825 is 31 December 2009. Interest is paid annually on 7 July, with the final payment occuring on 31 December 2009. Interest rates are as follows: 2003/04 0.5%, 2004/05 1.0%, 2005/06 1.5%, 2006/07 2.0%, 2007/08 2.5%, 2008/09 3.0%, 2009 (07.07.–31.12.) 3.5%.

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

3. Contingent liabilities	2008 TCHF	2007 TCHF
Guarantees to third parties	58 059	50 193

As per 25 November 2008 guarantee facilities with a limit of MCHF 100.0 (2007: MCHF 100.0) of a bank syndicate have been renegociated for a term of 4 years (maturity: 31 December 2012). The guarantee facilities are secured by the pledge of the subsidiary TransLogic Corp. (USA). Further information is included in Note 19 of the IFRS consolidated financial statements.

4. Restricted assets	2008 TCHF	2007 TCHF
Rent deposit	0	965

5. Fire insurance value of tangible assets	2008 TCHF	2007 TCHF
Fire insurance value of tangible assets	600	2 911

6. Liabilities due to pension plans	2008 TCHF	2007 TCHF
Liabilities due to pension plans	50	46

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 2008 and 2007, respectively, is as shown in the table (article 663b^{bis} of the Swiss Code of Obligations).

2008	Function	Fixed compensation in TCHF	Variable compensation[1] in TCHF	Other personnel expenses[2] in TCHF	Total 2008 in TCHF	Share matching plan[3] Number of shares	Share matching plan[3] in TCHF
MEMBERS OF THE BOARD							
Hans Ziegler	Chairman	180	not applicable	9	189	24 000	29
Jürg Rückert	Vice-Chairman	70	not applicable	4	74	12 000	14
Heinz Bachmann	Member	70	not applicable	3	73	12 000	14
Jacques Réjeange	Member	70	not applicable	3	73	4 000	5
Manfred Schuster	Member	70	not applicable	0	70	12 000	14
TOTAL		**460**		**19**	**479**	**64 000**	**76**
MEMBERS OF THE EXECUTIVE COMMITTEE							
Remo Brunschwiler	CEO	595	268	125	988	90 000	108
Other members (4)[4]	Members	1 010	374	200	1 584	192 000	230
TOTAL		**1 605**	**642**	**325**	**2 572**	**282 000**	**338**
FORMER MEMBERS OF THE BOARD[5]							
None		0	0	0	0	0	0
FORMER MEMBERS OF THE EXECUTIVE COMMITTEE							
Former member (1)	Member	**301**	**0**	**40**	**341**	**0**	**0**

2007	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	Chairman	180	not applicable	0	180
Jürg Rückert	Vice-Chairman	70	not applicable	4	74
Heinz Bachmann	Member	44[6]	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 Brunschwiler	CEO	553	370	118	1 041
Other members (4)[7]	Members	1 226	435	234	1 895
TOTAL		**1 779**	**805**	**352**	**2 936**
FORMER MEMBERS OF THE BOARD[5]					
None		0	0	0	0
FORMER MEMBERS OF THE EXECUTIVE COMMITTEE					
Former member (1)	Member	**145**	**20**	**26**	**191**

1 Accrued variable salary that will be paid out in the following year

2 "Other personnel expenses" 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 Swisslog Holding AG introduced a share matching plan to a limited number of participants (Board of Directors, Executive Committee and second management level). The plan started on 1 July 2008 (grant date) and comprises a vesting period of 3 years. Prior to the grant date the participants had to deliver Swisslog shares, which are held in trust by Swisslog Holding AG during the vesting period. After the vesting period of three years the participants will receive – in addition to the shares in custody – a number of vesting shares depending on the achievement of defined metrics. The above stated number of shares represent the estimated vesting shares which the members of the Board resp. the Executive Committee will receive in total after the vesting period. The amount in TCHF is calculated by the estimated amount of shares for the 3 years multiplied with CHF 1.20, which is the value at the grant date. Further information about the share matching plan is included in Note 19 of the IFRS-consolidated financial statements and in the Corporate Governance report which is included in the Annual Report

