swisslog

2005 Financial Report

Overview of the Swisslog Group

	Unit	**2005**	2004	2003	2002	2001
Order intake	MCHF	628.6	579.4	775.7	1 028.2	1 010.6
Order backlog (at year-end)	MCHF	510.8	410.6	467.9	563.3	536.1
Net sales	MCHF	556.4	596.6	770.8	948.6	938.9
Earnings before interest, taxes, depreciation, amortization and amortization/impairment of goodwill (EBITDA)	MCHF	28.8	16.1	–7.5	39.5	58.8
Earnings before interest, taxes and amortization/impairment of goodwill (EBITA)	MCHF	21.8	7.8	–44.8	21.6	39.6
Earnings before interest and taxes (EBIT)	MCHF	21.8	–0.5	–146.1	–13.6	5.0
Net result	MCHF	1.8	1.9	–245.9	–47.3	–25.7
Total assets	MCHF	432.0	415.3	440.0	678.1	864.3
Tangible and other intangible assets	MCHF	21.4	22.5	51.8	95.9	120.1
Goodwill	MCHF	100.9	94.0	108.8	177.9	270.0
Net working capital[1] (NWC)	MCHF	–9.5	–31.0	–6.0	68.8	100.0
Net operating assets[2] (NOA)	MCHF	103.5	73.2	133.9	318.5	457.8
Financial assets	MCHF	19.9	23.5	26.5	57.8	10.4
Net liquidity[3]	MCHF	84.1	90.7	–137.0	34.4	47.0
Net debt[4]	MCHF	42.9	29.9	280.4	288.9	302.8
Equity	MCHF	80.2	68.4	–121.7	98.1	172.7
Investment in tangible and intangible assets	MCHF	5.6	19.0	29.1	56.6	25.8
Depreciation and amortization	MCHF	7.0	8.3	37.4	17.9	19.2
Amortization/impairment of goodwill	MCHF	0.0	8.3	101.1	35.2	34.6
Employees (at year-end)	Employees	1 841	1 858	2 336	3 373	3 816
EBITA as % of sales (EBITA margin)	%	3.9	1.3	NA	2.3	4.2
EBITA as % of net operating assets (RONOA)	%	21.1	10.6	NA	6.8	8.7
Shares at 31 December	Thousands	179 484	179 484	15 178	15 178	15 135
Cash EPS[5, 6, 7]	CHF	0.05	0.13	–8.05	–0.59	0.58

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

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

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

4 Net 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).

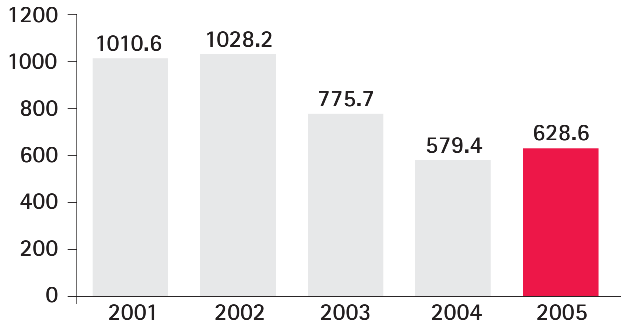
6 2004: All key figures per registered share on the basis of the weighted average of outstanding registered shares including rights issue (issue of share capital from May 2004 by 164 305 520 registered shares).

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

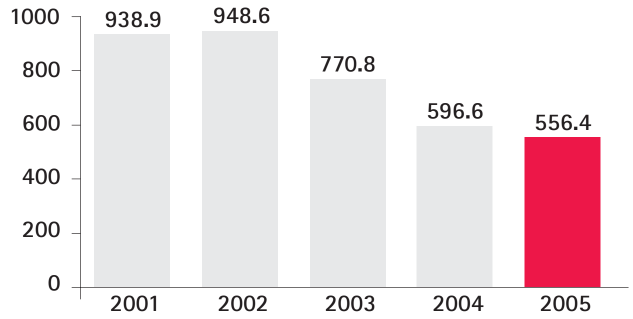
Overview of the Swisslog Group

MCHF

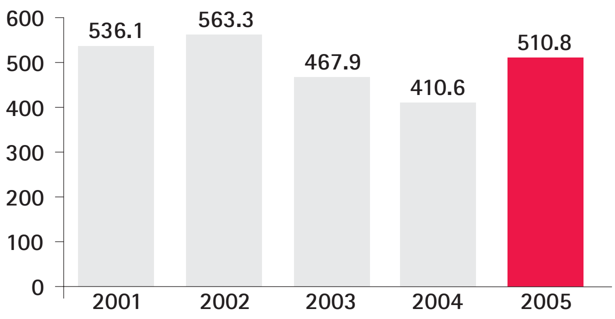
Order intake



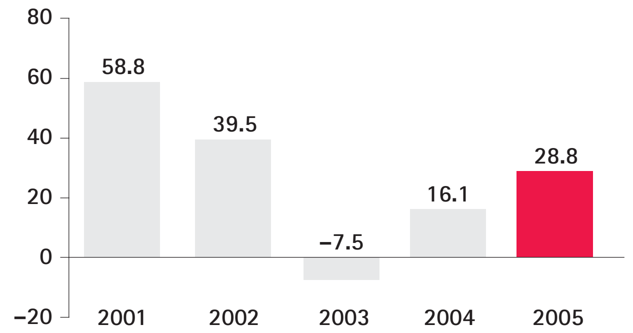
Net sales



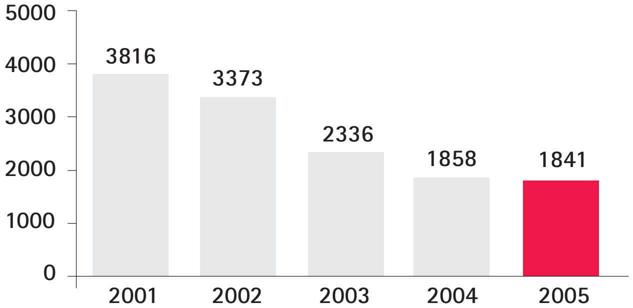
Order backlog (at year-end)



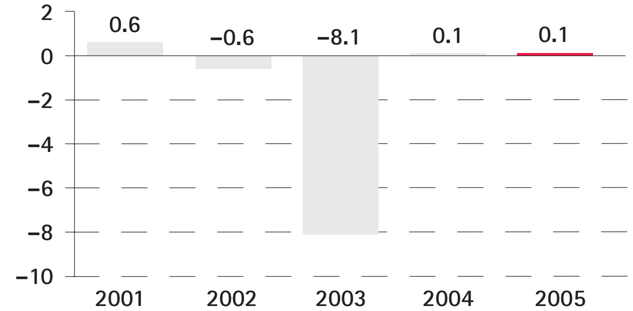
EBITDA



Employees (at year-end)



Cash EPS in CHF



2005 Consolidated Financial Statements of Swisslog Group

Consolidated Balance Sheet

At 31 December	Note	2005 MCHF	2004 MCHF
Assets			
Property, plant and equipment	3	14.5	15.7
Investment property	3	1.5	1.5
Goodwill	3	100.9	94.0
Other intangible assets	3	5.4	5.3
Deferred tax assets	11	7.8	9.7
Financial assets	4	19.9	23.5
Non-current assets		**150.0**	**149.7**
Inventories	5	26.7	32.7
Trade receivables[1]	6	106.8	90.0
Amount due from customers for construction contracts[1]	7	40.0	25.6
Income tax receivables[1]		2.7	3.4
Prepayments		3.3	3.9
Prepaid expenses and accrued income[1]		8.6	8.8
Other receivables[1]		9.8	10.2
Marketable securities		0.0	5.6
Cash and cash equivalents	8	84.1	85.4
Current assets		**282.0**	**265.6**
Total assets		**432.0**	**415.3**
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	9	1.8	1.8
Share premium[1]		11.1	11.1
Other reserves[1]		–24.3	–34.4
Retained earnings[1]		91.5	89.7
Minority interest		0.1	0.2
Equity		**80.2**	**68.4**
Convertible bonds[1]	10	127.0	120.4
Deferred tax liabilities	11	2.8	6.2
Other liabilities[1]	13	11.1	12.4
Non-current liabilities		**140.9**	**139.0**
Trade payables[1]		70.0	69.8
Amount due to customers for construction contracts[1]	7	65.7	53.3
Provisions	12	11.5	17.7
Income tax payables		5.3	2.0
Accrued expenses and deferred income		44.9	48.2
Other liabilities[1]		13.5	16.9
Current liabilities		**210.9**	**207.9**
Total equity and liabilities		**432.0**	**415.3**

