



KARDEX

Annual Report 2009

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Kardex Group at a glance

Overview

1 January to 31 December, EUR millions	2009	+/-%	2008
Bookings	322.3	-28.3	449.2
Order backlog (31 December)	78.9	-20.6	99.4
Net revenues	342.9	-25.5	460.0
Operating result (EBIT)	6.3	-85.1	42.3
EBIT in % of revenues, net	1.8		9.2
Operating result before depreciation (EBITDA)	16.5	-67.9	51.4
EBITDA in % of revenues, net	4.8		11.2
Result for the period	0.8	-97.6	33.0
Result for the period in % of revenues, net	0.2		7.2
Total comprehensive income for the period	-0.1		34.2
Total comprehensive income for the period in % of revenues, net	-		7.4
Capital expenditure (gross)	9.1	-35.5	14.1
Net cash flow from operating activities	25.6	-34.5	39.1
Net cash flow from operating activities in % of net revenues	7.5		8.5
Free cash flow	17.9	-11.4	20.2
Free cash flow in % of revenues, net	5.2		4.4
	31.12.2009	+/-%	31.12.2008
Net debt	20.0	-21.3	25.4
Equity	98.1	-8.6	107.3
Equity ratio in %	40.4		38.5
Employees (fulltime equivalents)	1 899	-6.4	2 028

Further key figures

1 January to 31 December	2009	+/-%	2008
Average number of employees during the year	1964	1.8	1930
Average net sales per employee (EUR 1 000)	175	-26.5	238
Gearing	0.20	-16.7	0.24
Par value reduction (EUR millions)	9.3		-

Net revenues by regions

1 January to 31 December, EUR millions	2009	+/-%	2008
- Euro countries	202.1	-24.0	265.9
- Rest of Europe	79.6	-37.0	126.3
- Americas	37.6	18.2	31.8
- Asia Pacific	23.6	-34.4	36.0
Total net revenues	342.9	-25.5	460.0

Segment reporting

EUR millions	2009	+/-%	2008
Kardex Remstar operating segment			
Bookings	180.9	-28.1	251.6
Order backlog (31 December)	48.2	-27.8	66.8
Segment net revenues	199.6	-22.5	257.5
Operating result (EBIT)	6.8	-76.5	28.9
EBIT in % of segment net sales	3.4		11.2
Employees (full-time equivalents on 31 December)	1 313	-5.1	1 384
Kardex Stow operating segment			
Bookings	141.4	-28.4	197.6
Order backlog (31 December)	30.7	-5.8	32.6
Segment net revenues	143.5	-30.1	205.2
Operating result (EBIT)	2.1	-86.8	15.9
EBIT in % of segment net sales	1.5		7.7
Employees (full-time equivalents on 31 December)	572	-9.6	633

Kardex: Dynamic storage and retrieval systems

When the ceilings are low
and the buildings flat,
Kardex builds horizontally.





Kardex Horizontal are automated horizontal “goods-to-person” circulating racks.

Kardex Horizontal make paperless order picking possible. The circulating racks are equipped with a PC-based control system and digital display elements, rendering paper superfluous.

Kardex Horizontal reduce mistakes and search times by displaying freely definable information.

Kardex Horizontal have an order-bundling option that ensures a high picking performance.

Kardex Horizontal deliver high-density storage and large storage spaces concentrated in a small compact area.

Kardex Horizontal provide access to stored goods even during a total power failure.

Kardex Horizontal allow permanent access to goods since all devices connected to an order-picking station work simultaneously. Waiting times are reduced to a minimum.

Kardex Horizontal guarantee high-calibre efficient picking performance: One person operates up to four carousels in 10 to 15-second cycles.



Report of the Board of Directors

Financial year 2009 for the Kardex Group was significantly affected by the economic downturn. In key markets in Western and Eastern Europe and in China sales were considerably below the previous year's level. The Swiss, Dutch and US markets showed positive revenue trends. In financial year 2009, the Kardex Group held its strong position in the market for automated storage systems. The systematically implemented structural and cost adjustments meant that a positive operating result (EBIT) could be achieved despite a sizeable decline in volumes, pressure on prices in the market and high one-off costs.

Leo Steiner
Chairman of the Board of Directors

Jos De Vuyst
Chief Executive Officer

“Positive operating result despite high one-off costs.”

Global supplier of automated storage systems

The strategy agreed by the Board of Directors is to expand the Kardex Group into an integrated supplier of turnkey, automated storage systems with an attractive product and service offer under the global Kardex brand name. This strategy is reflected in the renaming of the Divisions: Kardex Remstar (previously KRM) for dynamic storage and retrieval systems, and Kardex Stow (previously Stow) for static storage systems.

Financial year 2009 affected by economic downturn

In line with the market as a whole, net revenues of the Kardex Group fell 25.5% to EUR 342.9 million (2008: EUR 460.0 million) in financial year 2009 as a result of the economic downturn. In local currencies there was a decline of 24.7% and after adjusting for the effect of acquisitions net revenues were down 28.3% year-on-year. Kardex USA Inc., which was consolidated for the first time, and the Division acquired from Element Storage Systems AS of Norway in May 2009 contributed EUR 13.0 million to the Group's revenues in financial year 2009. At EUR 322.3 million (EUR 449.2 million), bookings were 28.3% lower than in the previous year. At the end of financial year 2009, the Kardex Group's order backlog showed a year-on-year decrease of 20.6% at EUR 78.9 million (EUR 99.4 million). The Kardex Remstar Division accounted for 58.2% of the Group's net revenues (55.9%). The Kardex Stow Division contributed 41.8% (44.1%) to consolidated net revenues. The gross margin of the Kardex Group declined to 24.4% (26.5%). This was due to lower utilization of production capacity, massive price pressure and partly to the impact of the trend in steel prices within the Kardex Stow Division. Owing to implemented measures to realign cost structures with the fall in demand caused by the economic situation, such as short-time working hours in the factories and selective downsizing at distribution companies, the Kardex Group achieved a positive operating result (EBIT) of EUR 6.3 million (EUR 42.3 million). The EBIT margin was 1.8% (9.2%). EBIT includes extraordinary costs for the structural adjustments and further one-off effects totalling EUR 6.4 million. After factoring out one-off costs, EBIT stood at EUR 12.7 million and the EBIT margin came to 3.7%. After adjustment for one-off costs of EUR 5.6 million, the consolidated result stood at EUR 0.8 million (EUR 33.0 million).

Strong balance sheet and cash flow trend

Against a difficult backdrop, the Kardex Group generated a free cash flow of EUR 17.9 million (EUR 20.2 million) in financial year 2009. Although the Kardex Group took a very cautious approach to investment in financial year 2009 given the economic downturn, all strategic investment projects were continued. Specifically, these included the SAP introduction rolled out in

“Prepared for sustainable development.”

the previous year and the implementation of a functional management structure in the Kardex Remstar Division, as well as most research and development projects. In total, the Kardex Group invested EUR 9.1 million (EUR 14.1 million) in financial year 2009, mainly in property, plant and equipment but also software, and spent a further EUR 2.3 million on the expansion of the new US operating and production site in Lewistown, Pennsylvania, as well as EUR 2.6 million on acquiring the net assets of Element Storage Systems AS of Norway. Net debt was reduced again to EUR 20.0 million, compared with EUR 25.4 million at the end of the previous year. Equity came to EUR 98.1 million (EUR 107.3 million) and the equity ratio stood at 40.4% (38.5%). Gearing (debt-to-equity ratio) came to 20.4% (31 December 2008: 23.7%).

In view of the unsatisfactory 2009 annual result caused by the economic situation and in order to strengthen the liquidity of the Kardex Group, the Board of Directors will propose to the General Meeting of Kardex AG on 27 April 2010 that no dividend be paid.

Outlook

The global economic crisis has resulted in overcapacity in some customer segments and caused considerable pressure on prices. It is currently not possible to predict when demand will stabilize, nor can a setback in the coming months be ruled out. The outlook for 2010 for the markets of the Kardex Group and the general economic situation therefore remains uncertain. Owing to organizational and structural adjustments, together with the ongoing cost-cutting programmes, the Kardex Group is well equipped to achieve another positive operating result (EBIT) in a continued tough market environment, as well as to benefit rapidly from any recovery in demand and to sustainably expand its strong market position.

Thank you

On behalf of the Board of Directors and the Management Board, we would like to thank all employees. Thanks to their commitment, the Kardex Group continued to develop further last year. We wish to thank our customers for their loyalty, our business partners for their constructive collaboration, and you as valued shareholders for the trust you place in us.



Leo Steiner
Chairman of the Board of Directors



Jos De Vuyst
Chief Executive Officer

Kardex: Dynamic storage and retrieval systems

Entry-level dynamic storage technology with proven solutions.





[Automated Megamat circulating](#) paternoster racks are used in industry, commerce and administration for retrieval as well as interim and final storage.

[Automated Megamat circulating](#) racks are computer-controlled “goods-to-person” order-picking systems for frequently accessed goods.

[Automated Megamat circulating](#) racks boast some impressive dynamics: high-performance drive, intelligent computer control, and goods feeding within seconds.

[Automated Megamat circulating](#) racks are multi-equipable: with shelves for direct storage of goods or as a base for storage and transport containers or customer-specific receptacles.

[Automated Megamat circulating](#) racks offer order pickers the utmost comfort and safety: no running up stairs, no climbing ladders, no bending. The operating hatch is at an ergonomically correct working height.

The automatic feed of parts to production lines has secured [automated Megamat circulating](#) racks a solid reputation among manufacturers.

[Automated Megamat circulating](#) racks are successfully deployed for the buffer storage of electronic components. Special interior finishing ensures that electrical currents are safely discharged.

[Automated Megamat circulating](#) racks provide the ideal infrastructure for all types of document filing. Megamat’s first-class reference list numbers government archives, leasing firms, trust companies and insurers.

Interview CEO/CFO

“The Kardex Group has laid the foundations for its future.”

What events shaped developments for the Kardex Group in financial year 2009?

Jos De Vuyst: The economic downturn placed heavy demands on the management and employees of the Kardex Group during the past year. Although we began financial year 2009 with a good order backlog, we had to assume that we too would feel the effects of the economic downturn from the second quarter onwards. I should add that the Kardex Group’s market visibility is normally just under three months. We therefore faced the task of firstly ensuring existing delivery commitments by the end of March while operating at full capacity; second, we needed to prepare the Kardex Group for a significant fall in volumes from April onwards.

Gerhard Mahrle: Our belief is that the Kardex Group will benefit from the recovery in markets. Therefore, protecting our corporate value is always the top priority. That’s essentially why we opted for short-time working hours in the factories and selective downsizing at distribution companies. Had there been a massive downsizing, we would have weakened our corporate value and lost vital expertise that we could not do without in the event of the expected upturn.

Jos De Vuyst: In financial year 2009, we also introduced a functional management structure at the Kardex Remstar Division and strengthened the management with new people.

What measures did you take to prepare the Kardex Group for the upturn?

Gerhard Mahrle: Although we took a cautious approach to investment owing to the economic downturn, we continued to pursue strategic investments such as the ongoing rollout of the SAP projects as well as most research and development projects. In May 2009, we took over from our former business partner the successful sales organization of Element Storage Systems AS of Norway by acquiring its net assets, thereby becoming one of the leaders for dynamic storage systems in

the Scandinavian market. We also achieved our goals with the acquisition of our former rival in the USA, Kardex Systems Inc.: we now own the strong Kardex brand worldwide, have a modern, highly efficient production facility in the dollar region following the reorganization and expansion of the plant in Lewistown, Pennsylvania, and with the expansion of the sales organization we have strengthened our position in the US, especially in the office solutions market. In the past financial year, we benefited from orders from the US government.

Jos De Vuyst: Financial year 2009 saw us lay the foundations for the future, in part through the introduction of a functional management structure and the strengthening of management

at the Kardex Remstar Division. To use a football analogy, we’ve strengthened the division with new coaches and motivated players. Right now we’re practising hard, and will be ready to grow quickly and successfully as soon as demand returns to normal.

“Continuation of the corporate expertise is the top priority.”

Where do things go from here?

Jos De Vuyst: We have a number of projects under way right now that will equip us even better for the future. This centres on the strategy agreed by the Board of Directors of positioning the Kardex Group as a global supplier of storage systems with a comprehensive offer of turnkey solutions. To this end, we will be strengthening the Group in terms of technology and automation in particular – including through selected acquisitions.

Gerhard Mahrle: Kardex is developing into a global brand with proven competency in the field of automated storage systems, from development and production through integration to the turnkey storage system, coupled with a comprehensive service offer.

Jos De Vuyst: Going forward, the Kardex Group will be a one-stop shop for automated storage systems with successful in-house solutions for dynamic storage and retrieval systems as well as static storage systems and with a strong service



Jos De Vuyst
CEO

Gerhard Mahrle
CFO

business. It is our aim for Kardex to be among the world's select group of full-service suppliers of automated storage systems. We are therefore creating the basis for continuous growth, as well as raising value added and profitability in the long term.

What does that mean for the divisions?

Jos De Vuyst: The Kardex Group's two divisions must grow on an independent, profitable basis in the long term. They're already well equipped to do so. With the introduction of the functional management structure in financial year 2009, we have now created the right conditions at the Kardex Remstar Division as well as the Kardex Stow Division to respond more quickly and on a more individual basis to market trends and customer requirements. At the Kardex Remstar Division, we also undertook a systematic expansion of the service business, which performed well even in the economically challenging market environment of financial year 2009: revenues from the provision of services remained virtually stable versus the previous year and owing to falling product sales equated to a substantial 30% of segment revenues. Furthermore, the integration of Kardex USA Inc. and acquisition of the sales organization of Element Storage Systems AS strengthened the Kardex Remstar Division. At the Kardex Stow Division, we commissioned an in-house steel slitting line in financial year 2009. This will enable us to be more flexible with regard to steel procurement and strengthen profitability of the Kardex Stow Division as soon as markets and steel prices return to

normal. Following the structural adjustments and investment of recent years and with its modern production sites in Belgium and China, the Kardex Stow Division is well positioned to benefit more than most from a recovery in demand in the market for static storage systems.

How do you see developments for the Kardex Group in the medium term?

Gerhard Mahrle: The Kardex Group has a cost structure that should enable us to achieve a positive operating result (EBIT) in financial year 2010 even in a tough market environment. The balance sheet is solid with an equity ratio of around 40%.

We have a high liquidity and in financial year 2009 generated a free cash flow of EUR 17.9 million. The Kardex Group is well placed for a recovery on its markets. We have a strong basis for organic growth and are in a position to fund acquisitions from our existing resources.

Jos De Vuyst: Further consolidation within our industry is a strong possibility. We've noticed a willingness to talk on the part of many companies. Everyone needs to be prepared for the challenges of the future. In every respect, the Kardex Group is poised to play an active role in this process.

“The Kardex Group is well prepared for the upswing.”

Kardex: Dynamic storage and retrieval systems

When land prices shoot upwards,
Kardex builds upwards.





Kardex shuttle systems work according to the skyscraper principle: Maximum usable space is created on the smallest possible area.

Kardex shuttle systems can make optimum use of areas with ceiling heights up to 30 metres, or they can connect floors by applying the lift principle.

Kardex shuttle systems are modular in design, with flexible dimensions and fittings and equipment ratings that can be matched to any need.

Kardex shuttle systems feature dynamic technology, a high level of efficiency, operating reliability, intelligence and low-noise working.

Kardex Shuttle systems are air-conditionable: from minus 20° to plus 70°. A technology which extends their range of uses to blood plasma and food.

Kardex shuttle systems can be equipped for dry storage: maximum humidity 5%. A technology which extends their range of uses to microchips and wood veneers.

Kardex shuttle systems can be converted into clean rooms: up to class 1 000. A technology for applications in the chemical and pharmaceutical industries.

Kardex shuttle systems can be tuned for high-speed order picking. A technology which, can handle up to 2 000 picks per hour.



Jos De Vuyst
Head of the Kardex Remstar Division

Kardex Remstar Division

Kardex Remstar: Dynamic storage and retrieval systems

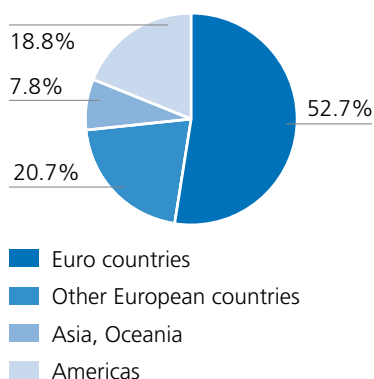
Profile

The Kardex Remstar Division is a leading global provider of development, production and maintenance services for computer-controlled, flexibly designed storage, retrieval and distribution systems. Kardex Remstar logistics solutions are geared primarily towards customers in industrial production, commerce, administration and the service sector.

Marked decline in revenues due to economic downturn

In financial year 2009, segment revenues of the Kardex Remstar Division fell by 22.5% to EUR 199.6 million (EUR 257.5 million) due to the economic downturn. In local currencies the decline came to 22.6% and after adjusting for acquisitions it was 27.4%. The integration of Kardex USA Inc. and acquisition of the sales organization of Element Storage Systems AS, which is well established in the Scandinavian market for automated storage systems, contributed EUR 13.0 million to the Kardex Remstar Division's revenues. The realignment of structures and costs, coupled with a pleasing development at the service business, enabled a positive operating result (EBIT) of EUR 6.8 million (EUR 28.9 million) to be posted despite the marked fall in volumes. The EBIT margin was 3.4% (11.2%). After adjusting amongst other things for the extraordinary costs of the structural adjustments and one-off effects amounting to EUR 4.6 million, EBIT came to EUR 11.4 million and the EBIT margin was 5.7%.

Net revenues by markets



Service business robust

Markets which felt the impact of the slide in demand particularly were Spain, the UK and Germany in western Europe and Poland, the Czech Republic and Russia in eastern Europe. In China too, revenues were lower year-on-year. Sales trends were positive in Switzerland, the Netherlands and the US, where Kardex USA Inc. had benefited from government orders in the office segment. The service business proved to be robust in the tough market environment of financial year 2009 with revenues of around EUR 62.6 million (around EUR 64.4 million). Bookings were down 28.1% at EUR 180.9 million (EUR 251.6 million) and at the end of the financial year the order backlog of the Kardex Remstar Division was 27.8% down year-on-year at EUR 48.2 million (EUR 66.8 million).

Consolidated key figures for the Kardex Remstar Division

EUR millions	2009	+/-%	2008
Order intake	180.9	-28.1	251.6
Order backlog	48.2	-27.8	66.8
Segment net revenues	199.6	-22.5	257.5
Operating result before depreciation and amortization	12.7	-62.8	34.1
Operating result (EBIT)	6.8	-76.5	28.9
EBIT in % of segment revenues, net	3.4		11.2
Employees (fulltime equivalents on 31 December)	1 313	-5.1	1 384

Organizational structure and processes strengthened

In financial year 2009, the Kardex Remstar Division was given a functional management structure similar to that of the Kardex Stow Division. With this move, the aim of the Board of Directors and the Management Board is to push ahead with the Division's strategic thrust systematically with a clear focus on customer and market needs as well as on solutions in the materials handling, office and service areas. The associated one-off costs incurred in the reporting year amounted to around EUR 4.6 million. In the course of the successful integration of the former US competitor Kardex Systems Inc., the organization and structures of Kardex USA Inc. were streamlined in financial year 2009 and production concentrated at the new operating and production site in Lewistown, Pennsylvania. In Kardex USA Inc., the Kardex Remstar Division now has efficient manufacturing operations in the dollar zone and with the expansion of the sales organization has strengthened its position, primarily in the market for office solutions in the USA. Kardex Remstar is also endeavouring to achieve geographical growth in India and China, as well as in the Asian market in general.

Prepared for sustainable development

Through the systematic expansion of its activities in all core markets, the Kardex Remstar Division is aiming to strike a balance between the different geographical markets in the long term. The successful service business also has long-term growth potential. Following its successful implementation of organizational and structural adjustments in financial year 2009, the Kardex Remstar Division is poised to benefit quickly from any recovery in its markets and to continuously expand its strong market position.



Hans De Staercke
Head of the Kardex Stow Division

Kardex Stow Division

Kardex Stow: Static storage systems

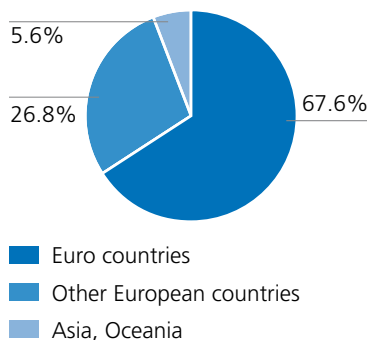
Profile

With its efficient automated production facility in Belgium and modern plant in Shanghai, the Kardex Stow Division is among the world's leading producers of static storage systems. It offers customers such as national and international general logistics contractors, logistics service companies and major industrial and commercial groups a flexible range of customized high-bay storage solutions and efficient assembly structures on a one-stop basis.

Positive operating result despite significant decline in revenues

The segment revenues of the Kardex Stow Division were down 30.1% in financial year 2009 at EUR 143.5 million (EUR 205.2 million) owing to the sharp decline in demand for consumer and capital goods as well as massive pressure on prices. Adjusted for exchange-rate effects, the decline came to 28.3%. The decline in sales was additionally influenced by the negative effect of the trend in steel prices. The effective year-on-year drop in volumes for the Kardex Stow Division in financial year 2009 was around 20%. The successful implementation of the 'Synergy' operational excellence program in the previous year and systematic organizational and structural adjustments at the Kardex Stow Division contributed to the positive operating result (EBIT) of EUR 2.1 million (EUR 15.9 million). The EBIT margin was 1.5% (7.7%). After adjusting for extraordinary costs amounting to EUR 1.8 million, EBIT came to EUR 3.9 million and the EBIT margin was 2.7%.

Net revenues by markets



Volatile trend in steel prices

The fall in steel prices posed an additional challenge for the management of the Kardex Stow Division, further compounding price and margin pressures in an already highly competitive market. What is more, overcapacity meant that market prices for the slit coils used to manufacture static storage systems were in some cases below the own cost price of the slit coils. Consequently, the slitting line commissioned on schedule in financial year 2009 was not yet able to make its expected contribution to EBIT. As soon as markets return to normal, the slitting line will support improvement in the profitability of the Kardex Stow Division.