4 Including the pro rata compensation for one member who joined the Executive Committee as per 1 July 2008

5 Former members of the Board and the Executive Committee are those persons who ceased their activity in a body of the company in 2007 and 2006, respectively. Dr. Michael Werder, who left the Board of Directors mid-2006, was paid CHF 60 000 (2007: CHF 60 000) in his capacity as bondholder representative

6 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

7 Including the annual compensation for a member who ceased acting in this capacity as per 30 November 2007

7.2 Loans and credits to members of the Board and the Executive Committee

No loans, credits, and 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 2008.

8. Investments in shares of Swisslog Holding AG held by members of the Board and the Executive Committee

The tables show 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 according to article 663c section 3 of the Swiss Code of Obligations.

		Number of Swisslog shares	
	Function	31 December 2008	31 December 2007
MEMBERS OF THE BOARD			
Hans Ziegler	Chairman	964 000	560 000
Jürg Rückert	Vice-Chairman	12 000	0
Heinz Bachmann	Member	17 000	15 000
Jacques Réjeange	Member	221 300	209 300
Manfred Schuster	Member	112 000	0
TOTAL		**1 326 300**	**784 000**
MEMBERS OF THE EXECUTIVE COMMITTEE			
Remo Brunschwiler	CEO	400 000	400 000
Daniel Fink	WDS Division President (since 1.7.2008)	88 000	not applicable
Charlie Kegley	HCS Division President	99 500	99 500
Christian Mäder	CFO	48 000	0
Dr. Philipp Uschatz	Head of Corporate HR	98 000	65 000
TOTAL		**733 500**	**565 000**

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

		2008	2007
Chase Nominees Ltd., London	(Nominee)	5.1%	6.3%

11. Investments

The investments directly held by Swisslog Holding AG are disclosed in the Annual Report on page 76 (point 1a and b).

12. Disclosure about the risk assessment

The Group has a risk management in place which covers also Swiss Holding AG. The Executive Committee performs a risk assessment on a yearly basis. Thereby, all identified risks are valued based on their likekelihood of occurrence and their significance of impact. The borne risks are strictly monitored. The risks not borne by the company are avoided, reduced or hedged. The last risk assessment by the Board of Directors of Swisslog Holding AG has been performed on 12 December 2008. Further information is included in Note 26 of the IFRS-consolidated financial statements.

13. Treasury stocks

	Number of registered shares	Average price CHF	Year and price CHF	Total TCHF
BALANCE AT 31 DECEMBER 2007	0			0
Purchases	2 000 000	1.11		2 212 790
Sales	281 500	1.20		337 800
BALANCE AT 31 DECEMBER 2008	1 718 500		0.44	756 140

14. Statement of changes in equity

In TCHF	Share capital	Statutory reserves	Reserve for treasory stocks	Retained earnigs		Equity
				Forward	Result	
AT 31 DECEMBER 2006[1]	2 513	83 604	0	34 764	–2 002	118 879
Appropriation 2006				–2 002	2 002	0
Net result 2007					4 387	4 387
AT 31 DECEMBER 2007[1]	2 513	83 604	0	32 762	4 387	123 266
Appropriation of net result 2007				4 387	–4 387	0
Building of reserve for treasury stocks		–1 908	1 908			
Net result 2008					102 182	102 182
AT 31 DECEMBER 2008[1]	2 513	81 696	1 908	37 149	102 182	225 448

