

FINANCIAL REPORT CONTENTS

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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 January 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 | 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 | | Balance Sheet | |
|----------|--------------|------|------------------|---------|---------------|---------|
| | | | 2008 | 2007 | 2008 | 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 cancellation. 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 liabilities 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 | Warehouse & Distribution Solutions | Healthcare Solutions | Head-quarters/ Holding | Eliminations | Total continuing operations ⁶ | Discontinued operations | Eliminations | Total Group |
|--|------------------------------------|----------------------|------------------------|--------------|--|-------------------------|--------------|-------------|
| MCHF | | | | | | | | |
| 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 | | North America | | Asia/Pacific | | Total Group | |
|---|--------|-------|---------------|-------|--------------|------|-------------|-------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 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 | Land | Buildings | Machinery/ equipment | Assets under construction/ prepayments | Total |
|---|------------|-------------|-------------------------|--|--------------|
| MCHF | | | | | |
| 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 | Land | Buildings | Machinery/ equipment | Assets under construction/ prepayments | Total |
| MCHF | | | | | |
| 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:

| MCHF | 2008 | | | | 2007 | | | |
|-----------------------|--|------------------------------|--|-------------|--|------------------------------|---------------------------------------|-------------|
| | 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

| MCHF | 2008 | | 2007 (incl. periods 2008–2012 and 2010–2012, respectively) | | |
|-------------------------------------|------------------------------------|-----------------------|--|-----------------------|---|
| | 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 |
| <i>Growth rate p.a. 2009–2013**</i> | <i>–1.6%</i> | <i>2.5%</i> | <i>4.8%</i> | <i>5.1%</i> | <i>8.3%</i> |
| EBITDA* | 18.1 | 22.8 | 18.3 | 22.9 | 0.3 |
| <i>Growth rate p.a. 2009–2013**</i> | <i>10.1%</i> | <i>7.9%</i> | <i>16.1%</i> | <i>8.9%</i> | <i>47.0%</i> |
| <i>Growth rate p.a. 2011–2013</i> | <i>8.2%</i> | <i>10.7%</i> | <i>9.9%</i> | <i>6.0%</i> | <i>31.2%</i> |
| 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.

| MCHF | 2008 | | 2007 | | |
|--|------------------------------------|-----------------------|------------------------------------|-----------------------|---|
| | 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:

| | 2008 MCHF | 2007 MCHF |
|--|--------------|--------------|
| 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:

| | 2008 | 2007 |
|-------------------------------------|-------------|-------------|
| 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 subsidiaries held directly or indirectly are limited to MCHF 30.0 and their outstanding guarantee facilities are limited to MCHF 116.0.
- In case of breaching the covenants (Note 16.2) of the guarantee facilities the bonds may immediately be recalled at nominal value.

At the end of 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 |

| | 2008 MCHF | 2007 MCHF |
|---|--------------|--------------|
| 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 |

| | MCHF | MCHF |
|---|-------------|-------------|
| MOVEMENT IN THE LIABILITY | | |
| 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 |

| | MCHF | MCHF |
|---|-------------|-------------|
| EXPENSE FOR PENSION SCHEMES RECOGNIZED IN THE INCOME STATEMENT | | |
| 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

| MCHF | Current provisions | | | Total |
|----------------------------------|--------------------|---------------|------------|-------------|
| | Warranties | Restructuring | Other | |
| 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:

- 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.
- 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 |
| PERSONNEL EXPENSES | | |
| Wages and salaries | 190.2 | 186.9 |
| Social security and other personnel costs | 66.5 | 65.0 |
| TOTAL | 256.7 | 251.9 |
| 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 |
| 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 likelihood 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 Oversight 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 liabilities | | | |
| 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 |
| <i>Carry forward</i> | | 37 149 | 32 762 |
| <i>Net result</i> | | 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 occurring on 31 December 2009. Interest rates are as follows: 2003/04 0.5%, 2004/05 1.0%, 2005/06 1.5%, 2006/07 2.0%, 2007/08 2.5%, 2008/09 3.0%, 2009 (07.07.–31.12.) 3.5%.