1 Change of presentation, see Note 1.1.

Consolidated Income Statement

1 January to 31 December	Note	2005 MCHF	2004 MCHF
Continuing operations:			
Net sales		**556.4**	**564.9**
Other operating income		0.2	2.6
Changes in inventories	14	–6.0	–0.4
Material and service expenses	14	228.0	235.2
Personnel expenses	14	218.8	225.6
Other operating expenses	14	87.0	89.2
Depreciation and amortization	3	7.0	7.5
Impairment of goodwill	3	0.0	10.0
Provision for onerous contracts to acquire goodwill	12	0.0	–1.7
Earnings before interest and taxes (EBIT)		**21.8**	**2.1**
Financial income	15	4.4	38.2
Financial expense	15	–13.2	–26.1
Result before tax		**13.0**	**14.2**
Income tax expense	11	–11.2	–8.1
Result continuing operations after tax		**1.8**	**6.1**
Discontinued operations:	21		
Net sales		0.0	32.6
Other operating income		0.0	0.1
Operating expense		0.0	–39.6
Result on disposal of investments		0.0	4.3
Net financial result		0.0	–0.9
Result before tax		**0.0**	**–3.5**
Income tax expense	11	0.0	–0.7
Result discontinued operations after tax		**0.0**	**–4.2**
Net result		**1.8**	**1.9**
Attributable to:			
Equity holders of the parent		1.8	1.9
Earnings per share	19	CHF	CHF
Basic earnings per share continuing operations		0.01	0.05
Basic earnings per share discontinued operations		0.00	–0.03
Basic earnings per share		0.01	0.02
Diluted earnings per share continuing operations		0.01	0.05
Diluted earnings per share discontinued operations		0.00	–0.03
Diluted earnings per share		0.01	0.02

Consolidated Cash Flow Statement

1 January to 31 December	Note	2005 MCHF	2004 MCHF
Continuing operations:			
Cash flow from operating activities			
Result continuing operations after tax		1.8	6.1
Adjustments for:			
Income tax expense	11	11.2	8.1
Depreciation and amortization	3	7.0	7.5
Impairment of goodwill	3	0.0	10.0
Provision for onerous contracts to acquire goodwill	12	0.0	–1.7
Net financial result	15	8.8	–12.1
Change in pension liabilities		–1.2	–0.7
Profit (–)/loss (+) from sales of tangible assets		–0.4	–0.2
Income tax paid		–8.1	–15.8
Cash flow before working capital changes		**19.1**	**1.2**
Increase (–)/decrease (+) of:			
Inventories		6.6	1.7
Trade receivables, amount due from customers for construction contracts and other receivables		–18.4	–9.9
Prepayments		0.7	–0.8
Increase (+)/decrease (–) of:			
Trade payables		–3.6	6.9
Amount due to customers for construction contracts		8.6	30.1
Other liabilities and accrued expenses and deferred income		–9.7	8.6
Provisions		–6.6	2.2
Cash flow from net current assets		**–22.4**	**38.6**
Net cash flow from operating activities		**–3.3**	**39.8**
Cash flow from investing activities			
Investments in tangible assets	3	–3.3	–2.3
Investments in intangible assets	3	–2.3	–1.9
Investments in marketable securities		0.0	–4.7
Acquisition of minorities, net of cash acquired		0.0	–15.3
Disposal of subsidiaries, net of cash disposed	21	0.0	7.4
Disposal of investment property	3	0.0	15.0
Disposal of tangible and intangible assets	3	0.8	0.4
Disposal of marketable securities		5.6	1.3
Financial assets		2.5	0.0
Interest received		1.4	1.2
Net cash flow from investing activities		**4.7**	**1.1**
Cash flow from financing activities			
Changes in interest-bearing borrowings		–0.5	–0.7
Interest paid		–2.3	–3.5
Other financial expenses paid		–2.0	–8.6
Changes in other non-current liabilities		0.0	1.4
Purchase of treasury shares	9	0.0	–0.2
Proceeds from issue of share capital net		0.0	12.7
Net cash flow from financing activities		**–4.8**	**1.1**
Cash flow from discontinued operations:	21		
Cash flow from operating activities		0.0	–2.3
Cash flow from investing activities		0.0	–0.4
Cash flow from financing activities		0.0	–0.1
Net cash flow from discontinued operations		**0.0**	**–2.8**
Currency translation differences on cash and cash equivalents		2.1	–1.3
Net increase/decrease in cash and cash equivalents		**–1.3**	**37.9**
Cash and cash equivalents at beginning of year		**85.4**	**47.5**
Cash and cash equivalents at end of year	8	**84.1**	**85.4**

Consolidated Statement of Changes in Equity

MCHF	Note	Share capital	Share premium	Other reserves: Equity convertible bonds	Other reserves: Currency translation differences	Other reserves: Other	Retained earnings	Minority interest	Equity
At 1 January 2004		**30.3**	**59.4**	**14.6**	**–26.1**	**–0.4**	**–200.2**	**0.7**	**–121.7**
Net result 2004							1.9		1.9
Change in minority interest								–0.5	–0.5
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 bonds				–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	16					–0.1			–0.1
Treasury shares							–0.2		–0.2
Currency translation differences									
on disposal of subsidiaries					1.0				1.0
amount arising in current year					–9.0				–9.0
At 31 December 2004		**1.8**	**11.1**	**0.0**	**–34.1**	**–0.3**	**89.7**	**0.2**	**68.4**
Net result 2005							1.8		1.8
Change in minority interests								–0.1	–0.1
Fair value gains (+)/losses (–) from securities						0.0			0.0
Fair value gains (+)/losses (–) from cash-flow hedges	16					0.3			0.3
Treasury shares							0.0		0.0
Currency translation differences, amount arising in current year					9.8				9.8
At 31 December 2005		**1.8**	**11.1**	**0.0**	**–24.3**	**0.0**	**91.5**	**0.1**	**80.2**

Foreign Currency Exchange Rates

Currency	Country	Unit	Income Statement **2005**	Income Statement 2004	Balance Sheet **2005**	Balance Sheet 2004
AUD	Australia	1	0.9492	0.9186	0.9605	0.8854
CNY	China	100	15.2595	15.0069	16.2820	13.7110
DKK	Denmark	100	20.7899	20.7860	20.8560	20.7720
EUR	Europe	1	1.5493	1.5465	1.5555	1.5459
GBP	UK	1	2.2664	2.2756	2.2853	2.1982
HKD	Hong Kong	100	16.0696	15.9618	16.9640	14.5890
MYR	Malaysia	100	33.0247	32.7155	34.800	29.8630
NOK	Norway	100	19.2894	18.4932	19.3350	18.6890
PLN	Poland	100	38.0821	34.2719	40.4170	38.1380
SEK	Sweden	100	16.6879	16.9583	16.4800	17.1430
SGD	Singapore	1	0.7496	0.7356	0.7860	0.6945
USD	USA	1	1.2496	1.2429	1.3153	1.1348
ZAR	South Africa	100	19.5886	19.3672	20.5830	20.1290

1. Consolidation and accounting principles

1.1 General remarks and changes to accounting principles

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

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

The International Accounting Standards Board (IASB) has published various new respectively revised standards in 2004, which become effective as of 1 January 2005. The following list shows the new and the revised standards adopted by Swisslog in 2005:

IFRS 2	Share-based Payment
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance-Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 32	Financial Instruments: Disclosures and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property

The major effects of the changes are:

IFRS 2: Share-based Payment
The cost of stock option plans to employees will be charged to the income statement (before directly deducted from equity). However, as the Group has not issued any stock option plans after 7 November 2002, no restatement of prior year figures was necessary.

IAS 1: Presentation of Financial Statements
The minority interest is included in the Group's equity, in the balance sheet, instead of being presented as a separate category in the balance sheet and in the statement of changes in equity. In the income statement the minority interest is no longer deducted from the Group's net result.

As of 1 January 2004, the following standards have been early adopted:
IFRS 3: Business Combinations
IAS 36: Impairment of Assets
IAS 38: Intangible Assets

The major changes were:
The goodwill is not amortized regularly but, subject to impairment test, annually or at any indication for impairment.

In order to improve transparency, the presentation of the balance sheet of these consolidated financial statements has been adjusted:

- The existing position "trade and other receivables" is newly split into trade receivables, amount due from customers for construction contracts, prepaid expenses and accrued income, income tax receivables and other receivables.
- The existing position "interest-bearing borrowings" is divided into loans that are included in the other non-current liabilities and convertible bonds that are reported separately.
- The "advance payments from customers" are renamed as "amount due to customers for construction contracts".
- In future, the equity consists of four positions: share capital, share premium, other reserves and retained earnings. The former position "reserves" is newly split into "share premium", "other reserves" and "retained earnings".

Where needed, the comparison values have been adjusted to reflect the above mentioned changes in the presentation.

A number of new IFRS standards, not yet applicable, were issued on the balance-sheet date. Following the major changes:
IFRS 7: Financial Instruments: Disclosures
(effective from 1 January 2007)
This standard replaces the disclosure rules of IAS 32 and has no influence on the valuation. However, it will require additional sensitivity analyses of key financial risks. Swisslog will apply IFRS 7 for the first time on 1 January 2007 (with comparative figures from previous years).
IAS 19: Employee Benefits (effective from 1 January 2006)
The amendment introduces the option of an alternative recognition approach for actuarial gains/losses in a separate category directly in equity. It also adds new disclosure requirements. Swisslog will apply IAS 19 (amended) the first time on 1 January 2006 (with comparative figures for previous 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 1.22.

