

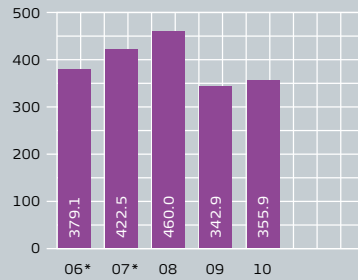
Annual Report  
**2010**



**kardex**group

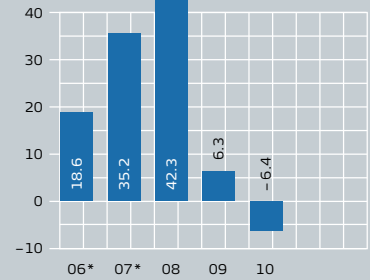
# Kardex Group at a glance

**Net revenues**  
in EUR millions



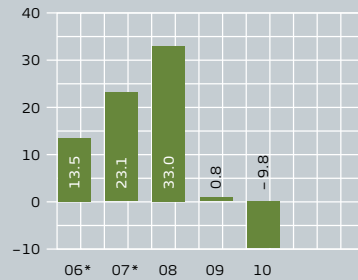
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**Operating result (EBIT)**  
in EUR millions



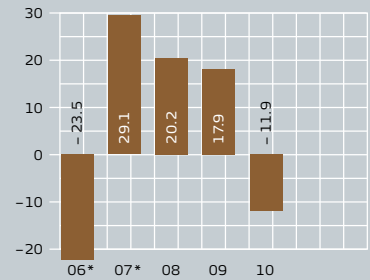
\*continued operations

**Net result**  
in EUR millions



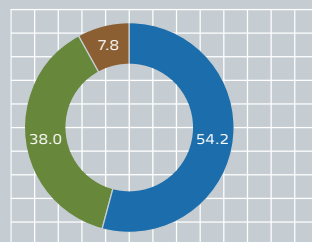
\*continued operations

**Free cash flow**  
in EUR millions



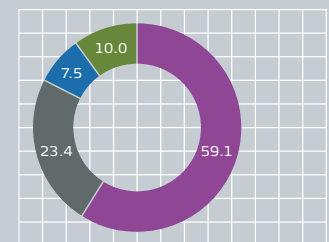
\*continued operations

**Segment net revenues**  
Business year 2010 in %



● Kardex Remstar  
● Kardex Stow  
● Kardex Mlog  
(8 months, May to Dec.)

**Net revenues by regions**  
Business year 2010 in %



● Euro countries  
● Rest of Europe  
● Asia/Pacific  
● Americas

## Overview

EUR millions

1 January to 31 December	2010	+/-%	2009
Bookings	391.0	21.3	322.3
Order backlog (31 December)	130.0	64.8	78.9
Net revenues	355.9	3.8	342.9
Operating result (EBIT)	-6.4		6.3
EBIT in % of revenues, net	-1.8		1.8
Operating result before depreciation (EBITDA)	7.1	-57.0	16.5
EBITDA in % of revenues, net	2.0		4.8
Result for the period	-9.8		0.8
Result for the period in % of revenues, net	-2.8		0.2
Total comprehensive income for the period	-6.4		-0.1
Total comprehensive income for the period in % of revenues, net	-1.8		-
Capital expenditure (gross)	8.6	-5.5	9.1
Net cash flow from operating activities	16.4	-35.9	25.6
Net cash flow from operating activities in % of net revenues	4.6		7.5
Free cash flow	-11.9		17.9
Free cash flow in % of revenues, net	-3.3		5.2
	31.12.2010	+/-%	31.12.2009
Net financial debt	42.6	113.0	20.0
Equity	92.6	-5.6	98.1
Equity ratio in %	30.0		40.4
Employees (full-time equivalents) per 31 December	2 122	11.7	1 899

## Further keyfigures

1 January to 31 December	2010	+/-%	2009
Average number of employees	2 044	4.1	1 964
Average net sales per employee (EUR 1 000)	174	-0.3	175
Gearing	0.46	130.0	0.20
Par value reduction (EUR millions)	-	-	9.3

## Net revenue by region

EUR millions

1 January to 31 December	2010	+/-%	2009
- Euro countries (without Germany)	120.7	-6.3	128.8
- Germany	89.7	22.4	73.3
- Switzerland	14.1	-32.2	20.8
- Rest of Europe (without Switzerland)	68.4	16.7	58.6
- Africa	0.6	200.0	0.2
- Americas	35.7	-5.1	37.6
- Asia Pacific	26.7	13.1	23.6
<b>Total net revenues</b>	<b>355.9</b>	<b>3.8</b>	<b>342.9</b>

## Segment reporting

EUR millions

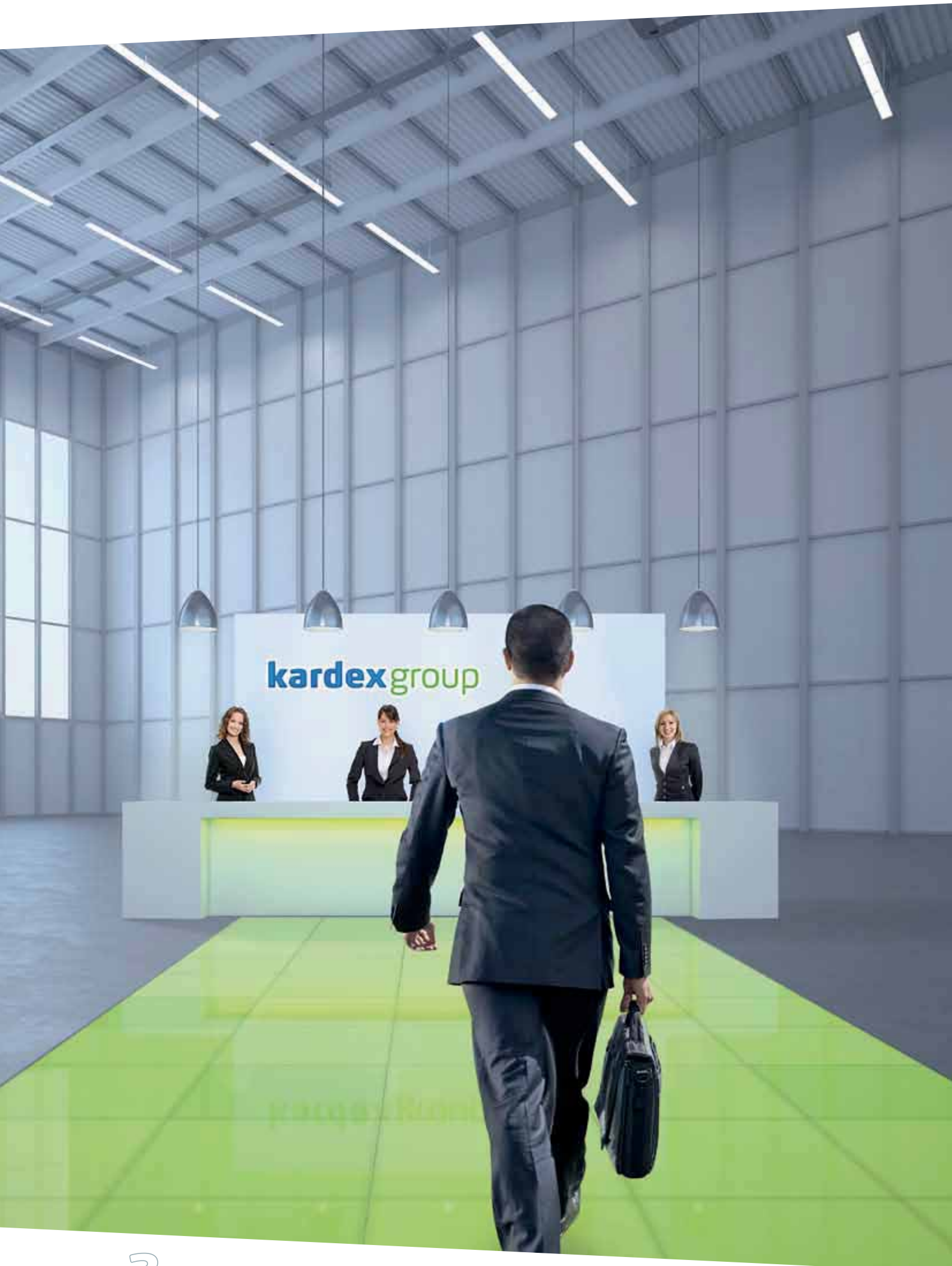
	2010	+/-%	2009
<b>Kardex Remstar operating segment</b>			
Bookings	203.3	12.4	180.9
Order backlog (31 December)	60.3	25.1	48.2
Segment net revenues	192.8	-3.4	199.6
Operating result (EBIT)	2.1	-69.1	6.8
EBIT in % of segment net sales	1.1		3.4
Employees (full-time equivalents on 31 December)	1 296	-1.3	1 313
<b>Kardex Stow operating segment</b>			
Bookings	138.2	-2.3	141.4
Order backlog (31 December)	33.8	10.1	30.7
Segment net revenues	135.6	-5.5	143.5
Operating result (EBIT)	-	-100.0	2.1
EBIT in % of segment net sales	-		1.5
Employees (full-time equivalents on 31 December)	567	-1.0	572
<b>Kardex Mlog operating segment (1 May to 31 December)</b>			
Bookings	50.0	-	-
Order backlog (31 December)	36.1	-	-
Segment net revenues	27.8	-	-
Operating result (EBIT)	-3.8	-	-
EBIT in % of segment net sales	-13.7	-	-
Employees (full-time equivalents on 31 December)	249	-	-

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## One-stop-shop supplier for efficient warehouse logistics

Products and customer-specific solutions from the Kardex Group support efficient warehouse logistics in all industries – from the stand-alone product, through the refurbishment of existing warehouses to new turnkey systems.



## Report of the Board of Directors

In 2010, the integration of Mlog Logistics GmbH, which specializes in stacker cranes, conveyor technology and turnkey warehouse and materials handling systems, marks a milestone in the Kardex Group's strategic development into a one-stop shop for automated storage solutions.

The Group's third division, Kardex Mlog, complements the previous divisions, Kardex Remstar for dynamic storage and retrieval systems, and Kardex Stow for static storage systems.

During the year under review, Kardex also undertook investment targeted at expanding the successful service business and developed a large number of innovative products, some of which have already been brought to market.



Jos De Vuyst  
Chief Executive Officer

Leo Steiner  
Chairman of the Board of Directors

# “Demand recovers after a difficult start”

Ladies and Gentlemen

Owing to the late-cyclical nature of the warehouse logistics industry, the Kardex Group continued to feel the impact of the economic crisis in financial year 2010, with overcapacity in most markets. After a difficult start, demand has been recovering since the second quarter of 2010. Apart from North America, the geographical markets had stabilized by the end of the financial year. Demand developed particularly well in Germany, the UK, Spain, the Czech Republic and Scandinavia and in terms of sectors in the automotive, retail, engineering, food and pharmaceutical industries. In the Asia-Pacific economic region, growth in revenues was higher than average thanks to increases in sales in China, India and Australia.

## Financial year 2010 felt the impact of the economic crisis

The bookings of the Kardex Group increased by 21.3% year-on-year to EUR 391.0 million (EUR 322.3 million). After adjustment for the impact of Kardex Mlog, which was integrated in May, the increase came to around 6.0%. In the second half of 2010, bookings were higher by around 9% in comparison with the first half of the year. At EUR 130.0 million (EUR 78.9 million), the Group's order backlog at the end of the financial year was up by nearly two thirds on the previous year. After factoring out the contribution of Kardex Mlog the increase came to 19.0%. Consolidated net revenues improved by 3.8% to EUR 355.9 million (2009: EUR 342.9 million). In local currencies, the increase came to 1.6%. After factoring out revenues of EUR 27.8 million attributable to the Kardex Mlog Division, net revenues were down 4.3% on the previous year. Over the course of the financial year, revenues increased from quarter to quarter. In the second half of the year, the sales of the Kardex Group came to EUR 205.3 million, representing an increase of around 36% on the first half of the year. The Kardex Remstar division accounted for the Group's net revenues 54.2% (58.2%), while Kardex Stow contributed 38.0% (41.8%) and Kardex Mlog 7.8%. The gross margin amounted to 21.7% (24.4%). The decline reflects a combination of low production utilization, particularly during the first nine months of the year, and massive price competition. Despite the implementation of costcutting measures, such as short-time working hours in the factories and selective downsizing at distribution companies, the Group posted a negative operating result (EBIT) of EUR 6.4 million (EUR 6.3 million). EBIT includes one-off costs of EUR 0.7 million for the acquisition of Kardex Mlog. The result for the period amounted to EUR -9.8 million (EUR 0.8 million).

## Balance sheet and cash flow development

In financial year 2010, the Kardex Group invested EUR 8.6 million (EUR 9.1 million) in production plant and IT systems. After deducting the cash position acquired with the company, the cash price of EUR 28.9 million paid for Kardex Mlog was recognized against the free cash flow of the Kardex Group in the amount of EUR 22.8 million and led to a negative free cash flow of EUR -11.9 million. Operating free cash flow totaled EUR 10.9 million. Net debt as of 31 December increased to EUR 42.6 million (EUR 20.0 million), mainly as a result of the financing of the acquisition of Kardex Mlog. Equity came to EUR 92.6 million (EUR 98.1 million) and the equity ratio stood at 30.0% (40.4%). Gearing (debt-to-equity ratio) rose to 0.46 (0.20).

### **Proposes to the Annual General Meeting**

In view of the negative result, the Board of Directors will propose to the Annual General Meeting of Kardex AG on 26 April 2011 that no dividend be paid for the financial year 2010.

In order to strengthen the Kardex Group's equity base and so increase its financial flexibility in the coming organic growth phase, the Board of Directors will propose to the General Meeting the creation of authorised capital in order that the CHF 55 million convertible bond maturing end June 2011 can be repaid, funding approximately half of the repayment through the issue of new shares and half by means of external financing.

Mr. Dave Schnell, who has been a member of the Board of Directors of Kardex AG since 2008, is no longer standing for re-election at the Annual General Meeting. The Board of Directors thanks Mr. Schnell for his commitment and dedication and wishes him all the best for the future. The Board proposes that Felix A. Thöni be elected to succeed him. Felix Thöni (born 1959) is a proven financial expert with many years of management experience in the industry and as a director on the board of a listed company. In keeping with best practises corporate governance, the Board of Directors also proposes that a one-year term of office be introduced for members of the Board.

### **Outlook**

The Kardex Group started the 2011 financial year with a significantly higher order backlog than the previous year. With its comprehensive range of solutions and services as well as new products – including the automatic small parts warehouse stacker crane for mini loads, the Shuttle Element vertical lift, the Megamat RS circulating rack, the Atlas pallet shuttle, silo high-bay ware-house constructions as well as warehouse logistics software from Kardex Remstar and Kardex Mlog – the Kardex Group as a full-line-supplier has a broadly supported entry to the logistic market that is still highly competitive with regard to price. The Management expects for the year under review revenue growth in line with market growth and an improvement of the group's profitability.

### **Thank you**

On behalf of the Board of Directors and the Management Board, we would like to thank all employees for their sterling work during the year under review. We also wish to thank our customers and business partners for their valuable 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 is an international brand for automated warehouse systems”



## What were the defining events of financial year 2010?

Jos De Vuyst: The integration of Mlog Logistics. In the case of Kardex Remstar, the implementation of the functional management structure, the strengthening of key account management and product management, the drive to step up sales of special applications and the expansion of the service business. Then there were the new products from Kardex Remstar, Kardex Stow and Kardex Mlog. Unfortunately, we were also kept busy by the fall-out from the economic crisis in financial year 2010.

Gerhard Mahrle: The first three months were difficult. From the second quarter onward, business steadily improved and at the end of the financial year, Kardex's bookings were well above the previous year, even after adjustment for acquisitions.

