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Swisslog half year results 2004

Story-liner Conference Call, August 26, 2004

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Swisslog Continuing Operations:

- Weak order intake due to difficult economic environment and uncertainty concerning financial restructuring of Swisslog
- Order backlog reduced, but sufficient until Q1 2005 (negative currency impact of 12 MCHF or 3%)
- Net Sales slightly lower by 15% less capacity (no negative currency impact)
- Operational turnaround achieved (**EBITDA**) with 11.2 MCHF vs. 4.7 previous year
- Transnorm has been sold effective at 30.6.04 and is reported under discontinuing operations (April figures: Transnorm treated as continuing operations)

Continuing Operations			MCHF	
Key figures	**30.06.04**	**30.06.03**	***Diff.***	***Diff. %***
Order intake	231.7	339.3	*-107.6*	*-32%*
Order backlog	378.1	521.7	*-143.6*	*-28%*
Net sales	305.5	315.5	*-10.0*	*-3%*
EBITDA	11.2	4.7	*6.5*	*138%*
Employees	1'913	2'249	*-336*	*-15%*

WDS:

- Weak Order Intake due to difficult economic environment and insecurity concerning financial restructuring of Slog; mainly big orders delayed
- Order backlog reduced, at this point full capacity utilization. Underutilization in some regions by end of 2004, if orders further delayed
- Net sales reduced by 4%, but 10% less personnel resources due to headcount reductions
- **EBITDA** clearly improved**,** due to cost reductions, cleaning of loss making projects and improvement in project management
- Increasing number of design studies
- Good prospects in pipeline; order intake expected for Q4, 2004

WDS			MCHF	
Key figures	**30.06.04**	**30.06.03**	***Diff.***	***Diff. %***
Order intake	143.4	228.5	*-85.1*	*-37%*
Order backlog	246.9	375.9	*-129.0*	*-34%*
Net sales	212.3	220.5	*-8.2*	*-4%*
EBITDA	13.2	6.2	*7.0*	*113%*
Employees	1'065	1'195	*-130*	*-11%*

HCS:

- Order intake below last years level, due to slow start of business activities in USA and missing orders from non-healthcare customers
- Net sales according to previous year's level, with less personnel
- Profitability of US business (EBITDA) in line with last year, however HCS Europe below last year because of restructuring cost and operational losses in Germany (cost of 4,5 MCHF) and slower market introduction of Pill-Pick; built up of production capacity in Maranello (result impact 3 MCHF). Remaining part of the deviation vs. prior year, is due to currency impact from US$
- Stronger profitability expected for 2nd half 2004 based on:
  - PillPick sales, lower restructuring cost
  - Reduced operational losses in Germany

HCS			MCHF	
Key figures	**30.06.04**	**30.06.03**	***Diff.***	***Diff. %***
Order intake	82.4	107.3	*-24.9*	*-23%*
Order backlog	126.2	142.4	*-16.2*	*-11%*
Net sales	87.9	92.1	*-4.2*	*-5%*
EBITDA	1.8	10.2	*-8.4*	*-82%*
Employees	761	962	*-201*	*-21%*

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CGS:

- Order intake according to previous year
- Net sales improved and clearly above previous year's level.
- Improvements on the operational level (**EBITDA)**
- Development expected on same level also for 2nd half of 2004

CGS			MCHF	
Key figures	**30.06.04**	**30.06.03**	***Diff.***	***Diff. %***
Order intake	8.2	8.2	-	*0%*
Order backlog	6.3	5.6	*0.7*	*13%*
Net sales	7.9	6.3	*1.6*	*25%*
EBITDA	1.0	0.5	*0.5*	*100%*
Employees	60	58	*2*	*3%*

Goodwill-Amortisation/-Impairment (Early application IFRS 3), Onerous Contract

- Swisslog had goodwill of CHF 108.8 million on the books last December. Regular amortization of goodwill would amount to CHF 28 million in 2004 (whereof CHF 10 million with respect to CGS).
- As of Jan. 2005, as of January 2005 regular goodwill amortization will no longer be allowed. Instead of regular amortization, goodwill will be reviewed at least once a year for its actual value (impairment test) and corrected if necessary.
- IFRS 3 permits an early introduction for the fiscal year 2004. Swisslog meets the requirements of IFRS 3 and introduced the standard retrospectively as of January 1, 2004.
- The impairment-tests confirmed the goodwill of the Divisions WDS and HCS. However, goodwill of CGS will be impaired by CHF 10 million, which is similar to the originally planned amount for the regular amortization. The impairment is needed due to a change in allocating the headquarter cost to the Divisions and the reduced mid-term results of the Division.
- The provision for onerous contracts reduced by 1.7 MCHF, due to successful negotiations with the former owners of Wassermann AG

