swisslog

Financial Report 2004

Overview of the Swisslog Group

	Unit	**2004**	2003	2002	2001	2000
Order intake	CHFm	579.4	775.7	1 028.2	1 010.6	1 003.5
Order backlog (at year-end)	CHFm	410.6	467.9	563.3	536.1	480.6
Net sales	CHFm	596.6	770.8	948.6	938.9	925.5
Earnings before interest, taxes, depreciation and amortization of goodwill (EBITDA)	CHFm	16.1	–7.5	39.5	58.8	83.6
Earnings before interest, taxes and amortization of goodwill (EBITA)	CHFm	7.8	–44.8	21.6	39.6	65.5
Earnings before interest and taxes (EBIT)	CHFm	–0.5	–146.1	–13.6	5.0	7.1
Net result	CHFm	1.9	–245.0	–47.8	–27.0	–22.1
Total assets	CHFm	415.3	440.0	678.1	864.3	854.2
Tangible and other intangible assets	CHFm	22.5	51.8	95.9	120.1	139.1
Goodwill	CHFm	94.0	108.8	177.9	270.0	290.7
Net working capital[1] (NWC)	CHFm	–31.0	–6.0	68.8	100.0	115.4
Net operating assets incl. goodwill[2]	CHFm	73.2	133.9	318.5	457.8	507.6
Other non-current assets	CHFm	23.5	26.5	57.8	10.4	10.5
Net liquidity[3]	CHFm	90.7	–137.0	34.4	47.0	–48.3
Net debt[4]	CHFm	29.9	280.4	288.9	302.8	346.3
Shareholders' equity	CHFm	68.2	–122.4	95.8	169.8	174.2
Investment in tangible and other intangible assets	CHFm	19.0	29.1	56.6	25.8	26.5
Depreciation/impairment on tangible and other intangible assets	CHFm	8.3	37.4	17.9	19.2	18.1
Amortization/impairment of goodwill	CHFm	8.3	101.1	35.2	34.6	58.4
Employees (at year-end)	Employees	1 858	2 336	3 373	3 816	3 660
EBITA as % of sales (EBITA margin)	%	1.3	NA	2.3	4.2	7.1
EBITA as % of net operating assets, excl. goodwill (RONOA)	%	10.6	–33.5	6.8	8.7	12.9
Shares 31.12.	Thousands	179 484	15 178	15 178	15 135	2 752
Cash EPS[5, 6, 7]	CHF	0.13	-8.05	-0.59	0.58	3.23

1 Net working capital = Current assets (excl. cash and cash equivalents) less current liabilities and provisions (excl. interest-bearing borrowings and taxes payable).

2 Net operating assets = Tangible assets, goodwill and intangible assets plus net current assets less other non-current liabilities.

3 Net liquidity = Cash and cash equivalents less short-term borrowings.

4 Net debt = Interest-bearing borrowings less cash, cash equivalents and marketable securities.

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

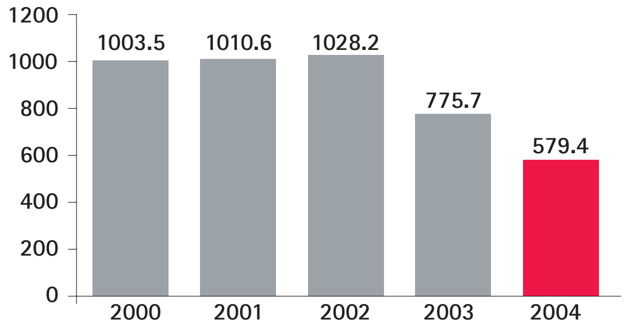
6 2004: All key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2004 by 164 305 520 registered shares).

7 Related to net result before amortization of goodwill and interest expense convertible bonds.

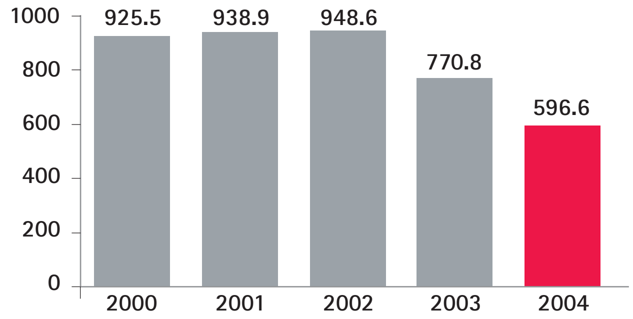
Overview of the Swisslog Group

CHFm

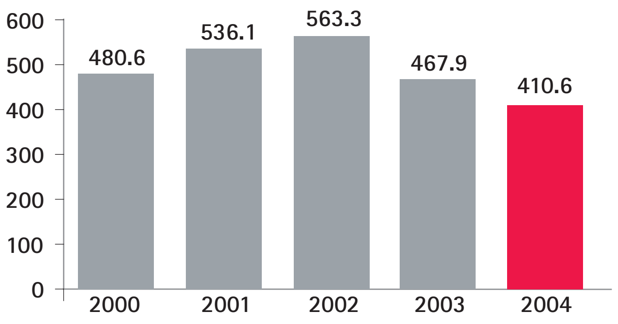
Order intake



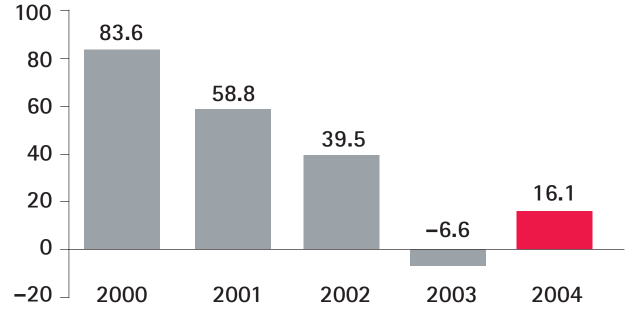
Net sales



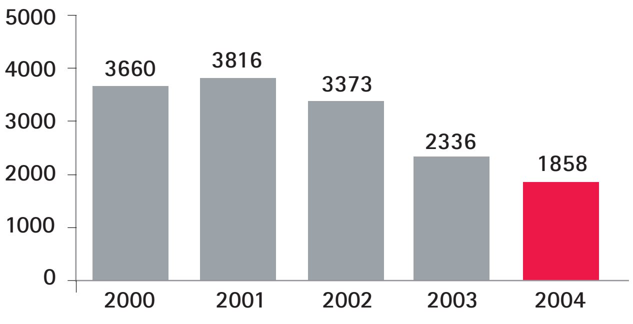
Order backlog (at year-end)



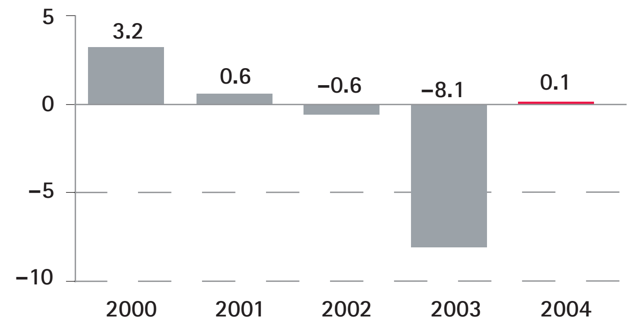
EBITDA



Employees (at year-end)



Cash EPS in CHF



2004 Consolidated Financial Statements of Swisslog Group

Consolidated Balance Sheet

At December 31	Note	2004 CHFm	2003 CHFm
Assets			
Tangible assets	4	15.7	30.1
Investment property	4	1.5	15.0
Goodwill	4	94.0	108.8
Other intangible assets	4	5.3	6.7
Deferred tax assets	11	9.7	15.3
Other non-current assets	5	23.5	26.5
Non-current assets		**149.7**	**202.4**
Inventories	6	32.7	38.0
Trade and other receivables	7	138.0	144.6
Prepayments		3.9	6.6
Marketable securities	8	5.6	0.9
Cash and cash equivalents	8	85.4	47.5
Current assets		**265.6**	**237.6**
Total assets		**415.3**	**440.0**
Equity and Liabilities			
Share capital	9	1.8	30.3
Reserves		66.4	–152.7
Equity		**68.2**	**–122.4**
Minority interests		**0.2**	**0.7**
Interest-bearing borrowings	10	120.6	143.4
Deferred tax liabilities	11	6.2	9.0
Other non-current liabilities	12	12.2	20.7
Non-current liabilities		**139.0**	**173.1**
Trade and other payables		69.8	73.2
Advance payments from customers	21	53.3	24.6
Short-term borrowings	10	0.3	185.4
Provisions	13	17.7	35.3
Taxes payable		2.0	8.0
Other short-term liabilities		16.6	14.9
Accrued expenses and deferred income		48.2	47.2
Current liabilities		**207.9**	**388.6**
Total equity, minority interests and liabilities		**415.3**	**440.0**

Consolidated Income Statement

January 1 to December 31	Note	2004 CHFm	2003 CHFm
Continuing Operations:			
Net sales		**564.9**	**633.2**
Other operating income	14	2.6	3.8
Changes in inventories	15	–0.4	13.6
Material and service expense	15	235.2	281.3
Personnel expense	15	225.6	242.0
Changes in provisions		4.9	–1.4
Other operating expense	15	84.3	82.3
Depreciation of tangible and intangible assets	4	7.5	10.5
Impairment of tangible and intangible assets	4	0.0	19.5
Amortization of goodwill		0.0	32.8
Impairment of goodwill	4	10.0	35.2
Provision for onerous contracts to acquire goodwill	13	–1.7	17.0
Earnings before interest and taxes (EBIT)		**2.1**	**–95.8**
Impairment of investment and convertible bonds CPS Color	16	0.0	–40.4
Financial income	16	38.2	1.9
Financial expense	16	–26.1	–38.3
Result before tax		**14.2**	**–172.6**
Taxes	11	–8.1	–19.5
Result after tax		**6.1**	**–192.1**
Minority interests		0.0	0.9
Result continuing operations		**6.1**	**–191.2**
Discontinued Operations:	20		
Net sales		**32.6**	**169.6**
Other operating income		0.1	2.5
Operating expense		–39.6	–201.4
Result on disposal of investments		4.3	–21.0
Net financial result		–0.9	–2.0
Result before tax		**–3.5**	**–52.3**
Taxes	11	–0.7	–1.5
Result after tax		**–4.2**	**–53.8**
Minority interests		0.0	0.0
Result discontinued operations		**–4.2**	**–53.8**
Net result		**1.9**	**–245.0**

		CHF	CHF
Basic earnings per share	22	0.02	–14.09
Diluted earnings per share	22	0.02	–14.09

Consolidated Cash Flow Statement

January 1 to December 31	Note	2004 CHFm	2003 CHFm
Cash Flow from Operating Activities			
Result continuing operations		6.1	–191.2
Adjustments for:			
Minority interests		0.0	–0.9
Taxes	11	8.1	19.5
Depreciation of tangible and intangible assets		7.5	30.0
Amortization of goodwill		0.0	32.7
Impairment of goodwill		10.0	35.3
Provision for onerous contract to acquire goodwill	13	–1.7	17.0
Impairment of investment and convertible bond CPS Color	16	0.0	40.4
Other net financial result	16	–12.1	36.4
Change in pension liabilities		–0.7	0.5
Profit (–)/loss (+) from sales of tangible assets		–0.2	0.4
Taxes paid		–15.8	–6.9
Cash flow before working capital changes		**1.2**	**13.2**
Increase (–)/decrease (+) from:			
Inventories		1.7	1.1
Trade and other receivables		–9.9	54.7
Prepayments		–0.8	–0.7
Increase (+)/decrease (–) in:			
Trade and other payables		6.9	7.1
Advance payments received from customers		30.1	–4.5
Short term liabilities, accrued expenses and deferred income		8.6	–16.6
Provisions		2.2	–2.4
Cash flow from net current assets		**38.6**	**38.7**
Net cash flow from operating activities		**39.8**	**51.9**
Cash Flow from Investing Activities			
Investments in tangible assets (incl. prepayments)		–2.3	–6.1
Investments in intangible assets		–1.9	–2.5
Investments in marketable securities		–4.7	–0.6
Acquisition of minorities, net of cash acquired		–15.3	–15.9
Disposal of subsidiary, net of cash disposed	20	7.4	2.6
Disposal of investment property	4	15.0	0.0
Disposal of tangible and other intangible assets		0.4	7.0
Other non-current assets		1.3	0.7
Interest received		1.2	0.9
Net cash flow from investments		**1.1**	**–13.9**
Cash Flow from Financing Activities			
Changes in interest-bearing borrowings		–0.7	0.3
Interest paid		–3.5	–11.8
Other financial expenses paid		–8.6	–6.3
Change in other non-current liabilities		1.4	–0.4
Purchase of treasury shares		–0.2	0.0
Proceeds from issue of share capital net		12.7	0.0
Net cash flow from financing activities		**1.1**	**–18.2**
Cash Flow from Discontinuing Operations	20		
Cash flow from operating activities		–2.3	5.2
Cash flow from investing activities		–0.4	-6.1
Cash flow from financing activities		–0.1	-3.2
Net cash flow from discontinuing operations		**–2.8**	**–4.1**
Impact of currency translation		–1.3	–4.2
Net increase/decrease in cash and cash equivalents		**37.9**	**11.5**
Cash and cash equivalents at beginning of year	8	**47.5**	**36.0**
Cash and cash equivalents at end of year	8	**85.4**	**47.5**

