swisslog

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Swisslog with solid earning power – one-time effect blurs overall picture – increased dividend

Buchs/Aarau, 8 March 2011 – **Swisslog reached net sales of MCHF 614.8 (-5.4%) and an operating profit (EBIT) of MCHF 20.1 (-29.2%) in business year 2010. In view of a negative one-time effect and the generally difficult business environment, these reductions are within expectations. When stated in local currencies, the values for order intake, order backlog and net sales are considerably better. In view of the sound financial base and the anticipated profitable growth in the current business year, Swisslog proposes an increased dividend.**

Overall, the 2010 fiscal year has proved unsatisfactory from the operational point of view, since problems in the Healthcare Solutions division in Europe reduced net profit. Moreover, negative currency translation effects clearly lowered some of the results. “However, these facts should not be allowed to detract significantly from the general picture: considering our predominantly late-cycle business and the still demanding environment in 2010, Swisslog achieved good results in a number of respects,” CEO Remo Brunschwiler specifies the annual results.

For example, the Healthcare Solutions division posted a record order intake in local currency in North America. The Warehouse & Distribution Solutions division achieved considerable profitability improvements. Both divisions showed profitable growth in Asia, partly as a result of the further expansion of Swisslog’s presence in the growth market China. In the light goods technology area, additional projects were won and competences in this field significantly increased. Importantly, the financial situation of Swisslog remained consistently solid. A dividend payment of CHF 0.03 per share will therefore be proposed to the General Meeting, which is a rise over the two previous years. This is an expression of the sound financial base and the confidence in Swisslog’s further positive development.

Noted rise in profit at Warehouse & Distribution Solutions
In 2010, the division felt the effects of the continuing difficult economic situation in Europe. Order intake dropped to MCHF 382.5 (-5.3%, or -2.8% in constant currencies). Compared to the previous year, an increased number of small and medium-sized projects were added to three major orders from existing and new customers. Order backlog fell to MCHF 260.8 (-13.0%, or -5.2% in constant currencies) and net sales shrank to MCHF 396.8 (-4.0%, or -1.6% in constant currencies). The attractive Customer Support business, which was also affected by the crisis, recovered in 2010. “Simplicity”, the profitability improvement program introduced in the division in previous years, showed the desired impact. The increased EBIT of MCHF 18.9 (+25.2%) allowed the EBIT margin to grow from 3.7% in the past year to 4.8%.

Mixed results for Healthcare Solutions
Investments in the North American hospital sector picked up significantly over the course of the financial year, so that Healthcare Solutions achieved a record order intake in this region in local currency. However, this was not enough to make up for the decline in Europe: order intake slipped to MCHF 228.6 (-4.1%, +0.8% in constant currencies) and order backlog to MCHF 140.1 (-4.5%, although +7.0% in constant currencies). Net sales fell to MCHF 218.0 (-7.9%, -3.1% in constant currencies) because of the lower order intake in late 2009 and early 2010. The division had problems in Europe, mainly in connection with the introduction of new functionalities in the Automated Guided Vehicles product line. Although most of the problem-ridden projects were stabilized in the course of 2010, this led to one-time additional costs of around MCHF 10. In combination with lower net sales, this substantially reduced EBIT, which came to MCHF 9.5 (2009: MCHF 22.0). The EBIT margin decreased to 4.4% (2009: 9.3%).

Lower net profit, robust equity
As a result of this one-time effect, the Group's EBIT fell from MCHF 28.4 to MCHF 20.1. The positive financial result of MCHF 0.4 (2009: MCHF -4.3) compensated to some extent for the lower EBIT, with income taxes remaining more or less constant at MCHF 6.9 (2009: MCHF 6.4). Net profit for 2010 reached MCHF 13.6 (2009: MCHF 17.7). The Group's financial position continues to be solid. Equity was reduced to MCHF 152.7 (-5.3%) due to currency translation effects, but the equity ratio rose again, this year from 40.0% to 41.4%. Net cash dropped to MCHF 66.1 (31.12.2009: MCHF 104.3), primarily because of reduced advance payments from customers as measured on balance sheet date.