## How will the Kardex Group develop in financial year 2011?

Jos De Vuyst: Kardex is a global brand for automated warehouse systems. As part of the implementation of our strategy, we are continuing to expand into a one-stop shop with a comprehensive range of products from the development and manufacture of our own products

and integrated subsystems to turnkey warehouse and materials handling systems combined with a comprehensive service offering.

## What growth drivers do you see for Kardex?

Gerhard Mahrle: Kardex is primarily benefiting from the economic recovery and the increase in consumer spending. To increase efficiency, our customers are once again investing in warehouse logistics and therefore in products and services of the Kardex Group.

Jos De Vuyst: An important factor for sustainable growth is the broad range of products and services of the Kardex Group, with solutions for all sectors, continuous innovation, with new customer-oriented products and specific industry solutions, and our global service organization. The rising performance requirements expected of a warehouse are also having a positive impact on our development. Retail businesses and online shops, for example, require efficient warehousing systems if they are to process product volumes efficiently. New markets and applications are also creating fresh potential.

Among other things, we are currently working with a customer to develop a fully automated storage and retrieval solution for an online shop in the retail sector. And last but not least, we also intend to grow geographically, for example in South America.

“As products change, so do demands”

## Where are your geographical focal points?

Jos De Vuyst: Europe remains our most important market, where the Kardex Group will continue to grow at a high level. In North America, we shall expand our market position, initially with Kardex Remstar, then with Kardex Mlog. India is becoming increasingly important. Kardex Remstar's new branch in India has developed very well and Kardex Stow has also succeeded in establishing a foothold.

Gerhard Mahrle: In terms of margins, the Middle East is attractive too. However, we do not expect any structural growth in this region. Demand there is very much opportunity-driven.

#### And China?

Jos De Vuyst: At the moment, as far as the warehouse logistics sector is concerned, China should generally not be overestimated. Investments in warehouse systems mainly pay off for customers who can use warehouse efficiency gains to offset rising land and labour costs. This is currently mainly the case in China's large industrial areas. Neighbouring regions will follow with some delay. The Kardex Group is also benefiting from investments in advanced production and inventory management processes aligned on western standards. We expect demand for modern warehouse logistics

solutions in China to rise rapidly and have prepared ourselves accordingly: Kardex Remstar has its own sales offices in China and Kardex Stow has a modern operations and production facility there; Kardex Mlog is expected to enter the market in financial year 2011.

Gerhard Mahrle: In financial year 2010, Kardex Remstar unveiled a new vertical lift which will be manufactured in our US factory in Lewistown, Pennsylvania, and which has been designed specifically to meet the needs of the Asian markets and customers in North America. One of the benefits of this is that it gives us a natural hedge in the US dollar zone.

#### Where is the technological trend heading?

Gerhard Mahrle: In the past, references to research and development at Kardex have often related to product maintenance. 2010 marked a change of trend, with a well filled pipeline of innovative products which round off our broad range of offerings. These include a new stacker crane for light loads, the Shuttle Element vertical lift, the Megamat RS circulating rack, the Atlas pallet shuttle and new silo high-bay warehouse constructions.

Jos De Vuyst: Our strategy envisages continuing to develop the range with our own products, our own software and attractive service solutions, moving toward subsystems and system solutions in line with customers'

needs. In financial year 2010, the Kardex Group therefore invested in new products, in strengthening the service organization and in expanding systems expertise and will continue to do so in the future. The integration of Kardex Mlog, which brings systems experience into the Kardex Group, represents a milestone. The head of division of Kardex Remstar also has proven practical track record in the systems business.

"Service business is becoming more important"

#### What does this mean for the Kardex Group?

Jos De Vuyst: There will always be customers whose needs are met by a Kardex stand-alone product, but systems expertise,

software and services are becoming increasingly important and complement the product expertise of the Kardex Group. There is a growing trend towards customers buying subsystems and systems. As products change, so too do the demands placed on staff. We are therefore training our teams and recruiting specialists in the market to ensure that we always offer customers the best products, services and software solutions.

Gerhard Mahrle: These days, software is the be-all and end-all of an automated warehousing system. Here too, the Kardex Group will continue to invest and expand its software expertise.

#### How important is the service business?

Gerhard Mahrle: The service business is becoming more and more important for the sustainable development of the Kardex Group. Our international service organization made a substantial 17.6% contribution to Group revenues in financial year 2010 and once again performed positively.

Jos De Vuyst: Continuing to develop the service business is a constant challenge. Kardex will continuously adapt its range of services to customer needs, with solutions such as 24/7 availability, remote access and a global hotline.





## Turnkey storage solutions

Warehouse logistics and software specialists from the Kardex Group plan and realize individual storage solutions ranging from warehouse control to turnkey, automated storage systems for customers from all industries.

# Kardex Remstar: Dynamic storage and retrieval systems

Kardex Remstar is a leading global provider of development, production and maintenance services for computer-controlled, flexibly designed automated storage, retrieval and distribution systems. Kardex Remstar logistics solutions enable customers in industrial production, commerce, administration and the service sector to increase their productivity and efficiency and make optimum use of storage areas with customized solutions. Kardex Remstar has two production facilities in Germany and one production operation in North America and maintains local branches, representations and service organizations worldwide.



Jens Fankhänel  
Head of Division Kardex Remstar  
(as of 6 January 2011)

## Steady recovery in demand

In the Kardex Remstar Division, segment revenues for 2010 fell by 3.4% to EUR 192.8 million (EUR 199.6 million), mainly because of the slow recovery of demand in Europe and North America. In the second half of the year, revenues rose by more than 30% in comparison with the first half of the year. In financial year 2010, Kardex Remstar posted a segment result (EBIT) of EUR 2.1 million (previous year: EUR 6.8 million) and an EBIT margin of 1.1% (3.4%). Before depreciation of property, plant and equipment and intangible assets (EBITDA), the segment result amounted to EUR 9.1 million (EUR 12.7 million). Bookings improved from the second quarter onward, increasing by 12.4% year-on-year to EUR 203.3 million (EUR 180.9 million). The order backlog of EUR 60.3 million at the end of the financial year was up by roughly 25% on the previous year.

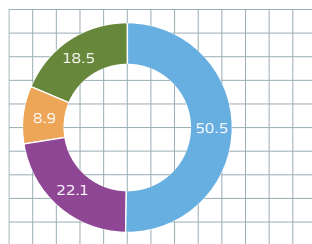
## Base strengthened

During financial year 2010, the Kardex Remstar Division implemented a functional management structure, strengthened key account management and product management, launched new products and pressed ahead with sales of special applications and the expansion of its service business. The management team was strengthened and rejuvenated with specialists with experience in the industry. At the beginning of financial year 2011, Jens Fankhänel, a logistics specialist with many years of experience in the global warehouse logistics market, particularly in the area of automated warehouse systems and the establishment and management of international production, sales and service organizations, took over as Head of the Kardex Remstar Division from Chief Executive Officer Jos De Vuyst, who had headed the Division on an interim basis since 2009. Processes and workflows were simplified and cost efficiency was increased; among other things, projects were launched to merge procurement at the two German plants and sustainably reduce the cost of manufacturing key products. The plant in North American Lewistown, Pennsylvania, and the US-oriented sales and service organization were expanded further in financial year 2010.

### Consolidated key figures for the Kardex Remstar Division

EUR millions	2010	+/-%	2009
Bookings	203.3	12.4	180.9
Order backlog	60.3	25.1	48.2
Segment net revenues	192.8	-3.4	199.6
Operating result before depreciation and amortization (EBITDA)	9.1	-28.3	12.7
Operating result (EBIT)	2.1	-69.1	6.8
EBIT in % of segment revenues, net	1.1		3.4
Employees (full-time equivalents on 31 December)	1296	-1.3	1313

Net revenues  
by market regions –  
Kardex Remstar  
Business year 2010 in %



- Euro countries
- Rest of Europe
- Asia/Pacific
- Americas

#### Product offensive

Despite the difficult economic conditions, financial year 2010 witnessed investment in product innovation, and the launch of new customer-oriented products was accelerated. Kardex Remstar unveiled the Shuttle Element vertical lift, which is geared to the specific requirements of Asia and North America, and brought to market the new Megamat RS circulating rack, which enables energy savings of up to 40%. With its new programming concept and modular structure, from simple applications to complex warehouse management, the new Power Pick Global software system enables customers to adapt Kardex storage and retrieval solutions to changing warehouse logistics requirements simply and flexibly over the years. Reporting revenues of EUR 56.7 million (EUR 62.6 million), the successful services business remained robust in financial year 2010 and was further expanded. With Kardex Life Cycle Management it offers a three-tier range of services for Kardex products and system solutions tailored to individual customer needs.

#### Prepared for sustainable development

The Kardex Remstar Division has a rejuvenated, dynamic management and an attractive, customer-oriented range of offerings featuring new products and an efficient international service organization. Kardex Remstar is equipped to benefit from a sustained market recovery, and with streamlined production processes and an efficient cost structure is set to enjoy growth.

# Kardex Stow: Static storage systems

With its efficient, automated production facilities in Belgium, China and the Czech Republic, Kardex Stow is one of the leading suppliers of static storage and stacking systems for pallets, small parts and long goods. Kardex Stow supplies customers such as general logistics contractors, logistics service providers and large industrial and trading conglomerates in over 30 countries with customized high-bay and silo solutions and individual engineering from a single source.



Hans De Staercke  
Head of Division Kardex Stow  
(until 14 February 2011)

## **Balanced segment result despite renewed decline in revenues**

In the Stow Division, segment revenues for 2010 declined by 5.5% to EUR 135.6 million (EUR 143.5 million). The decline stems mainly from overcapacity and strong price pressure in most markets. In financial year 2010, Kardex Stow posted a balanced result (previous year: EUR 2.1 million). Before depreciation of property, plant and equipment and intangible assets (EBITDA), the segment result amounted to EUR 4.0 million (EUR 6.4 million). Bookings declined by 2.3% year-on-year to EUR 138.2 million (EUR 141.4 million), mainly because of the difficult market conditions in the first half of the financial year. From the second quarter, a steady recovery in demand began to emerge and sales in the second half of the year were up by around 28% on the first half of the year. At the end of the year, bookings were 10.1% higher than the previous year at EUR 33.8 million.

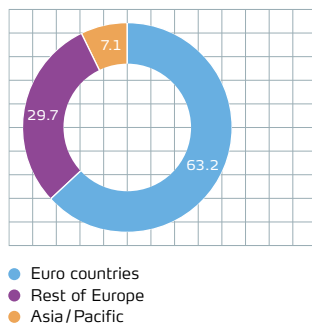
## **Range of products expanded**

During the year under review, Kardex Stow undertook intensive efforts to implement its strategic objectives and launched an innovative range of new products such as the successful silo high-bay warehouses, which enable customers to optimize the use of available space, cut back on the halls or buildings needed, and reduce construction time. The Atlas pallet shuttle jointly developed with Kardex Mlog was also presented and work began on the development of a new sliding storage system (mobile racking) in which the shelves can be flexibly moved to the position where a shelf aisle is currently needed. Compared with fixed high-bay warehouse constructions, mobile racking systems enable further optimization of space utilization. Kardex Stow will continue to invest in developing new solutions with a view to steadily increasing the customer benefit provided by its product range and achieving sustained growth.

### Consolidated key figures for the Kardex Stow Division

EUR millions	2010	+/-%	2009
Bookings	138.2	-2.3	141.4
Order backlog	33.8	10.1	30.7
Segment net revenues	135.6	-5.5	143.5
Operating result before depreciation and amortization (EBITDA)	4.0	-37.5	6.4
Operating result (EBIT)	-	-100.0	2.1
EBIT in % of segment revenues, net	-		1.5
Employees (full-time equivalents on 31 December)	567	-1.0	572

Net revenues  
by market regions –  
Kardex Stow  
Business year 2010 in %



#### Mixed market trends in the regions

Although the 2010 financial year mainly saw demand recover in Germany, the UK and eastern Europe, Kardex Stow's sales have still not yet returned to pre-crisis levels. In important markets such as Belgium, France and particularly the Netherlands, the recovery was slower than expected. Revenues made good headway in the Asia-Pacific economic region, particularly in China. The Division's entry into the Indian market also continued to make encouraging headway. Demand in the Middle East too made good progress with attractive projects for Kardex Stow.

#### Efficient cost structure

Workflows and processes in the Kardex Stow Division were optimized further in financial year 2010. Implementation of the SAP projects was completed in Europe and is due to be completed in China by the end of financial year 2011. The management team in China was renewed and operations were brought together at the Division's own production site in Shanghai.

#### Prepared for sustainable development

During financial year 2010, Kardex Stow continued with its strategic investments and is emerging from the recession stronger than before, with new products, a wider range of engineering skills and an efficient cost structure. Thanks also to its modern production plants, well-established functional management structure and optimized processes, Kardex Stow is in a good position to enjoy long-term profitable growth once the markets normalize on a sustained basis.

On 21 February 2011, the Kardex Group announced that the Head of the Kardex Stow Division, Hans De Staercke, has decided to leave the company. Until a successor has been appointed, Jos De Vuyst, Chief Executive Officer of the Kardex Group, will with immediate effect head the Kardex Stow Division.

# Kardex Mlog: Automated warehouse and materials handling systems

Kardex Mlog is a leading supplier of automated stacker cranes and materials handling systems in Germany and will expand its position in the world market in a joint effort with the Kardex Group's international sales and service organization. Kardex Mlog has a comprehensive range of products from high-end stacker cranes to a complete distribution center and offers customers from all sectors customized warehouse logistics solutions from new facilities and the modernization of existing systems through to individual service from a single source.



Stefan Seidl  
Head of Division Kardex Mlog

## **Recovery in demand**

During the eight months since its integration into the Kardex Group, the Kardex Mlog Division, which was consolidated from May 2010, posted segment revenues of EUR 27.8 million. The segment result for the period from May to December came to a negative EUR -3.8 million. Before depreciation of property, plant and equipment and intangible assets (EBITDA), the segment result came to EUR -1.4 million. Application of the IFRS accounting standards led to amortizations of intangible assets in the amount of EUR 1.8 million which were charged to the segment result. The recovery of the German economy led to a significant increase in enquiries from the fourth quarter of 2010 onward, particularly from the food, pharmaceutical and retail sectors. During the period under review, Kardex Mlog posted bookings of EUR 50.0 million and at the end of the year its order backlog stood at EUR 36.1 million.

## **Solid basis**

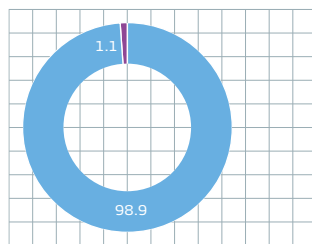
With its core areas of greenfield installations, refurbishment and after-sales service and its systems expertise, Kardex Mlog offers customers a comprehensive range of solutions from a single source: from producing its own stacker cranes and conveyor technology solutions, and programming and implementing materials handling systems through to turnkey automated warehousing systems. At the same time, as a general contractor, Kardex Mlog deals with all important steps from planning to project design and realization through to the commissioning of an automated high-bay warehouse. Kardex Mlog has a modern production facility in Germany and, with more than 800 systems installed and around 2 000 devices sold, has a good market base.

### Consolidated key figures for the Kardex Mlog Division

EUR millions (1 May to 31 December)	2010	+/-%	2009
Bookings	50.0	-	-
Order backlog (31 December)	36.1	-	-
Segment net revenues	27.8	-	-
Operating result before depreciation and amortization (EBITDA)	-1.4	-	-
Operating result (EBIT)	-3.8	-	-
EBIT in % of segment revenues, net	-13.7	-	-
Employees (full-time equivalents on 31 December)	249	-	-

#### Net revenues by market regions – Kardex Mlog

Business year 2010 in %



- Euro countries
- Rest of Europe

#### Innovativeness

In financial year 2010, Kardex Mlog developed the automatic small parts warehouse stacker crane, which is due to come on to the market in 2011. With its focus on small units such as plastic boxes, it meets a growing customer demand. In addition, the automated, battery-powered Atlas pallet shuttle was developed for Kardex Stow. This enables pallets to be loaded and unloaded efficiently and economically, virtually independently of the depth of warehouse aisles and channels. Pivotal trends in the warehouse logistics sector include the growing importance of software for warehouse control and, increasingly, for the integration of automated warehouses into end-to-end ERP systems, as well as the sustainable reduction of energy consumption in warehouse logistics. As the complexity of systems increases so too does the importance of the range of services offered. To guarantee the 24/7 availability of automated warehouse systems demanded by the market requires a high degree of service readiness, which is assured by Kardex Mlog jointly with the Kardex Remstar service organization.