Consolidated Statement of Changes in Equity

CHFm	Note	Share capital	Premium	Fair value and other reserves: Equity convertible bonds	Currency translation differences	Other	Retained earnings	Total equity
At January 1, 2003		**30.3**	**98.7**	**14.6**	**–40.7**	**0.1**	**–7.2**	**95.8**
Net result 2003							–245.0	–245.0
Release of share premium			–39.3				39.3	0.0
Fair value gains/losses (–) from securities						–0.2		–0.2
Fair value gains/losses (–) from cash flow hedges	17					–0.3		–0.3
Treasury shares							0.3	0.3
Goodwill transfer to the income statement							12.4	12.4
Currency translation differences								
on disposal of subsidiaries					1.0			1.0
on offsetting long-term intercompany loans					9.2			9.2
amount arising in year					4.4			4.4
At December 31, 2003		**30.3**	**59.4**	**14.6**	**–26.1**	**–0.4**	**–200.2**	**–122.4**
Net result 2004							1.9	1.9
Impact of financial restructuring:								
release of share premium			–59.4				59.4	0.0
share capital reduction		–30.2					30.2	0.0
transfer of equity component former convertible bond				–14.6			14.6	0.0
waiver of bank loans							184.0	184.0
issuance of share capital								
tranche A		1.4						1.4
tranche B		0.2	22.6					22.8
costs from issuance of share capital			–11.5					–11.5
Fair value gains/losses (–) from securities						0.2		0.2
Fair value gains/losses (–) from cash flow hedges	17					–0.1		–0.1
Treasury shares							–0.2	–0.2
Currency translation differences								
on disposal of subsidiaries					1.0			1.0
amount arising in year					–9.0			–9.0
At December 31, 2004		**1.8**	**11.1**	**0.0**	**–34.1**	**–0.3**	**89.7**	**68.2**

Foreign Currency Exchange Rates			Income Statement		Balance Sheet	
Currency	Country	Unit	**2004**	2003	**2004**	2003
AUD	Australia	1	0.9186	0.8727	0.8854	0.9286
CNY	China	100	15.0069	16.2709	13.7110	15.1220
DKK	Denmark	100	20.7860	20.4263	20.7720	20.9500
EUR	Europe	1	1.5465	1.5178	1.5459	1.5592
GBP	UK	1	2.2756	2.2055	2.1982	2.2203
HKD	Hong Kong	100	15.9618	17.2609	14.5890	16.1210
KRW	South Korea	100	0.1082	0.1128	0.1085	0.1045
MYR	Malaysia	100	32.7155	35.4070	29.8630	33.0250
NOK	Norway	100	18.4932	19.0254	18.6890	18.5480
PLN	Poland	100	34.2719	34.6064	38.1380	33.4430
SEK	Sweden	100	16.9583	16.6226	17.1430	17.1290
SGD	Singapore	1	0.7356	0.7721	0.6945	0.7343
USD	USA	1	1.2429	1.3443	1.1348	1.2516
ZAR	South Africa	100	19.3672	17.9898	20.1290	18.5340

1. Consolidation and Accounting Principles

1.1 General remarks and changes to accounting principles

Swisslog's consolidated financial statements are prepared on the basis of the individual financial statements of the group companies, which are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). These are based on historical cost, if nothing different is disclosed in these accounting policies, and uniform guidelines.

Comparative information in the consolidated income statement, cash flow statement and information by segment have been represented retrospectively in accordance with IAS 35, in order to present discontinued operations of Transnorm group separately from continuing operations. By separating discontinued and continuing operations retrospectively, the ability to make projections about cash flows and earnings-generating capacity is improved.

Swisslog early introduces the standard IFRS 3 "Business Combinations" as of January 1, 2004. At the same date, also IAS 36 (revised) and IAS 38 (revised) are applied. According to these standards, goodwill will no longer be amortized but tested annually for impairment, as well as when there is any indication for impairment. Goodwill will be tested for impairment on the basis of cash-generating units. Because of the international character of the businesses of the Group the cash-generating units are equal to the primary business segments. In the periods before January 1, 2004, goodwill had been amortized on a straight-line basis through the income statement over its useful life. In general, goodwill had been amortized over 20 years. Goodwill related to acquired companies in the software, consulting and services fields had been amortized over 5 years.

The preparation of the consolidated financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the groups accounting policies. Actual results could differ from those estimated. In addition, the management is required to apply judgement in certain areas. The critical estimates and assumptions are mentioned in 1.20.

The Board of Directors approved the financial statements on February 28, 2005, and gave permission for publication. The financial statements need the approval of the annual Shareholders' meeting on May 18, 2005.

1.2 Consolidated companies and principles of consolidation

The consolidated financial statements include Swisslog Holding AG and all companies directly and indirectly controlled by Swisslog Holding AG.
Group companies are included in the consolidated financial statements using the full consolidation method. Capital consolidation is based on the purchase method. Minority interests in Shareholders' equity and results of group companies are shown separately, where the Group does not own 100% of acquired companies, the minority interest is recorded as the minority's proportion of the fair value of the acquired assets and liabilities. Intragroup transactions and intragroup balances are eliminated together with intragroup profits. Companies acquired or sold during the year under review are consolidated from the date of acquisition (change of control) and eliminated from the consolidated financial statements from the date of sale. A list of consolidated companies is shown on page 38. Investments in associated companies are accounted for by the equity method. These are companies where the Group generally has between 20 and 50% of the voting rights or where the Group has significant influence.

1.3 Foreign currencies

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 8. 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 are recorded directly in equity. Differences arising from the translation of foreign affiliate statements are also recorded directly in equity.

1.4 Tangible assets

Tangible assets are shown in the balance sheet at purchase or manufacturing cost less accumulated depreciation. Land and buildings covered by finance lease agreements are shown in the balance sheet at purchase value and are depreciated over the shorter of their useful life or the lease period. The corresponding financial lease liabilities are shown as liabilities according their term of maturity at their present value less repayments calculated by the annuity method.
Tangible assets 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 equipment including computer hardware. Tangible assets 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 tangible assets is shown in the income statement.
Where an indication of an impairment exists, the carrying amount of any tangible asset is assessed and written down immediately to its recoverable amount.

1.5 Investment property

Investment property, principally comprising office buildings, manufacturing facilities and land to be developed, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as an investment and is carried at cost less accumulated depreciation. Buildings are depreciated over the estimated useful life using the straight-line method, i.e. 15 to 50 years.
Where an indication of an impairment exists, the carrying amount is assessed and written down immediately to its recoverable amount.

1.6 Intangible assets

Swisslog classifies its intangible assets into three categories:

a) Goodwill
Goodwill is recorded as the surplus of the acquisition cost over the Group's interest in fair value of identifiable net assets

acquired less accumulated impairment losses. Goodwill will be tested for impairment annually or at any indication for impairment for each cash-generating unit.

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

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

Intangible assets with an indefinite useful life are not subject to amortization and are tested annually for impairment.

Where an indication of an impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount considering either value in use or net selling price. Intangible assets will be tested for impairment annually or at any indication for impairment.

1.7 Investments
The Group classified its investments into three categories:

a) Held for trading:
Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as financial assets held for trading and are included in current assets.

b) Held to maturity:
Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity investments and are included in non-current assets.

c) Available for sale:
Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date.

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

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

1.9 Inventories, work in progress
Inventories are shown at purchase or manufacturing cost or net realizable value if lower. Manufacturing costs include individual material and production costs and production overheads. Costs are generally valued using weighted averages. Provisions required for inventories with low turnover and non-marketable goods are made.

Long-term contracts are valued using the percentage-of-completion method. Sales, manufacturing costs and gross profit are included in the financial statements on the basis of the proportion of cumulated manufacturing costs to the total estimated manufacturing costs up to customer acceptance of the order (completion). Provisions are formed for project costs to the extent that manufacturing costs, including likely warranties, guarantee work and subsequent work, up to the expiration of the warranty period exceed the contract price.

1.10 Trade accounts receivables
Trade accounts receivables are shown at face value net of necessary allowances for doubtful accounts which represents the fair value.

1.11 Other receivables, prepaid expenses and accrued income
Other receivables are shown at their net realizable value, prepaid expenses and accrued income at the lower of purchase cost or realizable value.

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

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

a) Provisions for projects
The Group recognizes provisions for projects for long-term contracts, as soon as losses to complete a contract can be anticipated (see also 1.9 Inventories, work in progress).

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

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

d) Restructuring for onerous contracts
For contractually agreed future payments, which exceed the economic benefits, provisions are recognized.

1.14 Revenue recognition
Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.
Revenue from long-term contracts is recorded using the percentage-of-completion method (see also 1.9 Inventories, work in progress).

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

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

1.17 Employee benefits

a) Defined benefit plans
Current and former employees receive benefits and pensions based on the corresponding national and private statutory schemes. Future liabilities are calculated using actuarial methods. For 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). Annual pension costs calculated according to actuarial principles (net periodic costs) are shown including past pension costs (past service costs) in the income statement. Revisions to plans are taken through the income statement over the estimated remaining service period. Actuarial gains and losses are accounted for over the average remaining working period of the employee if they exceed the 10% corridor. Plan assets are shown at market values.

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

1.18 Convertible bond
The fair value of the liability component, included in long-term borrowings, is calculated using a market interest rate for an equivalent non-convertible bond.

1.19 Financial instruments
The financial effects of adopting IAS 39 are disclosed in Note 17. For information about the effects of IAS 39 on investments refer to accounting policy 1.7 Investments. Information about accounting for derivative financial instruments and hedging activities is included within the following section "Financial risk management".

Financial risk management

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

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to USD, EUR, GBP and SEK.
Net working capital, customer projects, and short-term loans: Companies in the Group use forward contracts and swaps, transacted with the banks, to hedge their exposure to foreign currency risk in the local reporting currency. For financial reporting purposes, each subsidiary designates contracts with Group Treasury as hedges not qualifying for special hedge accounting or cash flow hedges, as appropriate. At the Group level, external foreign exchange contracts are designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions. Depending on the currency, the Group hedges between 0 and 100% of the net

exposure of the customer projects. 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. The forward contracts used in its program mature consistent with the related purchase commitments.
Net assets including long-term loans: The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposures to the net assets of the Group's subsidiaries are not hedged.

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

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

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

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

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

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

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

c) Fair value estimation
The fair value of publicly traded derivatives 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.

1.20 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. Especially for the value in use calculations, wrong estimates and assumptions could bear a significant risk of causing material adjustments to the carrying amounts.
The business planning of the Group includes the successful roll-out of the new Healthcare Solutions (HCS) products. Should the expected market success not be reached, this could lead to a change of the strategy of HCS and possibly cause write-offs of assets and require recognition of provisions.