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

3. Contingent liabilities

| | 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 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). 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 | Variable compensation ¹ | Other personnel | Total 2008 | Share matching plan ³ | | |
|---|--------------------------------|-------------------------|------------------------------------|----------------------------------|------------|----------------------------------|------------------|------------|
| | | compensation in TCHF | in TCHF | expenses ² in TCHF | | in TCHF | Number of shares | 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 Brunswiler | 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 BOARD⁵

| | | | | | | | | |
|------|--|--|---|---|---|---|---|---|
| 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 | Variable compensation ¹ | Other costs | Total 2007 |
|------|----------|-------------------------|------------------------------------|---|------------|
| | | compensation in TCHF | in TCHF | of compensation ² 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 Brunswiler | 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 BOARD⁵

| | | | | | | |
|------|--|--|---|---|---|---|
| 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.

| | Function | Number of Swisslog shares | |
|---|---|---------------------------|------------------|
| | | 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 Brunswiler | 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 likelihood 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 treasury stocks | Retained earnings Forward | Result | Equity |
|---|---------------|-----------------------|--------------------------------|------------------------------|----------------|----------------|
| AT 31 DECEMBER 2006¹ | 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 2007¹ | 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 2008¹ | 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 Oversight 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

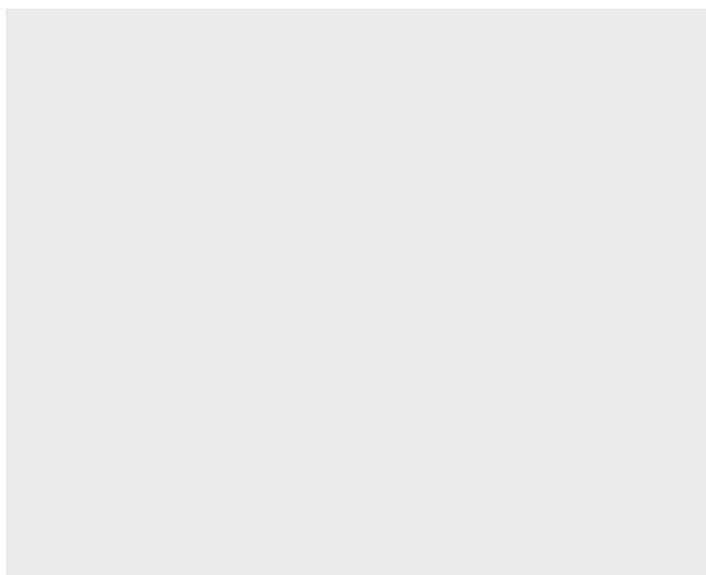
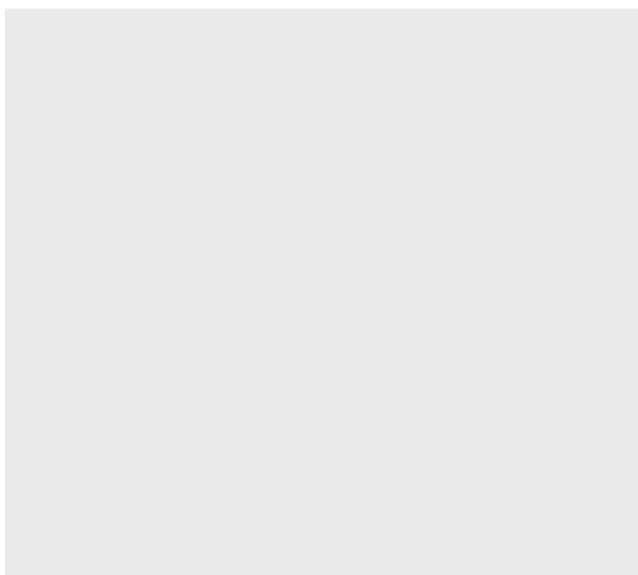
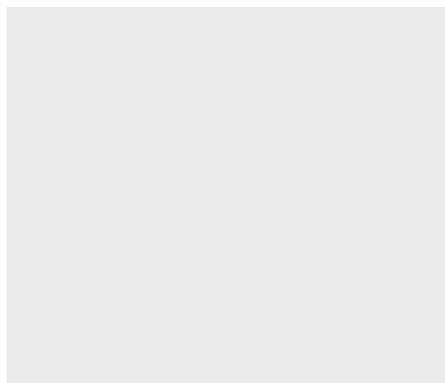
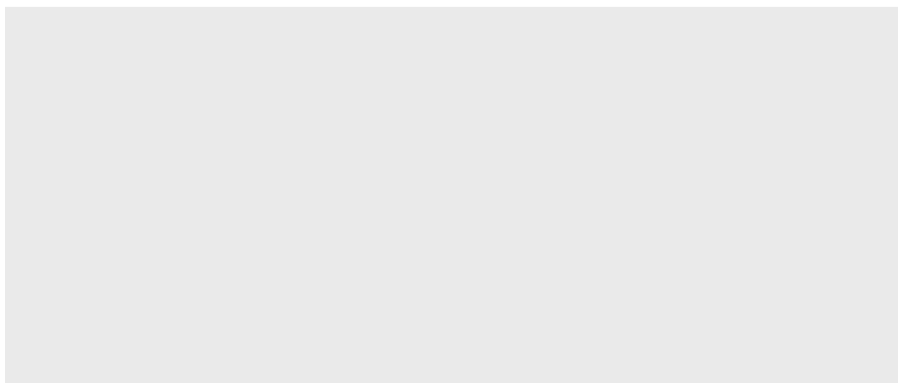
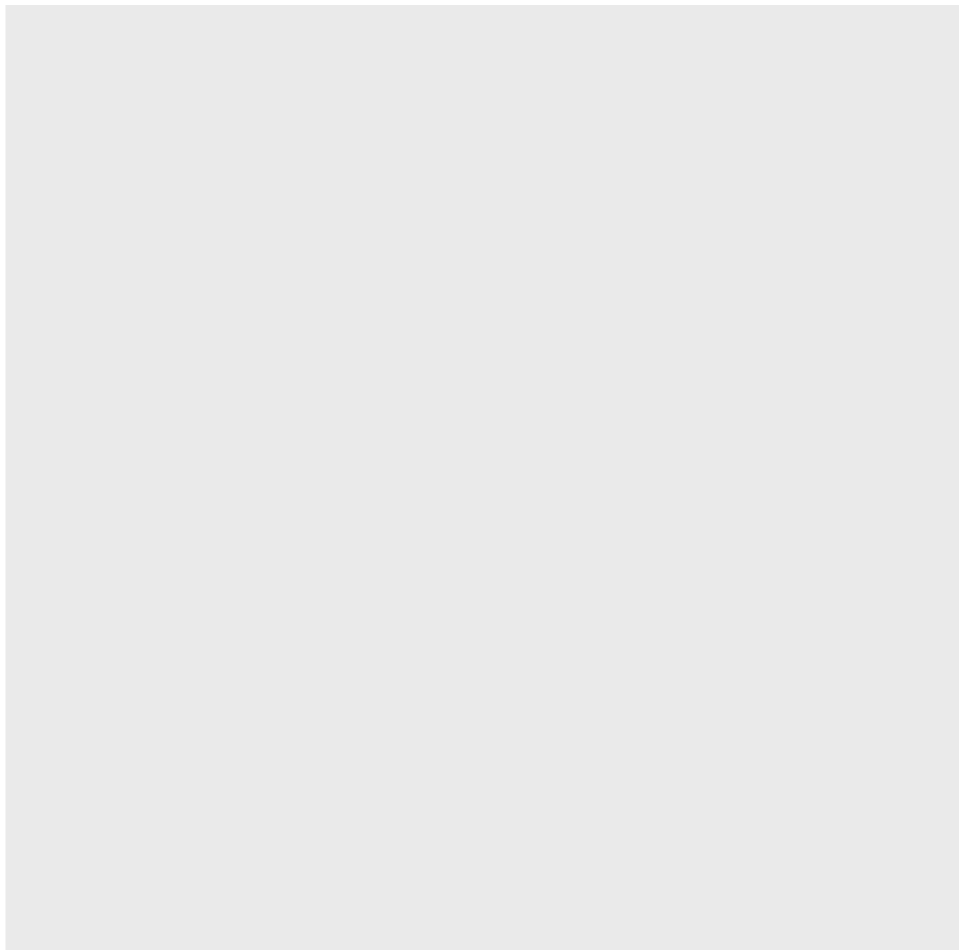
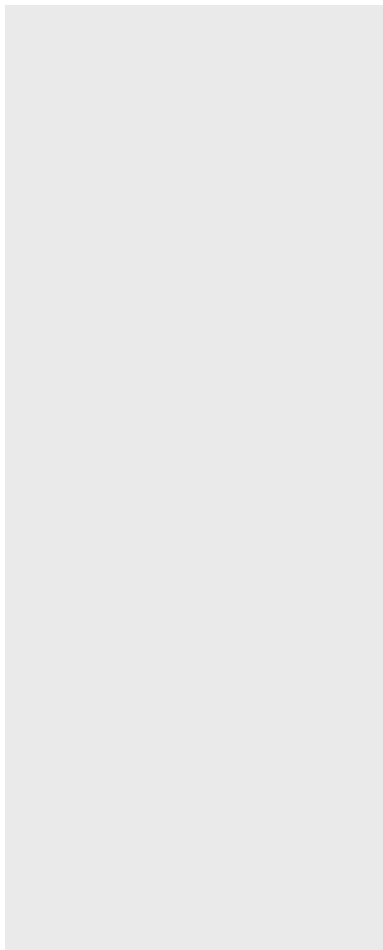


Robert-Jan Bumbacher
Licensed audit expert
(Auditor in charge)



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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