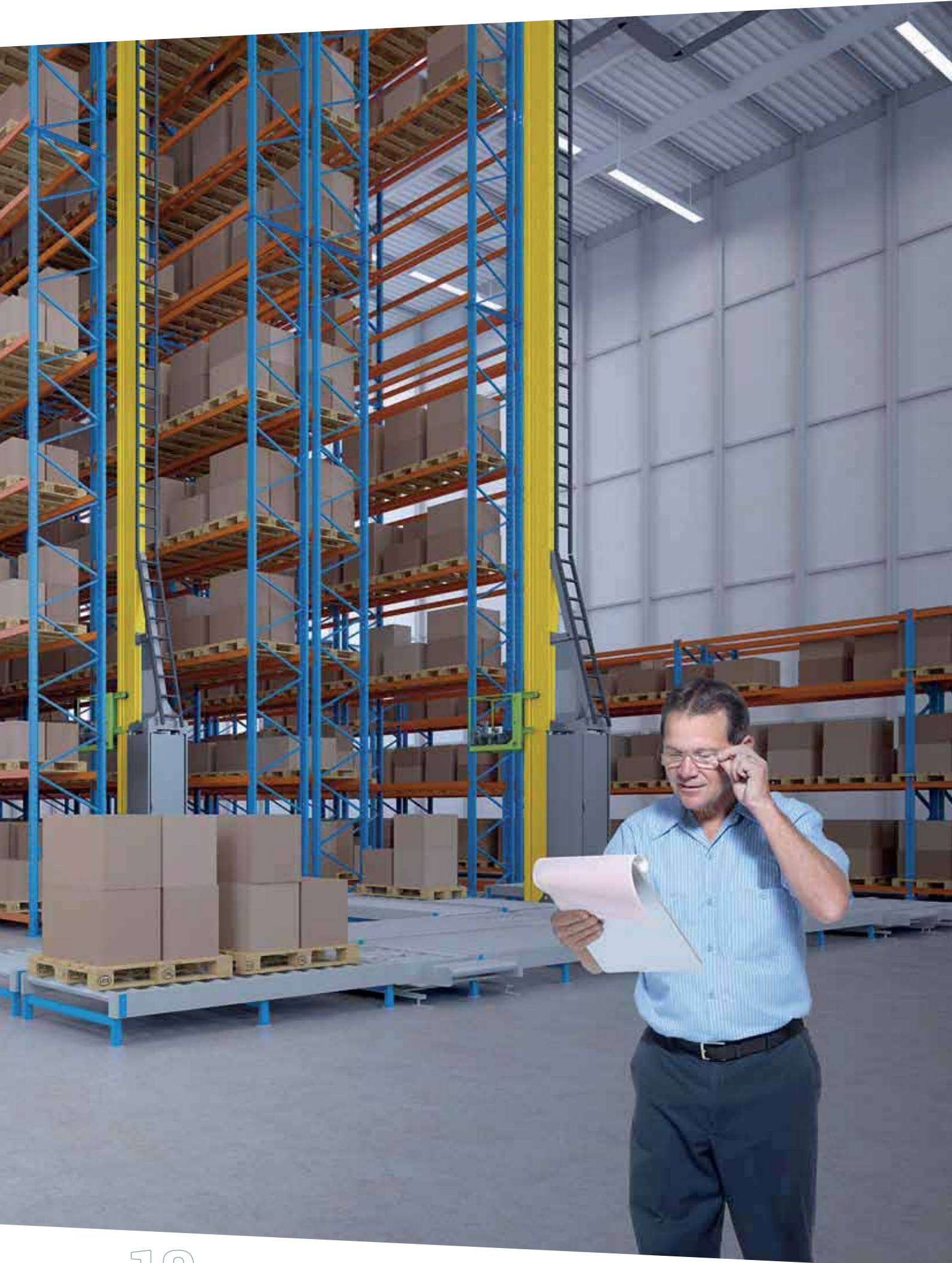
#### Internationalization

Over the coming years, with the integration of Kardex Mlog into the global Kardex Group, the Division's product range will be internationalized and introduced into new markets. In an initial stage, this effort, undertaken jointly with Kardex Remstar, will focus on the European markets, and in China. In a second stage, the North American market will follow. As the markets recover, Kardex Mlog expects to be able to resume the process of internationalization and increase its margins on new products in particular. In addition, the growing number of enquiries, mainly from neighbouring countries, should enable the Division to accept its first orders and projects from outside Germany from financial year 2011 onward.



**Wide range of products and systems for all industries**

**The Kardex Group offers its customers a comprehensive range of innovative products and integrated subsystems, including turnkey warehouse and material handling systems, coupled with a broad service offer.**



# 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's aim is to strengthen and increase confidence on a lasting basis in management and corporate policies which are pursued in the interests of 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.kardex.com](http://www.kardex.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 1 January 2010 – 28 February 2011  
(based on weekly closing share price in CHF)

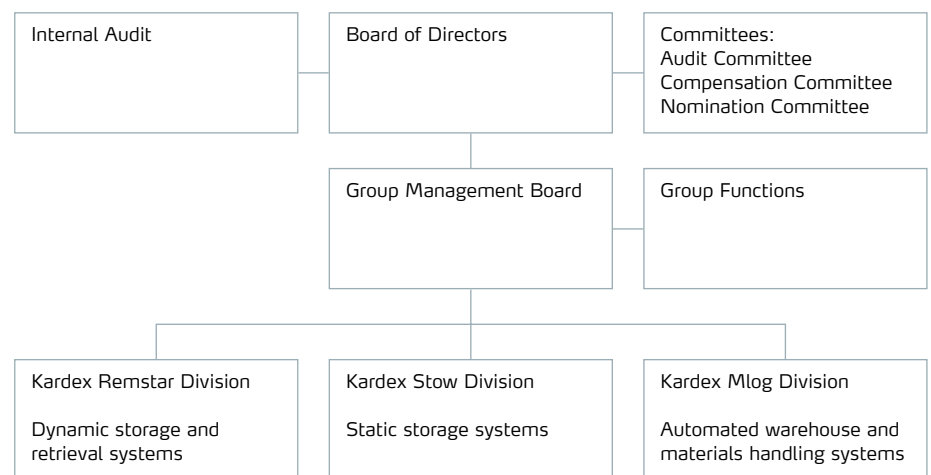


## 1.1 Group structure

# 1. Group structure and shareholders

## 1.1.1 Structure of Group operations

The Kardex Group is divided into the three divisions or segments Kardex Remstar, Kardex Stow and Kardex Mlog.



As members of the Management Board, the three 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 also served as head of this division between April 2009 and the end of 2010. The Group is managed by the Board of Directors through the Management Board and the management of the divisions Kardex Remstar, Kardex Stow and Kardex Mlog.

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 the Management Board is explained in section 3.5, page 32.

### 1.1.2 Listed consolidated company

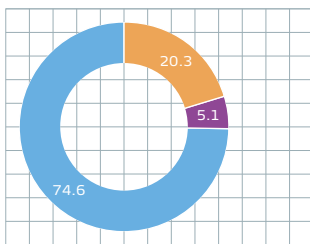
Listing	
Company	Kardex AG
Listed at	SIX Swiss Exchange
Swiss securities no.	10083728
ISIN	CH0100837282
Symbol	KARN
Market capitalization as at 31 December 2010	CHF 170.5 million

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 in the notes to the consolidated financial statements on pages 115 to 116 of the Annual Report.

## 1.2 Significant shareholders



As at 31 December 2010, there were 1592 shareholders (31 December 2009: 1562) 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.

As at the balance sheet date (31.12.2010), the following shareholders (in terms of capital held) held stakes equalling or exceeding the legal disclosure threshold of 3%:

● Buru Holding and Philipp Buhofer	20.3%
● Pictet Funds SA	5.1%
● Other shareholders	74.6%

The Company held treasury shares amounting to 0.3% at the balance sheet date (2009: 1.0%).

Shares pending registration of transfer amounted to 27.8% (2009: 27.4%) of the total as at 31 December 2010.

Reports on significant shareholders or groups of shareholders filed with the Company and the Disclosure Office of SIX Swiss Exchange Ltd in accordance with Art. 20 SESTA can be viewed on the Disclosure Office's publication platform at [http://www.six-exchange-regulation.com/obligations/disclosure/major\\_shareholders\\_en.html](http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html).

## 1.3 Cross-shareholdings

There are no cross-shareholdings.

## 2. Capital structure

### Share capital and capital structure

	2010	2009	2008	2007
Par value per share (CHF)	11.00	11.00	13.50	13.50
Total bearer share	-	-	5 627 453	5 627 453
Total registered share	5 627 453	5 627 453	-	-
Number of treasury shares	15 364	57 573	60 796	28 466
Number of dividend-bearing shares	5 612 089	5 569 880	5 566 657	5 598 987
Registered capital (CHF 1 000)	61 902	61 902	75 971	75 971
Authorized capital (CHF 1 000)	9 900	9 900	12 150	12 150
Total voting rights	5 612 089	5 569 880	5 566 657	5 598 987

### Key figures per registered share

CHF	2010	2009	2008	2007
Share price high	39.25	36.35	66.25	73.00
Share price low	23.10	21.00	25.60	49.95
Closing rate	30.30	33.45	30.00	61.50
<b>Market capitalization – CHF million</b>	<b>170.51</b>	<b>188.24</b>	<b>168.82</b>	<b>346.09</b>

### Key figures per registered share

CHF	2010	2009	2008	2007
Net result per share	-2.41	0.21	9.30	6.35
Price earnings (closing rate)	-	156.44	3.22	9.68
Operating cash flow	4.19	6.87	10.43	14.91
Free cash flow	-2.79	4.81	5.69	21.34
Dividend	-	-	-	-
Par value reduction	-	-	2.50	-
<b>Equity</b>	<b>20.61</b>	<b>25.86</b>	<b>28.47</b>	<b>21.82</b>

#### 2.1 Ordinary capital

Kardex AG's ordinary share capital amounts to CHF 61 901 983 on 31 December 2010, divided into 5 627 453 fully paid-in registered shares each with a par value of CHF 11.00. All shares are entitled to dividends and entitle the holder to one vote at the General Meeting. The right to apply the special rules concerning treasury shares held by the company is reserved, particularly in relation to the exception from the entitlement to dividends.

## 2.2 Conditional and authorized capital

Conditional capital on 31 December 2010 amounts to CHF 9 900 000. The Company had no authorized capital as of 31 December 2010.

### Conditional capital for convertible bonds (31 December 2010)

In accordance with Article II Paragraph 3a of the Articles of Incorporation, share capital may be increased through exercise of conversion rights (granted in connection with bonds or other financial market instruments issued by the Company or one of its subsidiaries) 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. Holders of the conversion and/or option rights are entitled to subscribe the new shares.

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

No capital changes were undertaken either during the past financial year or in financial year 2009. 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.

For an overview in table form of the capital changes during the financial years 2007–2010, please see the table "Share capital and capital structure" on page 23.

## 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 a dividend.

Kardex AG has no participation capital on 31 December 2010.

## 2.5 Profit participation certificates

Kardex AG has issued no profit participation certificates by 31 December 2010.

## 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 register 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

The aforementioned limitations on nominee registrations are explicitly laid down in Article II, § 3b, paras. 2 and 3 of the Articles of Incorporation. These provisions of the Articles of Incorporation may be rescinded by a simple decision of the General Meeting. The foregoing applies subject to any restrictions on transferability imposed by the law.

### Convertible bond

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 (sec. no. 3181649; ISIN CH0031816496). Existing shareholders were granted preferential subscription rights.

Volume	CHF 55 million
Coupons	2.25% p.a., payable each 29 June, starting 29 June 2008
Redemption	29 June 2011
Early redemption	Clean-up call, soft call, change of control in the issuer
Initial conversion price	CHF 77.66, subject to adjustments (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

As of 31 December 2010, Kardex AG has no options outstanding.

### 3. Board of Directors



From left to right:  
 Dave Schnell  
 Martin Wipfli  
 Leo Steiner  
 Philipp Buhofer  
 Walter T. Vogel

#### 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 business interest with the Kardex Group. At the General Meeting on 27 April 2010, Leo Steiner and Philipp Buhofer were confirmed for further three-year terms of office and Mr Martin Wipfli was confirmed for a further two-year term. The Board of Directors consists of the following members:

##### **Leo Steiner**

Member of the Board of Directors since 2004, term expires 2013  
 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

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**Philipp Buhofer**

Member of the Board of Directors since 2004, term expires 2013

1959, Swiss citizen, HWV Horw/Lucerne

Since 1997 independent entrepreneur

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

1984–1987 Metro International, procurement

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**Dave Schnell**

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

1947, Swiss citizen, degree in business administration from Zurich University of Applied Sciences and business management training in the United States

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

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**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

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**Martin Wipfli**

Member of the Board of Directors since 2007, term expires 2012

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

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 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 Reisen 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 Ltd.

#### **Walter T. Vogel**

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

#### **Martin Wipfli**

Other directorships: nebag, Elma Electronic AG, Metall Zug 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**

As a rule, members of the Board of Directors are elected by the General Meeting at staggered intervals for a term of office of three years. Unless the shareholders request otherwise, members of the Board of Directors due to have their terms of office renewed at the same General Meeting may be jointly re-elected. For example, Leo Steiner, Philipp Buhofer and Martin Wipfli were re-elected jointly at the 2010 General Meeting. 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. Once they reach the age of 70, Members of the Board of Directors retire from the Board of Directors automatically with effect from the next Ordinary General Meeting (Article III, § 13, para. 3 of the Articles of Incorporation).

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

Name	Year elected	Term expires
Leo Steiner	2004	2013
Philipp Buhofer	2004	2013
Walter T. Vogel	2006	2012
Martin Wipfli	2007	2012
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 Walter Vogel is Chairman of the Compensation Committee and Leo Steiner chairs the Nomination Committee. There are no further special committees or functions.

### 3.4.2 Composition, duties and authority of the Board committees

Three permanent committees exist to assist the Board in or prepare it for important decisions: the Audit Committee, the Compensation Committee and the Nomination Committee.

The committees are constituted as follows:

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

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

- basic criteria regarding the appointment of members of the Management Board as well as salary, bonus and other incentive systems such as pension funds
- questions regarding the remuneration of the Board of Directors and members of the Management Board
- questions regarding performance-related payments for senior executives

#### **Nomination Committee**

The 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

#### **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 six hours. The Board of Directors also meets once a year for a two-day strategy session. In 2010, 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. The 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 Article 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 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 four times a year. The 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 as well as the internal audit 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 the Nomination Committee each comprise between two and a maximum of three members appointed by the Board of Directors from among its members. At present, Leo Steiner, Philipp Buhofer and Walter T. Vogel are members of both committees. The Compensation Committee is chaired by Walter Vogel and the Nomination Committee is chaired by Leo Steiner. Both committees meet at least once a year. In 2010, both committees held two meetings, each of which lasted one hour.

The duties and responsibilities of the Compensation Committee are laid down in the Organizational By-Laws. The Committee supports and advises the Board of Directors on matters concerning 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 Compensation Committee proposes the basic criteria regarding performance-related payments within the Group.