1.21 Segment information
The segment information is based primarily on business sectors and secondarily on geographical regions. The business sectors are dealt with on a global basis. Transactions between the segments are carried out at standard market conditions on arm's length basis.

The Group distinguishes between the following segments and corresponding activities:

a) Warehouse and Distribution Solutions (WDS)
Delivers leading industry-specific solutions for automated and manual warehouses and distribution centres. Provides consulting services, software solutions, general contracting, implementation and life-time support.

b) Consulting Services (CGS)
Optimizes customers' supply chains by using and implementing its own supply chain planning software.

c) Healthcare Solutions (HCS)
Offers logistics automation for the movement and processing of materials, medications and specimens within and throughout healthcare facilities. The scope of services ranges from consulting, design, manufacturing and installation through life-time customer support.

d) Headquarter
The headquarter comprises central management and service functions.

1.22 Changes in consolidation
In 2004, the following companies were sold and are not consolidated in the consolidated statements as per December 31, 2004:

Segment Material Flow & Robotic Systems	Consolidated until	Swisslog's holding
Transnorm System Holding GmbH, Harsum / Germany	30.6.2004	100.0%
Transnorm System GmbH, Harsum / Germany	30.6.2004	100.0%
Transnorm System Inc., Grand Prarie / USA	30.6.2004	100.0%
Transnorm System Ltd., Tewkesbury / UK	30.6.2004	100.0%
Transnorm System Sdn. Bhd., Kluang / Malaysia	30.6.2004	100.0%
Relos AG, Buchs / Switzerland	31.5.2004	100.0%

The following companies have been founded:

Segment Warehouse & Distribution Solutions		
Swisslog (Shanghai) Consultancy Co. Ltd., Shanghai / China	1.2.2004	100.0%

Swisslog Healthcare Solutions		
Swisslog Healthcare GmbH, Munich / Germany	1.3.2004	100.0%

2. Result 2004 and Financial Restructuring

In 2004, the Swisslog Group reported a net profit of CHF 1.9 m. Besides the earnings before interest and tax (EBIT), the result was mainly influenced by goodwill impairment, the divestitures of subsidiaries and by the change of modalities of the convertible bond. The business year 2004 was overall strongly influenced by the financial restructuring. The paragraphs below explain the details of the financial restructuring.

2.1 Background

As announced in January 2004, the impairment charges in goodwill and other fixed assets resulted in an over-indebtedness of Swisslog Holding AG and made a comprehensive restructuring of the balance sheet necessary. In addition, redemption of the outstanding 2.25% convertible bond in the nominal value of CHF 150.0 m of Swisslog Holding AG was due on July 7, 2005. Other existing guarantee facilities of the bank syndicate amounting to CHF 116.2 m and credit lines of CHF 190.0 m were due for redemption on March 31, 2005.

2.2 Concept

Swisslog Group worked out a financial restructuring concept with new investors to which the shareholders and the bondholders agreed respectively in February and in March 2004. This concept was compulsory after an interim balance sheet, prepared at the request of Swisslog Holdings AG's Board of Directors and testified by the auditors at the end of November 2003, established that the company was overindebted. The concept consisted of the following elements:

Loans

- Beginning 2004 Swisslog had outstanding loans at banks of CHF 184.0 m.
- Lombard Odier Darier Hentsch & Cie (LODH) purchased the loans from the banks, which had a nominal value of CHF 184.0 m, for a nominal price of CHF 139.0 m. The banks incurred a loss of CHF 45.0 m, or around 24.5%, of their original credit receivables.
- LODH waived its loan receivables of CHF 184.0 m and in return was granted the right, against payment in cash, to subscribe for 141.5 m of new registered shares at a par value of CHF 0.01 per share.
- LODH sold these shares to new investors for CHF 1.00 per registered share.
- The final maturity of other existing guarantee facilities of CHF 100.0 m were extended at market conditions to June 30, 2006. The guarantee facilities were secured by the pledge of the subsidiary TransLogic Corp. (USA). As per December 31, 2004, the Shareholders' equity of TransLogic Corp. (USA) amounted to CHF 33.2 m.
- The guarantee facilities are bonded by the following covenants:
  - Minimum Equity (monthly compliance)
  - Ratio of net debt to EBITDA (quarterly compliance)
  - Ratio of net debt to equity (quarterly compliance).

A violation of the covenants would entitle the bank consortium to recall the guarantee facilities at any time.

Convertible bond

- The conditions for the outstanding 2.25% convertible bond 2000–2005 in the nominal value of CHF 150.0 m were modified. The final maturity date for the convertible bond was extended to December 31, 2009.
- The interest rate has been adjusted as follows (interest payment each July 7):
  - 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 3.5% (from July 7 to December 31, 2009).
- The pledge provided to the bondholders (nominal CHF 16.4 m) was waived and the bondholders agreed to a pledge from TransLogic Corp. (USA) as security for the bank's guarantee facilities as well as to certain divestitures.
- The financial liabilities are limited by the convertible bond as follows:
  - Short- and long-term financial liabilities (excluding the convertible bond) of the subsidiaries held directly and indirectly are limited to CHF 30.0 m and their outstanding guarantee facilities are limited to CHF 116.0 m.
  - In case of breaching the covenants of the guarantee facilities the convertible bond may immediately be recalled at nominal value.

Share capital

- The existing shareholders agreed at the extraordinary shareholders meeting on February 26, 2004, to reduce the nominal value of the shares from former CHF 2.00 to CHF 0.01.
- 22.8 m new shares were offered to the existing shareholders by rights issue at a price of CHF 1.00.
- Existing shareholders were allotted 3 rights for 2 existing shares.
- The rights were not tradable. Approx. 85% of existing shareholders exercised their subscription rights.
- The remaining shares (rump shares) were purchased by the sub-underwriters for CHF 1.00 per share pursuant sub-underwriting agreements.

New Board of Directors

In order to give the company the chance for a new start unencumbered by past legacies, the existing directors resigned with effect from the date of the extraordinary Shareholders' meeting on February 26, 2004, with the exception of the chairman Konrad Peter. New members of the board were elected at the extraordinary Shareholders' meeting:

- Hans Ziegler
- Jacques Réjeange
- Jürg Rückert
- Michael Werder

Manfred Schuster was elected at the ordinary Shareholders' meeting on June 30, 2004, as fifth member of the board. Konrad Peter resigned at the ordinary Shareholders' meeting 2004. Hans Ziegler became new chairman of the board.

2.3 Impact on balance sheet and profit and loss statement

Impact on balance sheet
The financial restructuring measures had the following impact on the equity of Swisslog Holding AG:
- The existing statutory reserves of CHF 65.5 m were, as far as possible, offset against the accumulated losses.
- As a result of the capital reduction of the share capital by par value, the realized capital reduction profit of CHF 30.2 m was also used to reduce the capital deficiency.
- In return for the waiver in respect of the bank credits of CHF 184.0 m, an ordinary capital increase of 141.5 m shares (Tranche A) occurred at a nominal value of CHF 0.01 per share with exclusion of subscription rights. As a result of capital increase of Tranche A, CHF 1.4 m of cash flew into Swisslog Holding AG.
- From the ordinary capital increase (Tranche B) of 22.8 m registered shares to existing shareholders at a purchase price of CHF 1.00 per share CHF 22.8 m of cash flew into Swisslog Holding AG.
- As a result of the balance sheet restructuring, the equity of the Swisslog Group increased net by CHF 196.7 m after restructuring costs.

Impact on profit and loss statement
The final maturity date for the convertible bond was extended to 2009 and the interest rate had been adjusted. Major changes in the conditions of the convertible bond must be entered in the company's profit and loss statement in line with the accounting standards according to IFRS. This had the following consequences for the group profit and loss statement and the Swisslog balance sheet:
- One-off reduction of long-term liabilities due to a computed market interest rate of 7% for a comparable bond by CHF 28.1 m.
- One-time improvement of the financial result by CHF 29.1 m due to the extension of the maturity date of the bond.
- Improvement of the overall company result and thus one-time increase of the equity capital of CHF 28.9 m.

These bookings do not cause a cash flow and the corresponding effects have to be neutralized during the term of the convertible bond through the profit and loss statement (increased interest payments and reduced tax expenditure) and therefore will have a negative influence on the equity.

3. Information by Segment

3.1 Business unit Segmentation

2004 CHFm	Warehouse & Distribution Solutions	Consulting Services	Healthcare Solutions	Head-quarter/ Holdings	Elimina-tions	Total continuing operations[5]	Discon-tinued operations	Elimina-tions	**Total Group**
Order intake	366.2	13.2	166.8	0.0	–3.5	542.7	38.1	–1.4	579.4
Order backlog (at year-end)	290.5	3.6	117.1	0.0	–0.6	410.6	0.0	0.0	410.6
Net sales	378.4	15.9	174.9	0.0	–4.3	564.9	32.6	–0.9	596.6
Net sales to third parties	375.0	15.9	174.0	0.0	0.0	564.9	31.8	0.0	596.6
Net sales internal[1]	3.4	0.0	0.9	0.0	–4.3	0.0	0.8	–0.8	0.0
Earnings before interest, taxes, depreciation and amortization of goodwill (EBITDA)	21.3	2.1	6.0	–11.5	0.0	17.9	–1.8	0.0	16.1
Depreciation	3.2	1.1	2.9	0.3	0.0	7.5	0.8	0.0	8.3
Impairment on tangible and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before interest, taxes and amortization of goodwill (EBITA)	18.1	1.0	3.1	–11.8	0.0	10.4	–2.6	0.0	7.8
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill impairments and onerous contracts	0.0	8.3	0.0	0.0	0.0	8.3	0.0	0.0	8.3
Earning before interest and taxes (EBIT)	18.1	–7.3	3.1	–11.8	0.0	2.1	–2.6	0.0	–0.5
Goodwill	37.7	18.8	37.5	0.0	0.0	94.0	0.0	0.0	94.0
Current and non-current assets[2]	134.6	26.2	124.5	16.7	–10.9	291.1	0.0	0.0	291.1
Operating liabilities and provisions[3]	158.2	3.1	49.5	14.6	–10.9	214.5	3.3	0.0	217.8
Net operating assets[4] incl. goodwill (NOA)	–23.6	23.1	75.0	2.1	0.0	76.6	–3.3	0.0	73.2
Investment in tangible and intangible assets	1.4	15.7	1.6	0.0	0.0	18.7	0.3	0.0	19.0
Changes in provisions	1.2	–17.3	3.2	1.2	0.0	–11.7	–5.9	0.0	–17.6
Employees (at year-end)	1 041	67	727	23	0.0	1 858	0.0	0.0	1 858
EBITA as % of sales (EBITA margin)	4.8	6.1	1.8	NA	–0.9	1.8	NA	NA	1.3
EBITA as % of NOA (RONOA)	NA	4.2	4.1	–563.8	NA	13.5	NA	NA	10.6
2003[6]									
Order intake	409.3	15.7	205.1	0.0	–7.4	622.7	168.1	–15.1	775.7
Order backlog (at year-end)	314.8	6.1	134.7	0.0	–0.6	455.0	13.6	–0.7	467.9
Net sales	439.0	14.4	187.5	0.0	–7.7	633.2	169.6	–32.0	770.8
Net sales to third parties	424.6	14.0	183.9	0.0	0.0	622.5	148.4	0.0	770.8
Net sales internal[1]	14.3	0.4	3.6	0.0	–7.6	10.7	21.2	–31.9	0.0
Earnings before interest, taxes, depreciation and amortization of goodwill (EBITDA)	20.4	2.6	16.9	–20.7	0.0	19.2	–26.7	0.0	–7.5
Depreciation	5.2	0.6	3.7	1.0	0.0	10.5	4.1	0.0	14.6
Impairment on tangible and intangible assets	2.5	0.0	7.5	9.5	0.0	19.5	3.3	0.0	22.8
Earnings before interest, taxes and amortization of goodwill (EBITA)	12.7	2.0	5.7	–31.2	0.0	–10.8	–34.1	0.0	–44.8
Goodwill amortization	17.6	9.6	5.0	0.5	0.0	32.7	1.4	0.0	34.1
Goodwill impairments and onerous contracts	4.1	22.5	25.0	0.6	0.0	52.2	14.8	0.0	67.0
Earning before interest and taxes (EBIT)	–9.0	–30.1	–24.3	–32.4	0.0	–95.8	–50.3	0.0	–146.1
Goodwill	39.9	29.1	39.8	0.0	0.0	108.8	0.0	0.0	108.8
Current and non-current assets[2]	154.1	38.0	111.7	34.8	–20.3	318.3	36.6	–5.1	349.8
Operating liabilities and provisions[3]	161.3	19.8	21.2	14.6	–20.3	196.6	24.4	–5.1	215.9
Net operating assets[4] incl. goodwill (NOA)	–7.2	18.2	90.5	20.2	0.0	121.7	12.2	0.0	133.9
Investment in tangible and intangible assets	7.4	13.0	5.1	0.1	0.1	25.6	3.5	0.0	29.1
Changes in provisions	0.2	16.7	–1.6	0.1	0.0	15.4	2.6	0.0	18.0
Employees (at year-end)	1 135	62	749	32	0.0	1 978	358	0.0	2 336
EBITA as % of sales (EBITA margin)	2.9	13.9	3.0	NA	0.0	NA	NA	NA	NA
EBITA as % of NOA (RONOA)	NA	11.0	6.3	–154.7	NA	–8.9	–279.3	NA	–33.5