Consolidated key figures for the Kardex Stow Division

EUR millions	2009	+/-%	2008
Order intake	141.4	-28.4	197.6
Order backlog	30.7	-5.8	32.6
Segment net revenues	143.5	-30.1	205.2
Operating result before depreciation and amortization	6.4	-67.7	19.8
Operating result (EBIT)	2.1	-86.8	15.9
EBIT in % of segment revenues, net	1.5		7.7
Employees (fulltime equivalents on 31 December)	572	-9.6	633

Position bolstered in a tough market environment

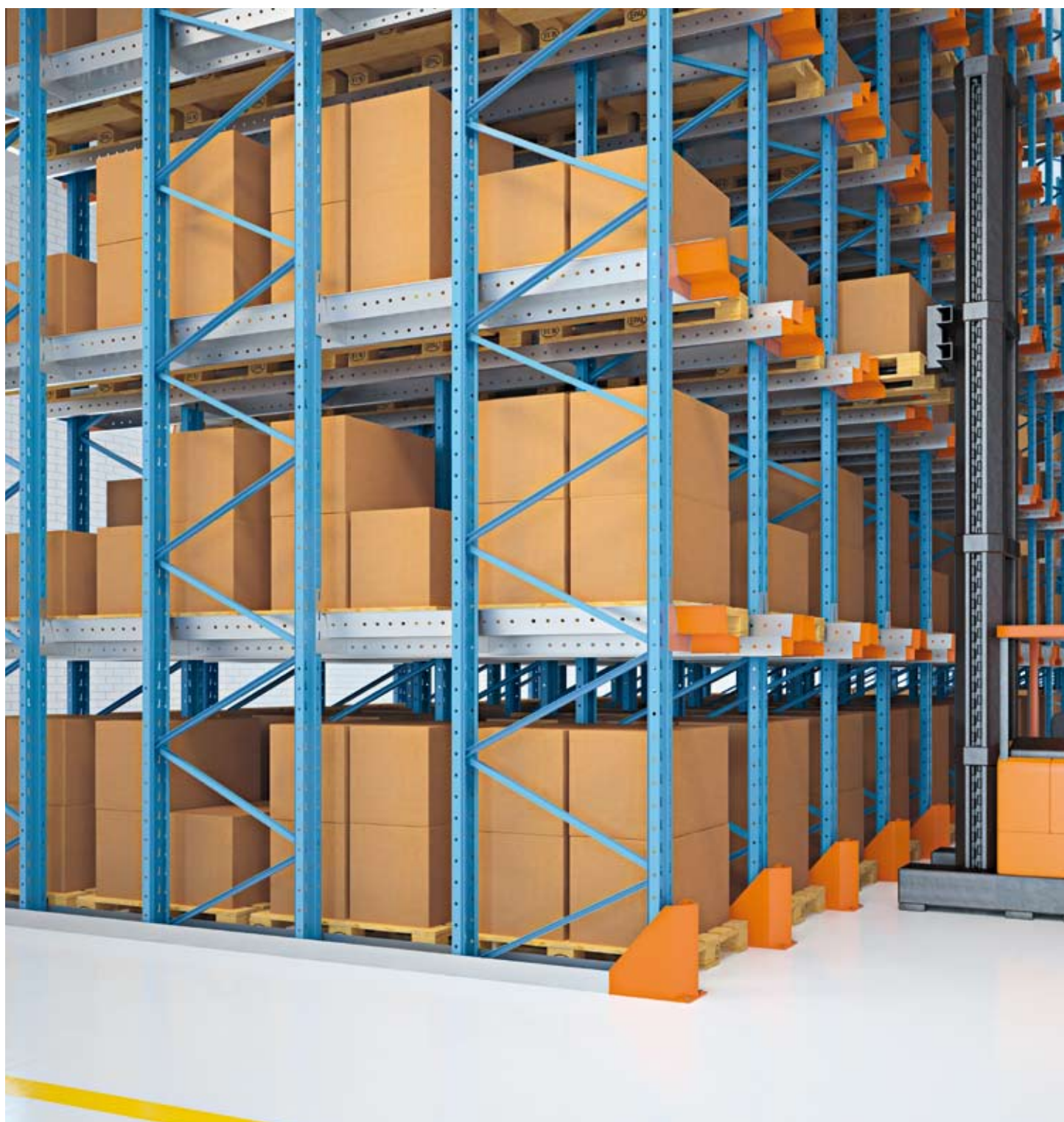
The Kardex Stow Division bolstered its market position in financial year 2009 at a time when the overall market for static storage systems was contracting. The economic downturn hit Kardex Stow sales in the UK, eastern Europe and China primarily. Sales in the Benelux countries, France and Austria, as well as Australia and the Middle East, showed a positive trend. Despite lower sales due to the economic situation, cooperation with major partners developed well in financial year 2009 with the extension of important framework contracts. Bookings at the Kardex Stow Division fell by 28.4% in financial year 2009 to EUR 141.4 million (EUR 197.6 million). At the end of the financial year, the Kardex Stow Division had an order backlog of EUR 30.7 million (EUR 32.6 million), which was down 5.8% year-on-year.

Prepared for sustainable development

In financial year 2009, the Kardex Stow Division continued its strategic investments despite the tough market environment; the rollout of the SAP projects launched in the previous year was continued and the in-house slitting line was commissioned on schedule. With its modern plants in Belgium and China, functional management structure implemented in the previous year and optimized processes, the Kardex Stow Division is well placed to continue achieving a positive operating result (EBIT) even in a persistently tough market environment and to grow profitably again in the long term when markets return to normal.

Stow: Static storage systems

Drive-in and drive-through racks for optimized storage of identical pallets.





[Stow drive-in and drive-through racks](#) are the no. 1 professional solution when it comes to storing large numbers of identical pallets.

[Stow drive-in and drive-through racks](#) help to make better use of the available space. Block storage produces optimum results by eliminating the need for picking aisles.

[Stow single and double-side operated drive-in racks](#) are loaded and unloaded on a last in first out basis.

[Stow drive-through racks](#) are loaded on one side and unloaded from the opposite side according to the first in first out rule.

[Stow drive-in and drive-through racks](#) rely on floor-mounted rails which guide the lifting gear or pallets and at the same time protect the unit itself.

[Stow drive-in and drive-through racks](#) are constructed according to Stow's unique Pal Rack system, which allows for very high units, flexible height adjustment of the channels, and fast and convenient assembly.

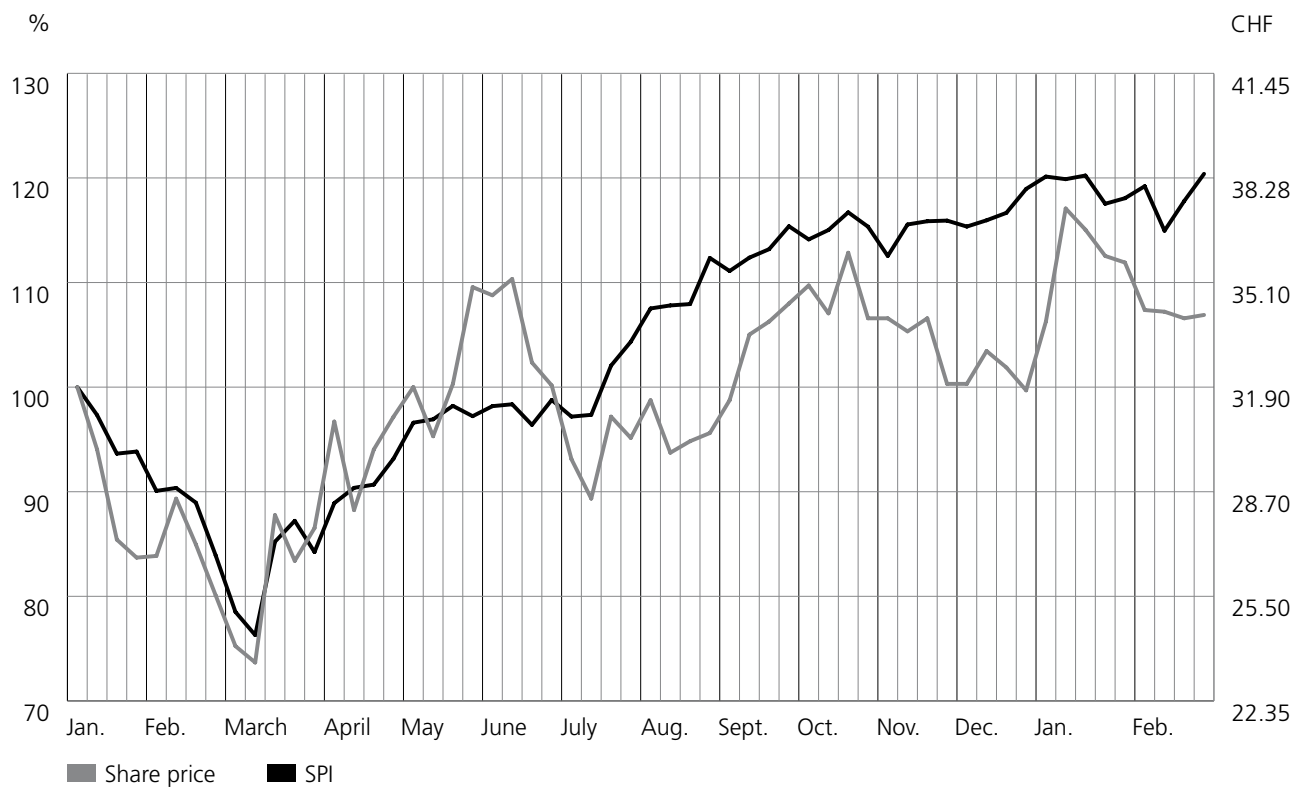
Corporate Governance

The Kardex Group is committed to the recognized principles of responsible corporate governance as published by *economiesuisse* in the Swiss Code of Best Practice for Corporate Governance. By acknowledging these principles, the Group aims through its management and corporate policies to strengthen and increase on a lasting basis the trust shown towards the company by present and future shareholders, investors, employees, business associates and the general public. Through defined internal controls and the monitoring of business processes, the Group seeks to achieve risk-controlled decisions and results and has set itself the goal of ensuring comprehensive, transparent communication with all stakeholder groups. The principles of corporate governance at the Kardex Group are enshrined in its Articles of Incorporation, Organizational By-Laws and other guidelines. The Group publishes further details on its website at www.kri-group.com.

In the following section, as required by the guidelines of the SIX Swiss Exchange, the Kardex Group provides information about its corporate governance. The information is organized as in the guidelines. To avoid redundancy and in the interests of readability, there are several cases where the reader is referred to other places in the Annual Report or other Kardex Group publications. Any significant changes occurring between balance sheet date and this report going to press have been noted.

Kardex AG (Holding): the share

Price movements on SIX Swiss Exchange 2009/2010
(based on weekly closing share price in CHF)



Period: 1 January 2009 to 28 February 2010

KARN: Registered shares Kardex AG

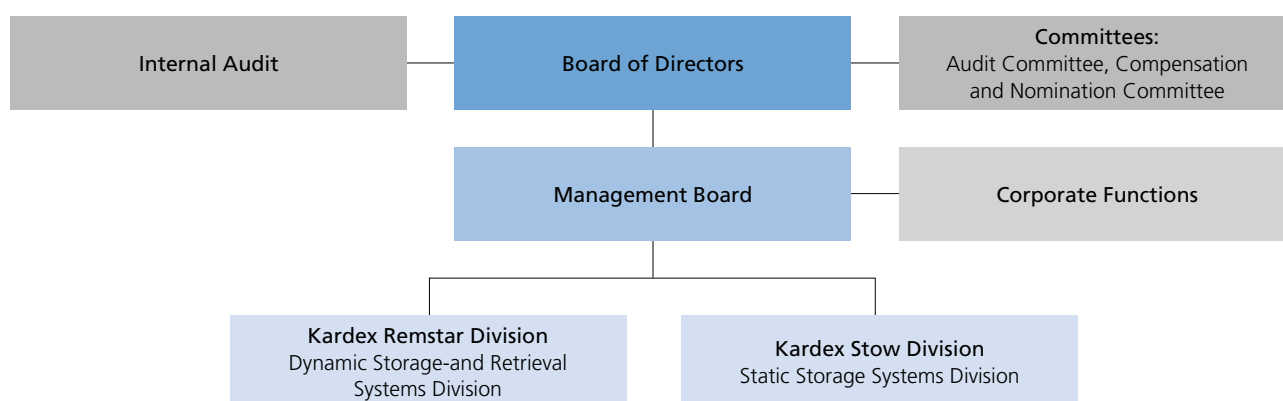
SPI: Swiss Performance Index

1. Group structure and shareholders

1.1 Group structure

1.1.1 Structure of Group operations

The Kardex Group is divided into the two divisions or segments Kardex Remstar and Kardex Stow.



As members of the Management Board, the two division heads report directly to the Chief Executive Officer (CEO). The Chief Financial Officer (CFO) also sits on the Management Board. The CEO is responsible for the management of the holding company and the Group. He also heads the Management Board, which is responsible for preparing and advising on the business of Kardex AG and the Group. Owing to the restructuring of the Kardex Remstar Division in 2009, the CEO has also managed this division since April 2009 and will continue to do so until further notice. The Group is managed by the Board of Directors through the Management Board and the management of the operative divisions Kardex Remstar and Kardex Stow.

The Board of Directors and the Management Board are assisted in their work by various central Group functions. The division of responsibilities between the Board of Directors, the CEO and Management Board is explained in section 3.5.

1.1.2 Listed consolidated company

Listing

Company	Kardex AG
Listed at	SIX Swiss Exchange
Swiss securities no.	10083728
ISIN	CH0100837282
Symbol	KARN
Market capitalization as at 31 December 2009	CHF 188.2 million

Kardex AG is a public limited company of indeterminate duration under Swiss law and is headquartered in Zurich, Switzerland. None of the subsidiary companies is listed. The registered shares of Kardex AG are listed in the main segment of SIX Swiss Exchange in Zurich. The par value per share is CHF 11.00; each share carries one voting right.

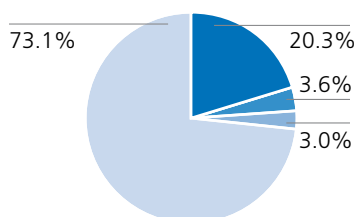
1.1.3 Non-listed consolidated companies

The significant directly and indirectly held companies in the Kardex Group within the scope of consolidation of Kardex AG are listed on pages 102 to 104 of the notes to the consolidated financial statements.

1.2 Significant shareholders

As at 31 December 2009, there were 1 562 shareholders entered in the share register. No shareholders' agreements or other agreements exist between significant shareholders and the Kardex Group. The registered shares are held largely by private shareholders who are in most cases resident in Switzerland. The largest shareholders (in terms of capital held) at the balance sheet date were:

Significant shareholders



- Buru Holding and Philipp Buhofer
- Credit Suisse Asset Management Funds
- Pictet Funds SA
- Other shareholders

Buru Holding and Philipp Buhofer	20.3%
Credit Suisse Asset Management Funds	3.6%
Pictet Funds SA	3.0%
Other shareholders	73.1%

The company held treasury shares amounting to 1.0% at the balance sheet date. Shares pending registration of transfer amounted to 27.4% of the total as at 31 December 2009.

1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

Share capital and capital structure

	2009	2008	2007	2006
Par value per share (CHF)	11.00	13.50	13.50	13.50
Total bearer share	–	5 627 453	5 627 453	5 627 453
Total registered share	5 627 453	–	–	–
Number of treasury shares	57 573	60 796	28 466	1 195
Number of dividend-bearing shares	5 569 880	5 566 657	5 598 987	5 626 258
Registered capital (CHF 1 000)	61 902	75 971	75 971	75 971
Authorized capital (CHF 1 000)	9 900	12 150	12 150	–
Total voting rights	5 569 880	5 566 657	5 598 987	5 626 258

Key figure per registered share

CHF	2009	2008	2007	2006
Share price high	36.35	66.25	73.00	75.50
Share price low	21.00	25.60	49.95	41.50
Closing rate	33.45	30.00	61.50	52.00
Market capitalization – CHF million	188.24	168.82	346.09	292.63

Key figure per registered share

CHF	2009	2008	2007	2006
Net result per share	0.21	9.30	6.35	-9.29
Price earnings (closing rate)	156.44	3.22	9.68	-5.60
Operating cash flow	6.87	10.43	14.91	-2.60
Free cash flow	4.81	5.69	21.34	-6.57
Dividend	-	-	-	-
Par value reduction	-	2.50	-	-
Equity	25.86	28.47	21.82	15.92

2.1 Ordinary capital

The General Meeting on 21 April 2009 approved a par value reduction of CHF 2.50 per share from CHF 13.50 to CHF 11.00 as well as the conversion of bearer shares into registered shares. This par value reduction took place on 7 July 2009. Kardex AG's ordinary share capital amounts to CHF 61 901 983 on 31 December 2009 divided into 5 627 453 fully paid-in registered shares each with a par value of CHF 11.00. All shares, except treasury shares, are entitled to dividends and entitle the holder to one vote at the General Meeting.

2.2 Conditional and authorized capital

Conditional capital on 31 December 2009 amounts to CHF 9 900 000. The company had no authorized capital as of 31 December 2009.

Conditional capital for convertible bonds (31 December 2009)

In accordance with article II paragraph 3a of the Articles of Incorporation, share capital may be increased through exercise of conversion rights by up to CHF 9 900 000, corresponding to 900 000 fully paid-up registered shares with a par value of CHF 11.00, excluding shareholders' subscription rights.

Article II paragraph 3a of the Articles of Incorporation grants holders of registered shares a preferential subscription right in the event that such convertible and warrant bonds are issued. The Board of Directors exercised its authority to issue a convertible bond and listed a convertible bond issue of CHF 55 million on 29 June 2007. For further details see section 2.7 Convertible bonds and options of this Corporate Governance Report.

2.3 Capital changes

The General Meeting on 21 April 2009 approved a par value reduction of CHF 2.50 per share from CHF 13.50 to CHF 11.00 as well as the conversion of bearer shares into registered shares.

2.4 Shares and participation certificates

The 5 627 453 registered shares of Kardex AG have a nominal value of CHF 11.00 each. One registered share corresponds to one vote and the holder is entitled to dividends.

Kardex AG has no profit participation capital on 31 December 2009.

2.5 Profit participation certificates

Kardex AG has issued no profit participation certificates by 31 December 2009.

2.6 Restriction on transferability and nominee registrations

The registered shares of Kardex AG may be purchased by any legal or natural person. The purchasing of shares is subject to the following limitations on nominee registrations:

The company may refuse registration as a shareholder in the share register if upon request the purchaser does not expressly declare that they hold the shares in their own name and for their own account. The Board of Directors is entitled to delete an entry in the share registration with retroactive effect from the date of that entry if such entry was based on false information. It may seek an explanation from the shareholder or beneficiary concerned in advance. Evidence of purchase is also required.

2.7 Convertible bonds and options

Convertible bonds

On 26 June 2007, the company issued a convertible bond with the following essential characteristics and subsequently listed the bond on the SIX Swiss Exchange. Existing shareholders were granted preferential subscription rights.

Volume:	CHF 55 million
Coupons:	2.25% p.a., payable each 29 June, starting 29 June 2008
Maturity:	29 June 2011
Early redemption:	Clean-up call, soft call, change of control in the issuer
Initial conversion price:	CHF 77.66, subject to adjustment (conversion price reduced on 7 July 2009 to CHF 71.12 due to par value reduction)
Conversion ratio:	The conversion ratio is determined by dividing the par value of one bond (CHF 1 000) by the conversion price in effect at the time of conversion. If multiple bonds are exercised at the same time, their sum is used. Fractions are paid out in cash.
Quantity for sale:	CHF 1 000 or multiples thereof
Securitization:	Permanent via global certificate; no right to issuance of individual certificates is granted unless otherwise specified in the bond conditions
Assurances:	Negative pledge (limited), pari passu, events of default, cross default (limited)
Term to maturity:	four years
Listing:	SIX Swiss Exchange
Conditional capital:	CHF 9 900 000
Lead manager:	Bank am Bellevue AG

Further details are available in the issue prospectus of 26 June 2007.

Options

No options are outstanding at 31 December 2009.

3. Board of Directors

3.1 Members of the Board of Directors

The Board of Directors of Kardex AG currently consists of five non-executive members (the Articles of Incorporation stipulate between three and seven). All of them are independent in the sense of the Swiss Code of Best Practice for Corporate Governance and have not served on either the management of Kardex AG (holding company) or the management board of any subsidiary during the past three years. They have no material business interest with the Kardex Group. At the General Meeting on 21 April 2009, Walter T. Vogel was confirmed for a further three-year term of office. The Board of Directors consists of the following members:



Leo Steiner

Member of the Board of Directors since 2004, term expires 2010

Chairman since the 2006 General Meeting

1943, Swiss citizen, grad. mechanical engineer, ETH Zurich, additional studies in business management

Since July 2007 Chairman of the Board of Directors, Komax Holding AG

1992–2007 CEO of Komax Holding AG and Head of Executive Management of the Komax Group

Until 1991 Hayek Engineering & Management Consulting, Landis & Gyr, Sulzer Escher-Wyss



Philipp Buhofer

Member of the Board of Directors since 2004, term expires 2010

1959, Swiss citizen, HWV Horw/Lucerne

Since 1997 independent entrepreneur and Board member with the companies listed under Section 3.2

1987–1997 EPA AG, since 1993 member of Executive Management

1984–1987 Metro International, procurement



Dave Schnell

Member of the Board of Directors since 2008, term expires 2011

1947, Swiss citizen, business management studies in Switzerland and the USA

Since 2002 independent management consultant

1997–2002 Swisscom Ltd, CFO and Member of the Executive Board

1996–1997 ELCO Looser Holding AG, COO and member of the Board of Directors

1985–1995 ELCO Looser Holding AG, CFO and member of the Group Management



Walter T. Vogel

Member of the Board of Directors since 2006, term expires 2012

Vice Chairman since the 2008 General Meeting

1957, Swiss citizen, grad. mechanical engineer, ETH Zurich

Since 2007 CEO Aebi-Schmidt Group

2003–2007 CEO Von Roll Holding AG

1999–2003 Von Roll Group, Head of the Infratec Division and member of Group management

1995–1999 HILTI AG, Head of Direct Fastenings Unit and member of extended Group Management

1992–1995 Aliva AG, Director of Sales and Marketing and member of the Executive Board



Martin Wipfli

Member of the Board of Directors since 2007, term expires 2010

1963, Swiss citizen, lic. iur. University of Berne, lawyer

Non-executive member

Since 1997 managing partner, Baryon AG

1995–1997 head of tax department of a Swiss private bank

1990–1995 Ernst & Young AG tax consulting

3.2 Other activities and interests

Leo Steiner

Other directorships: Other directorships with non-listed companies.

Philipp Buhofer

Other directorships: BURU Holding AG, Cham Paper Group Holding AG, RAPID Holding AG.

Dave Schnell

Other directorships: Elma Electronic AG, Kuoni Travel Holding AG and other directorships with non-listed companies. Member of the Board of Trustees of the Kuoni and Hugentobler Foundation; Member of the Sanction Commission of the SIX Swiss Exchange AG.

Walter T. Vogel

Other directorships: Schlatter Holding AG and other directorships with non-listed companies.

Martin Wipfli

Other directorships: nebag, Elma Electronic AG and other directorships with non-listed companies.

3.3 Elections and terms of office

3.3.1 Principles of the election procedure and restrictions on term of office

The members of the Board of Directors are elected by the General Meeting at staggered intervals for a term of office of three years. There is no limit to the number of times a member may be re-elected. In the event of a by-election, new members are elected for the term of their predecessors. In accordance with the Organizational By-Laws and regardless of the point reached in their term of office, members of the Board of Directors who have turned 70 must tender their resignation at the next ordinary General Meeting.

3.3.2 Year elected and remaining term per member of the Board of Directors

Name	Year elected	Term expires
Leo Steiner	2004	2010
Philipp Buhofer	2004	2010
Walter T. Vogel	2006	2012
Martin Wipfli	2007	2010
Dave Schnell	2008	2011

3.4 Internal organization

The tasks of the Board of Directors are governed by the Swiss Code of Obligations, as well as the Articles of Incorporation and Organizational By-Laws of Kardex AG.

3.4.1 Allocation of tasks within the Board of Directors

Leo Steiner has served as chairman of the Board of Directors since the 2006 General Meeting and Walter T. Vogel as its vice chairman since the 2008 General Meeting. Dave Schnell is chairman of the Audit Committee, while Leo Steiner chairs the Compensation and Nomination Committee. There are no further special committees or functions.

3.4.2 Composition, duties and authority of the Board committees

Two permanent committees exist to assist the Board in or prepare it for important decisions: the Audit Committee and the Compensation and Nomination Committee. The committees are constituted as follows:

Name	Audit Committee	Compensation and Nomination Committee
Leo Steiner		Chairman
Philipp Buhofer		Member
Dave Schnell	Chairman	
Walter T. Vogel		Member
Martin Wipfli	Member	

According to the Organizational By-Laws, the Board of Directors may set up other committees to help it carry out its duties more efficiently. It appoints the chairman and members of the committees and defines their duties. The committees report back to the Board of Directors on their activities. However, overall responsibility for the duties assigned to the committees remains with the full Board of Directors.

Audit Committee

The Audit Committee plays an advisory role and primarily assists in the following areas:

- accounting and financial reporting
- internal and external auditing
- internal control systems and measures
- financial strategy, capital structure, financial objectives, financial planning and control
- M&A transactions and other business with major financial impact on the Group

Compensation and Nomination Committee

The Compensation and Nomination Committee advises and submits proposals to the full Board of Directors primarily in the following areas:

- fundamental personnel issues within the Group
- the appointment of individuals to the Board of Directors and to key positions in the Group
- basic criteria regarding the appointment of members of the Management Board as well as salary, bonus and other incentive systems
- questions regarding the remuneration of the Board of Directors and members of the Management Board
- questions regarding performance-related payments for senior executives

3.4.3 Procedures of the Board of Directors and its committees

The Board of Directors convenes by invitation of the chairman or a member representing him, or at the request of one of its members. The Board of Directors appoints a chairman from among its own members for a period of one year. Minutes detailing the Board's discussions and decisions are kept and signed by both the chairman and the secretary. The secretary is appointed by the Board of Directors and need not be a member. The chairman also presides over the General Meeting and, together with the Management Board, ensures that all stakeholders receive any necessary information on time.

The Board of Directors meets regularly as often as business requires. In accordance with the Articles of Incorporation, the Board convenes at least four times per year for regular meetings, which generally last seven hours. The Board of Directors also meets once a year for a two-day strategy session. In 2009 the Board met on nine occasions. These meetings lasted two to seven hours. The full Board of Directors visits and inspects one of the Group's production companies generally once a year.