The duties and responsibilities of the Nomination Committee are laid down in the Organizational By-Laws. The committee supports and advises the Board of Directors on matters concerning the composition of the Board of Directors, members of the Management Board and other important positions in 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 revenue and results figures expected by the Management Board
- annual strategic analyses of the individual divisions, prepared by the heads of division, and of the Group as a whole, prepared by the Management Board, 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

#### **Chairman of the Board of Directors**

The chairman of the Board normally meets the CEO at least on a monthly basis to discuss ongoing business operations.

#### **Audit Committee**

The Audit Committee normally reports to the Board of Directors four times a year 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 normally conduct ten "operational and system audits" in accordance with the integrated 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. 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



From left to right:  
Hans De Staercke  
(until 14 February 2011)  
Jos De Vuyst  
Gerhard Mahrle  
Stefan Seidl

### 4.1 Members of the Management Board

The Management Board currently comprises four members. The management structure can be seen in section 1.1.1 of this report on page 21.

#### **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 (from April 2009 to  
December 2010 also Head of Kardex Remstar Division)

2005 COO of the Kardex Group

2004 CEO of the Stow Division (static storage systems) and

CEO 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

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**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

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**Hans De Staercke, Head of Kardex Stow Division  
(Termination date: 14 February 2011)**

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)

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**Stefan Seidl, Head of Kardex Mlog Division**

1966, German citizen, studies in business administration University of Münster,  
University of Carolina, Harvard Business School  
Since 2010 Head of Kardex Mlog Division  
2005–2010 Managing Director of Mlog Logistics GmbH  
1997–2005 Managing Director of MAN Logistics GmbH in Heilbronn  
1995–1997 Various commercial fields of activity at  
MAN Gutehoffnungshütte AG in Germany and Australia

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**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.

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**4.3 Management contracts**

Kardex AG and its subsidiaries have no management contracts with third parties. Two members of the Management Board who are resident abroad have wholly or partially concluded formal advisory agreements with companies of the Kardex Group 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 freelancers for companies other than Kardex. These contractual relationships correspond in de facto terms to recruitment by Kardex 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 Guiding principles

The success of the Kardex Group depends very much on the quality and commitment of its staff. The aim of our compensation policy is to attract and retain qualified staff. Performance-based compensation is intended to encourage entrepreneurial thinking and action. The most important principles are:

- Remuneration should be performance-based and in line with the market
- Decisions on remuneration should be transparent and comprehensible
- Remuneration should be linked to the business success of the company
- A balance of short-term and long-term remuneration should be assured

This chapter is based on the explanations of SIX Swiss Exchange and SIX Exchange Regulation with regard to the presentation of compensation and remuneration paid to the Board of Directors and Management Board in the Corporate Governance Report. It takes account of the transparency requirements set out in Art. 663b and Art. 663c of the Swiss Code of Obligations.

### 5.2 Method of determining compensation and shareholding programmes

The Board of Directors has set up a Compensation Committee consisting of three independent members of the Board of Directors.

At the beginning of each period of office, the Compensation Committee submits proposals to the Board of Directors concerning the nature and amount of the annual emoluments of the members of the Board of Directors and submits an annual proposal to the Board of Directors concerning the compensation for the individual members of the Management Board for approval. In consultation with the Board of Directors, the Committee prepares targets for the Management Board, assesses the target attainment of the Management Board and submits a proposal to the Board of Directors concerning the variable compensation of the Management Board.

Once a year at the request of the Compensation Committee the Board of Directors approves the fixed compensation for the individual members of the Board of Directors. The members of the Board of Directors have a right to participate in the decision-making process. Once a year, at the request of the Compensation Committee, the Board sets the fixed and variable compensation, based on the achievement of objectives for the CEO, and once a year, at the request of the Compensation Committee, and in cooperation with the CEO it sets the fixed and variable compensation for the other members of the Management Board and approves the remuneration rules prepared by the CEO. In consultation with the Compensation Committee, the Board also defines targets for the Management Board and, at the request of the Compensation Committee, approves the variable compensation of the Management Board based on the attainment of the defined targets.

### 5.3.1 Board of Directors

#### 5.3.1.1 Non-executive members of the Board of Directors

Non-executive members of the Board of Directors receive a fixed annual fee for their work, in particular for preparation of and participation in meetings and for their work in the committees. The Chairman and the Vice Chairman receive a part of it as flat-rate sum by way of reimbursement for expenses. 70 to 80% of the fixed fees for the members of the Board of Directors are 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. The compensation is set by the Board of Directors at its discretion and is determined by the responsibility assumed, the complexity of the task, the demands in terms of specialist expertise and personal qualities and the time expected to be taken. In setting compensation, the Board of Directors takes account of publicly accessible information from comparable Swiss industrial companies listed on the SIX Swiss Exchange which are of similar size and have international production and market organizations.

#### 5.3.1.2 Executive members of the Board of Directors

The Board of Directors of Kardex AG consists exclusively of non-executive members.

### 5.3.2 Management Board

The members of the Management Board receive remuneration consisting of fixed cash emoluments and variable performance-related payments.

The fixed cash emoluments consist of a monthly salary, a flat-rate expense allowance, payments in kind and additional benefits. In addition, a fixed contribution is paid into the pension scheme.

The fixed basic salary is determined on a discretionary basis taking account of the tasks and responsibility assigned, the qualification and experience required and the market environment. In addition, in setting the form and amount of the salary components, the Board of Directors takes account of publicly accessible information from comparable Swiss industrial companies listed on the SIX Swiss Exchange which are of similar size and have international production and market organizations.

The variable performance-related remuneration is determined on the basis of the fulfilment of the individual performance targets and the business success of the Company or division, based on the budget adopted by the Board of Directors. Depending on target attainment and function level, the variable component amounts to up to 100% of the fixed basic pay. At least 20% and at most 100% of the variable component is 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.

At the beginning of the year, the Compensation Committee proposes the individual performance targets of the CEO. At the beginning of the year, the CEO proposes individual performance targets for the other members of the Management Board to the Compensation Committee, which submits these to the full Board of Directors for a decision. Also at the beginning of the year, the Compensation Committee, together with the CEO, proposes the criteria for the variable compensation for the members of the Management Board. After the end of the financial year, the Compensation Committee will assess the fulfilment of these targets and criteria. The variable compensation depends crucially on the result of the Kardex Group. For a head of division, the weighting of the variable component is 70% for attainment of the budget targets of the division he is responsible for and 30% for personal, qualitative and quantitative targets. For the CEO and the CFO, the weighting of the variable component is 70% for attainment of Group budget targets and 30% for personal, qualitative and quantitative targets.

The business success of the company and the divisions is measured on the basis of the following key financial indicators (weighting within variable compensation is 70%):

- growth (net revenues)
- operating result (EBIT)
- operating free cash flow
- development of net current assets

### 5.3.3 Contracts of employment and special benefits

There are no contracts of employment with periods of notice exceeding twelve months. Members of the Board of Directors or the Management Board are not entitled to any contractual severance compensation.

## 5.4 Remuneration for the year under review

The remuneration of the Board of Directors and the Management Board disclosed in the following includes the relevant remuneration for the year under review as a whole. The reported variable elements of remuneration relate to the reporting year which has ended. The variable emoluments are allocated and paid out according to the target attainment for the year under review described under 5.3.2, page 37.

New members of the Board of Directors or the Management Board normally receive compensation from the month in which they assumed the relevant function. Departing members of the Board of Directors receive remuneration until the month of their departure. Departing members of the Management Board receive remuneration until the date of termination of the contract. Members of the Management Board, with one exception, are provided with a company car.

All payments made to pension schemes are reported under pension expenses. Some members of the Management Board are also members of the Boards of Directors of subsidiaries within the Group. No fees or compensation are paid for these activities.

No collateral (sureties, guarantees etc.) was granted to members of the Board of Directors or the Management Board during the year under review. Neither Kardex AG nor any other Group company waived any claim in relation to a member of the Board of Directors or the Management Board

During the year under review, members of the Board of Directors and the Management Board did not receive any fees or remuneration for additional work performed for Kardex AG or any other Group company.

During the year under review the emoluments of the Board of Directors remained practically unchanged compared with the previous year. On the one hand, the compensation paid to the Management Board increased last year compared with the previous year as the acquisition of Mlog Logistics GmbH resulted in the Management Board gaining an additional member in the person of Stefan Seidl, Head of the Kardex Mlog Division. On the other hand, the variable compensation paid to members of the Management Board declined during the year under review owing to the business performance of the company.

#### **5.4.1 Members of the Board of Directors and the Management Board of Kardex AG**

In the year under review, the members of the Board of Directors received compensations totalling CHF 524 958. A detailed list of the compensations including shareholdings and conversion rights of the members of the Board of Directors can be found in the notes to the consolidated financial statements under note 32 (Related parties and companies) on page 109 and in the notes to the financial statements of Kardex AG (Holding) under note 13 (Compensations and shareholdings) on pages 126 to 128.

#### **5.4.2 Members of the Management Board of Kardex AG**

For the year under review, compensations totalling CHF 2 281 003 were paid to the members of the Management Board. During the 2010 reporting year, the variable component of the compensation for the members of the Management Board came to an average of 14.8% (2009:21.2%) of total remuneration. The members of the Management Board received 20.0% of this in the form of shares.

A detailed list of the compensations including shareholdings and conversion rights of the members of the Management Board can be found in the notes to the consolidated financial statements under note 32 (Related parties and companies) on page 109 and in the notes to the financial statements of Kardex AG (Holding) under note 13 (Compensations and shareholdings) on pages 126 to 128.

#### **5.4.3 Previous members of governing and executive bodies**

During the year under review, there were no departures of members of governing or executive bodies. No compensations were paid to members of governing or executive bodies who left in 2009 or earlier.

#### **5.4.4 Related parties**

During the year under review, no fees or other emoluments were paid to related parties linked to members of the Board of Directors or the Management Board for services performed for the Kardex Group or any of its subsidiaries.

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### **5.5 Loans**

#### **5.5.1 Current and previous members of governing and executive**

No loans from Kardex AG or any other Group company were granted to current or previous members of governing or executive bodies and as of 31 December 2010 there were no such loans outstanding.

#### **5.5.2 Related parties**

Kardex AG did not grant any loans to related parties to current or previous members of governing or executive bodies.

## **6. Shareholders' participation rights**

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### **6.1 Voting right restrictions and representation**

On 31 December 2010, there were 1592 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.

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### **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.

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### 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.

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### 6.4 Agenda

Shareholders together representing shares with a par value of at least CHF 1000 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.

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### 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

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### 7.1 Obligation to make an offer

In accordance with Article 2, § 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.

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### 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 mandates

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 2010, KPMG provided audit services to the value of CHF 801 000 (2009: CHF 761 000).

### 8.3 Additional fees

KPMG was also paid fees totaling CHF 221 000 (2009: CHF 148 000) for non-audit-related services. The entire amount was for tax (compliance) and legal advice. No advisory services in connection with acquisitions were rendered.

### 8.4 Information tools of the external auditors

The Audit Committee verifies the licencing, independence and performance of the auditors on behalf of the Board of Directors and proposes the appointment and, where necessary, discharge of auditors to be appointed or discharged by the General Meeting. The Audit Committee monitors the auditing of the annual financial statements of Kardex AG and the consolidated financial statements by the auditors. As part of their audit services, the statutory auditors provide the Audit Committee with regular feedback on their findings and suggestions for improvement and on the internal control system. 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 four times a year to determine the audit scope and the criteria for the annual approval of the fees. It also ensures compliance with the mandatory rotation of the auditor in charge. The Audit Committee also reviews the amount of the fees and their composition, broken down into audit services and non-audit-related services. 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 Article 53 of the Listing Rules (ad hoc publicity).

The Group publishes a report on its activities every six months in March and August. 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' conference, as well as the General Meeting, are held in Zurich, Switzerland.

Information is sent by e-mail 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.kardex.com](http://www.kardex.com). In addition, interested parties who have registered at <http://www.kardex.com/investor-relations/investor-enquiries/contactform.html> 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](http://www.six-swiss-exchange.com). The website [www.kardex.com](http://www.kardex.com) provides up-to-date information about the Group, products and contact information.

### Calendar of events for Investor Relations

2011 General Meeting	26 April 2011
2011 Interim Report	23 August 2011
2012 Media and analysts' conference	29 March 2012
2012 General Meeting	24 April 2012





**Close to customers  
around the world**

With efficient engineering and production centres in Belgium, China, Germany, North America and the Czech Republic as well as its high-performance, global sales and service organization, the Kardex Group serves its customers locally around the world.



# Financial reporting Kardex Group

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# Financial reporting 2010

The Kardex Group achieved significantly higher sales and results in the second half than in the first half and steadily recovered during the course of the year.

## Sales marked by sluggish demand

In financial year 2010, the Kardex Group was not able to escape the impact of the economic crisis and the resulting low order backlog at the beginning of the year. The trend over the past financial year shows that the Kardex Group responds to fluctuations in the economic cycle later than other industries. The time lag amounts to between nine and twelve months, depending on the business unit. With sales of EUR 355.9 million (2009: EUR 342.9 million) the Group recorded an increase in revenues of 3.8%, or 1.6% after adjustment for currency factors. Without Kardex Mlog, which was included in the consolidation of the Kardex Group from 1 May 2010 onward, the Group posted a decline in revenues of 4.3%. This was marked by price falls in many markets, owing to overcapacity and the resulting competition. During the course of the year the markets recovered appreciably, and in the second half of 2010 the Kardex Group was able to lift its revenues to EUR 205.3 million, which is equivalent to an increase of more than 36% in comparison with the first half of the year. Revenues followed roughly the same trend in the two divisions Kardex Remstar and Kardex Stow. The second half of the year saw both increase their revenues by around 30% in comparison with the first half. The remaining increase in the second half of the year is attributable to the acquisition of Kardex Mlog.

Whereas the increase in revenues in Germany, our largest market by far, was only thanks to the acquisition of Kardex Mlog, the gratifying trend in Europe (particularly in Scandinavia and the UK) was attributable to successful large-scale projects. In eastern Europe, sales also increased thanks to past investment in marketing. Expectations were not fulfilled in the markets of the Netherlands, Switzerland, France and Austria, where the Kardex Group felt the impact of key customers' cautious approach to their investment decisions particularly keenly.

In relative terms, the Asia-Pacific region enjoyed the strongest growth last year. The investments of the two divisions Kardex Remstar and Kardex Stow in their own sales offices and the intensification of marketing efforts in China and India are bearing fruit. Sales increased in practically all countries in this region.

In the Americas region the Group suffered a setback. Kardex Remstar, the only division with a presence in these markets, suffered from the persisting low demand for capital goods in the intralogistics and office sector.



Gerhard Mahrle  
CFO

The breakdown of revenues among the various regions developed as follows:

	2010	2009
Euro countries	59.1%	58.9%
Rest of Europe	23.4%	23.2%
Asia/Pacific	7.5%	6.9%
Americas	10.0%	11.0%

### Upturn in bookings and order backlog

As a result of the global economic crisis, monthly bookings fell to a low of EUR 22 million toward the end of 2009. At the beginning of the year under review, bookings started to recover month-on-month, buoyed by a renewed rise in demand, and reached a high EUR 44 million in September. On average, monthly bookings in the first half of the year came to EUR 31 million, with the second half of the year seeing an average 10% increase to EUR 34 million. As during the two previous years, bookings peaked in August and September thanks to a rise in orders from industrial customers and the public sector. In common with the preceding years, the three last months of the year saw bookings decline as a result of a seasonal fall in demand. However, the average of EUR 32 million was significantly higher than the previous year. At the end of the year, the order backlog stood at EUR 130 million, representing an increase of 65% on the beginning of the year. Adjusted for acquisitions, the order backlog increased by around 20%.

### Income statement marked by sluggish economic conditions

The income statement shows a loss of EUR 9.8 million, mainly because of the subdued economic conditions in the key markets. The result includes one-off costs totaling EUR 3.7 million, for restructuring costs, project costs and costs relating to the acquisition of Kardex Mlog. Adjusted for these special factors, a loss of EUR 6.1 million would have resulted. The statement of comprehensive income shows a loss of EUR -6.4 million. This is mainly attributable to income of EUR 1.1 million from exchange rate gains arising from net investments in foreign operations less deferred tax, as well as from EUR 1.9 million from exchange rate gains posted by subsidiary companies which do not report in euros.