1 Internal transactions are concluded at arms-length terms.
2 Excluding cash, cash equivalents, marketable securities, deferred tax assets and other non-current assets.
3 Excluding interest-bearing borrowings and tax liabilities.
4 Current and non-current assets ./. current liabilities and provisions.
5 Information by segment includes all continuing operations. To arrive at consolidated net sales from continuing operations, net sales to other segments are eliminated. Assets of continuing operations include investment properties and treasury activities.
6 The reported segments correspond with the new aligned business strategy of the group. The previous year's figures are presented on a comparable basis.

3.2 Geographical Segmentation

CHFm	Europe **2004**	Europe 2003	North America **2004**	North America 2003	Asia/Pacific **2004**	Asia/Pacific 2003	Total Group **2004**	Total Group 2003
Net sales	385.0	506.6	175.3	187.3	36.4	76.9	596.6	770.8
Net operating assets (NOA)	30.1	95.0	37.7	47.7	5.4	–8.8	73.2	133.9
Investment in tangible and intangible assets (without goodwill)	2.4	12.4	1.0	0.6	0.1	0.2	3.5	13.2
Employees at year-end	1 371	1 741	321	401	166	194	1 858	2 336

4. Tangible and Intangible Assets

4.1 Tangible assets CHFm	Land	Buildings	Machinery/ equipment	Assets under construction/ prepayments	Investment property	Total 2004	Total 2003
Cost at January 1	3.3	28.7	60.1	0.1	24.9	117.1	151.9
Changes in consolidation scope	–1.8	–8.7	–13.9	0.0	–24.9	–49.3	–36.5
Additions	0.0	0.1	2.5	0.0	0.0	2.6	7.4
Disposals	0.0	–0.1	–4.6	–0.1	0.0	–4.8	–8.3
Transfers to and from owner-occupied property	–0.9	–5.2	–0.3	0.0	6.4	0.0	0.0
Currency translation differences	0.0	–0.1	–1.1	0.0	0.0	–1.2	2.6
Cost at December 31	**0.6**	**14.7**	**42.7**	**0.0**	**6.4**	**64.4**	**117.1**
Accumulated depreciation at January 1	0.0	–17.3	–44.8	0.0	–9.9	–72.0	–78.1
Changes in consolidation scope	0.0	3.1	12.2	0.0	9.9	25.2	25.1
Depreciation charge	0.0	–0.8	–5.1	0.0	0.0	–5.9	–9.2
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	–12.3
Accumulated depreciation on disposals	0.0	0.0	4.6	0.0	0.0	4.6	5.1
Transfers to and from owner-occupied property	0.0	5.0	–0.1	0.0	–4.9	0.0	0.0
Currency translation differences	0.0	0.0	0.9	0.0	0.0	0.9	–2.6
Accumulated depreciation at December 31	**0.0**	**–10.0**	**–32.3**	**0.0**	**–4.9**	**–47.2**	**–72.0**
Total net book value							
at December 31, 2003	3.3	11.4	15.3	0.1	15.0		45.1
at December 31, 2004	**0.6**	**4.7**	**10.4**	**0.0**	**1.5**	**17.2**	

The insurance value of the tangible assets at the end of 2004 was CHF 72.1 m (2003: CHF 149.4 m). No real estate (2003: CHF 17.2 m) are pledged as security for liabilities.

The net book value of investment property corresponds to its fair value, which isn't based on a valuation by an independent valuer as per balance sheet date. The current fair value is an approximation based on comparable objects in the same region. The transfer to investment property concerns an object in Kriens/Lucerne. Rental income from investment property in the amount of CHF 0.7 m (2003: CHF 1.3 m) is partly offset by direct cost of CHF 0.2 m (2003: CHF 0.6 m excluding impairment).

Relos AG and all investment properties held by the Relos AG were sold as per June 9, 2004:

	CHFm
Assets sold	15.1
Liabilities sold	0.2
Net assets sold	**14.9**
Proceeds from disposal (selling price)	15.0
Profit on disposal	**0.1**
Tax thereon	0.0
Profit on disposal after tax	**0.1**
Proceeds from disposal (selling price)	15.0
Less cash and cash equivalents in subsidiary sold	0.0
Net cash inflow on sale	**15.0**

4.2 Intangible assets CHFm	Goodwill	Capitalized development expenses	Other	Total 2004	Total 2003
Cost at January 1	108.8	9.2	17.0	135.0	312.1
Changes in consolidation scope	0.0	–1.4	–1.8	–3.2	–5.2
Additions	15.3	1.4	0.7	17.4	21.7
Disposals	0.0	–3.0	–4.6	–7.6	–9.5
Currency translation differences	–5.9	–0.1	–0.2	–6.2	0.3
Cost at December 31	**118.2**	**6.1**	**11.1**	**135.4**	**319.4**
Accumulated amortization/depreciation at January 1	0.0	–4.5	–15.0	–19.5	–112.1
Changes in consolidation scope	0.0	0.7	1.5	2.2	3.3
Amortization/depreciation charge	0.0	–1.4	–1.1	–2.5	–39.4
Impairment	–10.0	0.0	0.0	–10.0	–60.5
Release of provision for onerous contract	–15.3	0.0	0.0	–15.3	0.0
Accumulated amortization/depreciation on disposals	0.0	3.0	4.6	7.6	4.9
Currency translation differences	1.1	0.1	0.2	1.4	–0.1
Accumulated amortization/depreciation at December 31	**–24.2**	**–2.1**	**–9.8**	**–36.1**	**–203.9**
Net book value					
at December 31, 2003	108.8	4.7	2.0		115.5
at December 31, 2004	**94.0**	**4.0**	**1.3**	**99.3**	

The additions to goodwill in 2004 relate to acquisitions of the remaining minority shares of Wassermann AG.
The provision for the payments related to these minorities has been set up last year. This purchase does not result in an increase of assets.

4.2.1 Goodwill impairment in 2004

Consulting Services

Wassermann AG, Germany

The goodwill impairment of CHF 10.0 m became necessary in June 2004 due to reduced mid-term business expectation as well as due to the newly pro rata allocated headquarter costs.

4.2.2 Impairment test of goodwill as per December 31, 2004

According to IFRS 3 (2004), the recognition and measurement of goodwill resulting from a business combination requires solely an impairment test for the subsequent periods. According to IFRS 3.54 (2004), regular goodwill amortization will no longer be permitted. Instead, goodwill is reviewed at least once a year and tested for impairment in accordance with IAS 36 (2004) and impaired if necessary.
Goodwill acquired in business combination (and measured at the acquisition date) has been allocated to the primary segments Warehouse and Distribution Solutions (WDS), Healthcare Solutions (HCS) and Consulting Services (CGS) at the acquisition date.
These segments represent the cash-generating units (CGU). To determine the cash-generating units the assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash flows are independent from each other.

An impairment loss is recognized for a cash-generating unit if the recoverable amount of the unit is below the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use (defined as the present value of the future cash flows expected to be derived from a cash-generating unit). In the following calculations, the carrying amount for all three cash-generating units is lower than the value in use, the determination of the fair value less cost to sell is therefore not required.

The budget 2005 and the projection 2006 formed the basis for the value in use calculations. The cash flows for the years from 2007 until 2009 are an extrapolation responding to the expected growth rate in each market. The residual value is based on a growth rate of 1%.

The headquarter costs are allocated to the cash-generating units according to their shares in net sales (50%-weighted) and headcount (50%-weighted).
The interest rate used to discount cash flows is a pre-tax rate determined for each cash-generating unit.

Principal assumptions for the goodwill impairment test

Warehouse & Distribution Solutions (WDS)

Average growth rate of net sales:	5.7% p.a.
Average growth rate of EBITDA:	15.9% p.a.
Pre-tax rate:	10.8%

In 2004, the Warehouse & Distribution Solutions reported net sales of CHF 378.4 m. It is planned to raise net sales to CHF 500.3 m by 2009, which represents an average growth rate of 5.7%. In the same period of time, the EBITDA (after headquarter cost allocation) should be raised from CHF 13.9 m to CHF 29.1 m, which represents an average EBITDA growth rate of 15.9%.

Considerations of risk
The business year 2004 of WDS was determined by low order intake, which impacted net sales and EBITDA negatively in the second half of the year. The net sales growth planning used the low net sales of 2004 as a base for the beginning.

Healthcare Solutions (HCS)

Average growth rate of net sales:	7.0% p.a.
Average growth rate of EBITDA:	13.6% p.a.
Pre-tax rate:	13.3%

The business year 2004 of Healthcare Solutions was determined by restructuring costs in Germany and start-up costs in Italy. Another negative effect on the profitable North America business was the influence of the weak US-dollar. HCS reported overall net sales of CHF 174.9 m, which is planned to be raised to CHF 244.9 m between 2005 and 2009. In the same period of time, the EBITDA (after headquarter cost allocation and without consideration of restructuring and start-up costs in 2004) should increase in average by 13.6% per year and grow to CHF 26.0 m.

Considerations of risk
The future profitability of HCS is based on an ongoing strong North America business and also depends on the successful market penetration of the recent product introductions. The North America business was planned with a currency exchange rate of 1.20 from USD to CHF. The net sales planning for the recent product introductions was done in a conservative way.

Consulting Services (CGS)

Average growth rate of net sales:	10.4% p.a.
Average growth rate of EBITDA:	16.8% p.a.
Pre-tax rate:	13.6%

In 2004, Consulting Services reported net sales of CHF 15.9 m, which represents an increase of 10.4% compared to the previous year. An EBITDA of CHF 2.1 m was achieved, which contains a bad debt loss of CHF 0.5 m caused by an insolvent customer. By the end of 2009, net sales is planned to be raised to CHF 26.1 m and EBITDA to CHF 4.9 m.

Considerations of risk
Consulting Services renders its services mainly in the German-speaking supply chain management market. An external study acts on the assumption of net sales growth rates between 13 and 15%. The planned currency exchange rate from EUR to CHF is 1.50.
At the end of 2004, the value in use of the CGS unit exeeds the carrying value by CHF 3.3 m. A potential raise of the pre-tax rate – assuming that net sales growth rate and EBITDA growth rate remain unchanged – up to 14.9% will not affect the goodwill coverage. Goodwill will still be covered if the yearly net sales growth rate is reduced to 9.3% and the yearly EBITDA growth rate is reduced to 13.3% – assuming that the pre-tax rate remains unchanged at 13.6%.

The Board of Directors and the executive committee of Swisslog consider the underlying assumptions for the forecast as prudential and justifiable. Thus the value in use of the cash-generating unit depends on the effective achievement of the expected target values. Possible deviation of the effective values could cause changes in value in use. In particular, a lapse of the planned net sales targets or a raise of the discount rate before tax in Consulting Services could cause an impairment.