The Board of Directors approved the financial statements on 24th February 2006 and gave permission for publication. The financial statements need the approval of the annual general shareholders' meeting.

1.2 Consolidated companies and principles of consolidation

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

page 36. Investments in associated companies are accounted for using the equity method and include companies where the Group generally has between 20% and 50% of the voting rights or where the Group has significant influence.

1.3 Foreign currencies

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

1.4 Property, plant and equipment

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

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

1.5 Investment property

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

1.6 Intangible assets

Swisslog classified its intangible assets into three categories:

a) Goodwill

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

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

b) Development

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

c) Other

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

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

1.7 Financial instruments

The Group classifies its financial instruments into the following categories:

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

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

b) Held to maturity:

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

c) Loans and receivables:

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

d) Available for sale:

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

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

1.8 Cash 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 market value.

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

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

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

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

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

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

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

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

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

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

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

1.16 Revenue recognition
Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed. Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts.
Construction contracts are recorded using the percentage-of-completion method (see 1.10 Construction contracts).

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

1.18 Income tax expense
Income taxes comprise paid or accrued income taxes on the relevant earnings of the individual companies, calculated in accordance with tax legislation in the respective countries, and deferred taxes based on temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base according to IAS 12. Deferred tax is calculated on the basis of tax rates valid at closing date or on the basis of already announced changes of tax rates which apply to the period when the asset will be realized or the liability will be settled. Deferred tax assets exceeding recognized deferred tax liabilities within the same taxable entity are recognized to the extent that it is probable that the enterprise will have suffi-

cient 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.

1.19 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.

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

1.21 Financial risk management

a) Financial risk factors
The Group's activities are exposed to a variety of financial risks, including the effects of changes in debt and in equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge certain exposures. Risk management is carried out by the subsidiaries and under co-ordination 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 co-operation.

(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: The Group uses forward contracts and swaps, transacted with the banks, to hedge their exposure to foreign currency risks. Hedges are done, once the contract with the customer has been signed. Additionally, the Group hedges the foreign currency exposure of its contract commitments to purchase certain production parts in the currency of the projects.
Net assets incl. long-term loans: The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. Currency exposures to the net assets of the Group's subsidiaries are not hedged.

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

(iii) Credit risk
The Group has no significant concentrations of credit risk. Sales of products and services are made to customers with an appropriate credit history. Derivative 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 to maintain flexibility in funding by providing agreed credit lines available.

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

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

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any

cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.
The Group documents the relationship between hedging instruments and hedged items at the inception of the transaction, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 16. Movements on the hedging reserve in shareholders' equity are also shown in Note 16.

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.

1.22 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 the value in use calculations of goodwill (Note 3.3) respectively of financial assets (Note 4), 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 rollout 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.

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

The Group distinguishes between the following segments and corresponding activities:

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

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

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

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

1.24 Changes in consolidation scope
In 2005 the following companies were absorbed:

Segment Warehouse & Distribution Solutions	Equity interest/direct interest
Swisslog Automatisierungstechnik GmbH, Steinhagen/Germany	100.0%
absorbed from Swisslog GmbH, Dortmund/Germany	100.0%
Headquarter/Holdings	
Swisslog IP AG, Aarau/Switzerland	100.0%
absorbed from Swisslog Management AG, Buchs/Switzerland	100.0%

2. Information by Segment

2.1 Business unit Segmentation

2005 MCHF	Warehouse & Distribution Solutions	Consulting Services/ Wassermann	Healthcare Solutions	Head-quarter/ Holdings	Elimina-tions	Total continuing operations[5]	Discon-tinued operations	Elimina-tions	Total Group
Order intake	405.7	12.9	211.4	0.0	–1.4	628.6	0.0	0.0	628.6
Order backlog (at year-end)	359.0	4.2	147.9	0.0	–0.3	510.8	0.0	0.0	510.8
Net sales	354.8	12.6	191.2	0.0	–2.2	556.4	0.0	0.0	556.4
Net sales to third parties	354.1	12.0	190.3	0.0	0.0	556.4	0.0	0.0	556.4
Net sales internal[1]	0.7	0.6	0.9	0.0	–2.2	0.0	0.0	0.0	0.0
Earnings before interest, taxes, depreciation, amortization and impairment of goodwill (EBITDA)	22.1	–0.9	20.1	–12.5	0.0	28.8	0.0	0.0	28.8
Depreciation and amortization	2.8	1.1	3.0	0.1	0.0	7.0	0.0	0.0	7.0
Earnings before interest, taxes and impairment of goodwill (EBITA)	19.3	–2.0	17.1	–12.6	0.0	21.8	0.0	0.0	21.8
Impairment of goodwill and onerous contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before interest and taxes (EBIT)	19.3	–2.0	17.1	–12.6	0.0	21.8	0.0	0.0	21.8
Goodwill	40.9	19.0	41.0	0.0	0.0	100.9	0.0	0.0	100.9
Current and non-current assets[2]	151.4	24.6	137.9	9.5	–3.2	320.2	0.0	0.0	320.2
Operating liabilities and provisions[3]	157.4	2.3	50.8	9.4	–3.2	216.7	0.0	0.0	216.7
Net operating assets[4] (NOA)	–6.0	22.3	87.1	0.1	0.0	103.5	0.0	0.0	103.5
Investment in property, plant, equipment and intangible assets	2.9	0.3	2.2	0.2	0.0	5.6	0.0	0.0	5.6
Changes in provisions	–0.2	–0.4	–3.0	–2.6	0.0	–6.2	0.0	0.0	–6.2
Employees (at year-end)	1 004	71	744	22	0.0	1 841	0.0	0.0	1 841
EBITA as % of sales (EBITA margin)	5.4	NA	9.0	NA		3.9			3.9
EBITA as % of NOA (RONOA)	NA	NA	19.6	NA		21.1			21.1

2004									
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, amortization and impairment of goodwill (EBITDA)	21.3	2.1	6.0	–11.5	0.0	17.9	–1.8	0.0	16.1
Depreciation and amortization	3.2	1.1	2.9	0.3	0.0	7.5	0.8	0.0	8.3
Earnings before interest, taxes and impairment of goodwill (EBITA)	18.1	1.0	3.1	–11.8	0.0	10.4	–2.6	0.0	7.8
Impairment of goodwill and onerous contracts	0.0	8.3	0.0	0.0	0.0	8.3	0.0	0.0	8.3
Earnings 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] (NOA)	–23.6	23.1	75.0	2.1	0.0	76.6	–3.3	0.0	73.2
Investment in property, plant, equipment 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		1.8			1.3
EBITA as % of NOA (RONOA)	NA	4.2	4.1	–563.8		13.5			10.6

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

2.2 Geographical Segmentation

	Europe		North America		Asia/Pacific		Total Group	
MCHF	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Net sales	315.7	385.0	201.1	175.3	39.6	36.4	556.4	596.6
Current and non-current assets[2]	190.5	196.1	118.2	88.8	11.5	6.2	320.2	291.1
Investment in property, plant, equipment and intangible assets[6]	4.2	2.4	1.3	1.0	0.1	0.1	5.6	3.5
Employees (at year-end)	1 324	1 371	352	321	165	166	1 841	1 858

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

3.1 Property, plant, equipment

MCHF	Land	Buildings	Machinery/ equipment	Total 2005	Total 2004
Cost at 1 January	0.6	14.7	42.7	58.0	85.8
Changes in consolidation scope	0.0	0.0	0.0	0.0	–24.4
Additions	0.0	0.3	3.0	3.3	2.6
Disposals	0.0	0.0	–4.2	–4.2	–4.8
Currency translation differences	0.0	0.1	1.6	1.7	–1.2
Cost at 31 December	**0.6**	**15.1**	**43.1**	**58.8**	**58.0**
Accumulated depreciation at 1 January	0.0	–10.0	–32.3	–42.3	–57.2
Changes in consolidation scope	0.0	0.0	0.0	0.0	15.3
Depreciation charge	0.0	–0.6	–4.2	–4.8	–5.9
Accumulated depreciation on disposals	0.0	0.0	3.8	3.8	4.6
Currency translation differences	0.0	0.0	–1.0	–1.0	0.9
Accumulated depreciation at 31 December	**0.0**	**–10.6**	**–33.7**	**–44.3**	**–42.3**
Total net book value					
at 31 December 2004	0.6	4.7	10.4		15.7
at 31 December 2005	**0.6**	**4.5**	**9.4**	**14.5**	

The insurance value of the property, plant, equipment and investment property was MCHF 71.4 at the end of 2005 (2004: MCHF 72.1). In connection with the pledge of Translogic Corp. (see Note 12.2) corresponding assets have a retention of title.

3.2 Investment property

The net book value of the investment property amounts to MCHF 1.5 (2004: MCHF 1.5) and corresponds to its fair value which is not based on a valuation by an independent valuer as per balance-sheet date. The current fair value is an approximation based on comparable objects in the same region. Rental income from investment property in the amount of MCHF 0.2 (2004: MCHF 0.7) is partly offset by cost of MCHF 0.0 (2004: MCHF 0.2).