Thanks to the cost-cutting measures introduced improvements in the income statement and balance sheet could already be achieved, for example by reducing purchase prices in the German factories. Low utilization of production capacity and competition based on price led to a decline in the gross margin to 21.7% (2009: 24.4%). To halt this deterioration in productivity, procurement in the production facilities of the Kardex Remstar Division was centralized and internationalized.

Over the coming years this will lead to lower procurement costs and an additional natural foreign currency hedge. Through value analysis measures the production cost of key products will fall and profitability will improve. Owing to modernization measures and the installation of a sheet-metal bending center at the Kardex Remstar Division's US factory in Lewistown, productivity at this plant will increase going forward as capacity utilization improves. Excluding the acquisition-related rise in OPEX, the operating costs of the Kardex Group decreased by EUR 0.6 million last year. The average headcount was adjusted for acquisitions reduced by 26 full-time equivalents. In future, the outsourcing of strategically irrelevant processes in the Kardex Remstar Division's German plants will facilitate the adjustment of costs to fluctuations in capacity utilization and so enhance the flexibility of the production sites. The full impact of these measures will make itself felt in 2011 and the following years.

EBITDA decreased to EUR 7.1 million (2009: 16.5 million). During the year under review, the EBITDA margin declined to 2.0% (2009: 4.8%). After stripping out the impact of special factors, EBITDA would have come to EUR 11.6 million and the EBITDA margin would have stood at 3.3%. At EUR 13.5 million, depreciations and amortizations are significantly higher than the previous year. Here, the impact of the Kardex Mlog Division alone equates to an additional EUR 2.3 million. This includes amortization costs for intangible assets amounting to EUR 1.8 million arising from the first-time consolidation of Kardex Mlog. The remaining increase is attributable to investments in new IT systems (including the introduction of SAP and SAP Business 1) in recent years, particularly for the Kardex Remstar Division. The Kardex Group's operating loss amounted to EUR 6.4 million (in 2009 it posted a positive EBIT of EUR 6.3 million). Excluding one-off costs, a loss of EUR 1.8 million would have been incurred at EBIT level. The consequences of the economic crisis are thus clearly visible.

Net financial expenses amounted to EUR 6.1 million. The year-on-year increase of EUR 1.5 million is attributable to the higher interest charges incurred through the financing of the acquisition of Kardex Mlog with bank loans and to special costs. Last financial year, net losses carried forward amounting to EUR 2.4 million, were capitalized. Losses carried forward were only capitalized to the extent that their use also appears realistic in light of future profits in the foreseeable future. In financial year 2010, changes in tax rates did not have any material impact.

### Acquisition-related rise in net debt

In comparison with the previous year, the total assets of the Kardex Group rose by EUR 65.6 million to EUR 308.5 million. This increase is mainly attributable to the acquisition of Kardex Mlog. Moreover, the measures to reduce net current assets had no impact on this. In the two divisions Kardex Remstar and Kardex Stow inventories were reduced, while there was only a slight revenue-related rise in trade accounts receivable. At the same time, liabilities towards suppliers increased. These overall positive effects were again offset by the acquisition. In total, net current assets increased by EUR 0.5 million to EUR 53.6 million, while cash and cash equivalents climbed to EUR 42.8 million, which also contributed toward the increase in total assets. As a result of the acquisition, net debt increased from EUR 20.0 million to EUR 42.6 million, which corresponds precisely to the net effect of the cash purchase price paid for Mlog Logistics GmbH, less acquired cash and cash equivalents. This meant that the Kardex Group was able to internally finance the growth-related rise in total assets and investments with the cash flow generated. In 2010, the Kardex Group mainly invested in production plant and IT systems amounting to EUR 8.6 million (2009: EUR 9.1 million). At the end of the year, equity came to EUR 92.6 million, which corresponds to an equity ratio of 30.0% (2009: 40.4%).

### Positive operating free cash flow in tough environment

After factoring out the acquisition of the Kardex Mlog Division, the consolidated cash flow statement for financial year 2010 shows a positive operating free cash flow of EUR 10.9 million. Overall, free cash flow was negative at EUR 11.9 million (2009: EUR 17.9 million). The impact of the acquisition amounts to EUR 22.8 million. This positive result was possible despite the loss during the past financial year thanks to the measures taken to reduce the net current assets and thanks to the fact that the investments in property, plant and equipment and in intangible assets were kept low. The Kardex Group saw a net improvement in the liquidity situation. Cash and cash equivalents increased by EUR 16.0 million from EUR 26.8 million to EUR 42.8 million.

# Consolidated income statement

EUR millions	Notes	2010	Proportion (%)	2009	Proportion (%)
Net revenues	1, 3	355.9	100.0	342.9	100.0
Cost of goods sold and services provided		-278.6	-78.3	-259.3	-75.6
<b>Gross profit</b>		<b>77.3</b>	<b>21.7</b>	<b>83.6</b>	<b>24.4</b>
Marketing and sales expenses		-52.7	-14.8	-44.9	-13.1
Administrative expenses		-28.4	-8.0	-29.0	-8.5
Development expenses		-5.4	-1.5	-3.9	-1.1
Other operating income	5	4.6	1.3	1.8	0.5
Other operating expenses	6	-1.8	-0.5	-1.3	-0.4
<b>Operating result (EBIT)</b>	<b>1</b>	<b>-6.4</b>	<b>-1.8</b>	<b>6.3</b>	<b>1.8</b>
Financial income	7	0.8	0.2	0.7	0.2
Financial expenses	8	-6.9	-1.9	-5.3	-1.5
<b>Result for the period before tax</b>		<b>-12.5</b>	<b>-3.5</b>	<b>1.7</b>	<b>0.5</b>
Income tax expense	9	2.7	0.8	-0.9	-0.3
<b>Result for the period</b>		<b>-9.8</b>	<b>-2.8</b>	<b>0.8</b>	<b>0.2</b>
Result per share for the period, Kardex AG:					
- basic (EUR)	20	-1.75		0.14	
- diluted (EUR) <sup>1</sup>	20	-1.75		0.14	

<sup>1</sup> As the convertible bond issue did not have any dilutive effect in 2010 and 2009, the diluted result per share for the period is the same as the basic result per share for the period.

# Consolidated statement of comprehensive income

EUR millions	2010	Proportion (%)	2009	Proportion (%)
<b>Result for the period</b>	<b>-9.8</b>	<b>-2.8</b>	<b>0.8</b>	<b>0.2</b>
<b>Other comprehensive income</b>				
Foreign currency translation differences	3.0	0.8	-0.3	-0.1
Hedging transactions	0.4	0.1	-0.7	-0.2
Taxes on other comprehensive income	-		0.1	-
<b>Other comprehensive income after tax</b>	<b>3.4</b>	<b>1.0</b>	<b>-0.9</b>	<b>-0.3</b>
<b>Total comprehensive income for the period after tax</b>	<b>-6.4</b>	<b>-1.8</b>	<b>-0.1</b>	<b>-</b>

# Consolidated balance sheet

EUR millions	Notes	31.12.2010	31.12.2009
Property, plant and equipment	10	62.7	61.3
Goodwill	10, 12	43.9	30.6
Other intangible assets	10	20.1	9.9
Financial assets	13	1.1	3.9
Pension assets	23	0.3	0.5
Deferred tax assets	14	8.9	5.3
<b>Non-current assets</b>		<b>137.0</b>	<b>111.5</b>
Inventories, work in progress and construction contracts	15	30.2	26.6
Trade accounts receivable	16	73.7	65.3
Income tax receivables		2.6	2.8
Other receivables and prepaid expenses	17	12.2	9.9
Financial assets	13	10.0	-
Cash and cash equivalents	18	42.8	26.8
<b>Current assets</b>		<b>171.5</b>	<b>131.4</b>
<b>Assets</b>		<b>308.5</b>	<b>242.9</b>
Share capital	19	39.4	39.4
Reserves	19	53.8	60.6
Treasury shares	19	-0.6	-1.9
<b>Equity</b>		<b>92.6</b>	<b>98.1</b>
Non-current financial liabilities	22	34.8	43.2
Non-current pension liabilities	23	19.6	8.2
Deferred tax liabilities	14	4.2	1.0
Non-current provisions	24	2.3	1.0
<b>Non-current liabilities</b>		<b>60.9</b>	<b>53.4</b>
Trade accounts payable		52.5	47.5
Current financial liabilities	22	50.6	3.6
Current employee benefits	23	11.1	10.0
Income tax payables		1.6	2.2
Current provisions	24	7.2	8.9
Other current liabilities and accruals	25	32.0	19.2
<b>Current liabilities</b>		<b>155.0</b>	<b>91.4</b>
<b>Liabilities</b>		<b>215.9</b>	<b>144.8</b>
<b>Equity and liabilities</b>		<b>308.5</b>	<b>242.9</b>

# Consolidated cash flow statement

EUR millions	Notes	2010	2009
Result for the period	1	-9.8	0.8
Income tax	9	-2.7	0.9
Financial income	7	-0.8	-0.7
Financial expense	8	6.9	5.3
Depreciation and amortization on property, plant and equipment and intangible assets	10	13.5	10.2
Changes in pension assets, provisions and pension liabilities		-0.9	-4.2
Other non-cash items		1.3	-0.8
<b>Cash flow before change in net current assets</b>		<b>7.5</b>	<b>11.5</b>
Change in net current assets		9.5	16.3
Income taxes paid		-0.6	-2.2
<b>Net cash flow from operating activities</b>		<b>16.4</b>	<b>25.6</b>
Purchase of property, plant and equipment		-5.4	-5.8
Sale of property, plant and equipment		0.1	1.8
Purchase of intangible and financial assets		-3.8	-3.7
Sale of intangible and financial assets		1.7	-
Disposal of assets held for sale		-	1.9
Government grants		1.2	-
Acquisition of companies <sup>1</sup>	33	-22.8	-2.6
Interest received		0.7	0.7
<b>Net cash flow used in investing activities</b>		<b>-28.3</b>	<b>-7.7</b>
<b>Free cash flow</b>		<b>-11.9</b>	<b>17.9</b>
Disposal of treasury shares		0.2	0.1
Increase in financial liabilities		37.1	8.4
Decrease in financial liabilities		-3.7	-7.0
Decrease in finance lease liabilities		-	-6.4
Dividend paid (decrease in par value)		-	-9.2
Interest paid		-6.9	-4.9
<b>Net cash flow used in financing activities</b>		<b>26.7</b>	<b>-19.0</b>
Effect of foreign currency translation differences on cash and cash equivalents		1.2	0.5
<b>Net change in cash and cash equivalents</b>		<b>16.0</b>	<b>-0.6</b>
Cash and cash equivalents at 1 January	18	26.8	27.4
Cash and cash equivalents at 31 December	18	42.8	26.8
<b>Net change in cash and cash equivalents</b>		<b>16.0</b>	<b>-0.6</b>

<sup>1</sup> 2010: Acquisition of Mlog Logistics GmbH, Neuenstadt am Kocher, Germany  
2009: Acquisition of assets and liabilities of Element Storage Systems AS, Kløfta, Norway  
(see note 33)

# Consolidated statement of changes in equity

EUR millions	Notes	Share Capital <sup>3</sup>	Capital reserves	Retained earnings	Hedging reserves	Exchange rate dif- ferences	Total reserves	Treasury shares <sup>4</sup>	Equity
<b>Opening balance 1 January 2009</b>		<b>48.7</b>	<b>79.3</b>	<b>-17.2</b>	<b>0.4</b>	<b>-1.8</b>	<b>60.7</b>	<b>-2.1</b>	<b>107.3</b>
Result for the period				0.8			0.8		0.8
Other comprehensive income:									
– Foreign currency translation differences (after tax) <sup>1</sup>						-0.3	-0.3		-0.3
– Hedging transaction (after tax)				-0.2	-0.4		-0.6		-0.6
Total other comprehensive income (after tax)				-0.2	-0.4	-0.3	-0.9		-0.9
<b>Total comprehensive income for the period</b>				<b>0.6</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.1</b>		<b>-0.1</b>
Transactions with shareholders:									
– Disposal of treasury shares <sup>2</sup>	19	-		-			-	0.1	0.1
Reduction in nominal value <sup>3</sup>	19	-9.3		-			-	0.1	-9.2
<b>Transactions with shareholders</b>		<b>-9.3</b>		<b>-</b>			<b>-</b>	<b>0.2</b>	<b>-9.1</b>
<b>Closing balance 31 December 2009</b>		<b>39.4</b>	<b>79.3</b>	<b>-16.6</b>	<b>-</b>	<b>-2.1</b>	<b>60.6</b>	<b>-1.9</b>	<b>98.1</b>
<b>Opening balance 1 January 2010</b>		<b>39.4</b>	<b>79.3</b>	<b>-16.6</b>	<b>-</b>	<b>-2.1</b>	<b>60.6</b>	<b>-1.9</b>	<b>98.1</b>
Result for the period				-9.8			-9.8		-9.8
Other comprehensive income:									
– Foreign currency translation differences (after tax) <sup>1</sup>				0.1		2.9	3.0		3.0
– Hedging transaction (after tax)				-	0.4		0.4		0.4
Total other comprehensive income (after tax)				0.1	0.4	2.9	3.4		3.4
<b>Total comprehensive income for the period</b>				<b>-9.7</b>	<b>0.4</b>	<b>2.9</b>	<b>-6.4</b>		<b>-6.4</b>
Transactions with shareholders:									
– Disposal of treasury shares <sup>2</sup>	19	-		-0.4			-0.4	1.3	0.9
<b>Transactions with shareholders</b>		<b>-</b>		<b>-0.4</b>			<b>-0.4</b>	<b>1.3</b>	<b>0.9</b>
<b>Closing balance 31 December 2010</b>		<b>39.4</b>	<b>79.3</b>	<b>-26.7</b>	<b>0.4</b>	<b>0.8</b>	<b>53.8</b>	<b>-0.6</b>	<b>92.6</b>

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

<sup>2</sup> As part of share-based remuneration, treasury shares were allocated in the amount of EUR 0.2 million (EUR 0.1 million).

As part of the acquisition of Mlog Logistics GmbH (as per 1 May 2010), 31 777 treasury shares were allocated to the vendor in the amount of EUR 0.7 million. The treasury shares have been disposed at an average share price of CHF 49.53 of total EUR 1.1 million.

<sup>3</sup> 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).

<sup>4</sup> Number of treasury shares held as of 31 December 2010: 15 364 (31 December 2009: 57 573).

# 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 consolidated financial statements were prepared in compliance with the provisions of Swiss company law and are in accordance with the International Financial Reporting Standards (IFRS).

## 2. Significant accounting policies

### Changes in accounting policies

For the financial year 2010, effective from 1 January 2010, 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:

- IFRS 3 rev. – Business Combinations
- IAS 27 rev. – Consolidated and Separate Financial Statements
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- Exposures Qualifying for Hedge Accounting
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- Amendments to IFRSs 2008 – Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IFRSs (April 2009)
- Amendments to IFRS 2 – Accounting treatment of cash-settled share-based payment transactions

Application of the new and revised standards and interpretations leads to additional disclosures. Moreover, application of IFRS 3 rev. – Business Combinations means that the transaction costs in the amount of EUR 0.7 million that are directly connected with the acquisition of Mlog Logistics GmbH were not expensed as a component of the purchase price but recognized in the income statement (see 33.1) page 110.

### 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
Amendment to IAS 32 Financial Instruments: Presentation – 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, Minimum Funding Requirements and their Interaction – Voluntary prepaid contributions under a minimum funding requirement	1 January 2011	Financial year 2011
Amendments to IFRSs (May 2010)	1 July 2010 1 January 2011	Financial year 2011
IAS 12 – Deferred Tax – Recovery of Underlying Assets	1 January 2012	Financial year 2012
Disclosure – Transfers of Financial Assets (amendments to IFRS 7)	1 July 2011	Financial year 2012
IFRS 9 – Financial Instruments	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

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.