CEO and CFO are invited to the regular meetings of the Board of Directors. The full Management Board attends the strategy and budget session. The Board may invite division heads, other management personnel or external advisers to attend as needed when dealing with specific issues. No advisers were hired on a material scale in the year under review. Written documentation on the agenda items specified by the chairman or at the request of the Management Board is submitted to the Board of Directors well in advance of meetings. The chairman of the Board of Directors and CEO of the Kardex Group work closely together. The chairman generally attends meetings of the senior management of the Kardex Group once or twice each year.

Apart from the irrevocable legal requirements outlined in Art. 716a of the Swiss Code of Obligations, the Kardex AG Board of Directors has the following duties and authority:

- strategic direction, organization and management of the Group
- defining finance and accounting as well as financial planning and control
- appointment and dismissal of the Management Board and signatories
- regular review of business operations
- making decisions on issues that have not been reserved or transferred by law, the Articles of Incorporation or other regulations to another body
- formulation and preparation of proposals to be put to the General Meeting.

The Audit Committee comprises of two (up to three) non-executive members of the Board of Directors, elected by the Board of Directors for a term of one year. The majority, including the chairman, should be experienced in financial matters and accounting. The Board of Directors appoints the chairman of the Audit Committee. The committee currently comprises Dave Schnell (chairman) and Martin Wipfli. The chairman of the Board of Directors also attends its meetings. The Audit Committee meets as often as required, but at least three times a year. CEO and CFO of the Kardex Group and if necessary other employees from the finance function are invited to attend its meetings. The external auditors attend all meetings. In the year under review, the Audit Committee met on four occasions. These meetings generally lasted four hours.

The duties and responsibilities of the Audit Committee are laid down in the Organizational By-Laws. The Committee supports the Board of Directors in supervising finance and accounting. It is responsible for monitoring internal and external financial reporting by management

as well as evaluating the effectiveness of the internal control system. The committee evaluates the performance, effectiveness and independence of the external auditors as well as that of internal auditing activities. The auditors fees and compatibility of external auditing activities with other advisory mandates are reviewed. Furthermore, the Audit Committee undertakes compliance checks. The Audit Committee reports to the full Board of Directors.

The Compensation and Nomination Committee comprises two (up to three) members from the Board of Directors. The committee's members currently comprise Leo Steiner (chairman), Philipp Buhofer and Walter T. Vogel. The Compensation and Nomination Committee meets at least once a year. In 2009 it met on two occasions, in a meeting which lasted two hours.

The duties and responsibilities of the Compensation and Nomination Committee are specified in the Organizational By-Laws. The committee supports and advises the Board of Directors on matters concerning the composition as well as the conditions of appointment and compensation of the members of the Board of Directors, members of the Management Board and other important positions in the Group. In particular, the committee proposes the basic criteria regarding performance-related payments within the Group.

3.5 Definition of areas of responsibility

The Kardex AG Board of Directors is the supreme managerial and supervisory body of the holding company and the Group. It bears ultimate responsibility for managing, supervising and monitoring the Kardex Group's Management Board. In essence, it is responsible for decisions concerning corporate strategy and organizational structure as well as determining the corporate policy. The Board of Directors is responsible for appointing and dismissing members of the Management Board and defining finance and accounting, as well as approving long-term plans and annual as well as investment budgets.

The Board of Directors delegates management of Kardex AG and the Kardex Group as a whole in full to the Management Board chaired by the CEO, unless otherwise specified by law, the Articles of Incorporation or Organizational By-Laws. The Board has also appointed a head for each division. The Management Board manages the Kardex Group on the basis of the strategy adopted by the Board of Directors. The duties and authority of the Management Board are laid down in the Organizational By-Laws. Its main responsibilities are:

- operational management of the individual divisions
- optimization of the internal organization and processes
- external representation of the Kardex Group
- internal and external communication

The CEO bears primary responsibility for developing the corporate strategy for adoption by the Board of Directors, for operational management of the Company, its overall financial results and for implementation of the strategy and action plan adopted by the Board of Directors. The CFO is responsible for financial, tax and capital management and is accountable for the development and implementation of the principles, regulations and limits of risk control. He is also responsible for creating transparency in respect of financial results and accountable for timely, high-quality financial reporting. Each head of division bears overall responsibility for his division and the management, results and risks thereof.

3.6 Information and control instruments for monitoring the Management Board

Board of Directors

The Board of Directors is informed about the course of business and important business events by the CEO and CFO and sometimes by the heads of divisions at every Board meeting. This enables the Board to carry out its supervisory duties regarding the Group's strategic and operational progress.

Other instruments that enable it to monitor and control the Management Board's actions are:

- monthly written reports from the Management Board featuring key figures with comparisons against the previous year and the budget together with a report by the CEO and CFO on the business situation
- periodic information concerning the expectations of the Management Board for revenues and the most important results figures
- annual strategic analyses of the individual divisions and the Group as a whole, together with a plan, amended by the Management Board for the next few years
- annual revision of the business risk matrix for the Group as a whole and individual divisions by the Management Board
- special reports by the Management Board on important investments, acquisitions and cooperative agreements
- The CEO informs the chairman of the Board of Directors of significant developments on an ad-hoc basis.

Chairman of the Board of Directors

The chairman of the Board meets regularly with the CEO to discuss ongoing business operations.

Audit Committee

The Audit Committee reports on a regular, comprehensive basis to the Board of Directors on matters concerning finance and accounting, accounting standards, compliance (laws and processes), as well as internal and external audit. It also reviews the financial reporting processes.

Internal auditors

The internal auditors report to the Audit Committee and carry out regular operational and system audits in accordance with the Audit Plan approved by the Audit Committee. The internal auditors support the various organizational units in reaching goals related to the maintenance and improvement of internal control systems. Following their reviews, the internal auditors submit reports to the Audit Committee or to the full Board of Directors. They report actual or suspected irregularities to the Audit Committee.

Measures based on the various reports submitted to these bodies are placed on the agenda for their meetings and handled in succession.

4. Management Board

4.1 Members of the Management Board

The Management Board currently comprises three members. The management structure can be seen in Section 1.1.1 of this report on page 22.



Jos De Vuyst, CEO

1963, Belgian citizen, grad. electrical engineer RU Ghent, MBA Vlerick Management School
 Since 1 January 2006 CEO of the Kardex Group
 2005 COO of the Kardex Group
 2004 CEO of the Stow Division (Static Storage Systems) and CEO of Stow International nv
 2001–2003 General Manager of the Stow Division (Static Storage Systems)
 1996–2003 General Manager of Stow International nv
 1989–1996 Financial Manager of Stow International nv



Gerhard Mahrle, CFO

1957, Swiss citizen, lic. oec. HSG
 Since 1 April 2009 CFO of the Kardex Group
 2000–2009 CFO sia Abrasives Holding AG
 1998–2000 CFO Batigroup Holding AG
 1992–1998 CFO Eugster/Frismag Group
 1985–1992 senior positions in finance at the Galenica Group and the Hilti Group



Hans De Staercke, Head of Kardex Stow Division

1969, Belgian citizen, licentiate Applied Economic Sciences State University Ghent (RUG)
 Since 2005 Head of the Stow Division (Static Storage Systems) and CEO Stow International nv
 1999–2004 General Manager of Stow Polska Sp.z.o.o. Warsaw (Poland)
 1996–1999 Regional Sales Manager Gates Europe nv, Erembodegem (Belgium)
 1994–1996 Export Sales Manager Bosal Benelux nv, Oevel (Belgium)

4.2 Other activities and interests

The members of the Management Board do not engage in any other relevant activities. There are no relevant interests.

4.3 Management contracts

Kardex AG and its subsidiaries have no management contracts with third parties. Members of the Management Board who are resident abroad have wholly or partially concluded formal advisory agreements with companies of the Kardex Group solely via companies which they control. These companies have no other stakeholders or employees and the business activities of these companies are essentially confined to one person and one agreement with Kardex (no freelance business activities). The relevant persons do not operate as a freelancer for companies other than Kardex. These contractual relationships correspond in de facto terms to a recruitment and constitute a proper legal arrangement in the countries concerned. Payments to these companies are included in the amounts of compensation paid to the Management Board.

5. Compensations, shareholdings and loans

5.1 Content and method of determining compensation and of shareholding programs

5.1.1 Board of Directors

Compensation of the members of the Board of Directors is paid at a fixed rate. It is determined annually in advance by the Board of Directors in accordance with the responsibilities of its members. 70 to 80% of compensation is paid in cash and the remaining 20 to 30% in Kardex stock. Shares thus obtained are priced 16% lower than the average price of the month before allocation and cannot be traded for a period of three years. An exemption was made in the reporting year, whereby the minimum subscription period for shares was suspended for one year. In the year under review, the members of the Board of Directors received compensations totalling CHF 522 478.

5.1.2 Management Board

The Management Board receive compensation made up of a fixed base salary and a variable component which, if targets are achieved and depending on individual rank, amounts to a maximum of 100% of their fixed base salary. At least 20% and a maximum of 100% of the variable component is paid in stock. Shares thus obtained are priced 16% lower than the average price of the month before allocation and cannot be traded for a period of three years. An exemption was made in the previous year, whereby the minimum subscription period for shares was suspended for one year. The variable amount effectively paid is based on the extent to which individual and financial goals set in advance each year have been achieved, such goals being weighted by the CEO in consultation with the Compensation and Nomination Committee. The financial goals are determined either at the Group level (CEO and CFO) or at division level. Compensation of the Management Board is proposed by the Compensation and Nomination Committee. This is done at the Committee's December meeting following discussion of management performance and objectives for the past year in the presence of the CEO. The committee members propose the variable component of compensation for the Management Board based on their past and current experience from other managing bodies and companies. In the year under review, compensations totalling CHF 3 017 323 were paid to the members of the Management Board.

In the reporting year, payments amounting to CHF 500 000 were made in connection with the departure of members of governing and executive bodies.

Further information on compensations and shareholding programmes can be found in the notes to the consolidated financial statements under note 32 (Closely linked individuals and companies) on page 99 and in the notes to the financial statements of Kardex AG (Holding) under note 14 (Compensations and shareholdings) on page 113 and 114.

6. Shareholders' participation rights

6.1 Voting right restrictions and representation

On 31 December 2009, there were 1 562 shareholders entered in the share register. A majority of them had their registered office or domicile in Switzerland. Each Kardex AG registered share entitles the holder to one vote at the General Meeting. There are no voting right restrictions except for treasury shares. Furthermore, any shareholder has the right to have his shares represented at the General Meeting by a proxy authorized in writing.

6.2 Statutory quorums

Unless the law or Articles of Incorporation provide otherwise, the General Meeting passes its resolutions and conducts its elections by a majority of the valid voting rights represented.

Should the initial round of voting fail to achieve the necessary majority, a second round is held in which a relative majority is required.

Kardex AG's Articles of Incorporation do not prescribe specific quorums other than those required by company law.

6.3 Convocation of general meetings

The General Meeting is called by the Board of Directors at least 20 days prior to the date of the meeting by way of a notice published in the Company's official publications. In addition, a letter may be sent to all shareholders registered in the share register.

In addition to the meeting date, time and venue, the announcement must state the items to be discussed and the resolutions proposed by the Board of Directors and shareholders who have requested a General Meeting or put forward an item for inclusion on the agenda.

No resolution may be passed on items that have not been announced in this way, except for requests to convene an extraordinary General Meeting or carry out a special audit.

Shareholders representing at least one-tenth of the share capital may request in writing that an extraordinary General Meeting be convened, setting forth the items and the proposals.

6.4 Agenda

Shareholders together representing shares with a par value of at least CHF 1 000 000 may submit proposals and request in writing that items be added to the agenda. Such items must be submitted to the Board of Directors in writing at least 60 days before the General Meeting.

6.5 Entries in the share register

Once invitations to the General Meeting have been dispatched, no entries are made in the share register until the day after the General Meeting.

7. Changes of control and defence mechanisms

7.1 Obligation to make an offer

In accordance with Article 4 of Kardex AG's Articles of Incorporation, a purchaser of company shares is only obliged to make a public offer under the terms of Article 32 (the statutory opting-up clause) of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) if his holding exceeds 49% of the company's voting stock.

7.2 Change-of-control clause

There are no change-of-control clauses.

8. Auditors

8.1 Duration of the mandate and term of office of the auditor in charge

8.1.1 Time of assumption of existing audit mandate

The auditors are elected by the General Meeting for a period of one year. KPMG Ltd, Zurich, have been Kardex AG's statutory auditors since 2006.

8.1.2 Time of assumption of office by the auditor in charge of the existing auditing mandate

The auditor in charge, Thomas Schmid, has been responsible for the mandate since the General Meeting on 21 April 2009. As a rule, the auditor in charge rotates every seven years.

8.2 Audit fees

In 2009, KPMG provided audit services to the value of CHF 761 000 (previous year: CHF 909 000).

8.3 Additional fees

KPMG was also paid fees totalling CHF 148 000 (previous year: CHF 200 000) for non-audit-related services. The amount of CHF 116 000 was for tax and legal advice and CHF 32 000 for advisory services in connection with acquisitions.

8.4 Information tools of the external auditors

The Audit Committee supervises the work of the statutory auditors on behalf of the Board of Directors. The committee monitors the auditing of the annual financial statements of Kardex AG and the consolidated financial statements. As part of their audit services, the statutory auditors provide the Audit Committee with regular feedback on their findings and suggestions for improvement. These are summarized in a comprehensive report by the auditors to

the Board of Directors (also containing the management letter) which goes to the full Board of Directors. The Audit Committee also meets the external auditors at least twice a year to determine the audit scope and assess the activities of the external auditors on an annual basis through a performance review process. It relies here on its experience in working with the external auditors and their own quality assurance measures in carrying out their duties and ensures that the auditor in charge is suitably qualified and independent. The Audit Committee also reviews the auditor's fees. The Board of Directors is informed via the Audit Committee.

9. Information policy

Kardex AG is committed to an open information policy and provides shareholders, the capital market, employees and all stakeholders with open, transparent and timely information. The information policy also accords with the requirements of the Swiss Exchange (SIX Swiss Exchange) as well as the relevant statutory requirements. As a company listed on the SIX Swiss Exchange, it also publishes information relevant to its stock price in accordance with Art. 72 of the Listing Rules (ad hoc publicity).

The Group publishes a report on its activities every six months. All publications are available in electronic form; the Annual Report is also available in printed form. The Interim Report is published on the Company's website and printed on request. Press releases are additionally issued on a regular basis. Kardex maintains a dialogue with investors, analysts and the media at special events and road shows.

The annual media and analysts' meeting, as well as the General Meeting, are held in Zurich, Switzerland.

Information is sent by e-mail or fax to the SIX Swiss Exchange, to the Swiss Commercial Gazette (the Company's official publication) and other relevant national business publications. It is also published simultaneously on the Group website at www.kri-group.com. In addition, interested parties who have registered on the website can receive the requested information by e-mail.

The CEO bears primary responsibility for corporate communication. Execution and coordination are the responsibility of the CFO, who is also responsible for external corporate communication and investor relations.

The Company's official publication is the Swiss Commercial Gazette. Information published in connection with the maintenance of registered share listings on the SIX Swiss Exchange complies with the SIX Swiss Exchange's listing regulations. These can be found on www.six-swiss-exchange.com.

The website www.kri-group.com provides up-to-date information about the Group, products and contact information.

Calendar of events for Investor Relations

2010 General Meeting	27 April 2010
2010 Interim Report	10 August 2010
Media and Analysts' Conference	31 March 2011
2011 General Meeting	26 April 2011

Stow: Static storage systems

The Stow Pal Rack system:
the cornerstone of every pallet
racking solution.





The [Stow Pal Rack system](#) spans a broad range of basic components and accessories. It was developed to provide the optimum storage of goods of any size and weight.

The [Stow Pal Rack system's](#) mechanical properties were tested by independent institutes. The load capacity of each component is determined on the basis of the test findings and quality-assured to ISO 9001. Each Stow pallet rack system thus satisfies the strict criteria imposed by the European Racking Federation FEM (Fédération Européenne de la Manutention).

The [Stow Pal Rack system](#) is produced at fully automated plants in Dottenijs (Belgium) and Shanghai (China) to the highest standards of quality and cost leadership.

The [Stow Pal Rack system](#) forms the cornerstone of a very wide range of racking systems. Using a computer-aided design system, Stow's engineers are guaranteed to find the best solution for every storage challenge.

In addition to its modular design, mechanical properties and intelligence, [the Stow Pal Rack system's](#) impressive features include the epoxy resin powder coating applied to its surface.

The [Stow Pal Rack system](#) comes in blue and orange as standard. Components can also be produced to order in a customer's company colours.



Gerhard Mahrle
CFO

Financial reporting 2009

Although net revenues were badly affected by the economic downturn, the Kardex Group achieved a positive operating result (EBIT) and profit after tax in the 2009 financial year. Through systematic restructuring measures, capacity adjustments and increased efficiency, the building blocks were laid for sustainable development.

This financial report should be read in conjunction with the consolidated financial statements and the notes to these consolidated financial statements.

Overview

The turbulence that occurred on the financial markets in 2008 continued in the year under review, adversely affecting the real economy around the world. For the Kardex Group, financial year 2009 was therefore dominated by this difficult overall economic backdrop. A large number of customers in both the automated storage systems and static storage systems markets either curbed their investment plans or postponed them. Countries which felt the impact of the crisis particularly keenly were Spain, the UK and Germany in western Europe and Poland, the Czech Republic and Russia in eastern Europe. In China too, revenues were significantly lower than in the previous year. By contrast, sales trends were positive in Switzerland, the Netherlands and the US, where Kardex USA Inc. was able to benefit decisively from government orders in the office segment.

The Board of Directors and management reacted to the fall in demand caused by the economic situation by implementing measures to realign cost structures, such as short-time working hours in the factories and selective downsizing at distribution companies. Despite the one-time cost of structural realignments and other one-time effects, the Kardex Group was able to generate a positive operating result even when faced with this difficult environment.

In May, the Kardex Group acquired the activities of Scandinavian distribution partner Element Storage Systems AS – which is focused on Kardex and Stow products – under an asset purchase agreement. Element Storage Systems AS was one of the leading suppliers of computer-controlled, automatic Kardex storage, retrieval and distributions systems in the Scandinavian market, distributing the Stow Division's static storage systems in Scandinavia under the "Arkiv & Lager" brand. With the transaction, Kardex AG strengthened its distribution company Kardex Scandinavia AB with a sales organization that is firmly established in the Scandinavian market and focused on Kardex and Stow products.

In August, Kardex Remstar International Inc. in the USA acquired the assets of privately owned Metropolitan Business Systems, Inc. (MBSI). MBSI was a dealer of Kardex and Remstar products in the New York City region. This transaction marks a further strengthening of the Kardex Remstar Division's market position in the USA.

Besides these external acquisitions, the Kardex Group also continued to expand its business operations organically in the year under review. By establishing Kardex India Storage Solutions PVT Ltd. in Bangalore/India, a key step was taken towards capturing the fast-growing Indian market. Activities in Turkey also underwent a strengthening with the setting up of a local dealership.

Although the Kardex Group took a cautious approach to investment in financial year 2009 given the economic downturn, all strategic investment projects, such as the SAP introduction rolled out in the previous year and implementation of a functional management structure in the Kardex Remstar Division, as well as most research and development projects, were continued. Besides the investment in property, plant and equipment as well as software, this included expansion of the new US operating and production site in Lewistown, Pennsylvania, as well as the acquisition of the net assets of Element Storage Systems AS of Norway.

The 31st ordinary General Meeting of Kardex AG, held on 21 April 2009, approved the proposals put forward by the Board of Directors for a par value repayment of CHF 2.50 per share in place of payment of a dividend, as well as the conversion of the bearer shares into registered shares.

Income statement of the Kardex Group

Net revenues

As a result of the economic crisis within the overall market for automated storage systems, in fiscal 2009 the Kardex Group, with its two divisions Kardex Remstar (58.2% of revenues) and Kardex Stow (41.8% of revenues), posted a decline of 25.5% (24.7% after adjustment for currency translation effects) in revenues to EUR 342.9 million (previous year: EUR 460.0 million). Adjusted for acquisition effects, the consolidated revenues of the Kardex Group were down 28.3% on the previous year. Kardex USA Inc., which was consolidated for the first time following the acquisition in December 2008, and the division acquired from Element Storage Systems AS of Norway in May 2009 contributed a total of EUR 13.0 million to the Group's net revenues in fiscal 2009. At EUR 322.3 million (EUR 449.2 million), the bookings of the Kardex Group were down 28.3% on the previous year. At the end of fiscal 2009, the order backlog was 20.6% lower year-on-year at EUR 78.9 million (EUR 99.4 million).

As a result of the severe global economic downturn, net revenues at the Kardex Remstar Division fell 22.5% (22.6% in local currencies and 27.4% after adjusting for acquisitions) to EUR 199.6 million (EUR 257.5 million). At EUR 180.9 million (EUR 251.6 million) bookings were down 28.1% on the previous year, and at the end of the financial year the order backlog showed a year-on-year decrease of 27.8% at EUR 48.2 million (EUR 66.8 million). The pleasing development at Kardex Remstar's service business, which proved extremely robust in fiscal 2009, should nevertheless be noted.

Net revenues at the Kardex Stow Division were down 30.1% (28.3% after currency adjustments) on the previous year at EUR 143.5 million (EUR 205.2 million). At EUR 141.4 million (EUR 197.6 million) bookings were down 28.4% on the previous year, and at the end of the financial year the order backlog showed a year-on-year decrease of 5.8% at EUR 30.7 million (EUR 32.6 million).

Gross profit

At EUR 83.6 million (EUR 121.9 million), the gross profit achieved in the reporting year was EUR 38.3 million lower than that of the previous year. Adjusted for currency factors, gross profit was EUR 37.8 million down on the previous year. At 24.4%, the gross margin came in below that of the previous year (26.5%). The massive price pressure on capital goods, which includes the products of both divisions, as well as lower utilization of production capacity, had a material impact on the gross margin.

The gross margin at the Kardex Remstar Division was EUR 60.2 million and therefore EUR 22.2 million lower than the previous year's gross margin of EUR 82.4 million. At 30.2%, the division's gross margin was 1.8 percentage points down on the previous year (32.0%). The gross margin at the service business showed a positive development versus the systems and software business.

The Kardex Stow Division was worse affected by the pressure on prices of capital goods. Its gross profit fell by EUR 16.1 million, from EUR 39.5 million to EUR 23.4 million, while its gross margin deteriorated to 16.3% (19.2%). The cost of goods sold included one-off restructuring expenses (EUR 0.5 million) and value adjustments relating to spare parts for its own production plants (EUR 0.3 million). Excluding these extraordinary costs, the gross profit would have been EUR 24.2 million and the gross margin 16.9%.

Operating result (EBIT)

Thanks to the measures implemented by the Board of Directors and management to realign cost structures with the fall in demand caused by the economic situation, the Kardex Group achieved a positive operating result in the year under review. The operating result (EBIT) came to EUR 6.3 million (EUR 42.3 million) and the EBIT margin to 1.8% (9.2%).

The operating result was affected by the recognition of substantial restructuring expenses as well as other one-off factors. The cost of goods sold included one-off costs for restructuring (EUR 0.5 million) and value adjustments relating to spare parts for its own production plants (EUR 0.3 million) while sales, marketing, administration and other operating costs included a total expense of EUR 3.5 million for severance payments and pensions, as well as EUR 2.1 million in one-off project expenses. Excluding these one-off costs, EBIT would have amounted to EUR 12.7 million (3.7% of net revenues).

As a result of systematic cost management, together with a pleasing development at the service business, the Kardex Remstar Division was able to end the financial year with a positive operating result (EBIT) of EUR 6.8 million (EUR 28.9 million) despite the marked fall in volumes. Its EBIT margin was 3.4% (11.2%). After adjusting for the extraordinary costs of the structural adjustments and one-off effects amounting to EUR 4.6 million, EBIT came to EUR 11.4 million and the EBIT margin was 5.7%.

The successful implementation of the “Synergy” operational excellence programme launched in the previous year and systematic organizational and structural adjustments at the Kardex Stow Division contributed to the positive operating result (EBIT) of EUR 2.1 million (EUR 15.9 million). The EBIT margin was 1.5% (7.7%). After adjusting for extraordinary costs amounting to EUR 1.8 million, EBIT came to EUR 3.9 million and the EBIT margin was 2.7%.