3.3 Goodwill

	2005 MCHF	2004 MCHF
Gross amount at 1 January	118.2	108.8
Additions	0.0	15.3
Disposals	–0.3	0.0
Currency translation differences	7.3	–5.9
Gross amount at 31 December	125.2	118.2
Accumulated impairment losses at 1 January	–24.2	0.0
Impairment	0.0	–10.0
Release of provision for onerous contracts	0.0	–15.3
Currency translation differences	–0.1	1.1
Accumulated impairment losses at 31 December	–24.3	–24.2
Book value at 31 December	**100.9**	**94.0**
The goodwill is allocated to the following Cash Generating Units:		
WDS	40.9	37.7
HCS	41.0	37.5
CSW	19.0	18.8
Total goodwill	**100.9**	**94.0**

3.3.1 Goodwill impairment 2005

In 2005 no goodwill impairments have been recognized. In the previous year an impairment loss of MCHF 10.0 had been recognized for Consulting Services/Wassermann.

3.3.2 Impairment test of goodwill as per 31 December 2005

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

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

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

The budget 2006 and the business plan 2007 formed the basis for the value in use calculations which have been approved by the board of directors. The cash flows for the years from 2008 until 2010 are an extrapolation responding to the expected growth rate in each market. For the inflation a growth rate of 1.0% is included in the residual value.

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. In comparison with the previous year the interest rate has been reduced due to a lower company risk premium.

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

Key assumptions for the goodwill impairment test:

Warehouse & Distribution Solutions (WDS)

	Previous years		Growth p.a.
MCHF	2004	2005	2006 to 2010
Net sales development	378.4	354.8	5.0%
EBITDA development*	13.9	14.8	10.8%
Pre-tax rate	10.8%	10.8%	10.3%

* Headquarter cost proportionally allocated.

In 2005 the Warehouse & Distribution Solutions reported net sales of MCHF 354.8. It is planned that net sales should raise to MCHF 474.4 from 2006 to 2010. This represents an average growth rate of 5.0% per year. In the same period of time the EBITDA (after headquarter cost allocation) should be raised by 10.8% annually to MCHF 23.9. From 2008 to 2010 it is planned to increase the net sales by 4.2% and the EBITDA by 3.1% per year.

Considerations of risk:
The business year 2005 of WDS was burdened due to low order intake of the previous year. The net sales growth planning used the low net sales as a base.

Healthcare Solutions (HCS)

	Previous years		Growth p.a.
MCHF	2004	2005	2006 to 2010
Net sales development	174.9	191.2	8.1%
EBITDA development*	**13.8	15.7	13.8%
Pre-tax rate	13.3%	13.3%	12.0%

* Headquarter cost proportionally allocated.
** Cost for restructuring not included.

The business year 2005 of Healthcare Solutions developed in most areas according to plan. HCS achieved net sales of MCHF 191.2 which is expected to increase to MCHF 268.0 until 2010. In the period from 2006 to 2010 the EBITDA is planned to increase by 13.8% per year (after headquarter cost allocation). From 2008 to 2010 a yearly inrease of net sales by 6.4% and of EBITDA by 12.3% is planned.

Considerations of risk:
The future profitability of HCS is based on an ongoing strong North America business and also on the successful market penetration of the recent products. The net sales planning for the recent products was done in a conservative way.

Consulting Services/Wassermann (CSW)

	Previous years		Budget	Growth p.a.
MCHF	2004	2005	2006	2006 to 2010
Net sales development	15.9	12.6	14.6	8.4%
EBITDA development*	1.6	–1.3	1.9	25.0%
Pre-tax rate	13.6%	13.6%	13.2%	13.2%

* Headquarter cost proportionally allocated.

In 2005 Consulting Services/Wassermann reported net sales of MCHF 12.6. The reduction in net sales, compared to last year, is due to the refocus of CSW. The software products shall be positioned stronger rather than the consultancy services. Due to this, the EBITDA has been reduced to MCHF –1.3 in 2005 (MCHF 1.6 in 2004). During the last months various measures to improve the results have been decided and implemented.

Due to the negative deviations, the plans of Consulting Services/Wassermann have been revised and reduced. From 2008 to 2010 an increase of net sales by 8.1% and of EBITDA by 21.0% is expected per year.

Considerations of risk:
Consulting Services/Wassermann renders its services mainly in the German speaking supply chain management market. An external study reveals net sales growth rates between 13% to 15%.
At the end of 2005 the value in use of the CSW unit exceeds the carrying value by MCHF 0.4. A potential raise of the pre-tax rate – assuming that net sales growth rate, EBITDA growth rate and cash flow growth rate remain unchanged – up to 13.4% will not affect the goodwill coverage. Goodwill will still be covered if the yearly net sales growth rate is reduced by 0.2% (assuming that pre-tax rate remains unchanged at 13.2%).

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

3.4 Other intangible assets MCHF	Capitalized development expenses	Other	Total 2005	Total 2004
Cost at 1 January	6.1	11.1	17.2	26.2
Changes in consolidation scope	0.0	0.0	0.0	–3.2
Additions	1.4	0.9	2.3	2.1
Disposals	0.0	–1.0	–1.0	–7.6
Currency translation differences	0.0	0.1	0.1	–0.3
Cost at 31 December	**7.5**	**11.1**	**18.6**	**17.2**
Accumulated amortization at 1 January	–2.1	–9.8	–11.9	–19.5
Changes in consolidation scope	0.0	0.0	0.0	2.2
Amortization of the current year	–1.4	–0.8	–2.2	–2.5
Accumulated amortization on disposals	0.0	0.9	0.9	7.6
Currency translation differences	0.0	0.0	0.0	0.3
Accumulated amortization at 31 December	**–3.5**	**–9.7**	**–13.2**	**–11.9**
Total net book value				
at 31 December 2004	4.0	1.3		5.3
at 31 December 2005	**4.0**	**1.4**	**5.4**	

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

4. Financial assets

	2005 MCHF	2004 MCHF
Investments in associated companies	0.4	0.6
Financial investments	12.5	12.4
Long-term interest-bearing receivables	7.0	10.5
Total	**19.9**	**23.5**

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. The fair-value valuation is based on weighted scenarios.

5. Inventories

	2005 MCHF	2004 MCHF
Materials and supplies	14.5	17.5
Work in progress	1.9	4.2
Finished goods	10.3	11.0
Total	**26.7**	**32.7**

In 2005 MCHF 1.0 of obsolete raw materials and supplies have been written off. In the previous year no material write-offs have been made.

6. Trade receivables

	2005 MCHF	2004 MCHF
Trade receivables	110.0	92.6
Allowance for bad debts	–3.2	–2.6
Total	**106.8**	**90.0**

In 2005 no material trade receivables have been written off (2004: MCHF 0.5).

7. Construction contracts

	2005	2004
Asset:	MCHF	MCHF
Contract costs recognized as expense plus recognized profits	169.5	110.0
Progress billings and advance payments from customers	–129.5	–84.4
Amount due from customers for construction contracts	**40.0**	**25.6**

Liability:		
Contract costs recognized as expense plus recognized profits	–124.5	–291.8
Progress billings and advance payments from customers	190.2	345.1
Amount due to customers for construction contracts	**65.7**	**53.3**

Construction contract net sales recognized in the presented period	391.3	380.4
Retentions[1]	5.1	3.4

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

8. Cash and cash equivalents

	2005	2004
	MCHF	MCHF
Cash at bank and on hand	84.1	85.4

At the end of 2005 cash collaterals of MCHF 6.0 (2004: MCHF 3.0) existed in cash at bank and on hand.

9. Share capital

The share capital at 31 December 2005 amounts to MCHF 1.8 (previous year MCHF 1.8) and consists of 179 483 560 registered shares with a nominal value of CHF 0.01 (previous year CHF 0.01) per share.
The share capital is fully paid up.

9.1 Number of shares

	2005	2004
Shares outstanding at 1 January	179 483 560	15 175 474
Capital increase		
through issue of new shares – Tranche A	0	141 538 462
through rights issue to current shareholders – Tranche B	0	22 767 059
Increase (–)/decrease (+) of treasury shares	0	2 565
Shares outstanding at 31 December	179 483 560	179 483 560

9.2 Nominal value

	2005	2004
Nominal value per share (CHF)	0.01	0.01
Share capital at 31 December (MCHF)	1.8	1.8

The conversion right from the convertible bonds of the Swisslog Holding AG, Valor 001090606, has expired per 4 July 2005. No conversion rights were used (see Note 10. convertible bonds).

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. Convertible bonds

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

The rights to exchange the bonds have expired on 4 July 2005. The bonds will mature on 31 December 2009 at their nominal value.