1 Before appropriation

15. Proposal of the Board of Directors for appropriation of the retained earnings as per 31 December 2008

	2008 Proposal of the Board of Directors	2007 Resolution of the Annual General Meeting
Retained earning carried forward	37 149	32 762
Net annual profit	102 182	4 387
RETAINED EARNING AVAILABLE FOR APPROPRIATION	139 331	37 149
Dividend of CHF 0.02 per registered share of nominal CHF 0.01 on 249 558 484 shares entitled to dividend[1]	–4 991	0
BALANCE TO BE CARRIED FORWARD	134 340	37 149

1 Dividend not paid out on treasury stocks are included in the balance to be carried forward

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

As statutory auditor, we have audited the accompanying financial statements of Swisslog Holding AG (which comprise balance-sheet, income statement and notes, shown on pages 68 to 72) for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Robert-Jan Bumbacher Licensed audit expert (Auditor in charge)	Philip Klopfenstein Licensed audit expert

Basel, 20 February 2009

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 2008

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	Oslo / Norway	98/07	NOK	0.50 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	0.48 Mio.	100%
Swisslog Singapore Pte. Ltd.	Singapore	97/01	SGD	0.10 Mio.	100%
Swisslog Ergotrans B.V.	Apeldoorn / Netherlands	08/04	EUR	0.11 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%
Accalon Asia Ltd.	Hong Kong / China	07/06	HKD	0.10 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	00/12	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 Telelift 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%
Swisslog Verwaltung AG[1]	Puchheim / Germany	01/08	EUR	0.71 Mio.	100%
Swisslog Accalon (Kunshan) Co Ltd.	Kunshan / China	08/02	USD	0.52 Mio.	100%

1 Wassermann AG has been renamed into Swisslog Verwaltung AG as per January 2009

Key figures for share capital

		Unit	2008	2007	2006	2005	2004
Share capital		MCHF	2.5	2.5	2.5	1.8	1.8
Shares (at year-end)		Thousands	251 277	251 277	251 277	179 484	179 484
Dividend/registered share		CHF	0.02	0.00	0.00	0.00	0.00
Dividend[1]		MCHF	5.0	0.0	0.0	0.0	0.0
Net result		MCHF	11.2	18.8	–3.5	1.8	1.9
Basic earnings per share		CHF	0.04	0.07	–0.02	0.01	0.02
Cash EPS[1]		CHF	0.08	0.08	0.04	0.05	0.13
Quoted price of registered share[2]	High	CHF	1.54	2.11	1.79	1.32	6.60
	Low	CHF	0.39	1.45	1.16	0.99	0.84
	Closing price	CHF	0.44	1.60	1.54	1.10	0.90
Market capitalization (at year-end)		MCHF	110.6	402.0	387.0	221.2	179.5
Consolidated equity		MCHF	148.5	156.4	143.0	80.2	68.4
Equity/registered share		CHF	0.6	0.6	0.6	0.4	0.6
Market capitalization in % of the equity		%	74	257	271	276	262
Price Earnings Ratio (PE Ratio)[3]		Factor	6.4	21.4	58.6	122.9	17.6