Optimistic outlook for 2011
From the strategic point of view, Swisslog will benefit from an improved market position in light goods and drug management: in light goods logistics through the agreement with the Heron Group on the joint development and production of the SmartCarrier transport robot and the worldwide partnership with Hatteland on the innovative AutoStore bin storage solution, and in drug management logistics through the acquisition of Sabal Medical, whose mobile drug cabinet MedRover rounds off Swisslog's existing portfolio. All these agreements were finalized in January 2011.

"Overall, we anticipate a more positive year. We expect markets to turn up again, and are reckoning on particularly good prospects for North America and Asia. Moreover, our results will no longer be charged by the one-time effect incurred in 2010," Brunschwiler substantiates the friendly outlook. Swisslog expects a return to growth in order intake, a rise of 1-5% in net sales and an improved operating profit (EBIT) of MCHF 25-28 (based on current exchange rates).

Calendar
14 April 2011: General Meeting of Shareholders
25 May 2011: Investor Day
16 August 2011: Publication 2011 Half-Year Result

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2010 Annual Report
The 2010 Annual Report is available for download in PDF format on Swisslog's website:
http://www.swisslog.com/index/home/crp-businessreports.htm

About Swisslog
Swisslog is a global provider of integrated logistics solutions for warehouses, distribution centers and hospitals. Its comprehensive services portfolio ranges from building complex warehouses and distribution centers to implementing Swisslog's own software and technology to intra-company logistics solutions for hospitals.

Swisslog's solutions optimize customers' production, logistics and distribution processes in order to increase flexibility, responsiveness and quality of service while minimizing logistics costs. With years of experience in the development and implementation of integrated logistics solutions, Swisslog provides the expertise that customers in more than 50 countries around the world rely on.

Headquartered in Buchs/Aarau, Switzerland, Swisslog currently employs over 2 000 staff in 20 countries worldwide. The group's parent company, Swisslog Holding AG, is listed on the SIX Swiss Exchange (security number: 1232462, Telekurs: SLOG, Reuters: SLOG.S). Swisslog refers to an order as "major order" if its financial volume exceeds the threshold of MCHF 20.
For more information, please visit www.swisslog.com

SWISSLOG GROUP KEY FIGURES

MCHF	1.1.–31.12.2010	1.1.–31.12.2009
Order intake	611.1	642.0
Order backlog*	400.9	446.4
Net sales	614.8	649.9
Operating profit before depreciation, amortization and impairment of goodwill (EBITDA)	28.1	39.5
Operating profit (EBIT)	20.1	28.4
EBIT margin	*3.3%*	*4.4%*
Net result	13.6	17.7
Equity*	152.7	161.3
Net cash*	66.1	104.3
Net working capital*	–17.1	–52.4
Employees – full-time equivalents*	2 043	2 044

* at the end of period

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December	2010 MCHF	2009 MCHF
ASSETS		
Property, plant and equipment	13.2	14.9
Goodwill	72.3	80.1
Other intangible assets	12.9	12.2
Deferred tax assets	6.7	5.4
Other assets	6.0	6.2
NON-CURRENT ASSETS	**111.1**	**118.8**
Inventories	23.3	22.9
Trade receivables	78.2	72.1
Amount due from customers for construction contracts	38.8	40.1
Income tax receivables	4.6	3.2
Prepaid expenses and accrued income	13.4	10.1
Other receivables	12.9	11.4
Current financial assets	1.0	0.4
Cash and cash equivalents	85.3	124.0
CURRENT ASSETS	**257.5**	**284.2**
TOTAL ASSETS	**368.6**	**403.0**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	152.7	161.2
Non-controlling assets	0.0	0.1
EQUITY	**152.7**	**161.3**
Deferred tax liabilities	0.9	1.3
Employee benefit liability and similar liabilities	7.3	8.4
NON-CURRENT LIABILITIES	**8.2**	**9.7**
Trade payables	54.8	59.4
Amount due from customers for construction contracts	72.6	92.5
Provisions	9.9	11.1
Income tax payables	3.8	2.6
Accrued expenses and deferred income	33.2	31.1
Other liabilities	13.2	15.2
Financial liabilities	20.2	20.1
CURRENT LIABILITIES	**207.7**	**232.0**
TOTAL EQUITY AND LIABILITIES	**368.6**	**403.0**