The interest payments are as follows:	7.7.2000 until 6.7.2003	2.25%
	7.7.2003 until 6.7.2004	0.50%
	7.7.2004 until 6.7.2005	1.00%
	7.7.2005 until 6.7.2006	1.50%
	7.7.2006 until 6.7.2007	2.00%
	7.7.2007 until 6.7.2008	2.50%
	7.7.2008 until 6.7.2009	3.00%
	7.7.2009 until 31.12.2009	3.50%

The bonds are recorded in the balance sheet as follows:	**2005** MCHF	2004 MCHF
Liability component at 1 January	**121.1**	**145.1**
Previous conditions:		
Interest expense coupon interest rate 2.25%	0.0	1.1
Interest expense market interest rate applied	0.0	1.4
Effects from the prolongation of the bonds out of restructuring:		
Adjustment of the accrual for the interest of coupon from 2.25% to 0.5%	0.0	–2.0
Effect from the theoretical repayment of the bonds (remaining difference book-value to nominal-value)	0.0	5.0
Change of the net present value by a theoretical new issuance of the bonds	0.0	–34.2
New conditions:		
Interest expense coupon interest rate 1.0%/1.5%, respectively 0.5%/1.0%	1.9	0.9
Interest expense market interest rate applied	6.6	4.6
Interest paid	–1.5	–0.8
Total liability component	**128.1**	**121.1**
Accrual for interest payment under accrued expenses and deferred income	–1.1	–0.7
Liability component at 31 December	**127.0**	**120.4**

The extension of the final maturity date of the bonds changed the present value of the future cash flows substantially. Therefore, the extension was treated as theoretical payback and as new issue of convertible bonds in 2004.

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

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

At the end of 2005 the bonds noted at the Swiss Stock Exchange with 86.45% (2004: 69.40%).

11. Income taxes and deferred taxes

11.1 Income tax expense	2005 MCHF	2004 MCHF
Current income tax expense	12.4	5.7
Deferred taxes	–1.2	2.4
Income tax expense continuing operations	**11.2**	**8.1**
Income tax expense discontinued operations	0.0	0.7
Total income tax expense	**11.2**	**8.8**

About 74% (2004: 60%) of current income tax result from US, about 12% (2004: 30%) from Europe and 14% (2004: 10%) from other regions.

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

The applicable Group tax rate of 35.4% (2004: 35.3%) is a weighted tax rate, calculated from the income 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 legislations. The following elements explain the difference between the income tax expense at the applicable Group tax rate and the effective income tax expense.

	2005 MCHF	2004 MCHF
Income tax expense at the applicable Group tax rate	**4.5**	**3.7**
Effect of applicable group tax rate to consolidated individual applicable income tax expense	1.5	–5.4
Non-tax deductible expenses and non-taxable income	1.2	–2.2
Changes in recognition of tax losses	–0.4	1.5
Utilisation of unrecognized tax loss carry forwards	–1.6	–0.8
Current year's losses for which no deferred tax assets are recognized	4.0	11.2
Income tax expense from previous years	1.5	0.4
Others	0.5	0.4
Effective income tax expense	**11.2**	**8.8**

11.3 Tax loss carry forwards	2005 MCHF	2004 MCHF
Available tax loss carry forwards at 1 January	**463.8**	**829.4**
Less tax loss carry forward of discontinued operations and adjustments to beginning balance	2.6	–3.9
Tax losses arising from current year	11.7	22.1
Tax losses expired during current year	–0.4	–0.3
Tax losses utilised against current year profits	–17.7	–383.5
Available tax loss carry forwards at 31 December	**460.0**	**463.8**

Deferred tax assets of MCHF 3.1 (2004: MCHF 3.3) were recorded in respect of available tax loss carry forwards of MCHF 9.9 (2004: MCHF 10.3). Deferred tax assets for unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized in the respective countries, or to the extent that the individual enterprises have sufficient taxable temporary differences.

Previous years' utilization of tax loss carry forwards are mainly related to taxable financial restructuring gains.

98% (2004: 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:

	2005 MCHF	2004 MCHF
After 1 year	0.0	0.4
After 2 years	0.0	1.5
After 3 years	0.8	0.6
After 4 years	10.7	1.5
After more than 4 years	438.6	449.5
Total	**450.1**	**453.5**

11.4 Deferred taxes

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

	2005			2004		
MCHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Tangible/intangible assets	1.0	0.6		0.8	1.2	
Inventories and work in process	6.8	0.3		31.3	0.3	
Current receivables	0.3	2.9		0.3	3.7	
Long-term liabilities	1.7	1.5		1.9	1.8	
Provisions	1.0	0.3		1.0	0.4	
Short-term liabilities	2.0	5.3		0.9	28.6	
Subtotal by balance sheet items	**12.8**	**10.9**	**1.9**	**36.2**	**36.0**	**0.2**
Deferred tax assets on tax loss carry forward	3.1	0.0		3.3	0.0	
Offsetting assets with liabilities	–8.1	–8.1		–29.8	–29.8	
Total deferred tax assets and liabilities	**7.8**	**2.8**	**5.0**	**9.7**	**6.2**	**3.5**

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

12. Provisions and contingent liabilities

12.1 Provisions

MCHF	Projects	Warranties	Restruc-turing	Onerous Contracts	Discontinued Operations	Other	**Total**
at 1 January 2004	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 31 December 2004	**3.1**	**5.1**	**2.8**	**0.0**	**3.3**	**3.4**	**17.7**
Changes in consolidation scope	0.0	0.0	0.0	0.0	–0.8	0.8	0.0
Additions	2.7	1.9	1.3	0.0	0.0	1.5	7.4
Unused reversed	–1.0	–0.4	0.0	0.0	0.0	–0.5	–1.9
Used during year	–2.5	–2.2	–2.8	0.0	–2.5	–2.2	–12.2
Currency translation differences	0.0	0.3	0.1	0.0	0.0	0.1	0.5
at 31 December 2005	**2.3**	**4.7**	**1.4**	**0.0**	**0.0**	**3.1**	**11.5**

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

The provisions for projects are created to cover losses as soon as losses are apparent and a reliable estimate can be made. Reversal takes place in relation to the progress of project execution.
Warranties are related to costs which occur during the warranty period.
Provisions for restructuring are only recognized in the balance sheet if a detailed formal plan exists which was communicated to the affected persons. Most of the MCHF 2.8 reported as used during the year can be attributed to the German region of the division "Healthcare Solutions". The majority of the additions of MCHF 1.3 is related to the German region of the division "Warehouse & Distribution Solutions".
The category onerous contracts included contractually agreed payments for minorities of Wassermann AG. The purchase of these minorities did not increase the assets.
The provisions used for discontinued operations were set up in association with the sale of Overhead Conveyors and reflected expenditures of claims from contracts.
In connection with its ordinary business operations, the Group is involved in various legal disputes. The necessary provisions have been created on the basis of the currently available information.

12.2 Contingent liabilities

Contingent liabilities amount to MCHF 2.5 (2004: MCHF 22.1). Due to the settlement of the major legal dispute – with additional costs of MCHF 0.4 – the contingent liabilities have been significantly reduced. The major part of the contingent liabilities is related to a project of Warehouse & Distribution Solutions.

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

The total amount of guarantees in favour of third parties is MCHF 235.6 at the end of 2005 (2004: MCHF 193.5).

Guarantee facilities of MCHF 72.2 (2004: MCHF 100.0) of a bank syndicate are secured by the pledge of TransLogic Corp. (USA). As per 31 December 2005, the shareholders' equity of TransLogic Corp. (USA) amounted to MCHF 37.2 (2004: MCHF 33.2).

The guarantee facilities are bonded by the following covenants:

- Minimum equity (monthly compliance)
- Earnings before interest, taxes, depreciation and amortization (EBITDA) (quarterly compliance)
- Net debt (quarterly compliance)

13. Other non-current liabilities and leases

13.1 Other non-current liabilities		2005 MCHF	2004 MCHF
Long-term liabilities		0.0	0.7
Pension liabilities (Note 17)		11.1	11.7
Total		**11.1**	**12.4**
Thereof due	within one year	0.0	0.0
	after one and before two years	0.0	0.0
	after two years	11.1	12.4

13.2 Operating leases	2005 MCHF	2004 MCHF
Minimum lease payments per 31 December		
due within one year	7.0	6.5
due after one and before five years	16.3	12.4
due after five years	9.6	7.0
Total	**32.9**	**25.9**

Minimum lease payments primarily include tenancy agreements. Operating leasing costs totalled MCHF 8.2 in 2005 (2004: MCHF 6.7).

14. Operating expenses

Material and service expense	2005 MCHF	2004 MCHF
Change in inventories	−6.0	−0.4
Material- and service expense	228.0	235.2
Total	**222.0**	**234.8**

Personnel expense	2005 MCHF	2004 MCHF
Wages and salaries	168.9	173.6
Social security and other personnel costs (compare with Note 17)	49.9	52.0
Total	**218.8**	**225.6**

Other operating expense	2005 MCHF	2004 MCHF
Other operating expense	87.0	89.2

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.

Accrued personnel expenses are shown in the accrued expenses and deferred income.
The 2005 result includes development expenses of MCHF 10.2 (2004 MCHF 12.1).