Financial result: Positive, due to changed Conditions of convertible bond

- Conditions for the outstanding convertible bond 2000-2005 were modified. (final maturity date extended to 2009)

- According to IFRS the just mentioned changes of the convertible bond require a new valuation and the respective adjustments. Following the consequences:

  - **One-off reduction of long-term liabilities due to a computed market interest rate of 7% for a comparable bond by CHF 28.1 million.**

  - **One-time improvement of the financial result by CHF 29.1 million due to the extension of the maturity date of the bond.**

  - **Improvement of the overall company result and thus one-time increase of the equity capital by CHF 28.9 million**

Discontinuing operations:

Divestment loss Schierholz-Translift	-4.4 MCHF
Transnorm net profit 1.1 - 30.6.04	0.0 MCHF
Gain on sale of Transnorm	2.3 MCHF
Total discontinuing operations	**-2.1 MCHF**

- **Divestment program completed**

Summary profit & loss statement

Consolidated income statement	1.1.- 30.6.2004	1.1.- 30.6.2003	1.1.- 31.12.2003
in million CHF			
CONTINUING OPERATIONS:			
Net Sales	**305.5**	**315.5**	**633.2**
Earnings before interest, taxes, depreciation and amortisation of goodwill (EBITDA)	**11.2**	**4.7**	**19.2**
Depreciation on tangible and intangible assets	3.8	5.5	30.0
Earnings before interest, taxes and amortisation of goodwill (EBITA)	**7.4**	**-0.8**	**-10.8**
Amortisation of goodwill, impairment of goodwill	10.0	15.9	68.0
Provision for onerous contracts to acquire goodwill	-1.7	0.0	17.0
Earnings before interest and taxes (EBIT)	**-0.9**	**-16.7**	**-95.8**
Net financial result	22.2	-10.2	-76.8
Result before taxes	**21.3**	**-26.9**	**-172.6**
Taxes	-6.1	-3.1	-19.5
Minority interests	0.0	0.1	0.9
Result continuing operations	**15.2**	**-29.9**	**-191.2**
Result discontinuing operations	-2.1	-5.9	-53.8
Net result	**13.1**	**-35.8**	**-245.0**
	CHF	CHF	CHF
Ergebnis je Aktie	0.12	-2.36	-16.15
Verwässertes Ergebnis je Aktie	0.12	-2.36	-16.15

- Slightly lower net sales
- Operational result (EBITDA & EBITA) clearly improved
- Impairment of CGS reduced due to reduction of provision for onerous contracts
- Revaluation of convertible bond leads to positive financial result
- Increased taxes due to improved results
- Negative result for discontinuing operations
- Overall result positive and clearly improved

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Balance sheet:

- **Increased cash:**
  - Increase of cash position, due to sale of real estate
  - Divestment of Transnorm
  - Remaining cash position: 68 MCHF, however we expect a slight reduction over the next months, due to lower order intake

- **Equity:**
  - Equity rate of 22% after successful financial restructuring

- **Net debt:**

Net debt:	30.6.2004
Convertible bond	117.0 MCHF
Short term borrowings	1.2 MCHF
./. Cash and cash equivalents	68.1 MCHF
NET DEBT	**50.1 MCHF**

Net debt reduced, due to divestments of real estate and Transnorm. Expected operational performance will lead to further reduction.

- **Balance sheet reduced with 40 MCHF, due to divestments (real estate, Transnorm)**

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Conclusion and outlook:

- **Conclusion:**

Operational profitability significantly improved, main focus on order intake

- Order intake suffered due to weak financial situation of Swisslog and economic environment
- Operational restructuring show result impact (EBITDA)
- Restructuring measures undertaken at HCS Germany
- Divestment completed with the sale of Real estate and Transnorm
- Management focus on profitable growth
- No further regular goodwill amortisation

- **Outlook:**

In the second half of 2004 order intake and order backlog increase expected, due to upturn of economy and reinforced customer confidence

- Net sales slightly below previous years level
- EBITDA clearly improved compared to last year