1 Proposal of the Board of Directors for 2008 to distribute CHF 0.02 per registered share entitled to dividend
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	SIX 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	2008 MCHF	2007 MCHF	2006 MCHF	2005 MCHF	2004 MCHF
ASSETS					
Property, plant, equipment and investment property	13.0	14.0	14.0	16.0	17.2
Goodwill	78.1	90.8	88.3	100.9	94.0
Other intangible assets	13.8	7.2	5.3	5.4	5.3
Deferred tax assets	6.0	5.9	9.9	7.8	9.7
Financial assets	7.8	20.3	19.9	19.9	23.5
NON-CURRENT ASSETS	**118.7**	**138.2**	**137.4**	**150.0**	**149.7**
Inventories	26.4	28.6	25.5	26.7	32.7
Trade receivables, prepaid expenses/accrued income and other receivables	166.5	162.3	168.6	171.2	141.9
Cash, cash equivalents and marketable securities	113.3	99.5	104.2	84.1	91.0
CURRENT ASSETS	**306.2**	**290.4**	**298.3**	**282.0**	**265.6**
TOTAL ASSETS	**424.9**	**428.6**	**435.7**	**432.0**	**415.3**
EQUITY AND LIABILITIES					
Share capital	2.5	2.5	2.5	1.8	1.8
Reserves	145.9	153.8	140.4	78.3	66.4
Minority interest	0.1	0.1	0.1	0.1	0.2
EQUITY	**148.5**	**156.4**	**143.0**	**80.2**	**68.4**
Interest-bearing borrowings	0.0	54.0	63.8	127.0	120.6
Deferred tax liabilities	0.8	1.3	3.1	2.8	6.2
Other non-current liabilities	9.5	8.8	9.5	11.1	12.2
NON-CURRENT LIABILITIES	**10.3**	**64.1**	**76.4**	**140.9**	**139.0**
Trade and other payables	65.6	64.1	69.5	70.0	69.8
Advance payments from customers	98.0	73.4	68.2	65.7	53.3
Short-term borrowings	37.9	0.0	0.0	0.0	0.3
Provisions	10.2	11.4	15.4	11.5	17.7
Income tax payables	4.4	2.0	5.5	5.3	2.0
Other short-term liabilities	16.0	14.0	12.8	13.5	16.6
Accrued expenses and deferred income	34.0	43.2	44.9	44.9	48.2
CURRENT LIABILITIES	**266.1**	**208.1**	**216.3**	**210.9**	**207.9**
TOTAL EQUITY AND LIABILITIES	**424.9**	**428.6**	**435.7**	**432.0**	**415.3**
Number of consolidated operative companies	26	25	27	27	29

CONSOLIDATED INCOME STATEMENT

1 January to 31 December	2008 MCHF	2007 MCHF	2006[1] MCHF	2005[1] MCHF	2004[1] MCHF
Order intake	598.0	850.5	677.3	628.6	579.4
Order backlog (at year-end)	445.6	682.3	538	510.8	410.6
CONTINUING OPERATIONS:					
NET SALES	**786.1**	**694.9**	**646.9**	**556.4**	**564.9**
Other operating income	0.3	2.7	0.2	0.2	2.6
Material and service expense	398.4	311.9	290.0	222.0	234.8
Personnel expense	256.7	251.9	228.2	218.8	225.6
Depreciation, amortization and impairment	5.8	6.7	6.7	7.0	7.5
Other operating expense	90.2	92.7	91.1	87.0	89.2
Total operating expense	751.1	663.2	616.0	534.8	557.1
OPERATING PROFIT BEFORE AMORTIZATION/IMPAIRMENT OF GOODWILL (EBITA)	**35.3**	**34.4**	**31.1**	**21.8**	**10.4**
Amortization/impairment of goodwill	0.0	0.0	10.1	0.0	8.3
OPERATING PROFIT (EBIT)	**35.3**	**34.4**	**21.0**	**21.8**	**2.1**
Net financial result	–5.9	–5.2	–14.9	–8.8	12.1
RESULT BEFORE TAX	**29.4**	**29.2**	**6.1**	**13.0**	**14.2**
Income taxes	–11.5	–10.6	–9.6	–11.2	–8.1
RESULT CONTINUING OPERATIONS AFTER TAX	**17.9**	**18.6**	**–3.5**	**1.8**	**6.1**
Attributable to:					
Equity holders of the parent	17.9	18.6	–3.5	1.8	6.1
Minority interest	0.0	0.0	0.0	0.0	0.0
DISCONTINUED OPERATIONS					
Net sales	12.5	12.7	0.0	0.0	32.6
Other operating income	0.0	0.0	0.0	0.0	0.1
Operating expense	–12.2	–12.5	0.0	0.0	–39.6
Loss from discontinuation	–7.0	0.0	0.0	0.0	4.3
Net financial result	0.0	0.0	0.0	0.0	–0.9
RESULT BEFORE TAX	**–6.7**	**0.2**	**0.0**	**0.0**	**–3.5**
Income taxes	0.0	0.0	0.0	0.0	–0.7
RESULT DISCONTINUED OPERATIONS AFTER TAX	**–6.7**	**0.2**	**0.0**	**0.0**	**–4.2**
Attributable to:					
Equity holders of the parent	–6.7	0.2	0.0	0.0	–4.2
Minority interest	0.0	0.0	0.0	0.0	0.0
NET RESULT	**11.2**	**18.8**	**–3.5**	**1.8**	**1.9**
Attributable to:					
Equity holders of the parent	11.2	18.8	–3.5	1.8	1.9
Minority interest	0.0	0.0	0.0	0.0	0.0