#### 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. Assumptions important 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 expense, 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 shift 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, page 99.

**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, page 103.

**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 their being able to be set off against future profits, which are dependent on many different influences and developments.

### **Inventories, work in process and construction contracts**

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.

Construction contracts are contracts for the construction of individual assets or a group of interrelated assets according to customer specifications. If the outcome of a construction contract can be reliably estimated, revenues and costs are recognized in the income statement proportionately to the stage of completion (percentage-of-completion method). If the outcome of a construction contract cannot be reliably estimated, no profit is recognized. Instead, contract revenues are recognized only to the extent that contract costs incurred are expected to be recoverable, and contract costs are expensed as incurred. An expected loss on a construction contract is recognized as an expense as soon as such loss is probable. Construction contracts with a positive balance vis-à-vis customers are recognized as assets in the balance sheet, construction contracts with a negative balance vis-à-vis customers are recognized as debt in the balance sheet.

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### 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. Acquisitions are accounted for using the Anglo-Saxon acquisition 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 revenues and expenses in their entirety. Minority interests in equity and net result are stated separately. 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.

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### 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 dates 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 converted 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.

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**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 is 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 will be 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 (Hardware)	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 indication of a need to take impairment charges.

Depreciation expenses 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. Up to 31 December 2009, all business combinations were accounted for using the purchase method. Since 1 January 2010 the acquisition method has been applied. Any goodwill 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.

Development costs which relate to the design or production of new or substantially improved products and processes are capitalized only if all of the following six criteria can be fulfilled:

- demonstration of the technical feasibility of completing the intangible asset,
- demonstration of the intention to use or sell the intangible asset,
- demonstration of the ability to use or sell the intangible asset,
- demonstration that the intangible asset will generate probable future economic benefits, including demonstration of the existence of a market for the output of the intangible asset,
- demonstration that the Company has adequate resources to complete the development of the intangible asset, and
- demonstration of the ability to measure reliably the expenditure attributable to the intangible asset.

These capitalized intangible assets are stated at cost less accumulated amortization and impairment losses. Depreciation 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 developed costs are subject to annual impairment tests.

All other development costs are expensed at the time incurred.

### Identifiable assets from acquisitions

#### Customer base

The customer base is valued according to the multi-period excess earnings method and depreciated over the estimated remaining useful life using the straight-line method.

#### Service contracts

Service contracts are valued according to the direct cash flow prognosis method and depreciated over the estimated remaining useful life using the straight-line method.

#### Brand name

The value of a brand is based on comparable third-party user and licence fees and is determined using the relief from royalty method and depreciated over the estimated remaining useful life using the straight-line method.

### Technology

The value of a technology is based on comparable third-party user and licence fees and is determined using the relief from royalty method and depreciated over the estimated remaining useful life using the straight-line method.

### Non-competition clause

The value of a non-competition clause is determined according to the incremental cash flow method and depreciated over the estimated remaining useful life using the straight-line method.

### 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 development costs	3 years
Licences and patents	5 years
Capitalized software	5 years
Identifiable assets from acquisitions	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 "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 property, plant and equipment 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.

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### 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.

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### 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.

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### 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.

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#### Construction contracts

Provided that revenues and expenses arising from construction contracts can be reliably estimated, the resulting revenues are reported 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.

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#### 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 since the time of acquisition.

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#### Repurchase of 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.

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#### Dividend

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

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#### 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 assessed 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 up to one year before maturity and as a current liability within one year to maturity, 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) possibilities are assumed for the share price performance 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, including 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 (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 denomination of the convertible bond in Swiss francs 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.

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 the Kardex Group 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 capital instruments, the counter-entry is recognized in equity.

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**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.

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**Trade accounts receivable and other current assets**

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

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**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 revenues 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.

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**Government grants**

Asset-related government grants are deducted from the carrying amount of the asset.

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**Operating lease payments**

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

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**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.

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## 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.

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## 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 total comprehensive income or equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable related to previous 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.

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## 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 operating segments of a company and to assess their profitability.

Detailed information on the operating segments is set out in note 1, Segment reporting, page 74.

### 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 financial reliability 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 2010: totaling EUR 4.3 million (previous year: EUR 6.3 million), the five largest positions within the outstanding trade accounts receivable had a combined share of 6.1% (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 1.5 million or 2.1%
2. EUR 0.9 million or 1.3%
3. EUR 0.7 million or 1.0%
4. EUR 0.6 million or 0.9%
5. EUR 0.6 million or 0.8%

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. Management continually monitors the liquidity situation of the companies and the entire Kardex Group and reconciles liquidity needs with the periodic forecast statements, the budget and medium-term planning.

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

EUR millions	31.12.2010	31.12.2009
Cash and cash equivalents	42.8	26.8
Lines of credit	98.2	85.1
Lines of credit utilized	-50.1	-20.4
<b>Total liquidity reserves and lines of credit</b>	<b>90.9</b>	<b>91.5</b>

The Group also has guarantee facilities in the amount of EUR 43.5 million available, EUR 22.6 million of which were utilized as at 31 December 2010. In the previous year, the guarantee/credit lines, utilizable for cash advances or warranties, in the amount of EUR 30.0 million were a component of the lines of credit totalling EUR 85.1 million. Of the guarantee/credit lines in the amount of EUR 30.0 million, EUR 1.6 million were utilized as at 31 December 2009. The remaining EUR 28.4 million were available as an operating loan.

For business year 2011 and following years, the Kardex Group anticipates a positive net inflow of cash from operations.

#### Foreign currency risk

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. 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 aims at an equity ratio of at least 35%.

## 4. Significant changes compared to the previous year

The balance sheet total improved year-on-year by EUR 65.6 million to EUR 308.5 million. Of this, EUR 49.1 million are attributable to the acquisition of Mlog Logistics GmbH (see note 33.1).

Non-current assets rose year-on-year by EUR 25.5 million. This is accounted for primarily by the contribution of identifiable assets amounting to EUR 18.3 million and the goodwill of EUR 13.1 million related to the acquisition of Mlog Logistics GmbH (see note 33.1). Moreover, the item financial assets decreased by EUR 2.8 million owing mainly to the reclassification of the interest rate and currency swap as current assets.

Current assets rose year-on-year by EUR 40.1 million to EUR 171.5 million. The significant changes in this respect were a result of the acquisition of Mlog Logistics GmbH (see 33.1) and the upward revaluation of the interest rate and currency swap entered into to hedge the convertible bond against fluctuations in the CHF / EUR exchange rate. As this item qualifies as a cash flow hedge, the effective part of the change in value until final settlement of the hedged transaction is recognized in other comprehensive income.

In April 2010, Kardex AG took out a syndicated loan in the amount of EUR 70.0 million in total (see 22.). Of this loan, a first tranche totaling EUR 30.0 million was drawn in the period under review. This served as a Group loan to Kardex Germany GmbH for the purpose of financing the Mlog acquisition as at 1 May 2010 (see 33.1). This item is recognized in the balance sheet in the amount of EUR 24.0 million under non-current financial liabilities. The remaining EUR 6.0 million are recognized under current financial liabilities since the first tranche is due for repayment as at 30 April 2011. As the convertible bond matures on 29 June 2011, this liability in the amount of EUR 40.8 million was reclassified from the non-current to the current financial liabilities (see note 22).

The EUR 11.4 million increase in long-term employee retirement benefit obligations to EUR 19.6 million is mainly attributable to the acquisition of Mlog Logistics GmbH.

On 26 November 2008, Mlog Logistics GmbH signed a rental agreement for the Company's new premises in Neuenstadt am Kocher. Essential provisions of the rental agreement for this property cover the land, the office building, the production hall and related infrastructural elements. The rental agreement has a life of 20 years and does not include a right to early termination of the agreement. The lessee has the option of twice extending the agreement for a period of five years each time. The rental agreement entered into effect when Mlog Logistics GmbH took occupancy in September 2009. On the basis of a lease test, the rental agreement was classified as an operating lease. As of 31 December 2010, future minimum payments under the operating lease for the property amount to EUR 18.6 million.

As a producer of capital goods for the logistics industry, the Kardex Group is a late-cyclical company and, therefore, was still impacted by the effects of the economic crisis in 2010. As a result of the global economic crisis, bookings declined sharply in the second half of last year, which affected revenues in the first half of 2010. Revenues were EUR 13.0 million or 3.8% down on the previous year. Adjusting for the effects of the acquisition of Mlog Logistics GmbH, the decline in revenues versus the previous year amounted to EUR 14.8 million or 4.3%.

Gross profit fell by EUR 6.3 million, or by EUR 9.5 million without the effect of the Mlog acquisition. The gross profit margin declined by 2.7 percentage points versus the previous year. Apart from higher price pressures in the market, the main reason for the lower gross profit margin was temporarily low capacity utilization in the production plants in all three divisions. This was countered in part by the introduction of a functional organizational structure in the Kardex Remstar Division. As part of the implementation of this new organization, in the year under review costs of the sales organization amounting to EUR 2.2 million not directly related to the production of goods sold were reclassified from the cost of goods sold to marketing and sales expenses.

Tax income of EUR 2.7 million comprised mainly capitalized loss carryforwards (EUR 2.4 million), a decrease in deferred tax liabilities (EUR 1.0 million) and current income taxes (EUR -0.7 million). The tax expenses of EUR -0.9 million incurred in the previous year comprised mainly current income taxes (EUR -2.2 million) and the decrease in deferred tax liabilities (EUR 1.3 million).

According to IAS 1 (Presentation of Financial Statements), a complete set of financial statements should include a statement of comprehensive income for the period or an income statement plus a statement of other comprehensive income. In contrast with the previous year, the Kardex Group has decided, with effect from the year under review, to present the income statement in the two tables "consolidated income statement" and "consolidated statement of comprehensive income" as practice has shown that this type of presentation is more readily understandable for the reader than a "statement of comprehensive income."

## Notes to 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, Kardex Stow and Kardex Mlog (since 1 May 2010). 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, Kardex Stow and Kardex Mlog 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 CODM assesses business performance and makes operational decisions on the basis of the information contained in the monthly reports. The standardized monthly reports of the Kardex Group are geared to the internal management structure and focus on the results of the three divisions.

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,
- for which separate financial information is available.

The three independently managed segments Kardex Remstar, Kardex Stow and Kardex Mlog are identified as operating segments and reported as such within the meaning of IFRS 8. The production companies of the respective operating segments supply the corresponding division with products. Investment decisions are normally to be made for the production sites and are therefore seen from the perspective of the operating segment, i.e. investment decisions are taken at the level of the operating segment. Production and distribution companies must be regarded in their entirety. Measurement of their performance can therefore only be properly accomplished at the level of the operating segment.

The operating segments of the Kardex Group are managed independently of one another and which are treated separately for performance assessment purposes. Effective 1 May 2010, following the acquisition of Mlog Logistics GmbH, the operating segment Kardex Mlog was established to complement the two existing operating segments. Mlog Logistics GmbH is run as the independent Kardex Mlog Division. Its performance is assessed by the CODM on the basis of separate financial reports.

The operating segment 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, service and administrative environments. The systems are developed and produced at the division's three plants in Bellheim (Rhineland-Palatinate, Germany), Neuburg (Bavaria, Germany) 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.

The operating segment Kardex Mlog (automated materials handling systems) develops, plans, produces and distributes end-to-end system solutions as well as, primarily, automated stacker cranes, conveyor products and materials flow calculators and is one of the market leaders in Germany in the field of pallet storage systems. Business activities cover the core areas of greenfield installations, refurbishment and after-sales service. Thanks to its proven record for planning and manufacturing know-how in the project and systems business, Kardex Mlog offers comprehensive logistics solutions from a single source. Customers include medium-sized and blue chip companies, largely in Germany. Manufacturing is located at state-of-the-art production facilities in Neuenstadt am Kocher (Germany).

No segments were combined 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 as such performs the corporate function. It directly or indirectly holds all shareholdings in the subsidiaries of the three operating segments.

## Segment reporting 2010/Income statement

EUR millions	Operating segments			Total operating segments	Kardex AG Zurich	Eliminations	Kardex Group
	Kardex Remstar	Kardex Stow	Kardex Mlog (since 1.5.10)				
Net revenues, third party							
– Euro countries (without Germany)	59.7	60.6	0.4	120.7	–	–	120.7
– Germany	37.7	24.9	27.1	89.7	–	–	89.7
– Switzerland	12.0	2.1	–	14.1	–	–	14.1
– Rest of Europe (without Switzerland)	30.3	37.8	0.3	68.4	–	–	68.4
– Africa	0.3	0.3	–	0.6	–	–	0.6
– Americas	35.7	–	–	35.7	–	–	35.7
– Asia/Pacific	17.1	9.6	–	26.7	–	–	26.7
<b>Total net revenues, third party</b>	<b>192.8</b>	<b>135.3</b>	<b>27.8</b>	<b>355.9</b>	<b>–</b>	<b>–</b>	<b>355.9</b>
Net revenues, with other operating segments		0.3		0.3	–	-0.3	–
<b>Net revenues</b>	<b>192.8</b>	<b>135.6</b>	<b>27.8</b>	<b>356.2</b>	<b>–</b>	<b>-0.3</b>	<b>355.9</b>
Cost of goods sold and services provided	-131.8	-114.3	-24.2	-270.3	–	0.3	-270.0
Depreciation and amortization of property, plant and equipment and intangible assets	-5.0	-3.2	-0.4	-8.6	–	–	-8.6
<b>Gross profit</b>	<b>56.0</b>	<b>18.1</b>	<b>3.2</b>	<b>77.3</b>	<b>–</b>	<b>–</b>	<b>77.3</b>
Marketing and sales expenses	-36.3	-13.7	-2.6	-52.6	–	0.4	-52.2
Administrative expenses	-14.0	-4.1	-2.0	-20.1	-8.0	4.1	-24.0
Development expenses	-3.9	-0.8	-0.7	-5.4	–	–	-5.4
Other operating income	4.1	1.9	0.5	6.5	3.5	-5.4	4.6
Other operating expense	-1.8	-0.6	-0.2	-2.6	-0.1	0.9	-1.8
Depreciation and amortization of property, plant and equipment and intangible assets	-1.8	-0.8	-2.0	-4.6	-0.1	–	-4.7
Impairment of investments	-0.2	–	–	-0.2	–	–	-0.2
<b>Operating result (EBIT)</b>	<b>2.1</b>	<b>–</b>	<b>-3.8</b>	<b>-1.7</b>	<b>-4.7</b>	<b>–</b>	<b>-6.4</b>
Financial income	1.4	–	–	1.4	6.9	-7.5	0.8
Financial expense	-3.3	-1.2	-0.6	-5.1	-4.5	2.7	-6.9
<b>Result for the period before tax</b>	<b>0.2</b>	<b>-1.2</b>	<b>-4.4</b>	<b>-5.4</b>	<b>-2.3</b>	<b>-4.8</b>	<b>-12.5</b>
Income tax	0.7	0.9	1.2	2.8	-0.1	–	2.7
<b>Result for the period</b>	<b>0.9</b>	<b>-0.3</b>	<b>-3.2</b>	<b>-2.6</b>	<b>-2.4</b>	<b>-4.8</b>	<b>-9.8</b>
Number of employees on 31 December (full-time equivalents)	1 296	567	249	2 112	10	–	2 122

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 13.1% of the segment's net revenues. The net revenues of the Kardex Mlog operating segment include deliveries to two major customers; they account for 11.9% and 10.6% respectively of the segment's net revenues. The deliveries were made to Germany. 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 intra-Group transactions.