Financial result

Financial year 2009 saw a EUR 1.6 million deterioration in the financial result compared with the previous year. In the previous year, the financial result had been positively affected by the EUR 2.2 million fair value adjustment on the conversion rights for the convertible bond. This fair value adjustment proved negligible in the reporting year. Exchange-rate losses showed a move in the opposite direction: in the year under review, recorded currency losses were EUR 0.9 million lower in total compared with the previous year.

Net result

The Kardex Group achieved a positive net result of EUR 0.8 million (EUR 33.0 million) in financial year 2009. Based on the average number of outstanding Kardex AG shares, undiluted consolidated earnings per share (EPS) amounted to EUR 0.14 (EUR 5.94). The convertible bond has no dilutive impact in financial year 2009; diluted net earnings per share are therefore the same as undiluted net earnings per share.

Balance sheet of the Kardex Group

The balance sheet total as at 31 December 2009 showed a slight decline versus the previous year to EUR 242.9 million (EUR 278.6 million). This was due to the EUR 16.5 million decrease in working capital and EUR 5.4 million lower financial liabilities, as well as the decline in share capital through a par value reduction of EUR 9.3 million. The activities of Element Storage Systems AS, which were acquired as part of an asset purchase agreement, increased total assets by EUR 2.6 million. Despite the unsatisfactory level of business in overall terms, the Kardex Group ended the financial year with a persistently healthy balance sheet structure. The equity ratio rose slightly to 40.4% (38.5%), while cash and cash equivalents fell only slightly to EUR 26.8 million (EUR 27.4 million).

Property, plant and equipment

The Kardex Group adopted a very cautious approach to investment in the year under review. All strategic investment projects, such as the SAP launch of the previous year and implementation of a functional management structure at the Kardex Remstar Division, as well as most research and development projects, were continued. EUR 5.9 million (EUR 11.0 million) was invested in property, plant and equipment in the year under review. EUR 2.3 million of this was due to expansion of the new US operating and production site in Lewistown, Pennsylvania. Furthermore, of that EUR 0.1 millions was for the acquisition of Element Storage Systems AS.

Intangible assets

Goodwill from previous acquisitions accounted for EUR 28.8 million of intangible assets and goodwill from the acquisition of a division of Element Storage Systems AS of Norway for EUR 1.8 million. The goodwill reported on the balance sheet as of 31 December 2009 therefore amounted to EUR 30.6 million. Under the relevant accounting standards there was no amortization of goodwill from acquisitions in financial year 2009; neither was there any need for impairments.

Inventories and work in progress

Besides the decline in production due to lower sales, measures to improve inventory management in overall terms led to a reduction in inventories and work in progress of EUR 6.8 million to EUR 26.6 million (EUR 33.4 million).

Trade accounts receivable

The fall in net revenues resulted in a drop in trade accounts receivable. As at 31 December 2009, these amounted to EUR 65.3 million and were therefore EUR 29.1 million or 30.8% lower than a year earlier. This was attributable not only to the decline caused by the fall in sales but also to the measures taken by management to improve receivables management and therefore to reduce trade accounts receivable.

Cash and cash equivalents

Cash and cash equivalents fell only slightly versus the previous year and came to EUR 26.8 million as at 31 December 2009 (EUR 27.4 million). Even in the difficult financial year of 2009, the Kardex Group had an adequate supply of liquidity at all times.

Share capital

Despite the decline in net revenues and the net result, the equity ratio improved to 40.4% (38.5%). Consolidated shareholders' equity amounted to EUR 98.1 million (EUR 107.3 million) on 31 December 2009. The decline versus the previous year was largely due to the par value repayment to shareholders.

The ordinary General Meeting of the shareholders of Kardex AG, Zurich, on 21 April 2009 approved the proposal put forward by the Board of Directors for a par value reduction of CHF 2.50 per registered share. The share capital recorded in the Commercial Register, comprising 5 627 453 registered shares with a par value of CHF 13.50 each, was reduced by CHF 14 068 632.50 from CHF 75 970 615.50 to CHF 61 901 983.00 through a lowering of the par value of each registered share by CHF 2.50 from the previous CHF 13.50 to CHF 11.00. After three notices to creditors, on 7 July 2009 the capital reduction was entered in the Commercial Register and the payment was made to shareholders. The ordinary General Meeting of the shareholders of Kardex AG, Zurich, on 21 April 2009 also approved the proposal of the Board of Directors for a conversion of the bearer shares into registered shares.

Liabilities

Cash generated by operating activities was used to reduce non-current financial liabilities by EUR 2.9 million versus the previous year to EUR 43.2 million (EUR 46.1 million) as well as current financial liabilities by EUR 3.1 million to EUR 3.6 million (EUR 6.7 million). Overall, current liabilities decreased to EUR 91.4 million (EUR 114.3 million). Net debt was once again cut significantly to EUR 20.0 million (EUR 25.4 million). Over the last three years, net debt has been paid back by a total of EUR 46.1 million.

Cash flow statement of the Kardex Group

The consolidated cash flow statement shows cash flow from operating activities of EUR 25.6 million (EUR 39.1 million) for fiscal year 2009. In the year under review, net cash flow used in financing activities amounted to EUR –19.0 million (EUR –17.5 million), reductions being focused mainly on financial liabilities. In all, cash and cash equivalents decreased by EUR 0.6 million (increased by EUR 2.6 million).

Consolidated statement of comprehensive income

EUR millions	Notes	Proportion		Proportion	
		2009	(%)	2008	(%)
Net revenues	1, 3	342.9	100.0	460.0	100.0
Cost of goods sold and services provided		-259.3	-75.6	-338.1	-73.5
Gross profit		83.6	24.4	121.9	26.5
Marketing and sales expenses		-44.9	-13.1	-49.7	-10.8
Administrative expenses		-29.0	-8.5	-27.9	-6.1
Research and development expenses		-3.9	-1.1	-2.5	-0.5
Other operating income	5	1.8	0.5	2.5	0.5
Other operating expenses	6	-1.3	-0.4	-2.0	-0.4
Operating result (EBIT)	1	6.3	1.8	42.3	9.2
Financial income	7	0.7	0.2	0.6	0.1
Financial expenses	8	-5.3	-1.5	-5.8	-1.3
Fair value adjustment for conversion right	22	-	-	2.2	0.5
Result for the period before tax		1.7	0.5	39.3	8.5
Income tax expense	9	-0.9	-0.3	-6.3	-1.4
Result for the period		0.8	0.2	33.0	7.2
Other comprehensive income					
Foreign currency translation differences		-0.3	-0.1	0.9	0.2
Hedging transactions		-0.7	-0.2	0.3	0.1
Taxes on other comprehensive income		0.1	0.0	-	0.0
Other comprehensive income after tax		-0.9	-0.3	1.2	0.3
Total comprehensive income for the period		-0.1	-	34.2	7.4
Result per share for the period, Group:					
- basic (EUR)	20	0.14		5.94	
- diluted (EUR) ¹	20	0.14		5.25	

¹ As the convertible bond issue did not have any dilutive effect in 2009, the diluted result per share for the period is the same as the basic result per share for the period.

Consolidated balance sheet

EUR millions	Notes	31.12.2009	31.12.2008
Property, plant and equipment	10	61.3	66.0
Goodwill	10, 12	30.6	28.8
Other intangible assets	10	9.9	7.1
Financial assets	13	3.9	4.2
Pension assets	23	0.5	0.3
Deferred tax assets	14	5.3	5.1
Non-current assets		111.5	111.5
Inventories, work in progress	15	26.6	33.4
Trade accounts receivable	16	65.3	94.4
Income tax receivables		2.8	1.8
Other receivables and prepaid expenses	17	9.9	8.2
Cash and cash equivalents	18	26.8	27.4
Assets held for sale	11	–	1.9
Current assets		131.4	167.1
Assets		242.9	278.6
Share capital	19	39.4	48.7
Reserves	19	60.6	60.7
Treasury shares	19	–1.9	–2.1
Equity		98.1	107.3
Non-current financial liabilities	22	43.2	46.1
Non-current pension liabilities	23	8.2	7.7
Deferred tax liabilities	14	1.0	2.1
Non-current provisions	24	1.0	1.1
Non-current liabilities		53.4	57.0
Trade accounts payable		47.5	62.6
Current financial liabilities	22	3.6	6.7
Current employee benefits	23	10.0	12.5
Income tax payables		2.2	2.6
Current provisions	24	8.9	12.0
Other current liabilities and accruals	25	19.2	17.9
Current liabilities		91.4	114.3
Liabilities		144.8	171.3
Equity and liabilities		242.9	278.6

Consolidated cash flow statement

EUR millions	Notes	2009	2008
Result for the period	1	0.8	33.0
Income tax expense	9	0.9	6.3
Financial income	7	-0.7	-0.6
Financial expense	8	5.3	5.8
Depreciation and amortization on property, plant and equipment and intangible assets	10	10.2	9.1
Changes in pension assets, provisions and pension liabilities		-4.2	1.8
Fair-value adjustment for conversion right		-	-2.2
Other non-cash items		-0.8	-0.5
Cash flow before change in net current assets		11.5	52.7
Change in net current assets		16.3	-3.6
Income taxes paid		-2.2	-10.0
Net cash flow from operating activities		25.6	39.1
Purchase of property, plant and equipment		-5.8	-11.0
Sale of property, plant and equipment		1.8	0.5
Purchase of intangible and financial assets		-3.7	-3.3
Sale of intangible and financial assets		-	0.1
Sale of non-current assets		1.9	-
Acquisition of companies ¹	33	-2.6	-5.5
Interest received		0.7	0.3
Net cash flow used in investing activities		-7.7	-18.9
Free cash flow		17.9	20.2
Purchase of treasury shares		-	-2.1
Sale of treasury shares		0.1	1.1
Repurchase of convertible bond		-	-2.1
Increase in financial liabilities		8.4	1.5
Decrease in financial liabilities		-7.0	-12.4
Decrease in finance lease liabilities		-6.4	-
Dividend paid (decrease in par value)		-9.2	-
Interest paid		-4.9	-3.5
Net cash flow used in financing activities		-19.0	-17.5
Effect of foreign currency translation differences on cash and cash equivalents		0.5	-0.1
Net change in cash and cash equivalents		-0.6	2.6
Cash and cash equivalents at 1 January	18	27.4	24.8
Cash and cash equivalents at 31 December	18	26.8	27.4
Net change in cash and cash equivalents, Group		-0.6	2.6

¹ Acquisition of assets and liabilities of Element Storage Systems AS, Kløfta, Norwegen (see note 33)

Consolidated statement of changes in equity

EUR millions	Notes	Share Capital ³	Capital reserves	Retained earnings	Hedging reserves	Exchange rate differences	Total reserves	Treasury shares ⁴	Equity
Opening balance 1 January 2008		48.7	79.3	-50.1	0.1	-2.7	26.6	-1.1	74.2
Result for the period		-	-	33.0	-	-	33.0	-	33.0
Other comprehensive income:									
- Foreign currency translation differences (after tax) ¹		-	-	-	-	0.9	0.9	-	0.9
- Hedging transaction (after tax)		-	-	-	0.3	-	0.3	-	0.3
Total other comprehensive income		-	-	-	0.3	0.9	1.2	-	1.2
Total comprehensive income for the period		-	-	33.0	0.3	0.9	34.2	-	34.2
Transactions with shareholders:									
- Acquisition of treasury shares	19	-	-	-	-	-	-	-2.1	-2.1
- Disposal of treasury shares ²	19	-	-	-0.1	-	-	-0.1	1.1	1.0
Transactions with shareholders		-	-	-0.1	-	-	-0.1	-1.0	-1.1
Closing balance 31 December 2008		48.7	79.3	-17.2	0.4	-1.8	60.7	-2.1	107.3
Opening balance 1 January 2009		48.7	79.3	-17.2	0.4	-1.8	60.7	-2.1	107.3
Result for the period		-	-	0.8	-	-	0.8	-	0.8
Other comprehensive income:									
- Foreign currency translation differences (after tax) ¹		-	-	-	-	-0.3	-0.3	-	-0.3
- Hedging transaction (after tax)		-	-	-0.2	-0.4	-	-0.6	-	-0.6
Total other comprehensive income		-	-	-0.2	-0.4	-0.3	-0.9	-	-0.9
Total comprehensive income for the period		-	-	0.6	-0.4	-0.3	-0.1	-	-0.1
Transactions with shareholders:									
- Acquisition of treasury shares	19	-	-	-	-	-	-	-	-
- Disposal of treasury shares ²	19	-	-	-	-	-	-	0.1	0.1
Reduction in nominal value ³	19	-9.3	-	-	-	-	-	0.1	-9.2
Transactions with shareholders		-9.3	-	-	-	-	-	0.2	-9.1
Closing balance 31 December 2009		39.4	79.3	-16.6	-	-2.1	60.6	-1.9	98.1

¹ This item also includes the exchange rate differences arising from net investments in foreign operations less deferred tax.

² As part of share-based remuneration, treasury shares were allocated in the amount of EUR 0.1 million (EUR 1.1 million)

³ On 21 April 2009, the ordinary General Meeting of Kardex AG approved a reduction of the par value of the shares by CHF 2.50 from CHF 13.50 to CHF 11.00. The payment to shareholders took place on 7 July 2009 (see note 19).

⁴ Number of treasury shares held as of 31 December 2009: 57 573 (31 December 2008: 60 796)

Notes to the consolidated financial statements

1. General information

The consolidated financial statements of the Kardex Group include Kardex AG (referred to as the “Company”) and its subsidiaries (referred to collectively as the “Group”). Kardex AG is the Group’s parent company, a limited company under Swiss law, which is registered and domiciled in Zurich, Switzerland. The Company is listed on the SIX Swiss Exchange.

The Group’s financial statements were prepared in compliance with the provisions of Swiss company law and the Listing Rules of the SIX Swiss Exchange and are in accordance with the International Financial Reporting Standards (IFRS).

2. Significant accounting policies

Changes in accounting policies

For the financial year 2009, effective from 1 January 2009, the Kardex Group applies the following amended or new standards and interpretations published by the International Accounting Standards Board (IASB) which are relevant for the Group:

- IAS 1 rev. Presentation of Financial Statements
- IAS 23 rev. Borrowing Costs
- IFRS 8 Operating Segments
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendment to IFRS 7 Financial Instruments: Disclosures: Enhanced Disclosures about Fair Value Measurements and Liquidity Risk
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Instruments and Obligations Arising on Liquidation
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures: Reclassification of Financial Assets
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives: Embedded Derivatives
- Minor amendments to various standards as a result of Improvements to IFRSs 2008
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 Transfers of Assets from Customers

Apart from additional disclosures under particular standards, or a change in the presentation of the overall result and the statement of changes in equity, the amendments do not affect the consolidated financial statements. The amendment of IAS 23 did not lead to any adjustment as there were no transactions of this type to report in the Kardex Group as of 31 December 2009. The operating segments pursuant to IFRS 8 are explained in the notes under 1. Segment reporting.

Future changes in accounting policies

The following new and revised standards and interpretations have been issued but will only become effective later and have not been adopted early in these consolidated financial statements. Their effects on the Kardex Group consolidated financial statements have not yet been systematically analyzed and the expected effects are merely an initial estimate on the part of the Management Board.

Standard/Interpretation	Effective date	Planned application by the Kardex Group
IFRS 3 rev. – Business Combinations	1 July 2009	Financial year 2010
IAS 27 rev. – Consolidated and Separate Financial Statements	1 July 2009	Financial year 2010
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Exposures Qualifying for hedge accounting	1 July 2009	Financial year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 July 2009	Financial year 2010
IFRSs 2008 – Amendments to IFRS 5 – non-current Assets Held for Sale and Discontinued Operations	1 July 2009	Financial year 2010
IFRSs (April 2009)	1 July 2009 1 January 2010	Financial year 2010
Amendments to IFRS 2 – Accounting treatment of cash-settled share-based payment transactions	1 January 2010	Financial year 2010
Amendment to IAS 32 – Financial Instruments: Presentation and Classification of Rights Issues	1 February 2010	Financial year 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Financial year 2011
IAS 24 (rev. 2009) – Related Party Disclosures	1 January 2011	Financial year 2011
Amendments to IFRIC 14: IAS 19 – The Limit on a Defined Benefit asset Minimum Funding Requirements and their Interaction – Voluntary prepaid contributions under a minimum funding requirement	1 January 2011	Financial year 2011
IFRS 9 – Financial Instruments: Measurement and Classification	1 January 2013	Financial year 2013

No material impact on the consolidated financial statements is anticipated from these changes other than additional disclosures or changes in presentation.

Basis of preparation

The consolidation is based on the individual Group companies' audited financial statements, prepared on a consistent basis. Balance sheet date for all Group companies is 31 December. The consolidated financial statements are prepared on a historical cost basis with the exception of the following assets and liabilities, which are stated at their fair value:

- derivative financial instruments
- financial instruments and financial assets held for trading
- financial instruments and financial assets classified as available for sale.

Assets held for sale are stated at the lower of their carrying amount or fair value less costs to sell.

Significant estimates

Preparing the consolidated financial statements requires management to make estimates and assumptions that affect reported earnings, expenses, assets, liabilities and contingent liabilities at the date of the financial statements. If these estimates and assumptions, made by management to the best of their knowledge at that date, subsequently transpire to diverge from the facts, the original estimates and assumptions are adjusted for the year in which the circumstances changed.

Impairment of non-current assets

Apart from the periodic assessment of goodwill, the value of tangible assets and intangible assets is also reassessed when their carrying amount may no longer be covered as a result of events or changed circumstances. If such a situation arises, the value of the asset that could be recovered on the basis of expected future earnings is calculated. This is equivalent either to the present value of expected net future cash flows or the expected net sales price. If these values are lower than the current carrying amount, the latter is reduced to the same level as the newly calculated value. This impairment is recognized in the income statement. Important assumptions in these calculations are growth rates, margins and discount rates. The cash flows effectively achieved may differ considerably from the projected and discounted future values. Furthermore, an asset's useful life may decrease or its value be impaired if property, plant and equipment are put to a different use, production facilities are relocated or relinquished or the medium-term inflow of revenues is lower than expected. The carrying amounts of property, plant and equipment, and of intangible assets, are stated in note 10.

Employee retirement benefit plans

Kardex maintains various types of employee retirement benefit plans. The majority of the company's employees are covered by these plans. In order to measure liabilities and expenses, it is first necessary to establish from an economic point of view whether the plans are defined contribution or defined benefit plans. In the case of defined benefit plans, assumptions are made in order to estimate future developments. These include assumptions and estimates regarding the discount rates, the expected return on plan assets in the various countries and expected wage increase rates. The actuaries also use statistical data, such as mortality tables

and staff turnover rates in the actuarial calculations they perform with a view to determining employee benefit obligations. If these parameters change as a result of changes in the economic situation or new conditions in the markets, subsequent results may differ significantly from the actuarial reports and calculations. In the medium term, these can have a considerable effect on the expenses and income pertaining to employee retirement benefit plans. The carrying amount of pension assets and liabilities is explained in note 23.

Provisions for warranties and onerous contracts

In the course of their day-to-day operations, Group companies may become involved in litigation. Provisions for pending cases are made on the basis of the realistic expected cash outflow as indicated by the information available. Depending on the outcome of these cases, claims against the Group may arise that are not covered, or not completely covered, by provisions or insurance policies. The carrying amounts of these provisions are explained in note 24.

Income tax

Income tax liabilities are measured based on the current interpretation of tax laws in force in the countries in question, the accuracy of these calculations being confirmed (or otherwise) by the final assessment or following an audit by the tax authorities. The latter can result in significant changes to the actual tax expense. Furthermore, the assessment regarding the capitalization of tax effects on tax loss carryforwards requires a critical estimation of the probability of them being able to be set off against future profits, which are dependent on many different influences and developments.

Inventories and work in progress

The allowances made for inventories includes losses on the value of unsaleable, non-marketable or defective inventories. This allowance is calculated on the basis of assumptions regarding the extent to which the goods are fit for resale. Here, management is guided partly by past experience and partly also takes account of expected trends of future sales. The actual volume of unsaleable, non-marketable or defective inventories may deviate significantly from these estimates.

Consolidation methods

The consolidated financial statements include Kardex AG as well as all domestic and foreign subsidiaries in which the Company holds a direct or indirect ownership interest. Acquisitions are accounted for using the purchase method.

All subsidiaries in which the Group controls more than 50% of the voting stock or is able to exercise a controlling influence on the company's operating or financial policies are accounted for using the full consolidation method, which incorporates assets and liabilities as well as income and expenses in their entirety. Minority interests in equity and net result are stated separately. Negative minority interests are attributed to the main shareholders if there is no binding obligation on the minority shareholder to inject further capital equal to his share of the negative equity when called upon to do so, or if he were unable to do so.

Companies acquired or sold are included in the consolidated financial statements from the date of acquisition or until the date of sale. Intra-group balances, transactions and profits not realized through third parties are eliminated in the consolidation process.

Kardex AG currently has no investments in associated companies, nor is it participating in joint ventures.

Foreign currency translation

Functional currency and reporting currency

The consolidated financial statements are presented in million euros. The euro is Kardex AG's functional currency and the reporting currency of the Group. The functional currency of a subsidiary is the currency of its primary operating environment.

Foreign currency transactions

Foreign currency transactions are translated into a Group company's functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless they relate to cash flow hedges and are thus recognized in equity. Non-monetary assets and liabilities stated at historical acquisition or construction cost are translated at the foreign exchange rate prevailing at the date of the transaction.

Financial statements of subsidiaries

The assets and liabilities of subsidiaries whose financial statements are prepared in currencies other than the euro are translated for consolidation purposes as follows:

- Assets and liabilities are translated on balance sheet date at the exchange rate prevailing on that date.
- Revenues and expenses as well as cash flows are translated at the average exchange rate.
- Equity is translated at historical rates.

All resulting translation differences (with the exception of cash flows) are shown separately under equity (cumulative translation differences). If a subsidiary is sold, its cumulative translation differences are included in the income statement as a part of the profit or loss arising from the sale.

Net investment in subsidiaries

Exchange differences arising from the translation of net investments in subsidiaries or of financial liabilities and other currency instruments used to hedge such investments are recognized, net of deferred tax, in equity (cumulative translation differences) and do not affect the income statement. If a subsidiary is sold, its cumulative translation differences are included in the income statement as a part of the profit or loss arising from the sale.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments exclusively to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are recognized at fair value when contracts are entered into and in subsequent reporting periods. Recognition of the resulting gains or losses depends on whether the derivative qualifies for hedge accounting or is reported for trading purposes.

- Derivatives that do not qualify for hedge accounting: changes resulting from revaluation of derivatives are recognized directly in the income statement.
- Hedging transactions: changes in the fair value of a derivative financial instrument that qualifies as a fair-value hedge and proves to be highly effective are recognized, together with the change in fair value of the hedged balance sheet position, in the income statement. The effective part of the changes in the fair value of a derivative financial instrument that qualifies as a cash flow hedge in a highly effective hedging transaction, are recognized directly in equity. If the forecasted transaction leads to the subsequent recognition of a non-financial item in the balance sheet – property, plant and equipment, for example – the gains or losses resulting from fair-value changes previously included in equity are transferred to the appropriate balance sheet item. Changes in value resulting from cash flow hedges recognized directly in equity are transferred to the income statement in the period in which the cash flow (e.g. interest payments) from the hedged transaction affects the income statement.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at acquisition or construction cost less accumulated depreciation and impairment losses. Acquisition and construction cost includes all expenses directly attributable to the acquisition and necessary to bring the asset to working condition for its intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost of that asset. An asset is deemed to be a qualified asset if a substantial amount of time is required to ensure that it is in the intended state ready for use or sale.

Leased assets

Leasing agreements under which the Group company essentially assumes all the risks and rewards associated with the acquisition are treated as finance leases. These assets are stated at an amount equal to the lower of their fair value or the present value of the minimum lease payments at the beginning of the lease, less accumulated depreciation and impairment loss. Obligations arising from finance leasing are recognized as liabilities.

Subsequent costs

Major renovation or modernization work, as well as expenses that extend the estimated useful life of property, plant or equipment, are capitalized. Repairs and maintenance costs are recognized directly under operating expenses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the following estimated useful lives:

Buildings	25 to 50 years
Machinery and production tools	4 to 10 years
Equipment and vehicles	6 to 12 years
Information technology	3 years

Depreciation of an item of property, plant or equipment begins when it is in the working condition intended by Management. Property, plant and equipment under construction is not depreciated, but is regularly assessed for invitation of a need to take impairment charges.