1 2004–2006 not restated in terms of continuing and discontinued operations

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OUR EMPLOYEES DELIVER SOLUTIONS.

OUR SOLUTIONS DELIVER RESULTS.

Susanna Kaufmann Beat Kaufmann Günther Kaurin Bjarne Kausland Susanne Kayser Paul Kazas Daniel Keeler Hans-Ulrich Keese Philip Kefford Charlie Kegley Brian Keiger René Keller Brian Kelly Lena Kemmer Tore Kemmer Sascha Kemnitz John Kennedy Peter Khomenko Simon Khor Jason Kicknosway Jörg Kiehl Armin Kies David Kilmoyer The Sun Kim The Sun Kim Lim Keong Kim Kyong Kim-Jones Günther Kindler Dan King André Kirbach Edward Kitson III Jonas Kjellquist Thomas Klatte Martin Klaus Michael Klees Martin Klein Rolf Klein Anne Kleiven Witold Klimas Amorette Kline Rolf Knaus John Knight Dennis Knight Knut Knipping Peter Knol Robert Koch Teun Koetsruiter Seng Teck Koh Roland Köhl Roman Kohler Martin Kohler Anjo Kok Eric Kok Willie Kolkman Damien Koller Wan Hin Kom Achim Konieczny Cristian Konigstein Willem Konijnenberg Dirk Konings Timon Kooi Gerhard Kopp Frank Korsinek Nikos Kourmadias Igor Kovacevic Miroslav Kozlik Anton Krähenbühl René Kramer Terry Krantz Emanuel Kratt Urs Krattinger Kurt Krebser 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Brian Lentz Richard Lentz Massimo Lenzotti Anne-Dominique Leroy Nan Lester Markus Lesting Marcus Lewandowski Chiara Lezzi David Yi Li Sasha Li Torben Liebetrau Remo Liechti Svein Lien Khai Seong Liew Michael Lilja Mark Liljeqvist Andy Lim Ben Lim Jason Lim Willie Lim Michael Lim Sing Chek Lim Su Sin Lim Poh Nee Lim Lian Teng Lim Sunny Lin Åsa Lindberg Christer Lindberg Mats Gustaf Lindblom Anders Linder Fredrik Linder Filip Lindgren Roger Lindgren Yvonne Lindgren Anders Lindquist Jan Lindqvist Robert Lindqvist Richard Lingemark Pete Link Valerie Link James Linser Christoph Lipp Leo Liu Xiang Ming Liu Collins Liu Jason Liu Andy Liu Thomas Livingston Alan Loader Lars Löf Helmut Löffler Poh Yee Loh Hao Torng Loh Manfred Lohmeyer Raffaello Loi Ignace Loiseau Edwin Loke Dennis Loke Giuseppe Lombardi Raffaella Lombardi David Lorincz Fiona Lou Gill Loudon Darin Love Cori Love Patrik Löwendahl Cheryl Loyd Stefan Loza Cathy Lu André Lübben Alexander Ludwig Dirk Ludwig Jose Luna Staffan Lundén 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Wes Moorman Eddie Morales Carlos Morales Greg Moran Mark Moran Massimiliano Morandi Siv Mordal Romanich Ross Moreland