5. Other non-current Assets

	2004 CHFm	2003 CHFm
Investments in associated companies	0.6	0.6
Financial investments	12.4	12.5
Long-term interest-bearing loans	4.2	5.6
Other long-term receivables	6.3	7.8
Total	**23.5**	**26.5**

The Swisslog Group holds 8.17% of shares of CPS Color Group Oy, Finland. The shares are classified as available for sale and are disclosed in financial investments.
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.

6. Inventories

	2004 CHFm	2003 CHFm
Raw materials and supplies	17.5	14.3
Work in progress, projects	4.2	11.6
Finished goods	11.0	12.1
Total	**32.7**	**38.0**

In 2004, no material obsolete raw materials and supplies have been written off (2003: CHF 3.0 m).

7. Trade and Other Receivables

	2004 CHFm	2003 CHFm
Trade receivables	118.2	118.9
Other receivables	13.6	19.0
Prepaid expenses and deferred income	8.8	9.2
Allowance for bad debts	–2.6	–2.5
Total	**138.0**	**144.6**

In 2004, trade receivables contain CHF 25.7 m construction contracts with balance due from customers (underfinanced; Note 21).
In 2004, trade receivables of CHF 0.5 m have been written off due to the insolvency of a customer (2003: CHF 0.0 m).

8. Cash and Cash Equivalents

	2004 CHFm	2003 CHFm
Cash at bank and on hand	85.4	47.5
Marketable securities	5.6	0.9
Total	**91.0**	**48.4**

The marketable securites of CHF 5.6 m include bonds in CHF and Swiss shares. The marketable securities are classified as held for trading and are measured at market value.
At the end of 2004, cash collaterals of CHF 3.0 m (2003: CHF 0.0 m) existed in cash at bank and on hand.

9. Share Capital/Treasury Shares

Share capital
The share capital as of December 31, 2004, amounts to CHF 1.8 m (prior year: CHF 30.3 m) and consists of 179 483 560 registered shares with a nominal value of CHF 0.01 (2003: CHF 2.00) per share.

	2004	2003
Number of shares outstanding January 1	15 175 474	15 163 044
Capital increase		
through issue of new shares – Tranche A	141 538 462	–
through rights issue to current shareholders – Tranche B	22 767 059	–
Increase (–)/decrease (+) of treasury shares	2 565	12 430
Number of shares outstanding December 31	179 483 560	15 175 474
Nominal value per share (CHF)	0.01	2.00
Share capital at December 31 (CHFm)	**1.8**	**30.3**

Proceeds and outlays from transactions in treasury shares are directly recorded in equity. On December 31, 2004, the group held no treasury shares (2003: 2 565).

The share capital can be increased by the issuance of a maximum of 1 000 000 fully paid-in registered shares at par value of CHF 0.01 each and up to a maximum of CHF 10 000 in total by exercise of conversion or option rights which are granted by way of convertible bonds or similar instruments issued by the company or one of its subsidiaries, and/or by exercise of option rights granted to the shareholders.

The share capital can be increased by the issuance of a maximum of 626 000 fully paid-in registered shares at par value of CHF 0.01 each and up to a maximum of CHF 6 260 in total by exercise of option rights which are granted to the employees of the company or its subsidiaries based on one or several option plans.

10. Interest-Bearing Borrowings

10.1 Balance Sheet details	**2004** CHFm	2003 CHFm
Bank borrowing	0.3	184.8
Convertible bonds 2000–2009/2000–2005	120.4	142.4
Loans	0.2	1.6
Total	**120.9**	**328.8**

Thereof:		
Short term	0.3	185.4
Long term	120.6	143.4
Total	**120.9**	**328.8**

10.2 Bank borrowing
The bank syndicate has – in connection with the financial restructuring of the group – sold the credit facilities amounting to CHF 184.0 m to Lombard Ordier Darier Hentsch & Cie (LODH). LODH waived its loan receivables and in return were granted the right, against payment in cash, to subscribe for 141.5 m new registered shares at a par value of CHF 0.01 per share.

10.3 Convertible bonds 2000–2009/2000–2005
On July 7, 2000, Swisslog Holding AG issued 60 000 2.25% convertible bonds at a nominal value of CHF 150 m.
The bonds would have been mature on 7 July 2005 at their nominal value of CHF 150 m unless converted into Swisslog Holding AG shares at the holder's option at the rate of 15.24390 shares per CHF 2 500 nominal value. In connection with the financial restructuring of the Group the conditions of the convertible bonds changed as follows:

– Maturity at 31.12.2009

– Interest payments:	7.7.2003 until 6.7.2004	0.5%
	7.7.2004 until 6.7.2005	1.0%
	7.7.2005 until 6.7.2006	1.5%
	7.7.2006 until 6.7.2007	2.0%
	7.7.2007 until 6.7.2008	2.5%
	7.7.2008 until 6.7.2009	3.0%
	7.7.2009 until 31.12.2009	3.5%

The conversion conditions remain unchanged.

The convertible bonds are recorded in the balance sheet as follows:

	2004 CHFm	2003 CHFm
Liability component at January 1	**145.1**	**141.2**
Previous conditions:		
Interest expense coupon interest rate 2.25%	1.1	3.4
Interest expense market interest rate applied	1.4	3.9
Effects from the prolongation of the convertible bonds out of restructuring:		
Adjustment of the accrual for the interest of the coupon from 2.25 to 0.5%	–2.0	
Effect from the theoretical repayment of the convertible bonds (remaining difference book value to nominal value)	5.0	
Change of the net present value by a theoretical new issuance of the convertible bonds	–34.2	
New conditions:		
Interest expense coupon interest rate 0.5%/1.0%	0.9	
Interest expense market interest rate applied	4.6	
Interest paid	–0.8	–3.4
Total liability component	**121.1**	**145.1**
Provision for interest payment under accrued expenses and deferred income	–0.7	–1.6
Cost for issuance of convertible bonds	0.0	–1.1
Liability component at December 31	**120.4**	**142.4**

The extension of the final maturity date of the convertible bond changed the present value of the future cash flows substantially, therefore the extension was treated as theoretical payback and as new issue. The equity component of the extended convertible bond amounts to nearly zero, since the conversion right bears no value.

Interest expense for the liability component of the convertible bonds is calculated on the effective yield basis by applying the coupon interest rate (7.0% respectively 5.3% before financial restructuring) for equivalent non-convertible bonds.

At the end of 2004, the convertible bonds noted at the Swiss stock exchange with 69.4% (2003: 67.0%).

11. Taxes and Deferred Taxes

11.1 Tax expense	2004 CHFm	2003 CHFm
Current income taxes	5.7	12.6
Deferred taxes	2.4	6.9
Tax expense continuing operations	**8.1**	**19.5**
Tax expense discontinuing operations	0.7	1.5
Total tax expense	**8.8**	**21.0**

About 60% (2003: 53%) of current income tax results from US, about 30% (2003: 35%) from Europe and 10% (2003: 12%) from other regions.

11.2 Reconciliation from expected to effective taxes

The expected group tax rate of 35% (2003: 31%) is a weighted tax rate, calculated from the tax expense based on the results before taxes of each group company, adjusted by extraordinary non-recurring items, multiplied with the individual applicable tax rate. This rate reflects the actual economic benefit in the different tax legislation. The change compared to previous year is primarily related to discontinuing operations and changes weighting of Group results. The following elements explain the difference between the tax expense at the applicable Group tax rate and the effective income taxes.

	2004 CHFm	2003 CHFm
Expected income taxes	**3.7**	**–68.7**
Effect of defined Group tax rate to consolidated individual expected tax expense	–5.4	–
Non-tax deductible expenses and non-taxable income	–2.2	40.3
Changes in recognition of tax losses	1.5	18.2
Utilization of unrecognized tax loss carry forwards	–0.8	–0.1
Current year's losses for which no deferred tax assets are recognized	11.2	31.1
Others	0.8	0.2
Effective income taxes	**8.8**	**21.0**

11.3 Tax loss carry forwards	2004 CHFm	2003 CHFm
Available tax loss carry forwards at January 1	**829.4**	**317.4**
Less tax loss carry forward of discontinuing operations at January 1 and other adjustments to beginning balance	–3.9	–
Tax losses arising from current year	22.1	530.4
Tax losses expired during current year	–0.3	-7.6
Tax losses utilized against current-year profits	-383.5	-10.8
Available tax loss carry forwards at December 31	**463.8**	**829.4**

Deferred tax assets of CHF 3.3 m (2003: CHF 6.5 m) were recorded in respect of available tax loss carry forwards of CHF 10.3 m (2003: CHF 21.5 m). 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.

Utilization of tax loss carry forwards are mainly related to taxable financial restructuring gains.

99% (2003: 99%) of tax loss carry forwards are within Europe.

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

	2004 CHFm	2003 CHFm
After 1 year	0.4	0.9
After 2 years	1.5	11.3
After 3 years	0.6	1.6
After 4 years	1.5	5.8
After more than 4 years	449.5	788.3
Total	**453.5**	**807.9**

11.4 Deferred taxes

Deferred tax assets and liabilities by type of balance sheet items

	2004			2003		
CHFm	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax assets						
Tangible/intangible assets	0.8	1.2		0.6	4.3	
Inventories and work in process	31.3	0.3		16.6	0.2	
Current receivables	0.3	3.7		0.4	2.2	
Long-term liabilities	1.9	1.8		1.7	3.2	
Provisions	1.0	0.4		1.6	0.6	
Short-term liabilities	0.9	28.6		2.7	13.3	
Subtotal by balance sheet items	**36.2**	**36.0**	**0.2**	**23.6**	**23.8**	**–0.2**
Deferred tax assets on tax loss carry forward	3.3	0.0		6.5	0.0	
Offsetting assets with liabilities	–29.8	–29.8		–14.8	–14.8	
Total deferred tax assets and liabilities	**9.7**	**6.2**	**3.5**	**15.3**	**9.0**	**6.3**

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, or if the asset and liability is settled simultaneously.

12. Other Non-Current Liabilities and Commitments

12.1 Other non-current liabilities

		2004 CHFm	2003 CHFm
Long-term liabilities		0.5	6.6
Pension liabilities (Note 18)		11.7	14.1
Total		**12.2**	**20.7**
Thereof due	within one year	0.0	0.5
	after one and before two years	0.0	6.1
	after two years	12.2	14.1

Long-term liabilities contain financial leasing liabilities totalling CHF 0.1 m (2003: CHF 6.5 m).

12.2 Commitments

12.2.1 Finance leases

	Future payments		Finance charges		Present value	
Minimum lease payments per 31 December, in CHFm	**2004**	2003	**2004**	2003	**2004**	2003
due within one year	0.0	0.7	0.0	0.4	0.0	0.3
due after one and before five years	0.1	6.4	0.0	0.2	0.1	6.2
due after five years	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.1**	**7.1**	**0.0**	**0.6**	**0.1**	**6.5**

The net book value of buildings under finance lease amounts to CHF 0.0 m (2003: CHF 6.7 m). There is no finance lease incorporating a purchase option (2003: CHF 5.6 m). The disposal of subsidiaries resulted in a decrease of the lease liabilities.

12.2.2 Operating leases

Minimum lease payments per 31 December in CHFm	**2004**	2003
due within one year	6.5	5.9
due after one and before five years	12.4	10.9
due after five years	7.0	9.3
Total	**25.9**	**26.1**

Operating leasing costs totalled CHF 6.7 m in 2004 (2003: CHF 6.0 m).