CONSOLIDATED INCOME STATEMENT

1 January to 31 December	2010 MCHF	2009 MCHF
NET SALES	**614.8**	**649.9**
Other operating income	1.2	2.5
Material and service expenses	268.9	303.3
Personnel expenses	238.8	240.7
Other operating expenses	80.2	68.9
Depreciation and amortization	8.0	11.1
OPERATING PROFIT (EBIT)	**20.1**	**28.4**
Financial income	2.1	4.1
Financial expenses	–1.7	–8.4
RESULT BEFORE TAX	**20.5**	**24.1**
Income taxes	–6.9	–6.4
NET RESULT	**13.6**	**17.7**
Attributable to:		
Equity holders of the parent	13.6	17.7
EARNINGS PER SHARE	CHF	CHF
Basic/diluted earnings per share	0.05	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December	2010 MCHF	2009 MCHF
NET RESULT GROUP	**13.6**	**17.7**
Currency translation differences	–16.6	–0.3
OTHER COMPREHENSIVE INCOME	**–16.6**	**–0.3**
TOTAL COMPREHENSIVE INCOME	**–3.0**	**17.4**
Attributable to:		
Equity holders of the parent	–3.0	17.4

CONSOLIDATED CASH FLOW STATEMENT

1 January to 31 December	2010 MCHF	2009 MCHF
CASH FLOW FROM OPERATING ACTIVITIES		
Net result	13.6	17.7
Adjustment for:		
Income taxes	6.9	6.4
Depreciation and amortization	8.0	11.1
Net financial result	–0.4	4.3
Change in pension liabilities	–0.2	2.3
Loss from sales of tangible assets	0.1	0.0
Share-based payments expenses	0.1	0.2
Other non-cash transactions	–0.5	–1.2
Income taxes paid	–6.6	–8.7
CASH FLOW BEFORE WORKING CAPITAL CHANGES	**21.0**	**32.1**
Increase (–)/decrease (+) of:		
Inventories	–2.4	3.9
Trade receivables, amount due from customers for construction contracts, prepaid expenses, accrued income and other receivables	–13.1	35.8
Increase (+)/decrease (–) of:		
Trade payables	–4.4	–9.3
Amount due to customers for construction contracts	–17.7	–8.0
Other liabilities and accrued expenses and deferred income	–0.8	–6.3
Provisions	–1.1	0.5
CASH FLOW FROM NET CURRENT ASSETS	**–39.5**	**16.6**
NET CASH FLOW FROM OPERATING ACTIVITIES	**–18.5**	**48.7**
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	–5.3	–6.7
Investments in intangible assets	–4.5	–3.9
Disposal of current financial assets	0.0	11.5
Disposal of property, plant, equipment and intangible assets	0.2	0.1
Cash outflow on acquisition	0.0	–1.9
Acquisition of non-controlling interests	–0.1	0.0
Other assets	–0.8	0.0
Interest received	0.8	1.1
NET CASH FLOW FROM INVESTING ACTIVITIES	**–9.7**	**0.2**
CASH FLOW FROM FINANCING ACTIVITIES		
Partial repurchase/repayment of convertible bonds	0.0	–39.2
Financial liabilities	0.1	20.0
Interest paid	–0.3	–1.7
Other financial expenses paid	–0.9	–0.9
Dividend payment	–5.0	–5.0
Purchase (–)/sale (+) of treasury shares	–0.7	0.2
NET CASH FLOW FROM FINANCING ACTIVITIES	**–6.8**	**–26.6**
Currency translation differences on cash and cash equivalents	–3.7	0.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–38.7**	**23.0**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**124.0**	**101.0**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**85.3**	**124.0**