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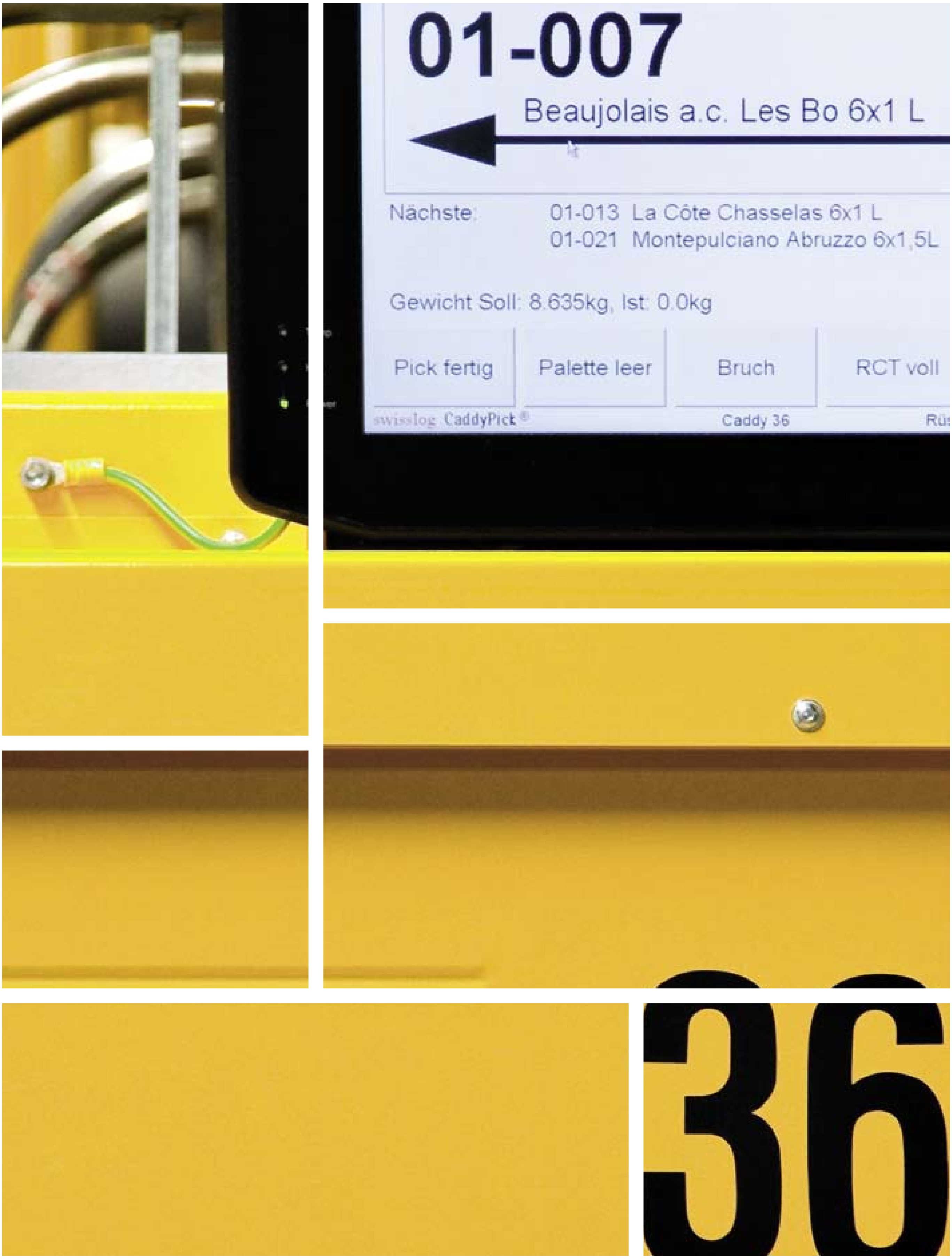

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