13. Provisions and Contingent Liabilities

13.1 Provisions

CHFm	Projects	Warranties	Restruc-turing	Onerous Contracts	Discontinued Operations	Other	**Total**
At January 1, 2003	4.6	6.9	0.0	0.0	0.4	5.4	17.3
Changes in consolidation scope	–0.2	–1.8	0.0	0.0	0.0	0.0	–2.0
Additions	3.6	2.4	1.8	17.4	4.1	1.2	30.5
Unused, reversed	–2.6	–0.4	0.0	0.0	0.0	–0.2	–3.2
Used during year	–2.0	–2.5	0.0	–0.4	0.0	–3.3	–8.2
Currency translation differences	0.1	0.1	0.0	0.5	0.0	0.2	0.9
At December 31, 2003	**3.5**	**4.7**	**1.8**	**17.5**	**4.5**	**3.3**	**35.3**
Changes in consolidation scope	–0.9	–0.4	–0.6	0.0	0.0	0.0	–1.9
Additions	2.7	2.1	2.5	0.0	5.8	1.4	14.5
Unused, reversed	–0.8	–0.3	–0.2	–1.7	0.0	–0.1	-3.1
Used during year	–1.4	–0.9	–0.7	–15.3	–7.0	–0.9	–26.2
Currency translation differences	0.0	–0.1	0.0	–0.5	0.0	–0.3	–0.9
At December 31, 2004	**3.1**	**5.1**	**2.8**	**0.0**	**3.3**	**3.4**	**17.7**

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

The provisions for projects are created to cover losses as soon as the losses are apparent. Reversal takes place in relation to the progress of project execution.

Provisions for restructuring are only recognized in the balance sheet if a welfare plan exists which was communicated to the affected persons. Of the amount reported, CHF 2.5 m (previous year: CHF 0.0 m) are attributable to the region Germany of the division Healthcare Solutions.
The category onerous contracts includes contractually agreed payments for minorities of Wassermann AG. The purchase of these minorities did not increase the assets.

Provisions for discontinued operations were created in association with the sale of Overhead Conveyors (CHF 2.5 m) and Transnorm Group (CHF 0.8 m).
The amount of Overhead Conveyors reflects mainly the estimated future expenditures of claims from contracts relating to cases which have arisen and are not yet closed, whereas the amount of Transnorm Group includes solely a pension liability.

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.

13.2 Contingent liabilities

Contingent liabilities amount to CHF 22.1 m (2003: CHF 4.9 m). The major part is related to a legal dispute, where the probability that the cost for the Swisslog Group from this dispute exceeds the already recognized provision at December 31, 2004, is below 50%.

The total amount of guarantees in favor of third parties is CHF 193.5 m at the end of 2004 (2003: CHF 249.4 m).

Guarantee facilities of CHF 100.0 m of a bank syndicate are secured by the pledge of TransLogic Corp. (USA). As per December 31, 2004, the Shareholders' equity of TransLogic Corp. (USA) amounts to CHF 33.2 m.

14. Other Operating Income

	2004 CHFm	2003 CHFm
Profit on sale of owner-occupied property	0.0	0.6
Other	2.6	3.2
Total	**2.6**	**3.8**

15. Operating Expense

15.1 Material and Service Expense	2004 CHFm	2003 CHFm
Change in inventories	–0.4	13.6
Material and service expense	235.2	281.3
Total	**234.8**	**294.9**

The total material and service expense varies widely depending on the share of materials and own work included in construction contracts.

15.2 Personnel expense	2004 CHFm	2003 CHFm
Wages and salaries	173.6	186.5
Social security and other personnel cost	52.0	55.4
Total	**225.6**	**242.0**

15.3 Other operating expense	2004 CHFm	2003 CHFm
Other operating expense	84.3	82.3

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 2004 result includes development expense of CHF 12.1 m (2003: CHF 9.0 m).

16. Financial Result

16.1 Impairment financial investments and convertible bonds	2004 CHFm	2003 CHFm
Impairment of investment and convertible bonds CPS Color	0.0	–40.4

The Swisslog Group holds 8.17% of shares of CPS Color Group Oy, Finland. In 2003, the investment was impaired by 75% due to a revised business plan which led to a lower enterprise value. The shares are classified as available for sale.

16.2 Other financial result	2004 CHFm	2003 CHFm
Financial income		
Interest income	1.5	1.9
Adjustment of the accrual for the interest of the coupon from 2.25 to 0.5%	2.0	0.0
Change of the net present value by a theoretical new issuance of the convertible bonds	34.2	0.0
Other financial income	0.5	0.0
Total	**38.2**	**1.9**
Financial expense		
Interest expense for convertible bonds coupon interest rate	–2.0	–3.4
Interest expense for convertible bonds market interest rate applied	–6.0	–3.9
Other interest expense	–3.5	–10.1
Effect from the theoretical repayment of the convertible bonds (remaining difference book value to nominal value)	–5.0	0.0
Other financial expense	–7.7	–11.5
Foreign currency result	–1.9	–9.4
Total	**–26.1**	**–38.3**

Interest income relates to interest on money market investments in CHF and foreign currencies.
As a result of the balance sheet restructuring, the bank debt was reduced by CHF 184.0 m. This led to a reduction in other interest expense.
The other financial expense includes cost in the context of the financial restructuring of the Group such as the write-off of the remaining cost from the issuance of the origin convertible bonds and costs of the issuance for the prolongation of the convertible bonds. Additionally, the costs for the facility fee for the guarantees and withholding taxes for dividend income are included in this position.

17. Derivative Instruments
The derivative financial instruments are used solely for the purpose of managing foreign currency exposure.
Contracts are only concluded with first-class financial institutions.

17.1 Net fair values of derivative financial instruments

The net fair value of derivative financial instruments at the balance sheet date were:

Forward foreign exchange contracts by type	2004			2003		
	Assets	Liabilities	Net	Assets	Liabilities	Net
CHFm						
Cash flow hedges	0.0	0.4	–0.4	0.1	0.4	–0.3
Non-qualifying hedges	0.2	1.2	–1.0	0.9	0.4	0.5
Total	**0.2**	**1.6**	**–1.4**	**1.0**	**0.8**	**0.2**

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

Forward foreign exchange contracts by currency	2004			2003		
	Assets	Liabilities	Net	Assets	Liabilities	Net
CHFm						
AUD	1.2	0.0	1.2	0.0	2.0	–2.0
EUR	53.4	2.2	51.2	27.5	1.4	26.1
SEK	2.6	4.2	–1.6	0.0	18.8	–18.8
USD	0.0	6.8	–6.8	0.0	8.8	–8.8
GBP	0.0	0.0	0.0	8.3	0.0	8.3
NOK	0.0	1.5	–1.5	0.0	1.9	–1.9
Total	**57.2**	**14.7**	**42.5**	**35.8**	**32.9**	**2.9**

As of the year-end there were no other open positions on derivative instruments.
By mid of 2004, the hedging volume increased due to the availability of FX-Lines

17.2 Equity – hedging reserve

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

	2004	2003
Balance at January 1	CHFm	CHFm
Gains/losses on remeasurement to fair value	–0.3	0.1
Deferred income taxes	0.0	0.0
Total	**–0.3**	**0.1**
Movements during the year		
Gains and losses from changes in fair value	–0.2	–0.3
Deferred income taxes	0.0	0.0
Total	**–0.2**	**–0.3**
Transferred to income statement	0.1	–0.1
Deferred income taxes	0.0	0.0
Total	**0.1**	**–0.1**
Balance at December 31		
Gross amount of gains and losses	–0.4	–0.3
Deferred income taxes	0.0	0.0
Total	**–0.4**	**–0.3**

The net fair value gains/losses at 31 December 2004 on open forward foreign exchange contracts which hedge anticipated future foreign currency sales/purchases will be transferred from the hedging reserve to the income statement when the forecasted sales/purchases occur (mid-January 2005).

18. Employee Benefits

18.1 Income statement	2004 CHFm	2003 CHFm
Pension schemes	10.9	13.2
Other long-term employee benefits	0.8	0.9
Total	**11.7**	**14.1**

18.2 Pension schemes

Besides the statutory social security schemes there are 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 2002 and 31 December 2004 (all bigger, material schemes).
Plan assets are recorded at fair values and include mainly marketable securities and bonds.

The following is a summary of the status of the main defined benefit plans at December 31, 2004, using IAS 19 (revised) based on actuarial assumptions.

Balance sheet reconciliation	2004 CHFm	2003 CHFm
Present value of funded obligations	129.5	131.2
Fair value of plan assets	112.8	118.3
Net funded status	**16.7**	**12.9**
Present value of unfunded obligations	0.2	7.7
Unrecognized actuarial gains (losses)	–6.0	–7.5
Other	0.0	0.1
Liability in the balance sheet	**10.9**	**13.2**

Movement in the liability	CHFm	CHFm
Liability at the beginning of the period	13.2	14.6
Effect of changes in consolidation scope	–2.6	–3.9
Exchange differences	0.1	0.9
Expense for pension schemes recognized in the income statement	5.8	5.1
Contributions paid by the company	–5.3	–5.5
Transfer	0.0	2.1
Other	–0.3	–0.1
Liability at the end of the period	**10.9**	**13.2**

Expense for pension schemes recognized in the income statement	CHFm	CHFm
Current service cost	6.3	6.0
Interest cost	5.5	5.8
Expected return on plan assets	–6.0	–5.9
Effect of any curtailment or settlement	0.0	–0.8
Total, included in personnel expense	**5.8**	**5.0**

Plan assets	CHFm	CHFm
Actual return on plan assets	5.7	1.5

Actuarial assumptions		
Discount rate	4.00%–5.75%	4.00%–6.00%
Expected return on plan assets	2.00%–8.50%	5.00%–8.50%
Future salary increases	2.25%–5.00%	1.50%–5.00%
Future pension benefit increases	1.00%–3.50%	1.50%–3.00%

The total amount of contributions paid for defined contribution plans in 2004 is CHF 1.5 m (2003: CHF 3.9 m).

18.3 Other long-term employee benefits

	2004 CHFm	2003 CHFm
Liability at the beginning of the period	0.9	2.9
Transfer	0.0	–2.1
Paid in the period	–0.1	–0.4
Increase of the liability	0.0	0.5
Liability at the end of the period	**0.8**	**0.9**

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

Share option plans
The Group offers share options to employees. Movements in the number of share options are as follows:

	2004	2003
At January 1	301 450	556 800
Granted	0	0
Exercised	0	0
Lapsed	–134 200	–255 350
At December 31	**167 250**	**301 450**

Details of share options granted	Granted as per 2004/2003	Granted as per 2002
Exercise periods	–	23.5.–22.8.2004
		23.4.–22.6.2005
Expiry dates	–	22.8.2004
		22.6.2005
Aggregate proceeds	–	CHFm 0.18
Exercise price	–	CHF 26.30

The aggregate proceeds form part of the other non-current liabilities at the end of the year 2004. The issuance of share options granted is not recognized in the profit and loss statement. The fair value of the outstanding options at the balance sheet date is CHF 0.

Share options outstanding at 31 December have the following terms:

Expiry date	Exercise price	2004 number of options	2003 number of options
22.8.2004/22.6.2005	CHF 26.30	167 250	167 250
3.12.2003/3.10.2004	CHF 51.50	0	134 200
Total		**167 250**	**301 450**

19. Related Party Transactions
The fee to the former Board of Directors for the period of office 2003/2004 was paid in April 2004 in the form of 58 822 shares (CHF 0.2 m). The corresponding share purchase was offset against equity. For the period from February 27 to December 31, 2004, the Board of Directors drew a fee of CHF 0.3 m in cash.

By the end of the reporting period, there are no outstanding options granted to former and acting members of the Board of Directors (2003: 26 800).

20. Discontinued Operations

Early in 2003, the Group had publicly announced to discontinue the activities of the segments Material Flow Systems & Robotics and hence to divest the relevant entities. The activities of the business unit Transnorm Group which were a part of the Material Flow Systems segment were sold as of June 30, 2004, and are reported as a discontinuing operation in the financial statements. The sales, results, cash flows and net assets of the business unit are presented below.
The activities of the business unit Overhead Conveyors which were a part of the Material Flow Systems segment were sold as of August 1, 2003, the activities of the Robotics segment were sold as of December 1, 2003. The two independent business units are reported as discontinued operations in the financial statements. The sales, results, cash flows and net assets of the business units are presented below.

On November 5, 2002, the Group had publicly announced its intention to discontinue the activities of the competence center Color Logistics. The activities were sold on December 16, 2002, and are reported as a discontinuing operation in the financial statements. The sales, results, cash flows and net assets of the competence center are presented below.