Depreciation expense is included in cost of goods sold and services provided, marketing and sales expenses, administrative expenses and research and development expenses.

The residual value and the useful economic life of the property, plant and equipment are reviewed annually and adjusted where necessary. Profits and losses arising from the sale of property, plant and equipment are recognized in the income statement.

Intangible assets**Goodwill**

Goodwill, the difference between the cost of acquisitions and the share of the fair value of the identifiable net assets acquired, results from the purchase of subsidiaries, associates and joint ventures. All business combinations are accounted for using the purchase method. Any goodwill thus resulting will be allocated to intangible assets.

Research and development

Expenditure on research activities related to new technologies or know-how is recognized in the income statement as an expense, as incurred.

Research and development costs which relate to the design or production of new or substantially improved products and processes are capitalized only if the identifiable asset is technically and commercially feasible, it can be completed, the costs it entails can be reliably assessed, and a future financial benefit is likely to result from this asset.

These capitalized intangible assets are stated at cost less accumulated amortization and impairment losses. Amortization begins when the capitalized asset is in working condition. These assets will, as a rule, be amortized on a straight-line basis over the estimated useful life.

Capitalized development costs are subject to annual impairment tests.

All other development costs are expensed at the time incurred.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortization and impairment losses.

Subsequent costs

Subsequent expenditure on existing intangible assets is capitalized only when it increases the future economic benefits of the assets. All other expenditure is expensed at the time incurred.

Amortization

Amortization of intangible assets is charged to the income statement on a straight-line basis over their estimated useful lives. Goodwill and intangible assets with an indefinite useful life are not amortized. Amortization of intangible assets begins at the date they are available for use. The estimated useful lives are as follows:

Capitalized research and development costs	3 years
Licences and patents	5 years
Capitalized software	5 years
Other intangible assets	5 years

Amortization is included in cost of goods sold and services provided, marketing and sales expenses, administrative expenses and research and development expenses.

The residual value and the useful economic life of the intangible assets are reviewed annually and adjusted where necessary. Profits and losses arising from the sale of intangible assets are recognized in the income statement.

Financial assets

Financial assets are measured as follows:

- financial assets held for trading purposes at fair value, whereby changes in the fair value are immediately recognized in the income statement
- loans and receivables at amortized cost, whereby the difference between the issue and repayment amount is recognized in the income statement using the effective interest method over the period to maturity
- investments held to maturity at amortized cost
- financial assets available for sale at fair value, whereby unrealized gains and losses are recognized directly in retained earnings: in the event of their sale or impairment, they are transferred to the income statement.

The classification of financial assets depends on the purpose for which they were acquired. Management determines the classification at initial recognition.

Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life are tested annually for impairment. Property, plant and equipment and other non-current assets, including intangible assets with indefinite and finite useful lives as well as goodwill, are tested for impairment whenever there are indications that their carrying amount may exceed their recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognized. The recoverable amount is either the asset's fair value less costs to sell or the value in use of the asset based on expected future cash flow, whichever is higher.

For the impairment test, assets are grouped together on the lowest level for which cash flows can be identified separately. At the time of acquisition, goodwill is assigned to the cash-generating units which should derive benefits from the synergies created by the business combination.

On each balance sheet date impairments recorded are checked to establish whether the reasons that led to the impairment still apply to the same extent. If the reasons for an impairment no longer apply, the value will be reinstated up to a maximum of the carrying amount as adjusted according to scheduled depreciations. The reverse booking is recognized in the income statement. Goodwill impairments are strictly excluded from any reverse bookings.

Trade accounts receivable and other current assets

When first recognized, trade accounts receivable are valued at current value. Subsequent valuation is performed at amortized cost less value adjustments. The value adjustments are recognized when there are objective indications that the receivables due cannot be collected in full.

The value adjustment consists of individual allowances for specifically identified positions for which there are objective indications that the outstanding amount will not be received in full and of lump-sum allowances for groups of receivables with similar risk profiles. The lump-sum allowances cover losses which have occurred, but are not yet known. The lump-sum allowances are based on historical data relating to receivables payment statistics.

Inventories

Inventories are stated at the lower of acquisition/production cost or net realizable value. Net realizable value is defined as the value of the sales proceeds less costs of production and sale incurred until the time of sale. Inventories are valued on a weighted-average basis. The acquisition and production cost also includes the cost of purchase and transport of inventories and borrowing costs, as well as financing costs which can be directly attributed to the production of a qualified asset. An asset is deemed to be a qualified asset if a substantial amount of time is required to ensure that it is in the intended state ready for use or sale. In the case of inventories manufactured by the Group, production costs also include an appropriate share of overhead. Adjustments are made for items lacking marketability and for slow-moving items.

Construction contracts

Provided that the revenues and expenses arising from construction contracts can be reliably estimated, revenues are recognized using the percentage-of-completion method: the revenues and expenses are recognized in the income statement proportionately to the stage of completion. The stage of completion is determined using the cost-to-cost method, i.e. by calculating the ratio between the project costs incurred to date and the estimated overall costs of the project. Expected losses from construction contracts are immediately recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, postal and bank account balances and other liquid investments with a maximum total maturity of three months.

Treasury shares

If the Company repurchases its own shares, the payments, including directly related costs, are deducted from equity. Any gains or losses arising from transactions with treasury shares are recognized within capital reserves.

Dividend

Dividends are recognized as a liability in the period in which they are approved.

Financial liabilities

Liabilities are initially stated at fair value less any transaction costs and subsequently at amortized cost. Differences between the cash inflow (after deduction of transaction costs) and the redemption amount are recognized in the income statement using the effective interest rate method during the liability's term.

Convertible bond

When convertible bonds are issued, the individual components of this financial instrument (bond and conversion right) are recognized separately. The bond (without conversion right) is reported as a financial liability and its fair value is calculated on the basis of comparable standard market interest rates for non-convertible bonds. This component of the convertible bond is measured by applying the effective interest rate method to the amortized cost until the conversion rights or the bonds mature, and appears in the balance sheet as a non-current liability, i. e. the difference between the original debt component and the nominal amount is amortized over the bond's contractual term to maturity and is treated as a financial expense together with the interest payments. In principle, the conversion right represents an equity component which is stated on the balance sheet as part of equity. However, when a convertible bond is issued in a currency other than the functional currency of the company, the conversion right represents a liability component and has to be recognized on the balance sheet as a financial liability accordingly.

At the time when the convertible bond is issued, the market value of the conversion right, which is carried as an embedded derivative and is recognized at fair value over the whole term to maturity, is calculated using a trinomial model. With the trinomial model, several (three in the case of the trinomial model) scenarios are assumed for the share price development in each (finite) time period and each possibility is assigned a probability. In this way, the trinomial model takes account of a large number of theoretically possible scenarios.

Since the convertible bond issued by the Kardex Group on 29 June 2007 was not issued in Kardex AG's functional currency, both the bond and the conversion right must be recognized as liabilities. The conversion right, incl. soft call (see below), is carried separately as an embedded derivative at fair value; fluctuations in fair value are recognized in the income statement. The bond component is carried at the present value of the redemption amount using the effective interest rate method over the term of the bond and is recognized in the income statement. If the conversion right is exercised, the proportional derivative obligation is reclassified in equity. If the conversion right is not exercised, or if the intrinsic value of the conversion right is zero, the derivative obligation is amortized on an ongoing basis through the income statement based on the declining current value over the term of the bond. The denomination of the convertible bond in CHF gives rise to both cash flow risk and foreign exchange risk for the Group. These risks have been fully hedged with an interest rate and currency swap with initial and final trade at the same exchange rate.

In addition to the conversion right, a soft call is also a component of the financial liability. Starting from 29 June 2010 at the earliest, this allows Kardex to recall the convertible bond if the market price of its shares is 30% higher than the strike price for 20 days. This soft call represents a call option which can be exercised at a future date which means that at the time when the convertible bond is issued the soft call has only a time value and no intrinsic value.

Employee benefits

There are several employee pension plans within the Group, each of which complies with legal requirements for the country in question. These plans are funded by contributions from employees and employers.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement, as incurred. The recognized expense is the employer's contributions.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan. The pension cost is calculated annually by actuaries using the projected unit credit method. The obligation is discounted to the present value and offset with the fair value of any plan assets. The discount rate is based on the interest rate on highest-grade industrial bonds denominated in the currency in which the benefits are paid and with similar maturities to the pension obligations. Any surplus or deficit in the fair value of plan assets compared with the present value of the defined benefit obligation is stated in the balance sheet as an asset or liability after taking into account all unrecognized actuarial gains or losses and past service costs. However, an asset is only capitalized to the extent in which a future economic benefit is available to the Group or there are not yet unrecognized actuarial losses.

Actuarial gains and losses arising subsequent to 1 January 2004 are accounted for using the corridor method, i. e. to the extent they exceed the higher of 10% of the present value of the defined benefit obligation or the fair value of plan assets. Such gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Other long-term benefits to employees

Other long-term benefits to employees include deferred compensations which Group companies are legally obliged to pay in the countries in question. The cost of these benefits is calculated on an actuarial basis and provided for at their present value under personnel expenses. The corresponding obligations are included in the position pension liabilities.

Share-based payments

Share-based payments are recognized at fair value at the moment of granting and, until such time as entitlement is asserted, are charged to the corresponding positions in the income statement as personnel expenses. Since these remunerations are settled with equity instruments, the counter-entry is recognized in equity.

Provisions

Provisions are made

- insofar as the Group has, or may have, an actual or possible obligation (legal or constructive) due to past events,
- insofar as it is probable that settlement of this obligation will lead to an outflow of resources,
- insofar as the extent of the obligation can be reliably estimated.

If the interest effect is significant, long-term provisions at present value will be made.

Warranties

The provision for warranty risks from the sale of products and services is based on information about warranties from earlier periods and available production data.

Restructuring

Restructuring costs are provided for in the period in which an official, detailed restructuring plan is available to the Group, which is implemented or publicly announced. No provision is made for future operating losses. Depending on the areas concerned, restructuring costs are stated under cost of goods sold and services provided, marketing and sales expenses, administrative expenses, and research and development expenses.

Onerous contracts

A provision for onerous contracts is recognized when the Group's expected benefits to be derived from a contract are lower than the estimated cost of meeting its obligations under the contract.

Trade accounts receivable and other current assets

Trade accounts receivables and other current assets are stated at amortized cost, which is normally equivalent to their nominal value.

Revenues from goods sold and services rendered

Net revenues include all revenues from products sold and services provided less items such as rebates, other agreed discounts and value-added tax. Revenue from the sale of goods is recognized when the risks and rewards of ownership have transferred to the buyer. Provided that income and expenses arising from construction contracts can be reliably estimated, the resulting revenues are reported using the percentage of completion method. Revenues from services are recognized according to the stage of completion. No revenue is recognized if there is significant uncertainty regarding recovery of the consideration due, associated costs or the possible return of goods.

Government grants

Asset-related government grants are deducted from the carrying amount of the asset. Government grants are recognized as income during the period in which the subsidized expenses are incurred.

Operating lease payments

Payments made under operating leases are recognized in the income statement using a straight-line basis over the term of the lease.

Finance lease payments

Minimum lease payments are allocated between the financing costs and repayment of the principal. The finance costs are allocated to each period during the lease term to produce a constant periodic rate of interest over the term of the liability.

Financing

Net financing costs comprise interest expense for the convertible bond, on borrowings and finance leasing, interest earned on investments, earnings and expenses from discounts, gains and losses from foreign currency translation, as well as gains and losses from derivative financial instruments used for exchange rate hedging, all of which are recognized in the income statement. Interest income and expense are recognized in the income statement as they accrue, using the effective interest method.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement unless it relates to items recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable related to pre-

vious years. Income tax is calculated using tax rates already in force or substantially enacted at the balance sheet date. Deferred tax is calculated using the balance sheet liability method on the basis of tax rates already in force or substantially enacted at the balance sheet date and is based on temporary differences between IFRS carrying amounts and the tax base. Tax benefits on future taxable income resulting from tax losses carried forward and other temporary differences are recognized only to the extent to which it is probable that future taxable profits will be available.

Operating segments

An operating segment is a part of the company:

- which engages in business activities which generate revenues and can give rise to expenses (including revenues and expenses in connection with business transactions involving other parts of the same company),
- the operating results of which are regularly reviewed by the Chief Operating Decision Maker (CODM) with a view to decisions on the allocation of resources to this segment and assessment of its performance and
- for which separate financial information is available.

The term Chief Operating Decision Maker refers to a person or group of persons whose function is to allocate resources to the business segments of a company and to assess their profitability.

Detailed information on the operating segments is set out in note 1.

The standard previously applied for segment reporting (IAS 14) was replaced by IFRS 8 as of 1 January 2009. The operating segments defined under IFRS 8 are the same as those defined under IAS14.

3. Financial risk management

The various risk positions arising from existing assets and liabilities as well as from future commitments are recorded and managed centrally at Group level. Derivative financial instruments are used only to hedge exposure to fluctuation in foreign exchange rates and interest rates.

Credit risk

The Group has a credit policy and risk is continually monitored by local management. An external credit report is always obtained for new customers. For existing customers a recurring credit assessment is made upon reaching a certain threshold. As a matter of policy, down payments are required for large orders. Significant business activities in the international environment and activities in high-risk countries are generally secured by bank guarantees or letters of credit.

Credit risks arise from the possibility that customers may not be able to meet their liabilities. To manage this risk, the Group regularly reviews the creditworthiness of customers in light of their financial position, past experience and other factors and individual risk limits are set accordingly. The following risk concentration existed as at 31 December 2009: totalling EUR 6.3 million, the five largest positions within the outstanding trade accounts receivable had a combined share of 9.6%. The individual positions within this combined total accounted for the following share of outstanding trade accounts receivable (in order of risk weighting):

1. EUR 2.4 million or 3.7%
2. EUR 1.1 million or 1.6%
3. EUR 1.0 million or 1.6%
4. EUR 0.9 million or 1.4%
5. EUR 0.8 million or 1.3%

At balance sheet date no significant concentration of credit risk existed. The maximum exposure to credit risk is shown in the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Investments are allowed only in liquid securities and only with high-credit-quality financial institutions. Transactions involving derivative financial instruments are with counterparties who have a sound credit rating. Given the counterparties' high credit ratings, management expects all of them to meet their obligations.

Liquidity risk

Prudent liquidity risk management requires that the Group maintains sufficient cash and cash equivalents and the availability of funding through an adequate level of contractual credit facilities. The Group has agreed sufficient credit lines with its credit institutions. Furthermore, the Group engages in rolling liquidity planning based on expected cash flows.

As at the balance sheet date, the following cash balances and credit lines are available:

EUR millions	31.12.2009	31.12.2008
Cash and cash equivalents	26.8	27.4
Lines of credit	85.1	89.4
Lines of credit utilized	-20.4	-30.2
Total liquidity reserves and lines of credit	91.5	86.6

For fiscal year 2010 and following years, the Kardex Group anticipates a positive net inflow of cash from operations.

Foreign currency risks

The Group is exposed to foreign currency risk in respect of sales, purchases and borrowing in currencies other than the functional currency of each company. The primary currencies for which risk exposure exists are the Swiss franc, British pound sterling and the US dollar.

The Group utilizes forward contracts and, in the case of the convertible bond, an interest rate and currency swap to partially hedge against exchange rate risk. The forward currency contracts mature in less than one year from the balance sheet date. If necessary, currency contracts will be renewed at maturity. In addition, there is a foreign currency effect from translation of the financial statements of the subsidiaries into the currency of this report, the euro.

The Kardex Group does not conduct business in currencies that are exceptionally volatile or otherwise regarded as unusually risky.

Interest rate risk

The Group takes out long- and short-term loans at both floating and fixed interest rates. Group treasury is responsible for monitoring interest rate movements continuously and for optimizing future interest expenses.

As a means of partially hedging interest rate risk, the Group uses interest rate swaps. The interest rate swaps have maturity dates more than one year after the balance sheet date. If necessary, interest rate swaps are renewed at maturity.

Capital management

The Group manages its capital with the aims of ensuring adequate liquidity and of optimizing the ratio of equity to debt capital. The Management Board and Board of Directors review the capital structure every six months, addressing capital costs and associated risk. The Group has a target equity ratio of at least 40%.

Detailed information on the consolidated financial statements

1. Segment reporting

The Kardex Group is managed by the Board of Directors through the Management Board and the management of the operating divisions Kardex Remstar and Kardex Stow. The Board of Directors is the supreme managerial and supervisory body of the holding company and the Kardex Group. In addition to its statutory tasks, the Board of Directors is responsible for the strategic focus and management of the Group which form the framework for the operational focus and activity. The Board of Directors delegates the day-to-day operational business to the Management Board. The Management Board consists of the Chief Executive Officer, the Chief Financial Officer of the Group and the heads of the Kardex Remstar and Kardex Stow Divisions. All operational decisions (including in particular investment decisions and performance measurement) in the framework of the strategy defined by the Board of Directors are taken by the Management Board. This body is the Chief Operating Decision Maker (CODM) within the meaning of IFRS 8.

The business of the Kardex Group is subdivided into two independently managed segments which are treated separately for performance assessment purposes. There has been no change in the operating segments compared with financial year 2008.

The Kardex Remstar Division (Dynamic Storage and Retrieval Systems) is primarily involved in the production, worldwide distribution, assembly and maintenance of dynamic storage, retrieval and distribution systems. These logistics solutions are marketed under the Kardex, Remstar and Megamat brands and are used predominantly in industrial, commercial, and administrative environments. The systems are developed and produced at the division's four plants in Bellheim (Rhineland-Palatinate, Germany), Neuburg (Bavaria, Germany), Westbrook (Maine, USA) and Lewistown (Pennsylvania, USA). These manufacturing sites supply distribution companies and trading partners with a standard product range in the various countries where they are delivered and installed for the relevant customers.

The core activity of the Kardex Stow Division (Static Storage Systems) is the manufacture of storage shelving typically used in high-bay warehouses. The most important customer segments include general contractors specializing in logistics, large corporations, and logistics

service suppliers (warehouses). The plants in Dottenijs (Belgium) and Shanghai (China) are regarded as leaders in automated mass production. Logistics engineering, distribution and assembly are handled by our own sales companies in the most important markets.

No operating segments were aggregated for segment reporting purposes. The operating segments therefore also constitute reportable segments within the meaning of IFRS 8.

Kardex AG is the parent company of the Kardex Group and directly or indirectly holds all shareholdings in the subsidiaries of both operating segments.

Segment reporting 2009/Income statement

	Operating segments		Total Operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow				
EUR millions						
Net revenues, third party						
– Euro countries (without Germany)	55.9	72.9	128.8	–	–	128.8
– Germany	49.2	24.1	73.3	–	–	73.3
– Switzerland	17.8	3.0	20.8	–	–	20.8
– Rest of Europe	23.4	35.2	58.6	–	–	58.6
– Africa	–	0.2	0.2	–	–	0.2
– North and South America	37.6	–	37.6	–	–	37.6
– Asia Pacific	15.6	8.0	23.6	–	–	23.6
Total net revenues, third party	199.5	143.4	342.9	–	–	342.9
Net revenue, with other operating segments	0.1	0.1	0.2	–	–0.2	–
Net revenue	199.6	143.5	343.1	–	–0.2	342.9
Cost of goods sold and services provided	–134.6	–116.6	–251.2	–	0.2	–251.0
Depreciation and amortization of property, plant and equipment and intangible assets	–4.8	–3.5	–8.3	–	–	–8.3
Gross profit	60.2	23.4	83.6	–	–	83.6
Marketing and sales expenses	–30.3	–14.2	–44.5	–	–	–44.5
Administrative expenses	–19.0	–5.5	–24.5	–5.3	2.3	–27.5
Research and development expenses	–3.4	–0.5	–3.9	–	–	–3.9
Other operating income	1.3	0.5	1.8	2.7	–2.7	1.8
Other operating expense	–0.9	–0.8	–1.7	–	0.4	–1.3
Depreciation and amortization of property, plant and equipment and intangible assets	–1.1	–0.8	–1.9	–	–	–1.9
Operating result (EBIT)	6.8	2.1	8.9	–2.6	–	6.3
Financial income	0.8	–	0.8	5.6	–5.7	0.7
Financial expense	–2.6	–1.3	–3.9	–2.9	1.5	–5.3
Fair-value adjustment for conversion right	–	–	–	–	–	–
Result for the period before tax	5.0	0.8	5.8	0.1	–4.2	1.7
Income tax	–0.9	0.2	–0.7	–0.2	–	–0.9
Result for the period	4.1	1.0	5.1	–0.1	–4.2	0.8
Number of employees on 31 December (fulltime equivalents)	1313	572	1885	14	–	1899

The net revenues of the Kardex Stow operating segment include deliveries to a major customer. These deliveries took place in various European countries and accounted for 12.6% of the segment's net revenues. The net revenues of the Kardex Remstar operating segment do not include any deliveries to customers accounting for more than 10% of the segment's net revenues.

Eliminations concern intercompany transactions.

Segment reporting 2008/Income statement

EUR millions	Operating segments		Total Operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow				
Net revenues, third party						
– Euro countries (without Germany)	81.1	89.8	170.9	–	–	170.9
– Germany	67.6	27.4	95.0	–	–	95.0
– Switzerland	14.1	2.2	16.3	–	–	16.3
– Rest of Europe	43.4	66.2	109.6	–	–	109.6
– Africa	0.3	0.1	0.4	–	–	0.4
– North and South America	31.8	–	31.8	–	–	31.8
– Asia Pacific	18.7	17.3	36.0	–	–	36.0
Total net revenues, third party	257.0	203.0	460.0	–	–	460.0
Net revenue, with other operating segments	0.5	2.2	2.7	–	–2.7	–
Net revenue	257.5	205.2	462.7	–	–2.7	460.0
Cost of goods sold and services provided	–171.2	–162.4	–333.6	–	2.7	–330.9
Depreciation and amortization of property, plant and equipment and intangible assets	–3.9	–3.3	–7.2	–	–	–7.2
Gross profit	82.4	39.5	121.9	–	–	121.9
Marketing and sales expenses	–32.6	–16.4	–49.0	–0.2	–	–49.2
Administrative expenses	–18.8	–5.1	–23.9	–4.6	2.0	–26.5
Research and development expenses	–1.9	–0.6	–2.5	–	–	–2.5
Other operating income	1.9	0.2	2.1	2.3	–1.9	2.5
Other operating expense	–0.8	–1.1	–1.9	–	–0.1	–2.0
Depreciation and amortization of property, plant and equipment and intangible assets	–1.3	–0.6	–1.9	–	–	–1.9
Operating result (EBIT)	28.9	15.9	44.8	–2.5	–	42.3
Financial income	1.7	1.5	3.2	10.0	–12.6	0.6
Financial expense	–2.7	–3.7	–6.4	–5.5	6.1	–5.8
Fair-value adjustment for conversion right	–	–	–	2.2	–	2.2
Result for the period before tax	27.9	13.7	41.6	4.2	–6.5	39.3
Income tax	–3.6	–3.8	–7.4	1.1	–	–6.3
Result for the period	24.3	9.9	34.2	5.3	–6.5	33.0
Number of employees on 31 December (fulltime equivalents)	1384	633	2017	11	–	2028

The net revenues of the Kardex Stow operating segment include deliveries to a major customer. These deliveries took place in various European countries and accounted for 16.8% of the segment's net revenues. The net revenues of the Kardex Remstar operating segment do not include any deliveries to customers accounting for more than 10% of the segment's net revenues.

Eliminations concern intercompany transactions.

Segment reporting as per 31 December 2009/Balance sheet

	Operating segments		Total Operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow				
EUR millions						
Property, plant and equipment and intangible assets						
– Euro countries (without Germany)	1.1	50.1	51.2	–	–	51.2
– Germany	34.8	–	34.8	–	–	34.8
– Switzerland	0.1	–	0.1	0.1	–	0.2
– Rest of Europe	3.1	0.1	3.2	–	–	3.2
– Africa	6.0	–	6.0	–	–	6.0
– North and South America	–	–	–	–	–	–
– Asia Pacific	0.2	6.2	6.4	–	–	6.4
Financial- and pension assets	4.1	0.1	4.2	189.4	–189.2	4.4
Deferred tax assets	4.9	0.4	5.3	–	–	5.3
Non-current assets	54.3	56.9	111.2	189.5	–189.2	111.5
Currents assets	106.7	52.6	159.3	14.4	–42.3	131.4
Assets	161.0	109.5	270.5	203.9	–231.5	242.9
Equity	84.3	51.4	135.7	126.6	–164.2	98.1
Non-current liabilities	26.8	14.9	41.7	36.7	–25.0	53.4
Current liabilities	49.9	43.2	93.1	40.6	–42.3	91.4
Equity and liabilities	161.0	109.5	270.5	203.9	–231.5	242.9
Capital expenditure	6.3	2.7	9.0	0.1	–	9.1

Eliminations concern intercompany transactions.