15. Financial result

	2005 MCHF	2004 MCHF
Financial income		
Interest income	1.4	1.5
Adjustment of the accrual for the interest of the coupon from 2.25% to 0.5%	0.0	2.0
Change of the net present value by a theoretical new issuance of the convertible bonds	0.0	34.2
Other financial income	1.0	0.5
Foreign exchange gains	2.0	0.0
Total	**4.4**	**38.2**
Financial expense		
Interest expense for convertible bonds	−1.9	−2.0
Interest expense for convertible bonds market interest rate applied	−6.6	−6.0
Other interest expense	−0.7	−3.5
Effect from the theoretical repayment of the convertible bonds (remaining difference book-value to nominal-value)	0.0	−5.0
Other financial expense	−3.8	−7.7
Foreign exchange losses	−0.2	−1.9
Total	**−13.2**	**−26.1**

Interest income relates to interest on money market investments in CHF and foreign currencies.

The other financial expense includes costs in the context of the financial restructuring of the Group such as the write-off of the remaining cost from the issuance of the original 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.

16. 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.

16.1 Net fair values of derivative financial instruments

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

Forward foreign exchange contracts by type

	2005			2004		
MCHF	Assets	Liabilities	Net	Assets	Liabilities	Net
FX-contracts (cash-flow hedges)	0.0	0.0	0.0	0.0	0.3	–0.3
FX-contracts (non-qualifying hedges)	0.1	0.0	0.1	0.2	1.2	–1.0
Total	**0.1**	**0.0**	**0.1**	**0.2**	**1.5**	**–1.3**

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

Forward foreign exchange contracts by currency

	2005			2004		
MCHF	Assets	Liabilities	Net	Assets	Liabilities	Net
AUD	0.0	0.0	0.0	1.2	0.0	1.2
EUR	6.2	0.0	6.2	53.4	2.2	51.2
SEK	0.0	0.0	0.0	2.6	4.2	–1.6
USD	0.0	0.0	0.0	0.0	6.8	–6.8
NOK	0.0	6.1	–6.1	0.0	1.5	–1.5
Total	**6.2**	**6.1**	**0.1**	**57.2**	**14.7**	**42.5**

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

16.2 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.

	2005	2004
Balance at 1 January	MCHF	MCHF
Gains/losses on remeasurement to fair value	–0.3	–0.4
Deferred income taxes	0.0	0.0
Total	**–0.3**	**–0.4**
Movements during the year		
Gains and losses from changes in fair value	0.0	0.2
Deferred income taxes	0.0	0.0
Total	**0.0**	**0.2**
Transferred to income statement	0.3	–0.1
Deferred income taxes	0.0	0.0
Total	**0.3**	**–0.1**
Balance at 31 December		
Gross amount of gains and losses	0.0	–0.3
Deferred income taxes	0.0	0.0
Total	**0.0**	**–0.3**

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

17. Employee benefits

	2005 MCHF	2004 MCHF
Pension schemes	10.0	10.9
Other long-term employee benefits	1.1	0.8
Total	**11.1**	**11.7**

Pension schemes

Besides the statutory social security schemes there exist independent pension plans or pension insurance policies covering substantially all employees. The related assets are primarily held outside the Group. Where this is not the case, the appropriate provisions are made in the balance sheet for pension liabilities. Most of the pension schemes are defined benefit plans. The defined obligations and related assets of the major plans are reappraised yearly and at least every four years the obligations are reassessed by independent actuaries. The last valuations were done at effective dates between 18 November 2004 and 31 December 2005 (including all significant pension schemes). Plan assets are recorded at fair values and include mainly marketable securities and bonds.

The following is a summary of the status of the main defined benefit plans at 31 December 2005, using IAS 19 (revised) actuarial assumptions.

Balance sheet reconciliation	2005 MCHF	2004 MCHF
Present value of funded obligations	147.9	129.5
Fair value of plan assets	–120.5	–112.8
Net funded status	**27.4**	**16.7**
Present value of unfunded obligations	0.4	0.2
Unrecognized actuarial gains (losses)	–17.8	–6.0
Liability in the balance sheet	**10.0**	**10.9**

Movement in the liability	MCHF	MCHF
Liability recognized in balance sheet at the beginning of the period	10.9	13.2
Effect of changes in consolidation scope	–0.1	–2.6
Exchange differences	0.2	0.1
Expense for pension schemes recognized in the income statement	4.3	5.8
Contributions paid by the company	–5.1	–5.3
Other	–0.2	–0.3
Liability recognized in balance sheet at the end of the period	**10.0**	**10.9**

Expense for pension schemes recognized in the income statement	MCHF	MCHF
Current service cost	8.1	8.8
Contribution by the employees	–2.5	–2.5
Interest cost	5.0	5.5
Expected return-on-plan assets	–5.3	–6.0
Effect of any curtailment or settlement	–1.0	0.0
Net actuarial gains and losses recognized in the period	0.5	0.0
Past service costs	–0.5	0.0
Total, included in personnel expense	**4.3**	**5.8**

The past service costs of MCHF –0.5 and the effect of any curtailment or settlement of MCHF –1.0 resulted from a reduction of the conversion rates in one plan.

Plan assets	MCHF	MCHF
Actual return-on-plan assets	10.6	5.7

Actuarial assumptions		
Discount rate	3.00%–5.75%	4.00%–5.75%
Expected return-on-plan assets	2.00%–7.75%	2.00%–8.50%
Future salary increases	1.25%–5.25%	2.25%–5.00%
Future pension benefit increases	0.50%–3.50%	1.00%–3.50%

The total amount of contributions paid for defined contribution plans in 2005 is MCHF 2.1 (2004: MCHF 1.5).

Other long-term employee benefits	2005 MCHF	2004 MCHF
Liability at the beginning of the period	0.8	0.9
Transfer	–0.1	0.0
Paid in the period	0.0	–0.1
Increase of the liability	0.4	0.0
Liability at the end of the period	**1.1**	**0.8**

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

Share option plans

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

Movements in the number of share options are as follows:

	2005	2004
At 1 January	167 250	301 450
Granted	0	0
Exercised	0	0
Lapsed	–167 250	–134 200
At 31 December	**0**	**167 250**

Details of share options granted	Granted as per 2005/2004/2003	Granted as per 2002
Exercise periods	none	23.5.–22.8.2004
		23.4.–22.6.2005
Expiry dates	none	22.8.2004
		22.6.2005
Aggregate proceeds	none	MCHF 0.18
Exercise price	none	CHF 26.30

Share options outstanding at 31 December have the following terms:

Expiry date	Exercise price	2005 number of options	2004 number of options
22 Aug 2004 / 22 Jun 2005	CHF 26.30	none	167 250

18. Related Party Transactions

The shares of Swisslog Holding AG are widely held. For major shareholders please refer to page 33.

The following transactions were carried out with related parties:

Purchase of services	2005 MCHF	2004 MCHF
From members of the Board of Directors	0.0	0.1

The consulting services have been purchased according to the "arms lengths" principle. The payments concern services that have been rendered by Members of the Board before their election to the Board of Directors. The services have been paid in 2004.

Purchase of shares	2005 MCHF	2004 MCHF
From a member of Swisslog Executive Committee	0.5	0.8

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

Cost of compensation for Members of the Board and of Swisslog Executive Committee ("Key Management")	2005 MCHF	2004 MCHF
Salaries and other short-term employee benefits	3.7	3.1
Termination benefits[1]	0.0	0.0
Post-employment benefits and insurance	0.3	0.4
Other long-term benefits	0.0	0.0
Share-based payments[2]	0.0	0.0
Total	**4.0**	**3.5**

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

2 For the term of office 2003/2004 the former members of the Board of Directors have received a total of 58 822 shares of Swisslog Holding AG. The shares were transferred to the members of the Board of Directors in April 2004 at a price of CHF 3.35. The according share acquisition was accounted to the equity.

19. Earnings per share (EPS)

	2005	2004
Net result (MCHF)	1.8	1.9
Weighted average number of shares outstanding	179 483 560	118 851 877
Earnings per share, basic (CHF)	0.01	0.02
Earnings per share, diluted (CHF)	0.01	0.02

In order to determine the earnings per share, the Group's average holding of own shares was deducted from the average number of shares of 179 483 560 (2004: 118 851 877). In 2005 the Group did not hold any own shares (2004: 1 748).
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.
The diluted earnings per share are equal to the earnings per share because all of the effects are antidilutive. The earnings per share would increase in case of exercise of the conversion rights, therefore, the effects are ignored.

20. Dividends per share

At the Annual General Meeting in May 2006, no dividend distribution in respect of 2005 is to be proposed. The dividends per share declared in respect of 2004 and 2003 were CHF 0.00.

21. Discontinued operations

Early in 2003, the Group had publicly announced to discontinue the activities of the segments Material Flow Systems and 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 30 June 2004 and reported as discontinued operations 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 1 August 2003 and reported as discontinued operations in the financial statements. The sales, results, cash flows, and net assets of the business units are presented below.

With the divestment of the Transnorm Group in 2004 Swisslog completed the divestment process. In 2005, no further divestments took place or have been planned. Therefore the reporting of discontinued operations has been ceased starting 1 January 2005.