## Segment reporting 2009 / Income statement

EUR millions	Operating segments			Total operating segments	Kardex AG Zurich	Eliminations	Kardex Group
	Kardex Remstar	Kardex Stow	Kardex Mlog				
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 (without Switzerland)	23.4	35.2	-	58.6	-	-	58.6
– Africa	-	0.2	-	0.2	-	-	0.2
– Americas	37.6	-	-	37.6	-	-	37.6
– Asia / Pacific	15.6	8.0	-	23.6	-	-	23.6
<b>Total net revenues, third party</b>	<b>199.5</b>	<b>143.4</b>	<b>-</b>	<b>342.9</b>	<b>-</b>	<b>-</b>	<b>342.9</b>
Net revenues, with other operating segments	0.1	0.1	-	0.2	-	-0.2	-
<b>Net revenues</b>	<b>199.6</b>	<b>143.5</b>	<b>-</b>	<b>343.1</b>	<b>-</b>	<b>-0.2</b>	<b>342.9</b>
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
<b>Gross profit</b>	<b>60.2</b>	<b>23.4</b>	<b>-</b>	<b>83.6</b>	<b>-</b>	<b>-</b>	<b>83.6</b>
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
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
<b>Operating result (EBIT)</b>	<b>6.8</b>	<b>2.1</b>	<b>-</b>	<b>8.9</b>	<b>-2.6</b>	<b>-</b>	<b>6.3</b>
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
<b>Result for the period before tax</b>	<b>5.0</b>	<b>0.8</b>	<b>-</b>	<b>5.8</b>	<b>0.1</b>	<b>-4.2</b>	<b>1.7</b>
Income tax	-0.9	0.2	-	-0.7	-0.2	-	-0.9
<b>Result for the period</b>	<b>4.1</b>	<b>1.0</b>	<b>-</b>	<b>5.1</b>	<b>-0.1</b>	<b>-4.2</b>	<b>0.8</b>
Number of employees on 31 December (full-time equivalents)	1 313	572		1 885	14	-	1 899

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 intra-Group transactions.

## Segment reporting as at 31 December 2010 / Balance sheet

EUR millions	Operating segments			Total operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow	Kardex Mlog				
Property, plant and equipment and intangible assets							
– Euro countries (without Germany)	0.9	46.8	–	47.7	–	–	47.7
– Germany	47.5	–	15.5	63.0	–	–	63.0
– Switzerland	0.1	–	–	0.1	0.2	–	0.3
– Rest of Europe (without Switzerland)	2.8	–	–	2.8	–	–	2.8
– Americas	6.2	–	–	6.2	–	–	6.2
– Asia / Pacific	0.2	6.5	–	6.7	–	–	6.7
Financial and pension assets	19.3	–	–	19.3	215.2	–233.1	1.4
Deferred tax assets	5.5	2.0	1.4	8.9	–	–	8.9
Non-current assets	82.5	55.3	16.9	154.7	215.4	–233.1	137.0
Currents assets	122.7	49.8	32.2	204.7	41.4	–74.6	171.5
<b>Assets</b>	<b>205.2</b>	<b>105.1</b>	<b>49.1</b>	<b>359.4</b>	<b>256.8</b>	<b>–307.7</b>	<b>308.5</b>
Equity	85.7	51.4	13.2	150.3	131.8	–189.5	92.6
Non-current liabilities	51.2	9.3	17.9	78.4	26.1	–43.6	60.9
Current liabilities	68.3	44.4	18.0	130.7	98.9	–74.6	155.0
<b>Equity and liabilities</b>	<b>205.2</b>	<b>105.1</b>	<b>49.1</b>	<b>359.4</b>	<b>256.8</b>	<b>–307.7</b>	<b>308.5</b>
Capital expenditure	7.2	1.3	0.1	8.6	–	–	8.6

Eliminations concern intra-Group transactions.

## Segment reporting as at 31 December 2009/ Balance sheet

EUR millions	Operating segments			Total operating segments	Kardex AG Zurich	Elimina- tions	Kardex Group
	Kardex Remstar	Kardex Stow	Kardex Mlog				
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 (without Switzerland)	3.1	0.1	-	3.2	-	-	3.2
– Americas	6.0	-	-	6.0	-	-	6.0
– 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
<b>Assets</b>	<b>161.0</b>	<b>109.5</b>	<b>-</b>	<b>270.5</b>	<b>203.9</b>	<b>-231.5</b>	<b>242.9</b>
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
<b>Equity and liabilities</b>	<b>161.0</b>	<b>109.5</b>	<b>-</b>	<b>270.5</b>	<b>203.9</b>	<b>-231.5</b>	<b>242.9</b>
Capital expenditure	6.3	2.7	-	9.0	0.1	-	9.1

Eliminations concern intra-Group transactions.

## 2. Foreign currency translation

The main exchange rates for currency translation are:

in EUR	Average rates		Yearend rates	
	2010	2009	31.12.2010	31.12.2009
1 CHF (Swiss franc)	0.723	0.662	0.799	0.674
1 GBP (Pound sterling)	1.166	1.123	1.176	1.111
1 USD (US dollar)	0.755	0.719	0.763	0.695

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

31.12.2010, EUR millions	CHF	EUR	GBP	USD	Other	Total
Non-current assets	-	0.6	-	-	-	0.6
Current assets	0.8	6.2	-	0.4	-	7.4
<b>Total financial assets</b>	<b>0.8</b>	<b>6.8</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>8.0</b>
Non-current financial liabilities	-	1.2	0.2	-	-	1.4
Current financial liabilities	-	10.1	-	-	0.1	10.2
<b>Total financial liabilities</b>	<b>-</b>	<b>11.3</b>	<b>0.2</b>	<b>-</b>	<b>0.1</b>	<b>11.6</b>
<b>Net exposure</b>	<b>0.8</b>	<b>-4.5</b>	<b>-0.2</b>	<b>0.4</b>	<b>-0.1</b>	<b>-3.6</b>

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
<b>Total financial assets</b>	<b>0.5</b>	<b>5.6</b>	<b>-</b>	<b>0.6</b>	<b>0.1</b>	<b>6.8</b>
Non-current financial liabilities	-	0.6	0.9	0.7	-	2.2
Current financial liabilities	0.1	11.4	-	-	0.3	11.8
<b>Total financial liabilities</b>	<b>0.1</b>	<b>12.0</b>	<b>0.9</b>	<b>0.7</b>	<b>0.3</b>	<b>14.0</b>
<b>Net exposure</b>	<b>0.4</b>	<b>-6.4</b>	<b>-0.9</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-7.2</b>

The figure of EUR 8.0 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 11.6 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:

31.12.2010, EUR millions	+5%	-5%
CHF	-0.1	0.1
GBP	-0.1	0.1
USD	-0.1	0.1
31.12.2009, EUR millions		
CHF	-0.1	0.1
GBP	-0.1	0.1
USD	-	-

### 3. Net revenues

EUR millions	2010	2009
Products	286.8	272.6
Software	6.4	7.7
Services	62.7	62.6
<b>Total net revenues</b>	<b>355.9</b>	<b>342.9</b>

### 4. Personnel expenses

EUR millions	2010	2009
Salaries and wages	-82.8	-73.6
Social security contributions	-19.6	-18.1
Expenses for defined benefit plans	-3.5	-1.6
Expenses for defined contribution plans	-0.7	-0.3
Other personnel expenses	-4.6	-3.3
<b>Total personnel expenses</b>	<b>-111.2</b>	<b>-96.9</b>

The main part, namely EUR 11.3 million, of the EUR 14.3 million increase in personnel expenses was attributable to Mlog Logistics GmbH, consolidated as of May 2010.

	EUR millions	2010	2009
<b>5. Other operating income</b>			
Gains from the sale of non-current assets		-	0.1
Commissions		-	0.2
Sales of discarded metal		1.8	0.3
Reversal of provision		1.1	-
Other income		1.7	1.2
<b>Total other operating income</b>		<b>4.6</b>	<b>1.8</b>

	EUR millions	2010	2009
<b>6. Other operating expenses</b>			
Restructuring costs		-0.1	-
Other expenses		-1.7	-1.3
<b>Total other operating expenses</b>		<b>-1.8</b>	<b>-1.3</b>

Restructuring expenses totaling EUR 1.2 million were recognized in the income statement in the year under review. EUR 0.3 million of this was stated in marketing and sales expenses, EUR 0.8 million in administrative expenses and EUR 0.1 million in other operating expenses.

Restructuring expenses totaling EUR 4.0 million were recognized in the income statement in the previous year. 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.

	EUR millions	2010	2009
<b>7. Financial income</b>			
Interest income		0.5	0.5
Exchange gains (net)		0.2	-
Other financial income <sup>1</sup>		0.1	0.2
<b>Total financial income</b>		<b>0.8</b>	<b>0.7</b>

<sup>1</sup> Incl. discounts received.

	EUR millions	2010	2009
<b>8. Financial expenses</b>			
Interest expense		-4.9	-3.4
Exchange rate losses		-	-0.5
Other financial expenses <sup>1</sup>		-2.0	-1.4
<b>Total financial expenses</b>		<b>-6.9</b>	<b>-5.3</b>

<sup>1</sup> Incl. discounts granted.

## 9. Income tax

Income tax expense recognized in the statement of income:

EUR millions	2010	2009
Income taxes relating to the current period	-1.8	-2.3
Income taxes relating to past periods, net	1.1	0.1
<b>Current income tax expense</b>	<b>-0.7</b>	<b>-2.2</b>
Deferred income tax due to temporary differences	1.0	1.3
Deferred income tax due to valuation		
of tax loss carryforwards	2.4	-
<b>Deferred income tax</b>	<b>3.4</b>	<b>1.3</b>
<b>Total income tax result</b>	<b>2.7</b>	<b>-0.9</b>
<b>Tax on other comprehensive income:</b>		
Income tax on other comprehensive income	-	0.1

The Group's tax rate is calculated as follows:

EUR millions		2010		2009
<b>Result before tax</b>		<b>-12.5</b>		<b>1.7</b>
<b>Expected tax expense based on</b>				
<b>weighted average tax rates</b>	25.2%	3.1	23.3%	-0.4
Foreign tax rate differential		0.8		0.9
Effect of expenses not deductible for tax purposes		-0.4		-0.3
Changes in tax rates		-		0.1
Effect of tax assets not capitalized		-1.6		-0.8
Adjustments from prior years		1.2		-0.4
Others		-0.4		-
<b>Effective tax rate</b>	<b>21.4%</b>	<b>2.7</b>	<b>52.2%</b>	<b>-0.9</b>

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 25.2% (2009: 23.3%) is attributable to changes in the origin of profit.

Positive contributions to profits were used for the calculation of the average weighted expected tax rate.

The effective tax rate of 21.4% (2009: 52.2%) is largely attributable to the fact that tax effects of losses carried forward were not always capitalized in previous years.

## 10. Property, plant, equipment and intangible assets

10.1 Property, plant and equipment in 2010						
EUR millions	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
<b>Acquisition cost, 1 January</b>	40.3	72.9	8.8	6.6	1.9	130.5
Additions	0.1	3.6	0.4	0.8	0.5	5.4
Disposal	-	-0.8	-0.3	-0.6	-	-1.7
Acquisition of subsidiaries	0.1	3.2	-	0.4	-	3.7
Government grants	-	-0.7	-0.2	-	-	-0.9
Other reclassifications	0.1	1.6	0.1	-	-2.1	-0.3
Exchange rate differences	0.7	0.7	0.3	0.1	0.2	2.0
<b>31 December</b>	<b>41.3</b>	<b>80.5</b>	<b>9.1</b>	<b>7.3</b>	<b>0.5</b>	<b>138.7</b>
<b>Accumulated depreciation, 1 January</b>	<b>-11.4</b>	<b>-47.4</b>	<b>-4.8</b>	<b>-5.6</b>	<b>-</b>	<b>-69.2</b>
Additions	-1.1	-6.0	-0.5	-0.7	-	-8.3
Disposal	-	0.7	0.3	0.6	-	1.6
Other reclassifications	-	0.6	-	-	-	0.6
Exchange rate differences	-0.1	-0.3	-0.2	-0.1	-	-0.7
<b>31 December</b>	<b>-12.6</b>	<b>-52.4</b>	<b>-5.2</b>	<b>-5.8</b>	<b>-</b>	<b>-76.0</b>
Net carrying amount, 1 January	28.9	25.5	4.0	1.0	1.9	61.3
Net carrying amount, 31 December	28.7	28.1	3.9	1.5	0.5	62.7
Carrying amount of fixed assets held under finance leases, 1 January	6.0	4.5	0.1	-	-	10.6
Carrying amount of fixed assets held under finance leases, 31 December	5.9	3.7	-	-	-	9.6

The insurance value of property, plant and equipment amounts to EUR 175.2 million (2009: EUR 177.2 million).

Amortization of property, plant and equipment is included in the items "Cost of goods sold and services provided" (EUR 6.8 million), "Marketing and sales" (EUR 0.4 million) and "Administrative expenses" (EUR 1.1 million).

In 2010, the Group received EUR 0.9 million in subsidies for machinery, production tools and equipment in Belgium.

Property, plant and equipment in 2009	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
EUR millions						
<b>Acquisition cost, 1 January</b>	<b>41.3</b>	<b>66.9</b>	<b>7.9</b>	<b>6.1</b>	<b>6.1</b>	<b>128.3</b>
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
<b>31 December</b>	<b>40.3</b>	<b>72.9</b>	<b>8.8</b>	<b>6.6</b>	<b>1.9</b>	<b>130.5</b>
<b>Accumulated depreciation, 1 January</b>	<b>-11.2</b>	<b>-41.6</b>	<b>-4.4</b>	<b>-5.1</b>		<b>-62.3</b>
Additions	-1.1	-5.5	-0.6	-0.6		-7.8
Disposal	0.2	0.3	0.2	0.1		0.8
Other reclassifications	0.7	-0.7	-	-		-
Exchange rate differences	-	0.1	-	-		0.1
<b>31 December</b>	<b>-11.4</b>	<b>-47.4</b>	<b>-4.8</b>	<b>-5.6</b>		<b>-69.2</b>
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 (2009: EUR 142.4 million).

Depreciation on property, plant and equipment is included in the items "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 "Development expenses" (EUR 0.1 million).

The property in Belgium held for sale in the previous year was sold in the second half of 2009.

10.2 Intangible assets in 2010							
EUR millions	Goodwill	Capitalized development costs	Capitalized software	Customer base and service contracts	Brand name	Patents, licences and other intangible assets	Total other intangible assets
<b>Acquisition cost, 1 January</b>	<b>30.6</b>	<b>4.7</b>	<b>11.7</b>	-	-	<b>4.8</b>	<b>21.2</b>
Additions	-	-	3.2	-	-	-	3.2
Disposal	-	-	-1.6	-	-	-0.2	-1.8
Acquisition of subsidiaries	13.1	-	0.4	4.4	6.2	3.1	14.1
Capital grants	-	-	-0.3	-	-	-	-0.3
Other reclassifications	-	-	-0.4	-	-	-	-0.4
Exchange rate differences	0.2	-	-	-	-	0.4	0.4
<b>31 December</b>	<b>43.9</b>	<b>4.7</b>	<b>13.0</b>	<b>4.4</b>	<b>6.2</b>	<b>8.1</b>	<b>36.4</b>
<b>Accumulated depreciation, 1 January</b>	-	<b>-3.1</b>	<b>-6.4</b>	-	-	<b>-1.8</b>	<b>-11.3</b>
Additions	-	-0.9	-1.3	-0.8	-1.1	-1.1	-5.2
Disposal	-	-	-	-	-	0.2	0.2
Other reclassifications	-	-	-	-	-	-	-
Exchange rate differences	-	0.1	-	-	-	-0.1	-
<b>31 December</b>	-	<b>-3.9</b>	<b>-7.7</b>	<b>-0.8</b>	<b>-1.1</b>	<b>-2.8</b>	<b>-16.3</b>
Net carrying amount, 1 January	30.6	1.6	5.3	-	-	3.0	9.9
Net carrying amount, 31 December	43.9	0.8	5.3	3.6	5.1	5.3	20.1

Amortization of other intangible assets is included in the items "Cost of goods sold and services provided" (EUR 1.8 million) and "Administrative expenses" (EUR 3.4 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 all the pertinent criteria.