20.1 Income Statement	Transnorm		Overhead Conveyors		Robotics		Color Logistics		Total	
CHFm	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
Net sales with third parties	31.8	60.0	0.0	46.3	0.0	42.1	0.0	0.0	31.8	148.4
Net sales with Group companies	0.8	7.0	0.0	11.3	0.0	2.9	0.0	0.0	0.8	21.2
Other operating income	0.1	0.4	0.0	2.1	0.0	0.0	0.0	0.0	0.1	2.5
Operating expense	–33.2	–66.5	–6.4	–68.7	0.0	–44.4	0.0	-3.7	-39.6	-183.3
Result on disposal of investments	4.3	0.0	0.0	–11.6	0.0	–9.4	0.0	0.0	4.3	–21.0
Impairment on tangible and other intangible assets	0	0.0	0.0	–3.3	0.0	0.0	0.0	0.0	0.0	–3.3
Impairment on goodwill	0	–14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–14.8
Net financial result	–0.5	–0.9	–0.4	–0.7	0.0	-0.4	0.0	0.0	–0.9	–2.0
Result before tax	**3.3**	**–14.8**	**–6.8**	**–24.6**	**0.0**	**–9.2**	**0.0**	**–3.7**	**–3.5**	**–52.3**
Taxes	–0.7	–0.9	0.0	–0.6	0.0	0.0	0.0	0.0	–0.7	–1.5
Result after tax	**2.6**	**–15.7**	**–6.8**	**–25.2**	**0.0**	**–9.2**	**0.0**	**–3.7**	**–4.2**	**–53.8**
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Result discontinued operations	**2.6**	**–15.7**	**–6.8**	**–25.2**	**0.0**	**–9.2**	**0.0**	**–3.7**	**–4.2**	**–53.8**

20.2 Cash Flow Statement										
Cash flow from operating activities	2.3	3.8	–4.6	5.2	0.0	–0.1	0.0	–3.7	–2.3	5.2
Cash flow from investing activities	–0.4	–2.8	0.0	–3.4	0.0	0.1	0.0	0.0	–0.4	–6.1
Cash flow from financing activities	–0.1	-1.2	0.0	–1.7	0.0	–0.3	0.0	0.0	–0.1	–3.2
Net cash flow from discontinued operations	**1.8**	**–0.2**	**–4.6**	**0.1**	**0.0**	**–0.3**	**0.0**	**–3.7**	**–2.8**	**–4.1**

The operating expense of CHF 6.4 m within Overhead Conveyors refers mainly to additional claims in relation to Schierholz-Translift disposal and to costs occurred for terminating customer projects of CHF 4.8 m. Miscellaneous consulting fees amount to CHF 1.3 m.

20.3 Balance Sheet (at year-end)	Transnorm		Overhead Conveyors		Robotics		Color Logistics		Total	
CHFm	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**[1]	2003
Total assets	0.0	44.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.7
Total liabilities	0.8	39.4	2.5	0.0	0.0	0.0	0.0	0.0	3.3	39.4
Total minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net assets	**–0.8**	**5.3**	**–2.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**–3.3**	**5.3**

1 As per December 31, 2004, the provision (Note 13) for discontinued operations amounts to CHF 3.3 m.

20.4 Profit and net cash inflow

	30.6.2004 CHFm
Assets sold	46.5
Liabilities sold	41.1
Net assets sold	**5.4**
Currency translation differences on disposal of subsidiaries	1.0
Proceeds from disposal (selling price)	10.7
Profit on disposal	**4.3**
Tax thereon	0.0
Profit on disposal after tax	**4.3**
Proceeds from disposal (selling price)	10.7
less cash and cash equivalents in subsidiary sold	3.3
Net cash inflow on sale	**7.4**

21. Construction Contracts

	2004 CHFm	2003 CHFm
Contract revenue recognized in the period	380.4	488.2
Contract costs incurred and earnings reported up to the balance sheet date of current projects	449.3	511.3
Progress billings	476.9	460.2
Retentions	3.4	6.8
Construction contracts with balance due from customers (underfinanced)[1]	25.7	71.4
Construction contracts with balance due to customers (overfinanced)[2]	53.3	53.5

1 Construction contracts with balance due from customers (underfinanced) are part of the trade and other receivables in the balance sheet.

2 Construction contracts with balance due to customers (overfinanced) are part of the advance payments from customers in the balance sheet.

22. Earnings per Share (EPS)

	2004	2003
Net result (CHFm)	1.9	–245.0
Weighted average number of shares outstanding	118 851 877	17 390 369
Basic earnings per share (CHF)	0.02	–14.09
Diluted earnings per share (CHF)	0.02	–14.09

In order to determine the earnings per share, the Group's average holding of 1 748 own shares in 2004 (6 842 in 2003) was deducted from the total number of shares of 179 483 560 (15 178 039 in 2003).
During the financial restructuring of the Group, a capital increase with 141 538 462 new shares had been made in May 2004.
In addition, 22 767 059 shares have been offered to the current shareholders through rights issue. The rights issue increased the calculated average number of shares by 2 219 172 (in 2004 and in 2003), therefore the previous years' figures have been adjusted.
The diluted earnings per share are equal to the earnings per share because all of the effects are antidilutive. The earning per share would increase in case of exercise of the conversion rights, therefore the effects are ignored.

23. Dividends per Share

At the Annual General Meeting in May 2005, no dividend distribution in respect of 2004 is to be proposed. The dividends per share declared in respect of 2003 and 2002 were CHF 0.00.

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes, shown on pages 5 to 31) of Swisslog Group for the year ended 31 December 2004.

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

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

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

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

PricewaterhouseCoopers AG

G. Tritschler G. Siegrist

Basel, 28 February 2005

2004 Financial Statements of Swisslog Holding AG

Balance Sheet, Income Statement Swisslog Holding AG

Balance Sheet

At December 31	**2004**	2003
Assets	CHFt	CHFt
Cash and cash equivalents	4	4
Other receivables	4	0
Loans to group companies	14 490	795
Accrued income	0	61
Current assets	**14 498**	**860**
Loans to group companies	187 681	4 552
Investment in group company	0	0
Non-current assets	**187 681**	**4 552**
Total assets	**202 179**	**5 412**

Liabilities and equity		
Short-term liabilities	2 037	5
Bank overdrafts	0	1
Accrued expense	747	1 654
Provisions	240	0
Total current liabilities	**3 024**	**1 660**
Convertible bonds 2000–2009/2000–2005	150 000	150 000
Total non-current liabilities	**150 000**	**150 000**
Share capital	1 795	30 356
Statutory reserves	11 092	65 509
Retained earnings	36 268	–242 113
Carry forward	–146 400	263
Result	182 668	–242 376
Equity	**49 155**	**–146 248**
Total liabilities and equity	**202 179**	**5 412**

Income Statement

January 1 to December 31	**2004**	2003
Income	CHFt	CHFt
Financial income	738	1 182
Release of adjustments to loans	183 129	0
Total income	**183 867**	**1 182**

Expense		
Financial expense	1 035	3 438
Administration expense	187	90
Value adjustments to loans	0	219 681
Value adjustments to investments	0	20 320
Total expense	**1 222**	**243 529**

Extraordinary expenses	0	6
Tax expenses	–23	23
Net profit/loss	**182 668**	**–242 376**

1. Convertible bonds 2000–2009
Under the financial restructuring, the final maturity date of the convertible bonds of CHF 150 m changed to 31 December 2009 latest. The interest is paid annually at 7 July respectively the last time at 31 December 2009. The interest rates are the following: 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 (7.7.–31.12.) 3.5%. Convertible bonds at par value of CHF 2 500 each can be converted at any time (American style) into 15.24390 registered shares of Swisslog Holding AG at par value of CHF 0.01 each at the converting price of CHF 164.0 per registered share. The converting period expires five trading days (SWX) before the date of repayment determined either by notice or contractual terms.

2. Capital increase subject to conditions
The share capital can be increased by the issuance of a maximum of 1 000 000 fully paid-in registered shares at par value of CHF 0.01 each and up to a maximum of CHF 10 000 in total by exercise of conversion or option rights which are granted by way of convertible bonds or similar instruments issued by the company or one of its subsidiaries, and/or by exercise of option rights granted to the shareholders.

The share capital can be increased by the issuance of a maximum of 626 000 fully paid-in registered shares at par value of CHF 0.01 each and up to a maximum of CHF 6 260 in total by exercise of option rights which are granted to the employees of the company or its subsidiaries based on one or several option plans.

3. Capital reduction
The par value of the registered shares has been reduced from CHF 2.00 to CHF 0.01 at the extraordinary meeting of the shareholders on February 26, 2004. The amount of the reduction has been used to partly reduce the capital deficiency by offsetting it against accumulated losses.

4. Capital increase
The current shareholders have been offered 22 767 059 new shares at CHF 1.00 per share via subscription rights on a 3-for-2 basis (i.e. three new shares for two existing ones in a capital increase).

Lombard Odier Darier Hentsch & Cie (LODH) acted as intermediary and purchased the loans of Swisslog Management AG from the banks, which have a nominal value of CHF 184.0 m, for a nominal price of CHF 139.0 m. LODH waived the loan receivables and in return were granted the right, against payment in cash, to subscribe for 141 538 462 new registered shares at a par value of CHF 0.01 per share.

The overall share capital consequently consists of 179 483 560 registered shares with a nominal value of CHF 0.01 each.

5. Contingent liabilities	**2004**	2003
Guarantees to third parties (in CHFt)	128 347	338 538

6. Main investment		**2004**	2003
Company	Swisslog Management AG, Buchs		
Objects	Operational management of the group; administrative management of the business of Swisslog Holding AG, under contract		
Share capital (in CHFt)		6 880	6 880
Holding (%)		100	100

7. Main shareholders (at year-end)	**2004**	2003
Zulauf Asset Management AG, Zug	>5.0%	<5.0%
Mellon HBV Alternative Strategies, London	>5.0%	<5.0%
Julius Bär Multistock, Luxembourg	5.3%	<5.0%
B.V.B.A. Group 2000 Participatie, Antwerpen	0.0%	6.8%

8. Own shares	Number	CHF
At December 31, 2002	**14 995**	
Bonuses January 2003	–5 454	
Purchase June 2003	9 438	Price 4.73
Directors' fee June 2003	–16 414	
At December 31, 2003	**2 565**	
Purchase April 2004	52 902	Price 3.33
Directors' fee April 2004	–55 467	
At December 31, 2004	**0**	

The shares were held by Swisslog Management AG.

9. Statement of changes in equity	Share	Statutory	Special	Retained earnings		Total
CHFt	capital	reserves	reserves	carry forward	result	equity
At December 31, 2002	**30 356**	**116 209**	**33 682**	**–84 119**	**0**	**96 128**
Reversal of reserves		–50 700	–33 682	84 382		0
Net loss 2003					–242 376	–242 376
At December 31, 2003	**30 356**	**65 509**	**0**	**263**	**–242 376**	**–146 248**
Appropriation of net loss 2003				–242 376	242 376	0
Reduction of par value	–30 204			30 204		0
Capital increase tranche A	1 415	0				1 415
Capital increase tranche B	228	22 539				22 767
Cost of capital increase		–11 447				–11 447
Reversal of statutory reserves		-65 509		65 509		0
Net profit 2004					182 668	182 668
At December 31, 2004 (before appropriation)	**1 795**	**11 092**	**0**	**–146 400**	**182 668**	**49 155**

Statement of changes in statutory reserves	Agio	General	Own	Statutory
CHFt		statutory res.	Shares	reserves
At December 31, 2002	**98 733**	**17 200**	**276**	**116 209**
Reversal of reserves	–39 307	–11 129	–264	–50 700
At December 31, 2003	**59 426**	**6 071**	**12**	**65 509**
Capital increase tranche B	22 539			22 539
Cost of capital increase	–11 447			–11 447
Reversal of statutory reserves	–59 426	–6 071	–12	–65 509
At December 31, 2004 (before appropriation)	**11 092**	**0**	**0**	**11 092**

10. Appropriation of retained earnings at December 31, 2004 (proposal of the Board of Directors)
The net profit of CHF 182.7 m is used to cover the negative retained earnings of CHF –146.4 m. The remaining amount of CHF 36.3 m will be carried forward to new account.

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

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, shown on pages 34 to 36) of Swisslog Holding AG for the year ended 31 December 2004.