CONSOLIDATED CHANGES IN EQUITY

MCHF	Share capital	Share premium	Treasury stock	Retained earnings	Reserve for currency translation differences	Total	Non-controlling interest	Total Equity
AT 31 DECEMBER 2008	**2.5**	**80.1**	**–1.9**	**116.2**	**–48.5**	**148.4**	**0.1**	**148.5**
Net result 2009				17.7		17.7		17.7
Other comprehensive income					–0.3	–0.3		–0.3
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**0.0**	**17.7**	**–0.3**	**17.4**	**0.0**	**17.4**
Change in treasury stock			0.2			0.2		0.2
Share-based payment		0.2				0.2		0.2
Dividends				–5.0		–5.0		–5.0
AT 31 DECEMBER 2009	**2.5**	**80.3**	**–1.7**	**128.9**	**–48.8**	**161.2**	**0.1**	**161.3**
Net result 2010				13.6		13.6		13.6
Other comprehensive income					–16.6	–16.6		–16.6
TOTAL COMPREHENSIVE INCOME	**0.0**	**0.0**	**0.0**	**13.6**	**–16.6**	**–3.0**	**0.0**	**–3.0**
Change in treasury stock			–0.7			–0.7		–0.7
Share-based payment		0.1				0.1		0.1
Dividends				–5.0		–5.0		–5.0
Acquisition of non-controlling interests				0.1		0.1	–0.1	0.0
AT 31 DECEMBER 2010	**2.5**	**80.4**	**–2.4**	**137.6**	**–65.4**	**152.7**	**0.0**	**152.7**

INFORMATION BY SEGMENT

MCHF	2010 Warehouse & Distribution Solutions	2010 Healthcare Solutions	2010 Total Segment	2010 Corporate/ Elimination	2010 Total Group	2009 Warehouse & Distribution Solutions	2009 Healthcare Solutions	2009 Total Segment	2009 Corporate/ Elimination	2009 Total Group
Order intake	382.5	228.6	611.1	0.0	611.1	403.8	238.4	642.2	–0.2	642.0
Order backlog (at year-end)	260.8	140.1	400.9	0.0	400.9	299.7	146.7	446.4	0.0	446.4
Net sales	396.8	218.0	614.8	0.0	614.8	413.2	236.8	650.0	–0.1	649.9
Depreciation and amortization	5.2	2.6	7.8	0.2	8.0	8.5	2.3	10.8	0.3	11.1
OPERATING PROFIT (EBIT)	**18.9**	**9.5**	**28.4**	**–8.3**	**20.1**	**15.1**	**22.0**	**37.1**	**–8.7**	**28.4**
Financial result net					0.4					–4.3
RESULT BEFORE TAX					**20.5**					**24.1**
Total assets	180.0	132.6	312.6	56.0	368.6	197.5	138.9	336.4	66.6	403.0
Net operating assets (NOA)[1]	3.9	76.2	80.1	–4.0	76.1	–31.7	84.4	52.7	–4.0	48.7
Net working capital[2]	–50.0	36.2	–13.8	–3.3	–17.1	–91.1	40.7	–50.4	–2.0	–52.4
Days of net working capital	–46.0	60.6			–10.2	–80.4	62.7			–29.4
Investment in property, plant, equipment and intangible assets[3]	5.5	4.1	9.6	0.2	9.8	6.7	3.8	10.5	0.1	10.6
Employees – full-time equivalents (at year-end)	1 159	866	2 025	18	2 043	1 180	846	2 026	18	2 044
EBIT as % of net sales (EBIT margin)	4.8	4.4			3.3	3.7	9.3			4.4

1 Current and non-current assets (excl. cash, cash equivalents, current financial assets, deferred tax assets and other non-current assets) less current liabilities and provisions (excl. interest-bearing borrowings, deferred tax liabilities and income tax payables)

2 Excluding cash, cash equivalents, current financial assets, deferred tax assets, deferred tax liabilities and interest-bearing borrowings

3 Excluding goodwill