Segment reporting as per 31 December 2008/Balance sheet

	Operating segments		Total Operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow				
EUR millions						
Property, plant and equipment and intangible assets						
– Euro countries (without Germany)	1.4	53.3	54.7	–	–	54.7
– Germany	35.8	–	35.8	–	–	35.8
– Switzerland	0.1	–	0.1	0.1	–	0.2
– Rest of Europe	0.3	0.2	0.5	–	–	0.5
– Africa	–	–	–	–	–	–
– North and South America	4.2	–	4.2	–	–	4.2
– Asia Pacific	0.1	6.4	6.5	–	–	6.5
Financial- and pension assets	3.9	0.2	4.1	192.1	–191.7	4.5
Deferred tax assets	4.3	0.7	5.0	0.1	–	5.1
Non-current assets	50.1	60.8	110.9	192.3	–191.7	111.5
Currents assets	127.3	68.2	195.5	6.9	–35.3	167.1
Assets	177.4	129.0	306.4	199.2	–227.0	278.6
Equity	86.3	52.4	138.7	131.7	–163.1	107.3
Non-current liabilities	28.0	22.5	50.5	35.3	–28.8	57.0
Current liabilities	63.1	54.1	117.2	32.3	–35.2	114.3
Equity and liabilities	177.4	129.0	306.4	199.3	–227.1	278.6
Capital expenditure	4.5	9.5	14.0	0.1	–	14.1

Eliminations concern intercompany transactions.

2. Foreign currency translation

The main exchange rates for currency translation are:

	Average rates		Yearend rates	
	2009	2008	31.12.2009	31.12.2008
1 CHF (Swiss franc)	0.662	0.631	0.674	0.670
1 GBP (Pound sterling)	1.123	1.261	1.111	1.039
1 USD (US dollar)	0.719	0.683	0.695	0.713

The following foreign currency accounts existed at the balance sheet date (not consolidated; does not include hedged accounts):

31.12.2009, EUR millions	CHF	EUR	GBP	USD	Other	Total
Non-current assets	–	0.8	–	–	–	0.8
Current assets	0.5	4.8	–	0.6	0.1	6.0
Total financial assets	0.5	5.6	–	0.6	0.1	6.8
Non-current financial liabilities	–	0.6	0.9	0.7	–	2.2
Current financial liabilities	0.1	11.4	–	–	0.3	11.8
Total financial liabilities	0.1	12.0	0.9	0.7	0.3	14.0
Net exposure	0.4	–6.4	–0.9	–0.1	–0.2	–7.2

31.12.2008, EUR millions	CHF	EUR	GBP	USD	Other	Total
Non-current assets	–	0.8	–	–	–	0.8
Current assets	0.3	1.8	–	1.5	–	3.6
Total financial assets	0.3	2.6	–	1.5	–	4.4
Non-current financial liabilities	–	0.2	0.8	–	–	1.0
Current financial liabilities	–	12.2	–	–	–	12.2
Total financial liabilities	–	12.4	0.8	–	–	13.2
Net exposure	0.3	–9.8	–0.8	1.5	–	–8.8

The figure of EUR 6.8 million comprises financial assets in a currency other than the functional currency of the Group companies concerned, shown in the relevant foreign currency column.

The figure of EUR 14.0 million comprises financial liabilities in a currency other than the functional currency of the Group companies concerned, shown in the relevant foreign currency column.

The foreign currency accounts shown comprise the financial assets and liabilities in foreign currencies stated in the consolidated financial statements as well as eliminations of intra-Group accounts. Hedged positions and the corresponding hedge instruments are excluded from this analysis. The hedged positions and hedging instruments match exactly.

The Group companies keep the bulk of their cash and cash equivalents in local currency (which is generally also the functional currency) and as a matter of principle invoice their customers in local currency. Generally speaking, the purchase of supplies from third parties also takes place in local currency. The amounts shown do not include the amounts held in local currency and solely comprise the amounts which the Group companies hold in a currency other than the local currency. These are almost exclusively intra-Group items.

A +/-5% change in the value of the aforementioned currencies versus the euro would alter equity and the net result as follows (excluding the effect of taxes):

31.12.2009, EUR millions	+5%	-5%
CHF	-0.1	0.1
GBP	-0.1	0.1
USD	-	-

31.12.2008, EUR millions		
CHF	-0.1	0.1
GBP	-0.2	0.2
USD	-	-

3. Net revenues

EUR millions	2009	2008
Products	272.6	386.1
Software	7.7	9.5
Services	62.6	64.4
Total net revenues	342.9	460.0

4. Personnel expenses

EUR millions	2009	2008
Salaries and wages	-73.6	-73.7
Social security contributions	-18.1	-20.0
Expenses for defined benefit plans	-1.6	-2.3
Expenses for defined contribution plans	-0.3	-0.5
Other personnel expenses	-3.3	-6.1
Total personnel expenses	-96.9	-102.6

5. Other operating income

EUR millions	2009	2008
Gains from the sale of non-current assets	0.1	0.1
Commissions	0.2	-
Sales of discarded metall	0.3	0.2
Other income	1.2	2.2
Total other operating income	1.8	2.5

6. Other operating expenses

EUR millions	2009	2008
Losses from the sale of non-current assets	-	-0.7
Restructuring costs	-	-0.3
Other expenses	-1.3	-1.0
Total other operating expenses	-1.3	-2.0

Restructuring expenses totalling EUR 4.0 million were recognised in the income statement in the year under review. EUR 0.5 million of this was stated in the cost of goods sold, EUR 1.9 million in marketing and sales expenses and EUR 1.6 million in administrative expenses.

7. Financial income

EUR millions	2009	2008
Interest income	0.5	0.3
Other financial income ¹	0.2	0.3
Total financial income	0.7	0.6

¹ Incl. discounts received.

8. Financial expenses

EUR millions	2009	2008
Interest expense	-3.4	-3.5
Exchange rate losses	-0.5	-1.4
Other financial expenses ¹	-1.4	-0.9
Total financial expenses	-5.3	-5.8

¹ Incl. discounts granted.

9. Income tax

Income tax expense recognized in the statement of comprehensive income and expense:

EUR millions	2009	2008
Income taxes relating to the current period	-2.3	-7.5
Income taxes relating to past periods, net	0.1	-
Current income tax expense	-2.2	-7.5
Deferred income tax expense due to temporary differences	1.3	1.2
Deferred income tax expense	1.3	1.2
Total income tax expense	-0.9	-6.3
Tax on other comprehensive income:		
Income tax on other comprehensive income	0.1	-

The Group's tax rate is calculated as follows:

EUR millions	2009		2008	
Result before tax		1.7		39.3
Expected tax expense based on weighted average tax rates	23.3%	-0.4	27.0%	-10.6
Foreign tax rate differential		0.9		0.4
Effect of expenses not deductible for tax purposes		-0.3		-0.5
Changes in tax rates		0.1		-
Effect of tax assets not capitalized		-0.8		4.2
Adjustments from prior years		-0.4		0.5
Others		-		-0.3
Effective tax rate	52.2%	-0.9	16.0%	-6.3

The calculated tax rate for the expected tax expense is the weighted (based on the individual Group companies' contribution to profit) average of local tax rates. These range from 8.0% to 40.0%. The change in the expected tax rate to 23.3% (2008: 27.0%) is attributable to changes in the origin of profit. Moreover, only positive contributions to profits were included in the calculation of the average weighted expected tax rate in the year under review (previous year: inclusion of negative contributions to profit made by individual companies).

The effective tax rate of 52.2% (2008: 16.0%) is attributable to the fact that tax effects of losses carried forward were not always capitalized in previous years.

10. Investment summary

10.1 Property, plant and equipment in 2009

EUR millions	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
Acquisition cost, 1 January	41.3	66.9	7.9	6.1	6.1	128.3
Additions	0.2	2.5	0.4	0.6	2.2	5.9
Disposal	-0.2	-2.1	-0.3	-0.1	-	-2.7
Acquisition of subsidiaries	-	0.1	-	-	-	0.1
Other reclassifications	-0.8	5.6	0.8	-	-6.3	-0.7
Exchange rate differences	-0.2	-0.1	-	-	-0.1	-0.4
31 December	40.3	72.9	8.8	6.6	1.9	130.5
Accumulated depreciation, 1 January	-11.2	-41.6	-4.4	-5.1	-	-62.3
Additions	-1.1	-5.5	-0.6	-0.6	-	-7.8
Disposal	0.2	0.3	0.2	0.1	-	0.8
Acquisition of subsidiaries	-	-	-	-	-	-
Other reclassifications	0.7	-0.7	-	-	-	0.0
Exchange rate differences	-	0.1	-	-	-	0.1
31 December	-11.4	-47.4	-4.8	-5.6	-	-69.2
Net carrying amount, 1 January	30.1	25.3	3.5	1.0	6.1	66.0
Net carrying amount, 31 December	28.9	25.5	4.0	1.0	1.9	61.3
Carrying amount of fixed assets held under finance leases, 1 January	6.3	5.4	0.1	-	-	11.8
Carrying amount of fixed assets held under finance leases, 31 December	6.0	4.5	0.1	-	-	10.6

The insurance value of property, plant and equipment amounts to EUR 177.2 million (2008: EUR 142.2 million).

Depreciation on property, plant and equipment is included in cost of goods sold and services provided (EUR 6.7 million), marketing and sales (EUR 0.4 million), administrative expenses (EUR 0.6 million) and research and development expenses (EUR 0.1 million).

A property in Belgium that was classified as held for sale in the previous year was sold in 2009 as planned.

Property, plant and equipment in 2008

EUR millions	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
Acquisition cost, 1 January	37.6	67.5	7.8	6.5	5.5	124.9
Additions	0.3	4.4	0.6	0.7	5.0	11.0
Disposal	-0.5	-6.8	-0.7	-1.1	-0.1	-9.2
Acquisition of subsidiaries	-	0.7	-	-	-	0.7
Other reclassifications	3.6	0.9	0.1	-	-4.6	-
Exchange rate differences	0.3	0.2	0.1	-	0.3	0.9
31 December	41.3	66.9	7.9	6.1	6.1	128.3
Accumulated depreciation, 1 January	-10.3	-43.2	-4.3	-5.3	-	-63.1
Additions	-1.1	-5.2	-0.6	-0.7	-	-7.6
Disposal	0.2	6.6	0.7	1.1	-	8.6
Acquisition of subsidiaries	-	-	-	-	-	-
Other reclassifications	-	0.3	-0.1	-0.2	-	-
Exchange rate differences	-	-0.1	-0.1	-	-	-0.2
31 December	-11.2	-41.6	-4.4	-5.1	-	-62.3
Net carrying amount, 1 January	27.3	24.3	3.5	1.2	5.5	61.8
Net carrying amount, 31 December	30.1	25.3	3.5	1.0	6.1	66.0
Carrying amount of fixed assets held under finance leases, 1 January	6.4	6.6	0.2	-	-	13.2
Carrying amount of fixed assets held under finance leases, 31 December	6.3	5.4	0.1	-	-	11.8

The insurance value of property, plant and equipment amounts to EUR 142.2 million (EUR 137.4 million).

Depreciation on property, plant and equipment relating to continued operations is included in cost of goods sold and services provided (EUR 6.3 million), marketing and sales (EUR 0.5 million), administrative expenses (EUR 0.7 million) and research and development expenses (EUR 0.1 million).

Additions to property, plant and equipment acquired through finance leases amount to EUR 0.1 million.

The property, plant and equipment held for sale concerns a property in Belgium which, having been reclassified in 2007, was sold in financial year 2009.

10.2 Intangible assets in 2009

EUR millions	Goodwill	Capitalized research and development costs	Capitalized software	Patents, licences and other intangible assets	Total other intangible assets
Acquisition cost, 1 January	28.8	4.8	8.0	3.7	16.5
Additions	–	–	2.9	0.3	3.2
Disposal	–	–	–0.1	–0.5	–0.6
Acquisition of subsidiaries	1.7	–	–	1.4	1.4
Other reclassifications	–	–	0.9	–	0.9
Exchange rate differences	0.1	–0.1	–	–0.1	–0.2
31 December	30.6	4.7	11.7	4.8	21.2
Accumulated depreciation, 1 January	–	–2.5	–5.2	–1.7	–9.4
Additions	–	–0.6	–1.1	–0.7	–2.4
Disposal	–	–	0.1	0.5	0.6
Acquisition of subsidiaries	–	–	–	–	–
Other reclassifications	–	–	–	–	–
Exchange rate differences	–	–	–0.2	0.1	–0.1
31 December	–	–3.1	–6.4	–1.8	–11.3
Net carrying amount, 1 January	28.8	2.3	2.8	2.0	7.1
Net carrying amount, 31 December	30.6	1.6	5.3	3.0	9.9

Amortization of other intangible assets is included in cost of goods sold and services provided (EUR 1.6 million) and administrative expenses (EUR 0.8 million).

No research and development expenses were capitalized in the year under review, since the costs incurred in this connection were associated with projects which do not meet the criteria pursuant to IAS 38.57.

Intangible assets in 2008

EUR millions	Goodwill	Capitalized research and development costs	Capitalized software	Patents, licences and other intangible assets	Total other intangible assets
Acquisition cost, 1 January	28.8	4.1	6.2	2.1	12.4
Additions	–	1.1	1.8	0.2	3.1
Disposal	–	–0.4	–	–	–0.4
Acquisition of subsidiaries	–	–	–	1.4	1.4
Other reclassifications	–	–	–	–	–
Exchange rate differences	–	–	–	–	–
31 December	28.8	4.8	8.0	3.7	16.5
Accumulated depreciation, 1 January	–	–2.4	–4.4	–1.4	–8.2
Additions	–	–0.5	–0.8	–0.2	–1.5
Disposal	–	0.4	–	–	0.4
Acquisition of subsidiaries	–	–	–	–	–
Other reclassifications	–	–	–	–	–
Exchange rate differences	–	–	–	–0.1	–0.1
31 December	–	–2.5	–5.2	–1.7	–9.4
Net carrying amount, 1 January	28.8	1.7	1.8	0.7	4.2
Net carrying amount, 31 December	28.8	2.3	2.8	2.0	7.1

Amortization of other intangible assets is included in cost of goods sold and services provided (EUR 0.9 million) and administrative expenses (EUR 0.6 million).

11. Assets held for sale

No assets held for sale were stated in the balance sheet as at 31 December 2009. A property in Belgium that was classified as held for sale in the previous year was sold in 2009 as planned.

12. Goodwill

EUR millions	31.12.2009	31.12.2008
Kardex Remstar Division	7.5	5.7
Kardex Stow Division	23.1	23.1
Total goodwill	30.6	28.8

The goodwill acquired in acquisitions is allocated to individual cash-generating units. The recoverable amount for a cash-generating unit is determined by calculating its value in use. Cash flow projections are based on the three-year plans drawn up by the Management Board and approved by the Board of Directors.

The calculation of the value in use of goodwill is affected by the following assumptions:

- Net revenues: Net revenues are projected on a regional basis. Depending on the cash-generating unit in question, expected growth rates are between –0.2% and 20.2% (2008: –5.6% to 12.5%).
- Operating result (EBIT): In the long term, the operating result (EBIT) is expected to settle at a level of 1.9% to 6.9% (2008: 5.1% to 11.5%) of net revenues.
- Weighted average cost of capital (WACC): The discount rate is based on a WACC that takes into account the specific risks of the cash-generating units. Equity costs were calculated on the basis of the interest on ten-year Swiss government bonds, which represent a risk-free interest rate. It also contains an appropriate risk surcharge for an equities portfolio. The different levels of risk in various countries and currencies were also taken into account. The historic beta of Kardex shares, based on a two-year regression, was applied in order to cover the systematic risk. Financing costs are equivalent to the effectively paid average interest, adjusted to show the proportionate taxation ratio of the divisions.
- Growth rate: Cash flows extending beyond the planning period are extrapolated; the growth rate employed is 1.9% (2008: 1.0%). This growth rate does not exceed the long-term average for the markets in which the individual divisions operate. The gross profit margins calculated by the Management Board are based on experience and are in line with expected business development.

Weighted average cost of capital (WACC) before tax %

	2009	2008
Kardex Remstar Division	10.0	11.3
Kardex Stow Division	9.9	12.2

The Board of Directors and Management Board consider the forecasts and assumptions underlying the impairment tests to be reasonable and justifiable. Goodwill values are dependent on actual achievement of the expected targets. Any discrepancies shown by the actual values may result in changes to the stated values.

The values in use for the Kardex Remstar and Kardex Stow Divisions are significantly higher than their carrying amounts. The organizational integration of the previously autonomous Megamat GmbH into the Kardex organization did not have any negative influence on goodwill values. In the view of the Management Board and Board of Directors, there is no conceivable change in assumptions that would lead to a result where the carrying amounts exceed the values in use, excluding unforeseeable events.

13. Financial assets

EUR millions	31.12.2009	31.12.2008
Investments	0.1	0.1
Interest rate and currency swap	3.3	3.4
Other financial assets	0.5	0.7
Total financial assets	3.9	4.2

The interest rate and currency swap relates to the convertible bond (see note 27).

14. Deferred tax

	2009	2008	2009	2008	2009	2008
	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax liabilities	Net	Net
EUR millions						
Property, plant and equipment	0.2	0.3	-2.2	-2.9	-2.0	-2.6
Intangible assets	0.1	0.1	-1.7	-1.7	-1.6	-1.6
Financial assets	-	-	-0.2	-0.1	-0.2	-0.1
Inventories and construction contracts	1.2	1.4	-0.2	-0.1	1.0	1.3
Other assets	0.5	0.4	-0.1	-0.7	0.4	-0.3
Provisions	1.1	0.9	-0.3	-	0.8	0.9
Other liabilities	2.1	2.6	-1.3	-2.4	0.8	0.2
Tax on capitalized loss carryforwards	5.1	5.2	-	-	5.1	5.2
Total deferred tax assets/tax liabilities	10.3	10.9	-6.0	-7.9	4.3	3.0
Set-off	-5.0	-5.8	5.0	5.8	-	-
Net deferred tax assets/tax liabilities as per 31.12.	5.3	5.1	-1.0	-2.1	4.3	3.0

Deferred tax assets are netted against deferred tax liabilities at individual company level.

Loss carryforwards for which no tax assets were recognized EUR millions	31.12.2009	31.12.2008
Loss carryforwards by expiration		
1 year	0.1	0.3
2 to 5 years	27.0	0.8
Over 5 years	11.4	38.0
Total loss carryforwards	38.5	39.1

The tax effects of loss carryforwards were capitalized to the degree that it was probable they could be set off against future profits. Non-capitalized loss carryforwards mainly relate to Germany and Switzerland. On 31 December 2009 the non-capitalized tax effects on loss carryforwards amounted to EUR 5.6 million (31 December 2008: EUR 5.6 million.).

15. Inventories, work in process and construction contracts

EUR millions	31.12.2009	31.12.2008
Raw materials, supplies and other consumables	14.3	20.0
Finished goods	6.5	8.7
Spare parts	7.3	5.7
Work in process	14.4	18.7
Allowances	-6.4	-5.2
Advance payments by customers	-10.0	-15.0
Advance payments to suppliers	0.5	0.5
Total inventories and work in process	26.6	33.4

Details of construction contracts

EUR millions	31.12.2009	31.12.2008
Revenues from construction contracts (POC)	14.8	28.7
Accrued contract costs and recognized profit	8.8	8.5
Progress billings	-6.4	-7.1
Contracts in process net	2.4	1.4
Construction contracts with amount due from customers (underfinanced)	3.4	1.5
Construction contracts with amount due to customers (overfinanced)	-1.0	-0.1
Contracts in process net	2.4	1.4
Advances received (POC)	1.3	-

Underfinanced construction contracts with amount due from customers are stated in the balance sheet under trade accounts receivable. Overfinanced construction contracts with amount due to customers are stated in the balance sheet under other liabilities and accruals. The prior-year has been reclassified accordingly; the amount was immaterial compared to total assets.

16. Trade accounts receivable

EUR millions	31.12.2009	31.12.2008
Trade accounts receivable	69.3	97.3
Allowances for doubtful accounts	-4.0	-2.9
Total trade accounts receivable	65.3	94.4

Trade accounts receivable contain underfinanced construction contracts with amount due from customers in the amount of EUR 3.4 million (EUR 1.5 million) (see note 15).

Trade accounts receivable by currency:

CHF	1.7	1.5
EUR	42.4	65.7
GBP	4.1	4.9
USD	8.1	10.4
Other	9.0	11.9
Total	65.3	94.4

Ageing of trade accounts receivable:

Not yet due	45.7	59.0
0–30 days past due	12.3	22.7
31–60 days past due	4.1	7.1
61–90 days past due	2.4	3.0
91–180 days past due	2.4	2.9
Over 181 days past due	2.4	2.6
Total	69.3	97.3
Allowances for doubtful accounts	-4.0	-2.9
Total	65.3	94.4

Receivables are broken down over the following regions:

EUR millions	31.12.2009	31.12.2008
Euro countries	40.9	56.2
Other European countries	11.4	21.7
Americas	8.0	10.1
Asia, Pacific Rim	5.0	5.7
Other	–	0.7
Total	65.3	94.4

Change in individual doubtful allowances:

1 January	-1.4	-0.6
Additions	-2.6	-1.0
Utilization	0.6	0.1
Reversal	0.1	0.1
31 December	-3.3	-1.4

Change in lump-sum allowances:

EUR millions	31.12.2009	31.12.2008
1 January	-1.5	-0.9
Change	0.8	-0.6
31 December	-0.7	-1.5

Trade accounts receivable contain underfinanced construction contracts with amount due from customers in the amount of EUR 3.4 million (EUR 1.5 million) (see note 15).

17. Other receivables and prepaid expenses

EUR millions	31.12.2009	31.12.2008
VAT, withholding and other refundable tax	3.6	2.3
Guarantees	0.5	0.4
Other receivables	3.1	3.4
Prepaid expenses	2.7	2.1
Total other receivables and prepaid expenses	9.9	8.2

18. Cash and cash equivalents

EUR millions	31.12.2009	31.12.2009
Cash, postal and bank current accounts	26.1	26.0
Time deposits	0.7	1.4
Total cash and cash equivalents	26.8	27.4

Cash and cash equivalents by currency:

CHF	1.2	0.9
EUR	17.5	13.6
GBP	0.7	2.6
USD	2.4	3.5
Others	5.0	6.8
Total cash and cash equivalents by currency	26.8	27.4

Of cash and cash equivalents, EUR 0.4 million (2008: EUR 3.6 million) are currently held in countries with specific formalities and request procedures for transfers abroad. By complying with these requirements, the Group has these funds at its disposal.

19. Equity

	2009					2008				
	Nominal value of share (CHF)	No. of shares	Share capital in EUR millions	No. of treasury shares	Reserve for treasury shares in EUR millions	Nominal value of share (CHF)	No. of shares	Share capital in EUR millions	No. of treasury shares	Reserve for treasury shares in EUR millions
1 January	13.50	5 627 453	48.7	60 796	2.1	13.50	5 627 453	48.7	28 466	1.1
Par value reduction	-2.50		-9.3		-0.1					
Purchase									64 184	2.1
Disposals				-3 223	-0.1				-31 854	-1.1
31 December	11.00	5 627 453	39.4	57 573	1.9	13.50	5 627 453	48.7	60 796	2.1

Kardex AG's share capital is carried in euros. When Kardex AG's functional currency was changed from the CHF to the EUR, the share capital was historically converted; therefore, there are no currency translation effects on the share capital.

As at 31 December 2009, there were 5 627 453 (5 627 453) fully paid up registered shares (bearer shares) with a par value of CHF 11.00 (CHF 13.50) outstanding.

The 31st ordinary General Meeting of the shareholders of Kardex AG, Zurich, on 21 April 2009 approved the proposal put forward by the Board of Directors for a par value reduction of CHF 2.50 per registered share. The share capital recorded in the Commercial Register, comprising 5 627 453 registered shares with a par value of CHF 13.50 each, was reduced by CHF 14 068 632.50 from CHF 75 970 615.50 to CHF 61 901 983.00 through a reduction of the par value of each registered share by CHF 2.50 from the previous CHF 13.50 to CHF 11.00. After three notices to creditors, on 7 July 2009 the capital reduction was entered in the Commercial Register and the payment was made to shareholders.