21.1 Income Statement

	Transnorm		Overhead Conveyors		Total	
MCHF	**2005**	2004	**2005**	2004	**2005**	2004
Net Sales with third parties	0.0	31.8	0.0	0.0	0.0	31.8
Net Sales with Group companies	0.0	0.8	0.0	0.0	0.0	0.8
Other operating income	0.0	0.1	0.0	0.0	0.0	0.1
Operating expense	0.0	–33.2	0.0	–6.4	0.0	–39.6
Result on disposal of investments	0.0	4.3	0.0	0.0	0.0	4.3
Net financial result	0.0	–0.5	0.0	–0.4	0.0	–0.9
Result before tax	**0.0**	**3.3**	**0.0**	**–6.8**	**0.0**	**–3.5**
Income tax expense	0.0	–0.7	0.0	0.0	0.0	–0.7
Result discontinued operations after tax	**0.0**	**2.6**	**0.0**	**–6.8**	**0.0**	**–4.2**

21.2 Cash Flow Statement

Cash flow from operating activities	0.0	2.3	0.0	–4.6	0.0	–2.3
Cash flow from investing activities	0.0	–0.4	0.0	0.0	0.0	–0.4
Cash flow from financing activities	0.0	–0.1	0.0	0.0	0.0	–0.1
Net cash flow from discontinued operations	**0.0**	**1.8**	**0.0**	**–4.6**	**0.0**	**–2.8**

The operating expense of MCHF 6.4 in the previous year within Overhead Conveyors referred mainly to additional claims in relation to Schierholz-Translift disposal and to costs occurred for terminating customer projects of MCHF 4.8. Miscellaneous consulting fees amounted to MCHF 1.3.

21.3 Balance Sheet (at year-end)

	Transnorm		Overhead Conveyors		Total	
MCHF	**2005**	2004	**2005**	2004	**2005**	2004[1]
Total assets	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	0.0	0.8	0.0	2.5	0.0	3.3
Net assets	**0.0**	**–0.8**	**0.0**	**–2.5**	**0.0**	**–3.3**

1 As per 31 December 2004 the provision (Note 12) for discontinued operations amounted to MCHF 3.3.

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

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes, shown on pages 5 to 29) of Swisslog Group for the year ended 31 December 2005. The prior-year consolidated financial statements were audited by another statutory auditor. In their audit report dated 28 February 2005, the former statutory auditor has issued an unqualified opinion.

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

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

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

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

Ernst & Young Ltd

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

Philip Klopfenstein
Swiss Certified Accountant

Basel, 25 February 2006

2005 Financial Statements of Swisslog Holding AG

Balance Sheet, Income Statement of Swisslog Holding AG

Balance Sheet

At 31 December	2005	2004
Assets	CHFt	CHFt
Cash and cash equivalents	9	4
Other receivables	42	4
Loans to group companies	11 035	14 490
Current assets	**11 086**	**14 498**
Loans to group companies	187 681	187 681
Non-current assets	**187 681**	**187 681**
Total assets	**198 767**	**202 179**
Equity and liabilities		
Short-term liabilities	0	2 037
Accrued expenses and deferred income	1 116	747
Provisions	0	240
Current liabilities	**1 116**	**3 024**
Bonds/Convertible bonds 2000–2009	150 000	150 000
Non-current liabilities	**150 000**	**150 000**
Share capital	1 795	1 795
Statutory reserves	11 092	11 092
Retained earnings	34 764	36 268
Carry forward	36 268	–146 400
Net loss/profit	–1 504	182 668
Equity	**47 651**	**49 155**
Total equity and liabilities	**198 767**	**202 179**

Income Statement

1 January to 31 December	2005	2004
Income	CHFt	CHFt
Financial income	1 357	738
Release of adjustments to loans	0	183 129
Total income	**1 357**	**183 867**
Expense		
Financial expense	1 927	1 035
Administration expense	997	187
Total expense	**2 924**	**1 222**
Income tax expense	–63	–23
Net loss/profit	**–1 504**	**182 668**

Notes to the Financial Statements of Swisslog Holding AG

1. Convertible bonds 2000–2009

The conversion rights regarding convertible bonds from Swisslog Holding AG, Valor 001090606, have expired on 4 July 2005. Until expiration of the deadline no conversion rights were exercised. The final maturity date of the bonds 2000–2009 of MCHF 150 is 31 December 2009. 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%.

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. Contingent liabilities

	2005	2004
Guarantees to third parties (in CHFt)	88 216	128 347

4. Commitments against Swiss Federal Tax Administration, Main Division VAT

Swisslog Holding AG forms together with Swisslog Management AG and Swisslog AG a tax group for the Swiss Federal Tax Administration, Main Division VAT. This tax group comprehends a joint liability of taxes owed by the group.

5. Main investment

		2005	2004
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

6. Major shareholders

	2005	2004
Mellon HBV Alternative Strategies, London	>5.0%	>5.0%
Zulauf Asset Management AG, Zug	<5.0%	>5.0%
Julius Bär Multistock, Luxembourg	<5.0%	5.3%

7. Own shares

	Number	CHF
At 31 December 2003	**2 565**	
Purchase April 2004	52 902	Price 3.33
Directors' fee April 2004	–55 467	
At 31 December 2004	**0**	
At 31 December 2005	**0**	

The shares were held by Swisslog Management AG.

8. Statement of changes in equity

CHFt	Share capital	Statutory reserves[1]	Special reserves	Retained earnings carry forward	Retained earnings result	Equity
At 31 December 2003[2]	**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 result 2004					182 668	182 668
At 31 December 2004[2]	**1 795**	**11 092**	**0**	**–146 400**	**182 668**	**49 155**
Appropriation of net loss 2004				182 668	–182 668	0
Net result 2005					–1 504	–1 504
At 31 December 2005[2]	**1 795**	**11 092**	**0**	**36 268**	**–1 504**	**47 651**

1 **Statement of statutory reserves**

CHFt	Share premium	General statutory res.	Own shares	Statutory reserves
At 31 December 2003[2]	**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 31 December 2004[2]	**11 092**	**0**	**0**	**11 092**
Appropriation of net loss 2004				0
At 31 December 2005[2]	**11 092**	**0**	**0**	**11 092**

2 Before appropriation.

9. Appropriation of retained earnings at 31 December 2005 (proposal of the Board of Directors)

The net loss of MCHF 1.5 is used to cover the retained earnings of MCHF 36.3. The remaining amount of MCHF 34.8 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 32 to 34) of Swisslog Holding AG for the year ended 31 December 2005. The prior-year financial statements were audited by another statutory auditor. In their audit report dated 28 February 2005, the former statutory auditor has issued an unqualified opinion.

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

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

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

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

Ernst & Young Ltd

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

Basel, 25 February 2006

Significant Subsidiaries and Investments of Swisslog Group at 31 December 2005

Subsidiary	Registered office / Country	Consolidated on Y/M	Share capital Currency	Share capital Amount	Holding direct/indirect
Fully consolidated management and financing subsidiaries					
Swisslog Holding AG	Buchs / Switzerland	86/01	CHF	1.79 Mio.	
Swisslog Management AG	Buchs / Switzerland	86/01	CHF	6.88 Mio.	100.0%
Swisslog IP B.V.	Amsterdam / Netherlands	99/01	EUR	0.02 Mio.	100.0%
Swisslog Holdings (UK) Ltd.	Slough / UK	97/12	GBP	1.01 Mio.	100.0%
Swisslog (Deutschland) GmbH	Ludwigsburg / Germany	89/01	EUR	3.32 Mio.	100.0%
Swisslog Svenska Holding AB	Partille / Sweden	01/09	SEK	0.10 Mio.	100.0%
Swisslog USA Inc.	City of Dover / USA	99/09	USD	0.00 Mio.	100.0%
Digitron Italia SrL	Milan / Italy	90/01	EUR	0.08 Mio.	100.0%
Fully consolidated operative subsidiaries					
Infotronic Vertriebsg. für Kommunikationssysteme GmbH	Kirchheim / Germany	01/09	EUR	1.22 Mio.	72.7%
Swisslog & Wehmeyer Patentverw. GbR	Ludwigsburg / Germany	01/09	EUR	1.06 Mio.	60.0%
Swisslog AB	Partille / Sweden	97/01	SEK	10.00 Mio.	100.0%
Swisslog AG	Buchs / Switzerland	86/01	CHF	10.00 Mio.	100.0%
Swisslog AS	Bergen / Norway	98/07	NOK	0.30 Mio.	100.0%
Swisslog Australia PTY Ltd.	Epping / Australia	96/01	AUD	0.00 Mio.	100.0%
Swisslog B.V.	Culemborg / Netherlands	86/01	EUR	0.02 Mio.	100.0%
Swisslog France SA	Gennevilliers / France	99/09	EUR	0.81 Mio.	100.0%
Swisslog GmbH	Dortmund / Germany	97/12	EUR	1.00 Mio.	100.0%
Swisslog Healthcare (UK) Ltd.	Slough / UK	99/09	GBP	0.00 Mio.	100.0%
Swisslog Healthcare Solutions GmbH	Puchheim / Germany	04/03	EUR	0.10 Mio.	100.0%
Swisslog Italia S.p.A.	Beinasco / Italy	89/01	EUR	0.55 Mio.	100.0%
Swisslog (UK) Ltd.	Slough / UK	94/01	GBP	0.35 Mio.	100.0%
Swisslog Logistics, Inc.	Newport News / USA	98/07	USD	0.12 Mio.	100.0%
Swisslog Luxembourg S.A.	Koerich-Windhof / Luxembourg	00/11	EUR	1.35 Mio.	100.0%
Swisslog Malaysia Sdn Bhd	Selangor Darul Ehsan / Malaysia	97/01	MYR	0.25 Mio.	100.0%
Swisslog N.V.	Wilrijk / Belgium	94/01	EUR	0.12 Mio.	100.0%
Swisslog Polska Sp. z o.o.	Warsaw / Poland	00/05	PLN	0.10 Mio.	100.0%
Swisslog Pte. Ltd.	Singapore	99/09	SGD	0.60 Mio.	95.0%
Swisslog Rohrpostsysteme GmbH	Westerstede / Germany	99/09	EUR	0.50 Mio.	100.0%
Swisslog (Shanghai) Consultancy Co. Ltd.	Shanghai / China	04/02	USD	0.14 Mio.	100.0%
Swisslog Singapore Pte. Ltd.	Singapore	97/01	SGD	0.10 Mio.	100.0%
Swisslog Software (UK) Ltd.	Slough / UK	00/08	GBP	0.10 Mio.	100.0%
Telelift GmbH	Puchheim / Germany	99/09	EUR	0.84 Mio.	100.0%
TransLogic Corp.	Denver / USA	99/09	USD	0.00 Mio.	100.0%
TransLogic Ltd.	Mississauga / Canada	99/09	CAD	0.00 Mio.	100.0%
Wassermann AG	Munich / Germany	01/08	EUR	0.71 Mio.	100.0%