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

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

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

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

PricewaterhouseCoopers AG

G. Tritschler G. Siegrist

Basel, 28 February 2005

Significant Subsidiaries and Investments of Swisslog Group at December 31, 2004

Subsidiary	Registered office / Country	Consolidated since Y/M	Share capital Currency	Share capital Amount	Equity interest direct/indirect
Fully consolidated management and financing subsidiaries					
Swisslog Holding AG	Buchs / Switzerland	86/01	CHF	1.79 m	
Swisslog Management AG	Buchs / Switzerland	86/01	CHF	6.88 m	100.0%
Swisslog IP B.V.	Amsterdam / Netherlands	99/01	EUR	0.02 m	100.0%
Swisslog IP AG	Aarau / Switzerland	99/01	CHF	0.10 m	100.0%
Swisslog Holdings (UK) Ltd.	Slough / UK	97/12	GBP	1.01 m	100.0%
Swisslog (Deutschland) GmbH	Ludwigsburg / Germany	89/01	EUR	3.32 m	100.0%
Swisslog Svenska Holding AB	Partille / Sweden	01/09	SEK	0.10 m	100.0%
Swisslog USA Inc.	City of Dover / USA	99/09	USD	0.00 m	100.0%
Digitron Italia SrL	Milan / Italy	90/01	EUR	0.25 m	100.0%
Fully consolidated operative subsidiaries					
Infotronic Vertriebsg. für Kommunikationssysteme mbH	Kirchheim / Germany	01/09	EUR	1.22 m	72.7%
Sonica Software Corporation	Orange / USA	00/03	USD	0.00 m	100.0%
Swisslog AB	Partille / Sweden	97/01	SEK	5.00 m	100.0%
Swisslog AG	Buchs / Switzerland	86/01	CHF	10.00 m	100.0%
Swisslog AS	Bergen / Norway	98/07	NOK	0.20 m	100.0%
Swisslog Australia PTY Ltd.	Epping / Australia	96/01	AUD	0.00 m	100.0%
Swisslog Automatisierungstechnik GmbH	Steinhagen / Germany	00/01	EUR	0.10 m	100.0%
Swisslog B.V.	Culemborg / Netherlands	86/01	EUR	0.02 m	100.0%
Swisslog France SA	Gennevilliers / France	99/09	EUR	0.81 m	100.0%
Swisslog GmbH	Dortmund / Germany	97/12	EUR	1.00 m	100.0%
Swisslog Healthcare (UK) Ltd.	Slough / UK	99/09	GBP	0.00 m	100.0%
Swisslog Healthcare Solutions GmbH	Munich / Germany	04/03	EUR	0.10 m	100.0%
Swisslog Italia S.p.A.	Beinasco / Italy	89/01	EUR	0.55 m	100.0%
Swisslog (UK) Ltd.	Slough / UK	94/01	GBP	0.35 m	100.0%
Swisslog Logistics, Inc.	Newport News / USA	98/07	USD	0.12 m	100.0%
Swisslog Luxembourg S.A.	Koerich-Windhof / Luxembourg	00/11	EUR	0.05 m	100.0%
Swisslog Malaysia Sdn Bhd	Selangor Darul Ehsan / Malaysia	97/01	MYR	0.25 m	100.0%
Swisslog N.V.	Wilrijk / Belgium	94/01	EUR	0.12 m	100.0%
Swisslog Polska Sp. z o.o.	Warsaw / Poland	00/05	PLN	0.10 m	100.0%
Swisslog Pte. Ltd.	Singapore	99/09	SGD	0.60 m	95.0%
Swisslog Rohrpostsysteme GmbH	Westerstede / Germany	99/09	EUR	0.50 m	100.0%
Swisslog (Shanghai) Consultancy Co. Ltd.	Shanghai / China	04/02	USD	0.14 m[1]	100.0%
Swisslog Singapore Pte. Ltd.	Singapore	97/01	SGD	0.10 m	100.0%
Swisslog Software (UK) Ltd.	Slough / UK	00/08	GBP	0.10 m	100.0%
Swisslog Software USA Inc.	North Billerica / USA	00/08	USD	0.00 m	100.0%
Telelift GmbH	Puchheim / Germany	99/09	EUR	0.84 m	100.0%
TransLogic Corp.	Denver / USA	99/09	USD	0.00 m	100.0%
TransLogic Ltd.	Mississauga / Canada	99/09	CAD	0.00 m	100.0%
Wassermann AG	Munich / Germany	01/08	EUR	0.71 m	100.0%

1 Thereof paid in 15%.

Key Figures for Share Capital

		Unit	**2004**	2003	2002	2001	2000
Share capital		CHFm	1.8	30.4	30.4	30.3	27.5
Shares (at year-end)		Thousands	179 484	15 178	15 178	15 135	2 752
Dividend/registered share		CHF	0.00	0.00	0.00	0.00	0.50
Dividend[1]		CHFm	0.0	0.0	0.0	0.0	6.9
Net result		CHFm	1.9	–245.0	–47.8	–27.0	–22.1
– Net result/dividend		%	NA	NA	NA	NA	NA
– Basic earnings per share		CHF	0.02	–14.09	–3.20	–1.90	–1.61
– Cash EPS[1] (continuing operations)		CHF	0.13	–8.05	–0.59	0.58	3.23
Quoted price of registered share	High	CHF	6.60	12.80	35.90	163.20	226.00
	Low	CHF	0.84	1.95	9.60	24.40	82.60
Gross yield per registered share	High	%	NA	NA	NA	NA	0.2
	Low	%	NA	NA	NA	NA	0.6
Market capitalization (at year-end)		CHFm	179.5	86.1	192.8	484.3	1 953.9
Consolidated Shareholders' equity		CHFm	68.2	–122.4	95.8	169.8	174.2
– equity/registered share		CHF	0.6	–7.0	6.4	12.2	12.7
– market capitalization in % equity		%	263	NA	201	285	1 122
Price Earnings Ratio (PE Ratio)[2]		Factor	17.6	NA	NA	151.4	54.6

1 Proposal of the Board of Directors for 2004: no dividend to be distributed.
2 Related to net result before amortization of goodwill.

Financial year	ending 31 December
Year incorporated	1900, Holding Company 1986
Registered office	Buchs/Aarau, Switzerland
Exchange listing	SWX Swiss Exchange
Bylaws	latest revision of bylaws: 19 May 2004
Share capital	CHFm 1.79 179 483 560 registered shares at a par value of CHF 0.01
Registration limit	as of existing law
Conditional capital	CHF 10 000 (1 000 000 registered shares at CHF 0.01 par value) in connection with convertible bonds
	CHF 6 260 (626 000 registered shares at CHF 0.01 par value) in connection with option programs for employees

Consolidated Data for the past five Years

Consolidated Balance Sheet

At December 31	2004 CHFm	2003 CHFm	2002 CHFm	2001 CHFm	2000 CHFm
Assets					
Tangible assets and investment properties	17.2	45.1	73.8	97.6	123.4
Goodwill	94.0	108.8	177.9	270.0	290.7
Other intangible assets	5.3	6.7	22.1	22.5	15.7
Deferred tax assets	9.7	15.3	23.7	26.1	26.0
Other non-current assets	23.5	26.5	57.8	10.4	10.5
Non-current assets	**149.7**	**202.4**	**355.3**	**426.6**	**466.3**
Inventories	32.7	38.0	55.2	71.3	68.2
Trade and other receivables	138.0	144.6	221.3	286.0	281.8
Prepayments	3.9	6.6	10.0	8.9	9.4
Cash and cash equivalents	91.0	48.4	36.3	71.5	25.1
Current assets	**265.6**	**237.6**	**322.8**	**437.7**	**384.5**
Total assets	**415.3**	**440.0**	**678.1**	**864.3**	**850.8**
Equity and liabilities					
Share capital	1.8	30.3	30.3	30.0	27.4
Reserves	66.4	–152.7	65.5	139.8	146.8
Equity	**68.2**	**–122.4**	**95.8**	**169.8**	**174.2**
Minority interests	**0.2**	**0.7**	**2.3**	**2.9**	**1.5**
Interest-bearing borrowings	120.6	143.4	323.3	349.8	294.6
Deferred tax liabilities	6.2	9.0	10.1	12.6	12.8
Other non-current liabilities	12.2	20.7	24.1	32.3	37.6
Non-current liabilities	**139.0**	**173.1**	**357.5**	**394.7**	**345.0**
Trade and other payables	69.8	73.2	89.3	94.8	76.0
Advance payments from customers	53.3	24.6	27.9	66.9	59.6
Short-term borrowings	0.3	185.4	1.9	24.5	73.4
Provisions	17.7	35.3	17.3	26.4	24.6
Taxes payable	2.0	8.0	2.9	6.2	12.7
Other short-term liabilities	16.6	14.9	36.7	40.3	48.7
Accrued expenses and deferred income	48.2	47.2	46.5	37.8	35.1
Current liabilities	**207.9**	**388.6**	**222.5**	**296.9**	**330.1**
Total equity, minority interests and liabilities	**415.3**	**440.0**	**678.1**	**864.3**	**850.8**
Number of consolidated operating companies	29	32	41	75	71

Consolidated Data for the past five Years

Consolidated Income Statement	2004	2003	2002[1]	2001[1]	2000[1]
January 1 to December 31	CHFm	CHFm	CHFm	CHFm	CHFm
Order intake	579.4	775.7	1 028.2	1 010.6	1 003.5
Order backlog (at year-end)	410.6	467.9	563.3	536.1	480.6
Continuing Operations:					
Net sales	**564.9**	**633.2**	**718.8**	**845.0**	**925.0**
Other operating income	2.6	3.8	12.0	22.0	10.6
Changes in inventories	–0.4	13.6	3.4	–1.8	4.8
Material and service expense	235.2	281.3	295.0	383.7	404.9
Personnel expense	225.6	242.0	278.6	320.9	317.0
Depreciation/impairments of tangible and intangible assets	7.5	30.0	11.8	15.5	16.5
Changes in provisions	4.9	–1.4	–5.4	–7.1	–5.8
Other operating expense	84.3	82.3	127.4	123.2	126.3
Operating expense	557.1	647.8	710.8	834.4	863.7
Earnings before interest, taxes and amortization of goodwill (EBITA)	**10.4**	**–10.8**	**20.0**	**32.6**	**71.9**
Amortization/impairments of goodwill	8.3	85.0	30.9	30.2	57.9
Earnings before interest and taxes (EBIT)	**2.1**	**–95.8**	**–10.9**	**2.4**	**14.0**
Net financial result	12.1	–76.8	–23.8	–21.7	–14.4
Other income/expense	0.0	0.0	0.0	0.0	–0.6
Result before tax	**14.2**	**–172.6**	**–34.7**	**–19.3**	**1.0**
Taxes	–8.1	–19.5	–4.7	–5.7	–11.8
Result after tax	**6.1**	**–192.1**	**–39.4**	**–25.0**	**–12.8**
Minority interests	0.0	0.9	0.0	–0.7	–2.4
Result continuing operations	**6.1**	**–191.2**	**–39.4**	**–25.7**	**–15.2**
Discontinued Operations:					
Net sales	32.6	169.6	240.9	98.7	38.7
Other operating income	0.1	2.5	1.2	1.0	0.1
Operating expense	–39.6	–201.4	–244.9	–97.1	–45.9
Gain/loss on disposal of investments	4.3	–21.0	0.0	0.0	0.0
Net financial result	–0.9	–2.0	–2.7	–0.7	–0.5
Result before tax	**–3.5**	**–52.3**	**–5.5**	**1.9**	**–7.6**
Taxes	–0.7	–1.5	–2.4	–2.6	0.7
Result after tax	**–4.2**	**–53.8**	**–7.9**	**–0.7**	**–6.9**
Minority interests	0.0	0.0	–0.5	–0.6	0.0
Result discontinued operations	**–4.2**	**–53.8**	**–8.4**	**–1.3**	**–6.9**
Net result	**1.9**	**–245.0**	**–47.8**	**–27.0**	**–22.1**

1 2000–2002 not restated in terms of continued and discontinued operations.