The ordinary General Meeting of the shareholders of Kardex AG, Zurich, on 21 April 2009 also approved the proposal of the Board of Directors for a conversion of the bearer shares into registered shares.

The share capital of Kardex AG can be increased by an amount of CHF 9.9 million (CHF 12.2 million) through the issuing of up to 900 000 (900 000) fully paid up shares with a par value of CHF 11.00. As a result of the decrease in the par value per share from CHF 13.50 to CHF 11.00, the total conditional capital has been reduced to CHF 9.9 million. The registered shares, which each have a par value of CHF 11.00, are reserved for conversions of the 2.25% convertible bond 200–2011.

The holders of shares in Kardex AG are entitled to dividends and to vote at general meetings of the company on the basis of one share, one vote.

All outstanding shares rank *pari passu* in relation to the company's assets.

The capital reserves and retained earnings comprise non-distributed profits from previous years. The Kardex Group targets a solid balance sheet structure with an equity ratio of 40%, i. e. non-distributed profits constitute a reserve for economically difficult times and grant a solid balance sheet for future growth. The hedging reserves comprise income and expenses from currency and interest rate hedges recognized in other comprehensive income (hedge accounting).

Kardex AG purchased 64 184 treasury shares on the market in financial year 2008. 3 223 (31 854) shares were allocated from holdings of treasury shares to Management and the Board of Directors in the year under review. As at 31 December 2009, Kardex AG held 57 573 (60 796) treasury shares.

The capital managed by the Kardex Group is equal to consolidated shareholders' equity. The Group's aims in relation to management of the capital are:

- To secure financial room for manoeuvre and enable the corporate strategy to be implemented
- To maintain a solid balance sheet structure for the sustained development of the Kardex Group's business operations through future investments
- To achieve a return for investors that is commensurate with the risk
- To target an equity ratio of at least 40%

Management of the capital is monitored by the Board of Directors and Group Management based on key data that it obtains and evaluates as part of its monthly reporting activity.

The equity ratio stood at 40.4% (38.5%) on 31 December 2009.

20. Earnings per share

	2009	2008
Number of outstanding shares at the beginning of the financial year	5 566 657	5 598 987
Purchases of treasury shares	–	–64 184
Disposals of treasury shares	3 223	31 854
Number of outstanding shares at the end of the financial year	5 569 880	5 566 657
Weighted average number of outstanding shares	5 568 209	5 564 317
Adjustment for anticipated exercise of conversion rights	667 010	675 099
Diluted weighted average number of outstanding shares	6 235 219	6 239 416
Net result Group (EUR)	797 000	33 044 000
Dilution effect (EUR):		
– Fair value adjustment for conversion right	12 607	–2 245 000
– Interest expense for conversion right	2 111 805	1 967 000
Consolidated result, diluted (EUR)	2 921 412	32 766 000
Basic earnings per share (EUR)	0.14	5.94
Diluted earnings per share (EUR)	0.14	5.25

The convertible bond issue had no dilutive impact in the year under review; basic earnings per share are therefore equal to undiluted earnings per share.

21. Share-based payments

The Board of Directors and Management Board generally have to draw part of their compensation in Kardex shares. The Board of Directors obtains 20 to 30% of its compensation in Kardex shares. Shares thus obtained are priced 16% lower than the average price of the month before allocation and cannot be traded for a period of three years. The Management Board draws at least 20% up to a maximum of 100% for the variable component of its compensation in shares. Shares are awarded at an amount 16% lower than the prevailing average price for the preceding month and cannot be traded for a period of three years. The Nomination and Compensation Committee decides on the percentage to be drawn in the form of shares.

Kardex shares obtained by the Board of Directors and Group Management are taken from the holding of treasury stock. The subscription price and difference between the share price on the date of subscription and subscription price if lower are recognized in personnel expenses. The difference between the share price on the date of subscription and average cost of the treasury shares is recognized in shareholders' equity.

In the year under review, the Board of Directors obtained 3 223 shares at the subscription price of CHF 28.40 per share representing a total amount of EUR 0.1 million. In the year under review the Group Management obtained 5 578 shares at an average subscription price of CHF 34.10 per share. The sum of EUR 0.1 million was recognized in personnel expenses. In the previous year, the Board of Directors and Group Management obtained 31 854 shares at an average subscription price of CHF 48.62 per share representing a total amount of EUR 1.0 million. The sum of EUR 0.3 million was recognized in personnel expenses.

22. Financial liabilities

Non-current financial liabilities

EUR millions	31.12.2009	31.12.2008
Banks	7.7	4.7
Convertible bond	33.4	32.2
Finance lease liabilities	2.1	9.2
Total non-current financial liabilities	43.2	46.1

Non-current liabilities with banks by due date:

EUR millions	31.12.2009	31.12.2008
2 to 5 years	7.7	3.9
Over 5 years	–	0.8
Total non-current liabilities with banks by due date	7.7	4.7

Non-current liabilities by currency:

EUR millions	31.12.2009	31.12.2008
CHF	33.4	32.2
EUR	9.8	12.9
USD	–	1.0
Total non-current liabilities by currency	43.2	46.1

Current financial liabilities		
EUR millions	31.12.2009	31.12.2008
Current bank loans	2.5	1.4
Other financial liabilities	0.1	1.9
Current portion of finance leasing	0.7	1.9
Current portion of non-current financial liabilities	0.3	1.5
Total current financial liabilities	3.6	6.7
Current financial liabilities by currency:		
CHF	–	–
EUR	3.2	5.2
USD	–	–
Others	0.4	1.5
Total current financial liabilities	3.6	6.7
Total financial liabilities	46.8	52.8
Cash and cash equivalents	26.8	27.4
Net debt	20.0	25.4

Kardex AG issued 2.25% convertible bonds with a par value of CHF 55.0 million on 29 June 2007, using the proceeds to retire outstanding bank loans. The conversion right may be exercised over the entire term of the bond, i. e. from 29 June 2007 until 29 June 2011. Bondholders may convert one bond with a par value of CHF 1 000 into 14.06 Kardex shares. The conversion price may differ over time as circumstances change (see also Convertible Bond Prospectus of 26 June 2007, pages 29–34). In financial year 2009 the Kardex Group did not redeem any convertible bonds (par value of CHF 3.2 million in previous year).

Since the convertible bond with a par value of CHF 51.8 million was not issued in Kardex AG's functional currency, it must be recognized in full as a liability according to IFRS. The conversion right is carried separately as an embedded derivative at fair value; fluctuations in fair value are recognized in the income statement. The bond (excluding the conversion right) is carried at the present value of the redemption amount using the effective interest rate method over the term of the bond and recognized in the income statement. If the conversion right is exercised, the proportional derivative obligation is reclassified in equity. If the conversion right is not exercised, or if the intrinsic value of the conversion right is zero, the derivative obligation is amortized on an ongoing basis through the income statement based on the declining current value over the term of the bond.

The market value (stock exchange price) of the bond issue as at 31 December 2009 was EUR 36.5 million (CHF 54.1 million). The book value of the bond issue of EUR 33.4 million (2008: EUR 32.2 million) as at 31 December 2009 includes the conversion right in the amount of EUR 0.02 million (2008: EUR 0.03 million), which represents an embedded derivative (debt-financing instrument) and is carried at fair value. The fair value of the option right, including soft call provision, is determined using a trinomial model. A three-year risk free rate of 0.67%

and volatility of 27.5% (2008: 27.5%) were assumed as at 31 December 2009. The book value of the conversion right at the issue date was EUR 2.6 million. Assuming that all parameters other than the share price remain constant yields the following fair-value adjustments as at 31 December 2009 (effective impact on 2009 result: EUR 0.01 million):

Share price, CHF	Impact on result EUR millions
20.00	–
30.00	–
40.00	–0.1
50.00	–0.6
60.00	–1.9
70.00	–4.0
80.00	–7.1
90.00	–10.8
100.00	–15.0

The fair-value adjustment does not affect liquidity.

The issue value of the bond (excluding the derivative) is carried to maturity or until the conversion right is exercised at amortized cost using the effective interest rate method. The effective interest rate of the convertible bond over its entire term is 5.37% p. a. Of this, the coupon accounts for 2.25% while the remainder is due to compound interest on the convertible bond and charged to financial expenses. The effective interest rate of 5.37% p. a. does not include the cost of the interest rate and currency swap purchased for hedging purposes (see also note 27).

Financial liabilities at year-end in all currencies had an average interest rate of 5.6% (2008: 6.2%).

The interest rates on the non-current liabilities with banks, lease liabilities, the convertible bond and the swap are fixed to maturity. Under the assumption that interest rates on the non-hedged current financial liabilities change by 50 basis points and all other parameters, particularly exchange rates, remain constant, the net result would change by approximately EUR 0.1 million (excluding tax effects).

As at 31 December 2009, the covenants agreed with the banks (tangible net worth, net senior debt in relation to the operating result before depreciation and impairment losses) were satisfied.

There were no interest-bearing financial liabilities which are measured at fair value.

23. Employee pension plans

Current employee benefits:

EUR millions	31.12.2009	31.12.2008
Social security and pension plan liabilities	1.8	1.8
Personnel claims	8.2	10.7
Total current pension liabilities	10.0	12.5

Liabilities towards social insurance schemes and pension funds, together with the current component of employee pension plan benefits, are now shown separately in the balance sheet under current employee benefit obligations. The previous year was restated accordingly.

EUR millions	31.12.2009	31.12.2008
Total pension assets	0.5	0.3
Pension liabilities relating to defined benefit plans	3.4	3.5
Other long-term benefits to employees	4.8	4.2
Total pension liabilities	8.2	7.7
Net pension liabilities defined benefit plans	2.9	3.2

Details of pension liabilities defined benefit plans

Present value of funded obligations	50.7	42.8
Present value of unfunded obligations	0.5	1.0
Total present value of obligations	51.2	43.8
Fair value of plan assets	-41.3	-38.8
Benefit obligation in excess of plan assets	9.9	5.0
Unrecognized actuarial losses	-7.0	-1.8
Unrecognized assets	-	-
Pension liabilities in defined benefit plans	2.9	3.2

Allocation of plan assets:

Shares	1.9	1.5
Bonds	4.4	3.9
Claims against insurance companies (incl. other financial investments)	34.7	33.1
Cash and cash equivalents	0.3	0.3
Total	41.3	38.8

Movement in the present value of obligations

Defined benefit plans

EUR millions	2009	2008
1 January	43.8	44.6
Current service cost	1.3	1.7
Interest expense	2.2	2.1
Benefits paid	-3.5	-3.0
Employees' contributions	1.9	1.1
Exchange rate differences	0.5	-0.7
Actuarial gains and losses	5.3	-2.0
Curtailement	-0.3	-
31 December	51.2	43.8

Movement in plan assets defined benefit plans

EUR millions	2009	2008
1 January	38.8	37.6
Expected return on plan assets	1.8	1.7
Employees' contributions	1.9	1.1
Employer's contributions	1.9	2.1
Benefits paid	-3.4	-3.0
Exchange rate differences	0.4	-0.5
Actuarial gains and losses	-0.1	-0.2
31 December	41.3	38.8

Historical information

EUR millions	2009	2008	2007	2006
Present value of obligations	51.2	43.8	44.6	46.9
Fair value of plan assets	-41.3	-38.8	-37.6	-37.1
Benefit obligation in excess of plan assets	9.9	5.0	7.0	9.8
Experience adjustments on expected claims	-1.7	0.6	1.4	0.5
Experience adjustments on plan assets	0.0	-0.1	0.4	-1.6

Expenses for defined benefit plans

EUR millions	2009	2008
Current service cost	1.3	1.7
Interest expense	2.2	2.1
Expected return on plan assets	-1.8	-1.7
Actuarial losses recognized	0.2	0.3
Effect of unrecognized assets according to paragraph 58A	-	-0.1
Curtailement	-0.3	-
Total expenses for defined benefit plans	1.6	2.3

The expense was included in the following items in the income statement:

EUR millions	2009	2008
Cost of goods sold and services provided	0.5	0.5
Marketing and sales expenses	0.4	0.5
Administrative expenses	0.6	1.2
Development costs	0.1	0.1
Total	1.6	2.3

Actuarial assumptions (expressed as weighted averages)

	2009	2008
Discount rate	4.6%	5.2%
Expected rate of return on plan assets	3.9%	4.4%
Expected rate of increase in future compensation levels	2.3%	2.6%
Expected rate of increase in future pension levels	1.8%	1.6%

The effective return on plan assets was EUR 1.6 million (2008 EUR 1.5 million).

The expected long-term return on plan assets is 3.9% (4.5%). The expected long-term rate of return is based on the portfolio as a whole and not the sum of individual returns from specific categories in the plan assets.

The expected contributions to defined benefit plans for 2010 amount to EUR 1.6 million (Prior year: EUR 1.9 million).

24. Provisions

EUR millions	Legal disputes	Guarantees	Restructuring	Onerous contracts	Others	2009 Total	2008 Total
1 January	4.7	3.7	1.3	1.2	2.2	13.1	12.1
Additions	0.5	1.6	4.0	–	2.1	8.2	6.0
Utilization	–2.6	–1.8	–3.6	–1.2	–2.0	–11.2	–4.1
Reversal	–	–	–0.1	–	–	–0.1	–0.9
Reclassifications	–	–	–	–	–0.1	–0.1	–
Exchange rate differences	–	–	–	–	–	–	–
31 December	2.6	3.5	1.6	–	2.2	9.9	13.1
Non-current provisions	–	0.9	–	–	0.1	1.0	1.1
Current provisions	2.6	2.6	1.6	–	2.1	8.9	12.0

The provisions for legal disputes relate to ongoing proceedings. They include a provision for contractual obligations arising from assurances as well as warranties from the sale of a division no longer retained. Additional details of the other provisions will not be given as these details may impair the position of the Kardex Group in ongoing proceedings. The reduction in the provision for legal disputes is mainly attributable to a payment made in legal proceedings.

The provision for warranties covers the cost for guarantee claims. The actual amount is based on current sales and available data. The provisions will be used in the next one to two years. The restructuring provisions concern measures to realign cost structures with the fall in demand caused by the economic situation, such as short-time working hours in the factories and selective downsizing at distribution companies. Provisions for restructuring include severance payments among other items and will only be charged to the balance sheet once a plan has been presented to the parties affected. Normally the expenses would fall due within the course of one year.

Other provisions contain various individual positions that are essentially connected with maintenance and service agreements.

25. Other current liabilities and accruals

EUR millions	31.12.2009	31.12.2008
VAT, withholding tax and other tax liabilities	3.9	1.8
Other current liabilities	3.9	3.7
Accruals	11.4	12.4
Total current liabilities and accruals	19.2	17.9

The other current liabilities item includes the net amount owed to customers from over-financed construction contracts in the amount of EUR 1.0 million (2008 EUR 0.1 million).

26. Financial instruments

Financial assets and liabilities are classified in the following categories:

EUR millions	31.12.2009	31.12.2008
Held for sale	–	0.7
Financial assets	–	0.7
Loans and receivables	95.1	124.9
Trade accounts receivable	65.3	94.4
Other current receivables	3.0	3.1
Cash and cash equivalents	26.8	27.4
Financial assets at fair value, change in fair value recognized in the income statement	–	0.1
Derivatives through income statement	–	0.1
Derivatives for hedging	3.3	3.4
Total financial assets	98.4	129.1
Other financial liabilities	97.5	121.1
Non-current financial liabilities	43.2	46.1
Trade accounts payable	47.5	62.6
Current financial liabilities	3.6	6.7
Accrued expenses	3.2	5.7
Financial liabilities at fair value, change in fair value recognized in the income statement	–	–
Derivatives through income statement	–	–
Derivatives for hedging	–	–
Total financial liabilities	97.5	121.1

Valuation of financial instruments

The fair value measurement is performed on the basis of the following three-level hierarchy:

- Level 1: Fair value is calculated on the basis of (unchanged) price quotes on active markets for identical assets and liabilities.
- Level 2: Fair value is calculated on the basis of input factors other than price quotes in Level 1. Input factors must be observable for financial assets and liabilities on markets directly (e. g. price quotes) or indirectly (e. g. derived from price quotes).
- Level 3: Fair value is calculated on the basis of input factors that are not based on observable market data.

The following table shows the levels assigned, on the basis of which fair values as at the balance sheet date were calculated:

EUR millions	Level 1	Level 2	Level 3	31.12.2009
Derivatives for hedging	–	3.3	–	3.3
Total financial assets	–	3.3	–	3.3
Financial liabilities at fair value, change in fair value recognized in the income statement	–	–	–	–
Derivatives through income statement	–	–	–	–
Total financial liabilities	–	–	–	–

The option right is stated in the balance sheet as at 31 December 2009 at an amount less than EUR 0.1 million and assigned to fair-value level 3.

Measurement of the option right is described in note 22, page 88.

The “Derivative as hedging instrument” item relates to a cross-currency swap. Fair value was calculated based on the level of interest rates for the EUR/CHF FX spot curves and the premium/discount for a market-traded cross-currency swap.

Although the Kardex Group believes that the input factors for fair-value measurement are adequate, we would point out that a change in input factors can lead to different fair-value measurements. A change in the input factors in level 3 would have the following results:

31 December 2009	Impact on net result		Impact on statement of comprehensive income	
	Positive	Negative	Positive	Negative
Derivative as hedging instrument	–	0.1	–	–
Total	–	0.1	–	–

The positive and negative influences were each calculated with a volatility of 20% and 35%. Fair-value measurement of the option right with a volatility of 20% would not have any impact. Fair-value measurement of the option right with a volatility of 35% would result in additional expense of EUR 0.1 million.

For statement in the balance sheet, the fair value of the option right was calculated with a volatility of 27%.

The maturity profile of the financial liabilities is as follows:

EUR millions	31.12.2009	31.12.2008
From non-current financial liabilities		
Non-current financial liabilities	53.6	49.0
2 to 5 years	50.7	44.7
over 5 years	2.9	4.3
Derivatives for hedging	31.3	31.4
2 to 5 years	31.3	31.4
over 5 years	–	–
Total from non-current financial liabilities	84.9	80.4
2 to 5 years	82.0	76.1
over 5 years	2.9	4.3
From current financial liabilities		
Trade accounts payable	47.5	62.7
less than 6 months	46.9	62.7
from 6 to 12 months	0.6	–
Current financial liabilities	5.4	9.6
less than 6 months	3.8	6.4
from 6 to 12 months	1.6	3.2
Other current liabilities	11.7	5.7
less than 6 months	11.5	5.2
from 6 to 12 months	0.2	0.5
Total from current financial liabilities	64.6	78.0
less than 6 months	62.2	74.3
from 6 to 12 months	2.4	3.7
Total financial liabilities	149.5	158.4
Cash flow from derivatives	32.3	33.5
Total net financial liabilities	117.2	124.9

The market value of non-current liabilities with banks and the current portion of non-current financial liabilities is EUR 10.2 million; the book value is EUR 10.1 million. For the remaining financial liabilities, excepting the convertible bond, balance sheet values are roughly equal to fair market value in accordance with IFRS.

The balance sheet values for financial assets correspond to fair value in accordance with IFRS.

27. Derivative financial instruments

EUR millions	31.12.2009	31.12.2008
Currency derivatives		
Contract volumes	0.1	2.1
Fair value (positive)	–	0.1
Fair value (negative)	–	–
Interest rate derivatives		
Contract volumes	–	–
Fair value (positive)	–	–
Fair value (negative)	–	–
Interest rate and currency swap		
Contract volumes	31.3	31.4
Fair value (positive)	3.3	3.4
Fair value (negative)	–	–

The currency derivatives are used to hedge the US dollar, euro and pound sterling. The currency contracts are recognized in the balance sheet at replacement (i. e. market) value. Any gains and losses accruing are recognized directly in the income statement.

The denomination of the convertible bond in CHF 51.8 million gives rise to both cash flow risk and translation risk for the Group. These risks have been fully hedged with an interest rate and currency swap with initial and final trade at the same exchange rate. Kardex AG will receive a fixed CHF interest rate of 2.25%, corresponding exactly to the bond's coupon, and pay a fixed EUR interest rate of 3.68%. As the hedge transaction qualifies as a cash flow hedge, the effective portion of the change until final settlement of the hedged transaction is recognized in equity (2009: EUR –0.4 million).

28. Leasing obligations

28.1 Operating leases

EUR millions	31.12.2009	31.12.2008
Expense for operating leases for the year	7.2	7.3
Future minimum payments for non-cancellable lease agreements:		
1 year	4.5	5.2
2 to 5 years	6.8	7.0
Over 5 years	0.9	0.1
Total future minimum payments for operating leases	12.2	12.3

Operating leases apply mainly to vehicles and rent obligations. Leasing contracts are agreed at current market conditions.

28.2 Finance leases

EUR millions	Notes	31.12.2009	31.12.2008
Future minimum payments for non-cancellable lease agreements:			
1 year		0.8	2.3
2 to 5 years		2.1	7.3
Over 5 years		0.3	3.6
Total future minimum payments for finance leases		3.2	13.2
Interest		-0.4	-2.1
Present value of finance leases		2.8	11.1
<hr/>			
Long-term finance leases	22	2.1	9.2
Short-term finance leases	22	0.7	1.9
Total finance leases		2.8	11.1

Finance leases apply mainly to property, plant and equipment. Leasing contracts are agreed at current market conditions. The discontinued operation has no finance lease obligations.

29. Capital commitments

EUR millions		31.12.2009	31.12.2008
Property, plant and equipment		-	0.1
Total capital commitments		-	0.1

30. Contingent liabilities

EUR millions		31.12.2009	31.12.2008
Total contingent liabilities		1.5	0.8

The Group is currently involved in various litigations arising in the course of business. The Group does not anticipate that the outcome of these proceedings, either individually or in sum, will have a material effect on its financial or income situation.

31. Assets pledged or of restricted disposability

EUR millions	31.12.2009	31.12.2008
Property, plant and equipment	26.1	36.1
Trade accounts receivable	2.7	8.6
Inventories	0.5	0.7
Cash and cash equivalents	0.1	0.1
Total assets pledged or of restricted disposability	29.4	45.5

In December 2009, the Belgian property shown in assets held for sale was sold back to the seller of the Stow Group. In return, the final instalment of the purchase price for the Stow Group, in the amount of EUR 1.5 million, was simultaneously paid and the seller released the collateral provided for this purpose, in the form of 150000 shares in Stow International nv, Belgium.

32. Related parties

Closely linked individuals and companies include members of the Management Board and Board of Directors, important shareholders and companies under their control. There are no outstanding receivables from or liabilities towards these parties. No transactions of any significance were carried out with related parties or companies during the year under review or the previous year.

The total compensation to the Management Board and Board of Directors (including members who resigned in the course of the business year) was as follows:

EUR millions	2009	2008
Short-term benefits ¹	1.7	1.7
Share-based payments	0.2	0.3
Termination benefits	0.3	–
Pension payments and social expenses	0.1	0.1
Total compensation	2.3	2.1

¹ Of which EUR 0.4 million in 2008 and EUR 0.3 million in 2009 to non-executive directors.

Compensation to the members of the Board of Directors is fixed. 70 to 80% of the compensation is paid in cash and the remaining in equity instruments. In the year under review, up to 30% of the compensation could be drawn in the form of shares. In the previous year, 70 to 80% of the compensation was paid in cash and 20 to 30% of the compensation was drawn in Kardex shares. The Management Board receives compensation consisting of a fixed element plus a variable component which, depending on whether targets are met, may be up to 100% of the fixed salary depending on individual position. At least 20% and up to 100% of the variable component is usually paid in shares. Shares are awarded at an amount 16% lower than the prevailing average price for the preceding month and cannot be traded for a period of three years.

Disclosures of compensation and shareholdings in accordance with the Swiss Code of Obligations may be found in the notes to the financial statements of Kardex AG.

33. Acquisition and disposal of subsidiaries

33.1 Increase in assets, liabilities and equity from acquisitions

Under an asset purchase agreement, on 11 May 2009 Kardex AG acquired the assets and liabilities of the operations of its Scandinavian distribution partner Element Storage Systems AS, which has its headquarters in Kløfta near Oslo and is focused on Kardex and Stow products.