Key Figures for Share Capital

		Unit	**2005**	2004	2003	2002	2001
Share capital		MCHF	1.8	1.8	30.3	30.3	30.3
Shares (at year-end)		Thousands	179 484	179 484	15 178	15 178	15 135
Dividend/registered share		CHF	0	0.00	0.00	0.00	0.00
Dividend[1]		MCHF	0	0.0	0.0	0.0	0.0
Net result		MCHF	1.8	1.9	–245.9	–47.3	–25.7
Net result/dividend		%	NA	NA	NA	NA	NA
Basic earnings per share		CHF	0.01	0.02	–14.09	–3.20	–1.90
Cash EPS		CHF	0.05	0.13	–8.05	–0.59	0.58
Quoted price of registered share	High	CHF	1.32	6.60	12.80	35.90	163.20
	Low	CHF	0.99	0.84	1.95	9.60	24.40
Gross yield per registered share	High	%	NA	NA	NA	NA	NA
	Low	%	NA	NA	NA	NA	NA
Market capitalization (at year-end)		MCHF	221.2	179.5	86.1	192.8	484.3
Consolidated equity		MCHF	80.2	68.4	–121.7	98.1	172.7
equity/registered share		CHF	0.4	0.6	–7.0	6.4	12.2
market capitalization in % of the equity		%	276	262	NA	196	280
Price Earnings Ratio (PE Ratio)[2]		Factor	122.9	17.6	NA	NA	151.4

1 Proposal of the Board of Directors for 2005: no dividend to be distributed.

2 Related to net result before amortization/impairment of goodwill.

Financial year	ending 31 December
Year incorporated	1900, Holding Company 1986
Registered office	Buchs/Aarau, Switzerland
Exchange listing	SWX Swiss Exchange
Bylaws	latest revision of bylaws: 19 May 2004
Share capital	MCHF 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 31 December	**2005** MCHF	2004 MCHF	2003 MCHF	2002 MCHF	2001 MCHF
Assets					
Property, plant, equipment and investment property	16.0	17.2	45.1	73.8	97.6
Goodwill	100.9	94.0	108.8	177.9	270.0
Other intangible assets	5.4	5.3	6.7	22.1	22.5
Deferred tax assets	7.8	9.7	15.3	23.7	26.1
Financial assets	19.9	23.5	26.5	57.8	10.4
Non-current assets	**150.0**	**149.7**	**202.4**	**355.3**	**426.6**
Inventories	26.7	32.7	38.0	55.2	71.3
Trade and other receivables	167.9	138.0	144.6	221.3	286.0
Prepayments	3.3	3.9	6.6	10.0	8.9
Cash, cash equivalents and marketable securities	84.1	91.0	48.4	36.3	71.5
Current assets	**282.0**	**265.6**	**237.6**	**322.8**	**437.7**
Total assets	**432.0**	**415.3**	**440.0**	**678.1**	**864.3**
Equity and Liabilities					
Share capital	1.8	1.8	30.3	30.3	30.3
Reserves	78.3	66.4	–152.7	65.5	139.5
Minority interest	0.1	0.2	0.7	2.3	2.9
Equity	**80.2**	**68.4**	**–121.7**	**98.1**	**172.7**
Interest-bearing borrowings	127.0	120.6	143.4	323.3	349.8
Deferred tax liabilities	2.8	6.2	9.0	10.1	12.6
Other non-current liabilities	11.1	12.2	20.7	24.1	32.3
Non-current liabilities	**140.9**	**139.0**	**173.1**	**357.5**	**394.7**
Trade and other payables	70.0	69.8	73.2	89.3	94.8
Advance payments from customers	65.7	53.3	24.6	27.9	66.9
Short-term borrowings	0.0	0.3	185.4	1.9	24.5
Provisions	11.5	17.7	35.3	17.3	26.4
Income tax payables	5.3	2.0	8.0	2.9	6.2
Other short-term liabilities	13.5	16.6	14.9	36.7	40.3
Accrued expenses and deferred income	44.9	48.2	47.2	46.5	37.8
Current liabilities	**210.9**	**207.9**	**388.6**	**222.5**	**296.9**
Total equity and liabilities	**432.0**	**415.3**	**440.0**	**678.1**	**864.3**
Number of consolidated operative companies	27	29	32	41	75

Consolidated Income Statement

1 January to 31 December	**2005** MCHF	2004 MCHF	2003 MCHF	2002[1] MCHF	2001[1] MCHF
Order intake	628.6	579.4	775.7	1 028.2	1 010.6
Order backlog (at year-end)	510.8	410.6	467.9	563.3	536.1
Continuing Operations:					
Net sales	**556.4**	**564.9**	**633.2**	**718.8**	**845.0**
Other operating income	0.2	2.6	3.8	12.0	22.0
Changes in inventories	–6.0	–0.4	13.6	3.4	–1.8
Material and service expense	228.0	235.2	281.3	295.0	383.7
Personnel expense	218.8	225.6	242.0	278.6	320.9
Depreciation, amortization and impairment	7.0	7.5	30.0	11.8	15.5
Other operating expense	87.0	89.2	80.9	122.0	116.1
Total operating expense	534.8	557.1	647.8	710.8	834.4
Earnings before interest, taxes and amortization/impairment of goodwill (EBITA)	**21.8**	**10.4**	**–10.8**	**20.0**	**32.6**
Amortization/impairment of goodwill	0.0	8.3	85.0	30.9	30.2
Earnings before interest and taxes (EBIT)	**21.8**	**2.1**	**–95.8**	**–10.9**	**2.4**
Net financial result	–8.8	12.1	–76.8	–23.8	–21.7
Result before tax	**13.0**	**14.2**	**–172.6**	**–34.7**	**–19.3**
Income tax expense	–11.2	–8.1	–19.5	–4.7	–5.7
Result continuing operations after tax	**1.8**	**6.1**	**–192.1**	**–39.4**	**–25.0**
Attributable to:					
Equity holders of the parent	1.8	6.1	–191.2	–39.4	–25.7
Minority interest	0.0	0.0	–0.9	0.0	0.7
Discontinued Operations:					
Net sales	0.0	32.6	169.6	240.9	98.7
Other operating income	0.0	0.1	2.5	1.2	1.0
Operating expense	0.0	–39.6	–201.4	–244.9	–97.1
Gain/loss on disposal of investments	0.0	4.3	–21.0	0.0	0.0
Net financial result	0.0	–0.9	–2.0	–2.7	–0.7
Result before tax	**0.0**	**–3.5**	**–52.3**	**–5.5**	**1.9**
Income tax expense	0.0	–0.7	–1.5	–2.4	–2.6
Result discontinued operations after tax	**0.0**	**–4.2**	**–53.8**	**–7.9**	**–0.7**
Attributable to:					
Equity holders of the parent	0.0	–4.2	–53.8	–8.4	–1.3
Minority interest	0.0	0.0	0.0	0.5	0.6
Net result	**1.8**	**1.9**	**–245.9**	**–47.3**	**–25.7**
Attributable to:					
Equity holders of the parent	1.8	1.9	–245.0	–47.8	–27.0
Minority interest	0.0	0.0	–0.9	0.5	1.3

1 2001–2002 not restated in terms of continuing and discontinued operations.

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