The following assets, liabilities and equity items were acquired in the purchase:

EUR millions	Fair market value	Revaluation due to method of acquisition	Carrying amount before revaluation
Property, plant and equipment	0.1	–	0.1
Other intangible assets	1.4	1.2	0.2
Profit on order backlog	0.2	0.2	–
Inventories	0.3	–	0.3
Trade accounts receivable and other current assets	1.0	–	1.0
Trade accounts payable	–1.9	–	–1.9
Other payables	–0.2	–	–0.2
Identifiable acquired net assets	0.9	1.4	–0.5
Goodwill	1.7		
Recognized net assets from merger	2.6		

The acquisition was valued definitively as at 31 December 2009. In relation to the provisional valuation conducted for the half-yearly results, this resulted in an adjustment in terms of the revaluation of other intangible assets in the amount of EUR 0.3 million; this resulted in EUR 0.3 million higher goodwill. Goodwill was paid for future expected synergies and allocated to the Kardex Remstar operating segment.

EUR millions

Payment of purchase price	2.3
Transaction costs	0.3
Total cost of acquisition	2.6
Cash and cash equivalents acquired	–
Cash outflow from acquisition	2.6

Other information on the company acquired

EUR millions	1.1.–31.12. 2009	11.5.–31.12.2009
Net revenues	2.1	1.4
Expenses	-2.8	-2.1
Result for the period before tax	-0.7	-0.7
Income tax/deferred tax	0.1	0.1
Result for the period	-0.6	-0.6

If the company had been acquired on 1 January 2009, consolidated net revenues would have been EUR 343.6 million. The consolidated net result would have remained the same.

On 11 August 2009, Kardex Remstar International Inc. in the USA acquired the assets of privately owned Metropolitan Business Systems, Inc. (MBSI). MBSI was a dealer of Kardex and Remstar products in the New York City region. A purchase price of USD 0.3 million was paid. The purchase price was paid for the customer list as well as existing service agreements. No goodwill was purchased.

Under an asset purchase agreement, on 10 December 2008 Kardex AG acquired the assets of US competitor Kardex Systems Inc., which had previously filed for Chapter 11 bankruptcy with a US court. A purchase price of EUR 5.2 million was paid. Factoring in the transaction costs in the amount of EUR 0.3 million, this transaction resulted in a cash outflow of EUR 5.5 million. No goodwill was purchased. If the company had been acquired on 1 January 2008, consolidated net revenues would have been EUR 472.8 million in financial year 2008 and the consolidated net result would have remained the same.

33.2 Disposals

No disposals took place during the period under review.

34. Subsidiaries

Country		Company, domicile	Management	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
Australia	■ ■	Kardex VCA Pty Ltd, Wodonga	Julie Sage	19	AUD	1 300 000	100	1
Austria		Kardex Austria GmbH, Vienna	Peter Grob, Walter Waser, Susanne Seitz	15	EUR	300 000	100	1
		Stow GmbH Austria, Vienna	Rudolf Traxl, Dina Waldburger	4	EUR	110 000	100	2
Belgium		S.A. Kardex nv, Forest/Brussels	Ruud Hoog, Edwin Renema, Adrianus C. Veldhuizen	16	EUR	348 736	100	1
	■ ■	Stow International nv, Spiere-Helkijn	Hans De Staercke	253	EUR	11 375 939	100	1
China	■ ■	Shanghai Stow Storage Equipment Co. Ltd., Shanghai	Dariusz Pietrzynski	166	CNY	78 707 143	100	2
Cyprus		Kardex Systems Ltd., Limassol	Dimitris Koloundis, Matthew Shamas, Loizos Antoniadis, Doros Veresies	11	EUR	418 950	100	1
		KRI Logistics Ltd., Limassol	Dimitris Koloundis, Matthew Shamas, Loizos Antoniadis, Doros Veresies	–	EUR	25 650	100	1
		Kardex Systems (Cyprus) Ltd., Limassol	Dimitris Koloundis, Matthew Shamas, Loizos Antoniadis, Doros Veresies	2	EUR	34 200	100	7
Czech Republic		Kardex s.r.o., Prague	Pavel Kraus	19	CZK	500 000	100	1
		Stow Ceska Republika s.r.o., Prague	Petr Švejnoha, Jana Nádeníková	70	CZK	500 000	100	2
Finland		Kardex Finland OY, Muurame	Jari Kaiho, Ole Sverre Spigseth	20	EUR	134 550	100	1
France		Kardex SASU, Neuilly-Plaisance Cedex	Philippe Perreaux, Olivier Bova	75	EUR	1 835 000	100	1
		Stow France S.A., Saint-Pierre-du-Perray	Patrick Hanser, Suzanne Lecarpentier	23	EUR	684 000	100	2

■ Finance, property, services

■ Development, production

■ Distribution, service

- 1 Kardex AG, Zurich, Switzerland
- 2 Stow International nv, Wevelgem, Belgium
- 3 Kardex Megamat Beteiligungs GmbH, Neuburg/Kammel, Germany
- 4 Kardex Deutschland GmbH, Neuburg/Kammel, Germany
- 5 Kardex Germany GmbH, Bellheim, Germany
- 6 Kardex Remstar Inc., Westbrook (Maine), USA
- 7 Kardex Holdings Ltd., Epping, UK
- 8 Kardex Systems AG, Volketswil, Switzerland

Country		Company, domicile	Management	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
Germany	■ ■	Kardex Produktion GmbH, Bellheim/Pfalz	Peter Gutknecht, Michael Hehn	478	EUR	6 919 568	84.48	3
							15.52	4
	■	Kardex Office GmbH, Oberursel/Taunus	Udo Neumann	6	EUR	50 000	100	5
	■ ■	Kardex Software GmbH, Wörth a.Rh.	Michael Hehn, Peter Gutknecht	37	EUR	25 565	100	5
	■	Kardex Germany GmbH, Bellheim/Pfalz	Jos De Vuyst, Klauspeter Bader, Jochen Kern	13	EUR	5 112 292	100	1
	■	Kardex Megamat Beteiligungs GmbH, Neuburg/Kammel	Jos De Vuyst	–	EUR	5 113 431	100	5
	■	Kardex Deutschland GmbH, Neuburg/Kammel	Udo Neumann	139	EUR	1 386 310	26.2	3
							73.8	5
		Stow Deutschland GmbH, Wiesbaden	Michael Tessun, Anja Dietrich	15	EUR	5 11 400	100	2
Hungary		Kardex Hungaria Kft., Budaörs	Peter Grob, Walter Waser, Susanne Seitz	4	HUF	2 514 000	100	1
India		Kardex India Storage Solutions Private Ltd.	Balaji Srinivasan	25	INR	3 310 500	100	1
Ireland		Kardex Systems Ireland Ltd., Dublin	Mark Davidson, Lee Francis, Ruud Hoog	10	EUR	300 000	100	1
Italy		Kardex Italia S.p.A., Opera (Mi)	Ermanno Acerbi	27	EUR	309 874	100	1
Netherlands		Kardex Systems bv, Woerden	Ruud Hoog, Adrianus C. Veldhuizen, Edwin Renema	43	EUR	90 756	100	1
		Stow Nederland bv, Hoeven	Hans van Dijk, Monique Lijten	15	EUR	18 152	100	2
Norway		Kardex System AS, Skedsmokorset	Ole Sverre Spigseth, Rosanna Sant' Anna, Jonas Ottosson, Erik Mastad	18	NOK	500 000	100	1
Poland		Kardex Polska Sp.z.o.o., Warsaw	Pavel Kraus	5	PLN	200 000	100	1
		Stow Polska Sp.z.o.o., Warsaw	Dariusz Pietrzynski, Bozek Malgorzata	19	PLN	500 000	100	2

Country		Company, domicile	Management	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
Russia		■ Kardex CO. LTD, Moscow	Luc De Boes	2	RUB	1 000	100	1
Singapore		■ Kardex Far East Private Ltd., Singapore	Julie Sun	27	SGD	600 000	100	1
Slovakia		■ Kardex Slovensko s.r.o., Bratislava	Pavel Kraus	–	EUR	6 639	100	1
		■ Stow Slovensko s.r.o., Bratislava	Petr Švejnoha	–	EUR	33 194	100	2
Spain		■ Storage Solution Iberica S.L., El Prat De Llobregat (Barcelona)Francisco Mantero	Daniel López Paino, Javier Hernandez,	–	EUR	150 000	100	1
		■ Kardex Sistemas S.A., San Fernando de Henares, Madrid	Daniel López Paino Javier Hernandez Francisco Mantero	24	EUR	300 506	100	1
Sweden		■ Kardex Scandinavia AB, Bromma	Rosana Sant' Anna, Jonas Ottosson, Ole Sverre Spigseth, Erik Mastad	17	SEK	100 000	100	1
Switzerland		■ Kardex Systems AG, Volketswil	Peter Grob, Walter Waser, Susanne Seitz	43	CHF	1 000 000	100	1
	■	KRM Service AG, Volketswil	Jos De Vuyst	12	CHF	500 000	100	1
Turkey		Kardex Systems AG Turkey, Istanbul	Hakan Aksoy	7	TRY	3 000	100	8
UK	■	■ Kardex Holdings Ltd., Epping	Mark Davidson, Lee Francis, Ruud Hoog	76	GBP	1 828 000	100	1
		■ Stow U.K. Co. Ltd., Sunbury-on-Thames	Frank Huygevelde, Pauline Wren	13	GBP	220 000	100	2
USA	■	■ Kardex Remstar Inc., Westbrook (Maine)	Colman Roche, Dan Muller, Stephen C. Turner, Wally Posey, Jost Mathis	88	USD	2 050 000	100	1
	■	■ Kardex Production USA Inc., Lewistown (PA)	Peter Gutknecht	85	USD	1 000	100	6

■ Finance, property, services

■ Development, production

■ Distribution, service

1 Kardex AG, Zurich, Switzerland

2 Stow International nv, Wevelgem, Belgium

3 Kardex Megamat Beteiligungs GmbH, Neuburg/Kammel, Germany

4 Kardex Deutschland GmbH, Neuburg/Kammel, Germany

5 Kardex Germany GmbH, Bellheim, Germany

6 Kardex Remstar Inc., Westbrook (Maine), USA

7 Kardex Holdings Ltd., Epping, UK

8 Kardex Systems AG, Volketswil, Switzerland

35. Risk management

Risks were recorded according to likelihood and potential financial impact. They were then systematically arranged in accordance with the risk universe and assessed on the basis of criteria derived from key company data. A detailed plan of action was drawn up to deal with the principal risks. Implementation of the defined measures is monitored and controlled on a continuous basis. The Board of Directors performed a thorough review of the documentation drawn up on the basis of this process.

36. Release for publication and approval of the financial statements

The Board of Directors approved these financial statements on 11 March 2010. They must also be approved by the shareholders' General Meeting.

37. Events after the balance sheet date

No events have taken place between 31 December 2009 and 11 March 2010 that would require an adjustment of the carrying amounts of assets and liabilities of the Kardex Group or need to be disclosed here.

Report of the Statutory Auditor on the Consolidated Financial Statements



To the General Meeting of Shareholders of Kardex AG, Zurich

Zurich, 11 March 2010

As statutory auditor, we have audited the consolidated financial statements of Kardex AG, presented on pages 46 to 105, which comprise the statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards, as well as the International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and other disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the financial year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

KPMG AG



Thomas Schmid
Licensed Audit Expert
Auditor in Charge



Manfred Furrer
Licensed Audit Expert

Income statement

Kardex AG (Holding)

CHF millions	Notes	2009	2008
Income from investments		6.3	10.3
Licensing income		7.3	10.1
Financial income		2.6	2.5
Other income		3.6	3.6
Extraordinary income			
Change in valuation of participation	6	–	7.0
Total income		19.8	33.5
Administrative expenses	12	–7.2	–7.2
Licensing expenses		–0.3	–0.3
Trademark amortization		–1.4	–0.8
Financial expenses	13	–3.1	–4.8
Income tax		–	0.1
Extraordinary expenses			
Change in valuation of loans	6	–3.4	–8.7
Total expenses		–15.4	–21.7
Net result		4.4	11.8

Balance sheet

Kardex AG (Holding)

CHF millions	Notes	31.12.2009	31.12.2008
Loans to Group companies	6	16.6	26.4
Investments	6	224.9	222.8
Trademarks		–	1.4
Non-current assets		241.5	250.6
Receivables from Group companies		2.0	3.8
Prepaid expenses and other short-term receivables		0.3	0.6
Securities	7	5.0	4.8
Cash and cash equivalents		18.8	6.6
Current assets		26.1	15.8
Assets		267.6	266.4
Share capital	8,9	61.9	76.0
General reserve		41.2	41.0
Unrestricted reserve		20.0	20.0
Reserve for treasury shares	7	2.9	3.1
Retained earnings		20.2	15.8
Equity		146.2	155.9
Convertible bond	10	55.0	55.0
Non-current financial liabilities		55.0	55.0
Payables to Group companies		60.7	43.8
Other payables		5.7	11.7
Current liabilities		66.4	55.5
Liabilities		121.4	110.5
Equity and liabilities		267.6	266.4

Notes to the financial statements Kardex AG (Holding)

1. Accounting principles

The financial statements of Kardex AG comply with the requirements of the Swiss Code of Obligations.

2. Conditional capital

CHF millions	31.12.2009	31.12.2008
Total conditional capital	9.9	12.2

Conditional capital in the amount of CHF 12.2 million was created at the General Meeting of 24 May 2007. As a result of the decrease in the par value per share from CHF 13.50 to CHF 11.00, the total conditional capital has been reduced to CHF 9.9 million. The registered shares, which each have a par value of CHF 11.00, are reserved for conversions of the 2.25% convertible bond 2007–2011.

3. Contingent liabilities

CHF millions	31.12.2009	31.12.2008
Contingent liabilities in favour of subsidiaries and third parties	10.5	12.0
Subordinated loans to subsidiaries	4.6	6.5

4. Securing of liabilities

In view of the Group taxation principle, all Swiss companies bear unlimited joint and several liability for value-added tax (in accordance with art. 32, par. 1e of Swiss VAT legislation).

Kardex AG has joint responsibility for all liabilities arising from the cash-pooling agreement.

5. Liabilities towards pension funds

CHF millions	31.12.2009	31.12.2008
Liabilities towards pension funds	–	–

6. Subsidiaries and loans

Holdings in subsidiaries of Kardex AG are listed on pages 102 and 104 of this report.

In 2009, the principle of valuing subsidiaries at Group level was adopted as opposed to the previously applied individual valuation.

The extraordinary expenses consist of impairment charges made to loans to subsidiaries.

7. Securities

Securities consist of treasury shares and treasury convertible bonds. Treasury shares underwent the following movements:

	Number	Price per share in CHF	Total CHF 1000
31 December 2007	28 466	61.78	1 759
Purchase 2008	64 184	48.63	3 121
Disposal 2008	–31 854	54.15	–1 725
Valuation adjustments	–	–	–1 331
31 December 2008	60 796	30.00	1 824
Purchase 2009	–	–	–
Disposal 2009	–3 223	49.53	–160
Par value reduction	–	2.50	–144
Valuation adjustments	–	–	406
31 December 2009	57 573	33.45	1 926

In financial year 2009, no treasury convertible bonds were acquired (2008 CHF 3.2 million). The treasury convertible bonds were carried at acquisition cost as at 31 December 2009.

8. Capital reduction for the purpose of par value repayment

On 21 April 2009, the ordinary General Meeting of Shareholders of Kardex AG approved a reduction of the par value of the shares by CHF 2.50 from CHF 13.50 to CHF 11.00. This reduces the share capital of Kardex AG by CHF 14 068 632.50 from CHF 75 970 615.50 to CHF 61 901 983.00 (EUR 39.4 million.). After three notices to creditors, on 7 July 2009 the capital reduction was entered in the Commercial Register and the payment was made to shareholders.

9. Conversion of bearer shares to registered shares

On 21 April 2009, the ordinary General Meeting of Shareholders of Kardex AG approved the conversion of bearer shares into registered shares. The change was entered in the Commercial Register on 22 April 2009.

10. Convertible bond

CHF millions	31.12.2009	31.12.2008
2.25% Convertible bond 2007–2011	55.0	55.0

Each bond, with a par value of CHF 1 000.00 is convertible to Kardex AG bearer shares at a conversion price of CHF 77.66 between 8 August 2007 and 22 June 2011. The conversion price is reduced by the amount of each dividend distribution per share since 8 August 2007. In accordance with Section 6 (a) (iv) (Adjustments to the Conversion Price) of the terms of the bond issue, the conversion conditions had to be adjusted as follows due to the par value reduction:

The conversion price is now CHF 71.12 (previously CHF 77.66). The conversion ratio is now 14.06074 (previously 12.87664). Due to the conversion of bearer shares to registered shares, the convertible bonds will in future be converted to registered shares of Kardex AG.

No convertible bonds were exchanged for shares in fiscal year 2009.

11. Significant shareholders on 31 December 2009 as defined by art. 663c of the Swiss Code of Obligations

The following shareholders owned more than 3% of the share capital of CHF 61.9 million at the time of the most recent report:

	31.12.2009	31.12.2008
Buru Holding and Philipp Buhofer	20.3%	18.2%
Credit Suisse Asset Management Funds	3.6%	4.9%
Pictet Funds SA	3.0%	–
Grantham, Mayo, Van Otterloo & Co. LLC	–	3.6%

12. Administrative expenses

CHF millions	2009	2008
Personnel expenses	4.1	3.7
Other expenses	3.1	3.5
Total administrative expenses	7.2	7.2

13. Financial expenses

During financial year 2009, interest costs in the amount of CHF 1.7 million (2008 CHF 1.8 million) were incurred in connection with the convertible bond. Furthermore, in contrast with the previous year, no unrealized price losses were incurred on treasury shares and treasury convertible bonds.

14. Compensations and shareholdings

14.1 Compensations

Board of Directors 2009		Board of Directors total	Leo Steiner Chairman of the Board of Directors	Philipp Buhofer	Dave Schnell	Walter T. Vogel	Martin Wipfli
CHF 1 000							
Cash payments		431	131	74	103	64	59
Share payments ^{1, 2}	Value	91	45	-	-	25	21
	Units	3 223	1 585	-	-	898	740
Payments for additional work		-	-	-	-	-	-
Total		522	176	74	103	89	80

Board of Directors 2008		Board of Directors total	Leo Steiner Chairman of the Board of Directors	Philipp Buhofer	Dr. Rudolf Huber (until 2008 AGM)	Dave Schnell (from 2008 AGM)	Walter T. Vogel	Martin Wipfli
CHF 1 000								
Cash payments		379	128	46	24	62	62	57
Share payments ^{1, 2}	Value	143	51	20	5	22	24	21
	Units	2 879	1 032	395	108	433	486	425
Share based payments 2008		90	32	12	-	17	16	13
Payments for additional work		33	-	-	-	33	-	-
Total		645	211	78	29	134	102	91

¹ Valuation of the shares is based on the average share price for the month preceding the date of distribution (CHF 33.81/share, previous year CHF 61.80 /share). As all shares distributed to members of the Board of Directors are subject to a three-year vesting period, they are valued at 16% (2008 16%) below the relevant average share price.

² The fixed minimum portion of the director's fee drawn in shares is 20%. This regulation was suspended for 2009.

No severance payments, credits or other emoluments of any kind were granted to members of the Board of Directors or closely linked parties.

Management Board		2009		2008	
		Total Management Board	Highest compensation Jos De Vuyst, CEO	Total Management Board	Highest compensation Jos De Vuyst, CEO
CHF 1000					
Cash payments (fixed)		2041	634	1734	515
Cash payments (variable)		639	384	832	297
Share payments (variable) ^{3, 4}	Value	160	96	–	–
	Units	5578	–	–	–
Share based payments 2008		–	–	98	98
Payments in kind ⁵		69	58	67	58
Occupational pension expenses ⁶		108	44	84	–
Total		3017	1216	2815	968

³ Distributed shares are priced 16% (2008: 16%) below the share price at granting date and are subject to a three-year vesting period.

⁴ The Management Board receives compensation consisting of a fixed base salary plus a variable component. If targets are met, depending on individual rank, this variable component may be up to 100% of the fixed base pay. At least 20% and at most 100% of the variable component is paid in shares. For the year 2008 this regulation was suspended.

⁵ Rent and vehicles.

⁶ Employer contributions to state social insurance schemes (AHV, ALV etc.) are included.

The period under review saw the departure of one member of the Management Board. A severance payment of EUR 0.5 million was agreed. Furthermore, no credits or other emoluments of any kind were granted to members of the Management Board or closely linked parties.

14.2 Shareholdings of members of the Board of Directors, the Management Board and closely linked individuals and companies

Closely linked individuals and companies comprise family members and individuals or companies subject to significant influence. All transactions with closely linked individuals and companies are conducted at arm's length.

Other than payment of compensation and ordinary contributions to the various pension plans for members of the Board of Directors and Management Board, no significant transactions with closely linked individuals and companies have taken place.

Board of Directors

	Board of Directors total	Leo Steiner Chairman of the Board of Directors	Philipp Buhofer ¹	Dave Schnell (from 2008 AGM)	Walter T. Vogel	Martin Wipfli
Shares held 31 December 2009	1 179 559	10 089	1 143 348	2 554	5 329	18 239
Convertible bonds 31 December 2009 (CHF 1 000)	230	230	-	-	-	-
Shares held 31 December 2008	1 117 636	8 504	1 099 648	2 554	4 431	2 499
Convertible bonds 31 December 2008 (CHF 1 000)	4 930	230	4 700	-	-	-

¹ Including shares held by Buru Holding.

Management Board

	Management Board total	Jos De Vuyst, CEO	Reto Welte, CFO (until 31.3.2009)	Gerhard Mahrle, CFO (from 1.4.2009)	Jürg Müller Head of Division Kardex (until 27.4.2009)	Hans De Staercke Head of Division Stow
Shares held 31 December 2009	27 719	22 118	1 373	-	-	4 228
Convertible bonds 31 December 2009 (CHF 1 000)	-	-	-	-	-	-
Bonds 31 December 2009 (CHF 1 000)	-	-	-	-	-	-
Shares held 31 December 2008	27 283	22 178	1 373	-	2 704	1 028
Convertible bonds 31 December 2008 (CHF 1 000)	3	3	-	-	-	-
Bonds 31 December 2008 (CHF 1 000)	-	-	-	-	-	-

In addition to his responsibilities as Group CEO, Jos De Vuyst has been interim head of the Kardex Remstar Division since 1 April 2009.

15. Risk management

As the ultimate parent company of the Kardex Group, Kardex AG is fully involved in the Group-wide risk management process.

The Board of Directors and Management introduced a risk assessment mechanism process and a risk management process. The risk assessment was based on a company-specific risk universe and on information obtained from interviews with division and Group management. Risks were recorded according to likelihood and potential financial impact. They were then systematically arranged in accordance with the risk universe and assessed on the basis of criteria derived from key company data. A detailed plan of action was drawn up to deal with the principal risks. Implementation of the defined measures is monitored and controlled on a continuous basis. The Board of Directors performed a thorough review of the documentation drawn up on the basis of this process.

16. Events after the balance sheet date

No events have taken place between 31 December 2009 and 11 March 2010 that would require an adjustment to the book value of Kardex AG's assets, liabilities or equity or that are required to be disclosed here.

Proposal for the appropriation of retained earnings

Proposal of the Board of Directors

The Board of Directors is proposing to the General Meeting to approve the following appropriation of retained earnings:

CHF millions	31.12.2009	31.12.2008
Balance brought forward	15.8	24.0
Creation of general reserves	-0.2	-
Release of general reserves	-	1.4
Creation of reserves of treasury shares	-	-1.4
Reduction in reserves of treasury shares	0.2	-
Net profit	4.4	11.8
Available earnings at the disposal of the Annual General Meeting	20.2	35.8
Allocation to free reserve	-	20.0
Balance to be carried forward	20.2	15.8

The Board of Directors is proposing to the General Meeting that no par value reduction be implemented and no dividend be distributed.

Report of the Statutory Auditor on the Financial Statements



To the General Meeting of Shareholders of Kardex AG, Zurich

Zurich, 11 March 2010

As statutory auditor, we have audited the financial statements of Kardex AG, presented on pages 108 to 117, which comprise the income statement, balance sheet and notes for the year ended 31 December 2009.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Thomas Schmid
Licensed Audit Expert
Auditor in Charge



Manfred Furrer
Licensed Audit Expert

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The Group publishes its Annual Report in English and German.
The German version is legally binding.

This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Kardex's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the actions of governmental regulators and other risk factors detailed in Kardex's past and future filings and reports and in past and future filings, press releases, reports and other information posted on Kardex Group companies' Websites. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Kardex disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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