In 2010, the Group received EUR 0.3 million in subsidies for software in Belgium.

Intangible assets in 2009	Goodwill	Capitalized development costs	Capitalized software	Customer base and service contracts	Brand name	Patents, licences and other intangible assets	Total other intangible assets
EUR millions							
<b>Acquisition cost, 1 January</b>	<b>28.8</b>	<b>4.8</b>	<b>8.0</b>	-	-	<b>3.7</b>	<b>16.5</b>
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
<b>31 December</b>	<b>30.6</b>	<b>4.7</b>	<b>11.7</b>	-	-	<b>4.8</b>	<b>21.2</b>
<b>Accumulated depreciation, 1 January</b>	-	-2.5	-5.2	-	-	-1.7	-9.4
Additions	-	-0.6	-1.1	-	-	-0.7	-2.4
Disposal	-	-	0.1	-	-	0.5	0.6
Other reclassifications	-	-	-	-	-	-	-
Exchange rate differences	-	-	-0.2	-	-	0.1	-0.1
<b>31 December</b>	-	-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 the items "Cost of goods sold and services provided" (EUR 1.6 million) and "Administrative expenses" (EUR 0.8 million).

No development expenses were capitalized in 2009, since the costs incurred in this connection were associated with projects which do not meet all the pertinent criteria.

## 11. Assets held for sale

No assets held for sale were stated in the balance sheet as at 31 December 2010.

## 12. Goodwill

EUR millions	31.12.2010	31.12.2009
Kardex Remstar Division	7.7	7.5
Kardex Stow Division	23.1	23.1
Kardex Mlog Division	13.1	-
<b>Total goodwill</b>	<b>43.9</b>	<b>30.6</b>

The goodwill acquired in acquisitions is allocated to individual cash-generating units corresponding to the operating segments (see note 1). 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 1.4% and 69.4% (2009: -0.2% to 20.2%). The highest growth rate of 69.4% is planned in the Kardex Mlog Division owing to the envisaged internationalization of operations.
- Operating result (EBIT): Within the time scale of the planning period, the operating result (EBIT) is expected to settle at a level of -3.7% to 9.1% (2009: 1.9% to 6.9%) 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 to which the individual cash-generating units are exposed in various countries and currencies were also taken into account. The historic beta, 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% (2009: 1.9%). 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.
- The period taken for the projections underlying the calculations of value in use is three years. A terminal value is applied in the calculation model. In this valuation according to the discounted cash flow (DCF) method, the terminal value reflects the portion of the enterprise value that results from the discounted net payments in the years following the planning horizon (three years).

Weighted average cost of capital (WACC) before tax %	2010	2009
Kardex Remstar Division	11.4	10.0
Kardex Stow Division	11.5	9.9
Kardex Mlog Division	11.4	-

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, Kardex Stow and Kardex Mlog Divisions are significantly higher than their carrying amounts. 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	31.12.2010	31.12.2009
Investments	-	0.1
Interest rate and currency swap	-	3.3
Other financial assets	1.1	0.5
<b>Total financial assets in non-current assets</b>	<b>1.1</b>	<b>3.9</b>
Interest rate and currency swap	10.0	-
<b>Total financial assets in current assets</b>	<b>10.0</b>	<b>-</b>

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

### 14. Deferred tax

EUR millions	Deferred tax assets		Deferred tax liabilities		Net	
	2010	2009	2010	2009	2010	2009
Property, plant and equipment	0.3	0.2	-2.0	-2.2	-1.7	-2.0
Intangible assets	0.2	0.1	-8.6	-1.7	-8.4	-1.6
Financial assets	2.4	-	-	-0.2	2.4	-0.2
Inventories and construction contracts	0.8	1.2	-1.4	-0.2	-0.6	1.0
Other assets	0.7	0.5	-0.7	-0.1	-	0.4
Provisions	3.0	1.1	-0.7	-0.3	2.3	0.8
Other liabilities	2.8	2.1	-0.5	-1.3	2.3	0.8
Tax on capitalized loss carryforwards	8.4	5.1			8.4	5.1
<b>Total deferred tax assets/ tax liabilities</b>	<b>18.6</b>	<b>10.3</b>	<b>-13.9</b>	<b>-6.0</b>	<b>4.7</b>	<b>4.3</b>
Set-off	-9.7	-5.0	9.7	5.0	-	-
<b>Net deferred tax assets/ tax liabilities as per 31.12.2010</b>	<b>8.9</b>	<b>5.3</b>	<b>-4.2</b>	<b>-1.0</b>	<b>4.7</b>	<b>4.3</b>

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

## Loss carryforwards for which no tax assets were recognized:

EUR millions	31.12.2010	31.12.2009
Loss carryforwards by expiration		
1 year	0.2	0.1
2 to 5 years	22.3	27.0
Over 5 years	14.1	11.4
<b>Total loss carryforwards</b>	<b>36.6</b>	<b>38.5</b>

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, Switzerland and the USA. On 31 December 2010 the non-capitalized tax effects on loss carryforwards amounted to EUR 6.8 million (31 December 2009: EUR 5.6 million).

#### 15. Inventories, work in process and construction contracts

EUR millions	31.12.2010	31.12.2009
Raw materials, supplies and other consumables	16.7	14.3
Finished goods	6.9	6.5
Spare parts	7.9	7.3
Work in process	13.7	14.4
Allowances	-5.7	-6.4
Advance payments by customers	-12.6	-10.0
Advance payments to suppliers	3.3	0.5
<b>Total inventories and work in process</b>	<b>30.2</b>	<b>26.6</b>

## Details construction contracts:

EUR millions	31.12.2010	31.12.2009
Revenues from construction contracts (POC)	33.2	14.8
Accrued contract costs and recognized profit	26.9	8.8
Progress billings	-27.7	-6.4
<b>Contracts in process net</b>	<b>-0.8</b>	<b>2.4</b>
Construction contracts with amount due from customers (underfinanced)	4.8	3.4
Construction contracts with amount due to customers (overfinanced)	-5.6	-1.0
<b>Contracts in process net</b>	<b>-0.8</b>	<b>2.4</b>
Advances received (POC)	2.9	1.3

The proportion of construction contracts (POC) increased significantly in the year under review owing to the Mlog acquisition. Contracts awarded to Mlog for greenfield installations usually satisfy the criteria for recognition and presentation according to the POC method.

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.

## 16. Trade accounts receivable

EUR millions	31.12.2010	31.12.2009
Trade accounts receivable	76.2	69.3
Allowances for doubtful accounts	-2.5	-4.0
<b>Total trade accounts receivable</b>	<b>73.7</b>	<b>65.3</b>

Trade accounts receivable contain underfinanced construction contracts with amount due from customers in the amount of EUR 4.8 million (EUR 3.4 million) (see note 15).

Trade accounts receivable by currency:

CHF	1.5	1.7
EUR	50.3	42.4
GBP	4.3	4.1
USD	9.2	8.1
Other	8.4	9.0
<b>Total</b>	<b>73.7</b>	<b>65.3</b>

Ageing of trade accounts receivables:

Not yet due	55.0	45.7
0-30 days past due	12.5	12.3
31-60 days past due	3.1	4.1
61-90 days past due	2.0	2.4
91-180 days past due	1.5	2.4
Over 181 days past due	2.1	2.4
<b>Total</b>	<b>76.2</b>	<b>69.3</b>
Allowances for doubtful accounts	-2.5	-4.0
<b>Total</b>	<b>73.7</b>	<b>65.3</b>

Receivables are broken down over the following regions:

EUR millions	31.12.2010	31.12.2009
Euro countries	46.7	40.9
Other European countries	13.0	11.4
Americas	7.8	8.0
Asia/Pacific	6.2	5.0
<b>Total</b>	<b>73.7</b>	<b>65.3</b>

## Change in individual doubtful allowances:

EUR millions	2010	2009
<b>1 January</b>	<b>-3.3</b>	<b>-1.4</b>
Additions	-1.2	-2.6
Utilization	1.7	0.6
Reversal	0.8	0.1
<b>31 December</b>	<b>-2.0</b>	<b>-3.3</b>

## Change in lump-sum allowances:

EUR millions	2010	2009
<b>1 January</b>	<b>-0.7</b>	<b>-1.5</b>
Change	0.2	0.8
<b>31 December</b>	<b>-0.5</b>	<b>-0.7</b>

Trade accounts receivable are distributed over a widely scattered customer base. Management does not expect any further material losses on receivables.

## 17. Other receivables and prepaid expenses

EUR millions	31.12.2010	31.12.2009
VAT, withholding and other refundable tax	3.0	3.6
Guarantees	0.5	0.5
Other receivables	5.8	3.1
Prepaid expenses	2.9	2.7
<b>Total other receivables and prepaid expenses</b>	<b>12.2</b>	<b>9.9</b>

Other receivables contain EUR 5.6 million in receivables from POC contracts.

## 18. Cash and cash equivalents

EUR millions	31.12.2010	31.12.2009
Cash, postal and bank current accounts	41.8	26.1
Time deposits	1.0	0.7
<b>Total cash and cash equivalents</b>	<b>42.8</b>	<b>26.8</b>

## Cash and cash equivalents by currency:

CHF	1.1	1.2
EUR	30.6	17.5
GBP	1.4	0.7
USD	3.1	2.4
Others	6.6	5.0
<b>Total cash and cash equivalents by currency</b>	<b>42.8</b>	<b>26.8</b>

Of cash and cash equivalents, EUR 1.8 million (2009: EUR 0.4 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

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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>1 January</b>	<b>11.00</b>	<b>13.50</b>	<b>5 627 453</b>	<b>5 627 453</b>	<b>39.4</b>	<b>48.7</b>	<b>57 573</b>	<b>60 796</b>	<b>1.9</b>	<b>2.1</b>
Par value reduction		-2.50				-9.3				-0.1
Disposals							-42 209	-3 223	-1.3	-0.1
<b>31 December</b>	<b>11.00</b>	<b>11.00</b>	<b>5 627 453</b>	<b>5 627 453</b>	<b>39.4</b>	<b>39.4</b>	<b>15 364</b>	<b>57 573</b>	<b>0.6</b>	<b>1.9</b>

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

As at 31 December 2010, there were 5 627 453 (31 December 2009: 5 627 453) fully paid up registered shares with a par value of CHF 11.00 (31 December 2009: CHF 11.00) outstanding.

The share capital of Kardex AG can be increased by an amount of CHF 9.9 million (2009: CHF 9.9 million) through the issuing of up to 900 000 (2009: 900 000) fully paid up shares with a par value of CHF 11.00 (2009: CHF 11.00).

The holders of shares in Kardex AG are entitled to draw dividends and 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, premiums, as well as gains/losses from transactions with treasury shares. These constitute a reserve for economically difficult times and guarantee a solid balance sheet for future growth. The hedging reserves comprise income and expenses from currency and interest rate hedges recognized in share capital (hedge accounting).

In the period under review, the Management Board drew as part of their compensation for the 2009 financial year 5 578 (2009: 0) shares from the Company's holdings of treasury shares. In the period under review, the Board of Directors drew as part of their compensation for the 2010 financial year 4 854 (2009: 3 223) shares from the Company's holdings of treasury shares. Furthermore, 31 777 shares from the holdings of treasury shares were used to pay part of the purchase price of Mlog Logistics GmbH (see 33.1). As of 31 December 2010, Kardex AG held 15 364 (57 573) treasury shares valued at an average share price of CHF 49.53 each.

On 21 April 2009, the 31st Ordinary General Meeting of Kardex AG, Zurich, approved the proposal put forward by the Board of Directors to reduce the par value of the shares by 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. Furthermore, on 21 April 2009, the Ordinary General Meeting of Kardex AG, Zurich, approved the proposal of the Board of Directors for a conversion of the bearer shares into registered shares. The change was entered in the Commercial Register on 22 April 2009.

As a result of the decrease in the par value per share from CHF 13.50 to CHF 11.00, the total conditional capital was 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 to 2011.

#### **Capital management**

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

- to secure financial room for maneuver to implement the corporate strategy
- 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 35.0%

Management of the capital is monitored by the Board of Directors and Group Management based on key data that they obtain and evaluate as part of their monthly reporting activity.

As of 31 December 2010, the equity ratio was 30.0% (31 December 2009: 40.4%).

## 20. Earnings per share

	2010	2009
Number of outstanding shares		
at the beginning of the financial year	5 569 880	5 566 657
Purchases of treasury shares	-	-
Disposals of treasury shares	42 209	3 223
Number of outstanding shares		
at the end of the financial year	5 612 089	5 569 880
<b>Weighted average number of outstanding shares</b>	<b>5 597 363</b>	<b>5 568 209</b>
Adjustment for anticipated exercise		
of conversion rights	667 010	667 010
<b>Diluted weighted average number</b>		
<b>of outstanding shares</b>	<b>6 264 373</b>	<b>6 235 219</b>
<b>Net result Group (EUR)</b>	<b>-9 814 000</b>	<b>797 000</b>
Dilution effect (EUR):		
- Fair value adjustment for conversion right	-25 568	-12 607
- Interest expense for conversion right	2 265 271	2 111 805
<b>Consolidated result, diluted (EUR)</b>	<b>-7 574 297</b>	<b>2 896 198</b>
<b>Basic earnings per share (EUR)</b>	<b>-1.75</b>	<b>0.14</b>
<b>Diluted earnings per share (EUR)</b>	<b>-1.75</b>	<b>0.14</b>

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, as a consequence of the three-year lock-up period, 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% of 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 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 4 854 shares (2009: 3 223) at the subscription price of CHF 27.81 (2009: CHF 28.40) per share, representing a total amount of EUR 0.1 million (EUR 0.1 million). In the year under review, the Group Management obtained 3 372 shares (5 578) at an average subscription price of CHF 29.73 (CHF 34.10) per share. The sum of EUR 0.1 million was recognized in personnel expenses.

## 22. Financial liabilities

### Non-current financial liabilities:

EUR millions	31.12.2010	31.12.2009
Banks	33.3	7.7
Convertible bond	-	33.4
Finance lease liabilities	1.5	2.1
<b>Total non-current financial liabilities</b>	<b>34.8</b>	<b>43.2</b>

### Non-current liabilities with banks by due date:

EUR millions	31.12.2010	31.12.2009
2 to 5 years	33.3	7.7
<b>Total non-current liabilities with banks by due date</b>	<b>33.3</b>	<b>7.7</b>

### Non-current liabilities by currency:

EUR millions	31.12.2010	31.12.2009
CHF	-	33.4
EUR	34.8	9.8
USD	-	-
<b>Total non-current liabilities by currency</b>	<b>34.8</b>	<b>43.2</b>

### Current financial liabilities:

EUR millions	31.12.2010	31.12.2009
Current bank loans	2.5	2.5
Convertible bond	40.8	-
Other financial liabilities	-	0.1
Current portion of finance leasing	0.6	0.7
Current portion of non-current financial liabilities	6.7	0.3
<b>Total current financial liabilities</b>	<b>50.6</b>	<b>3.6</b>

The convertible bond is due for repayment on 29 June 2011. It was therefore reclassified from the non-current to the current financial liabilities.

Non-current financial liabilities by currency:

EUR millions	31.12.2010	31.12.2009
CHF	40.8	-
EUR	9.2	3.2
USD	-	-
Others	0.6	0.4
<b>Total current financial liabilities</b>	<b>50.6</b>	<b>3.6</b>
<b>Total financial liabilities</b>	<b>85.4</b>	<b>46.8</b>
Cash and cash equivalents	42.8	26.8
<b>Net debt</b>	<b>42.6</b>	<b>20.0</b>

Kardex AG issued a 2.25% convertible bond 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 1000 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 to 34). In financial year 2010, the Kardex Group did not redeem any convertible bonds (2009: CHF 0 million).

Since the convertible bond with a par value of CHF 51.8 million (original par value of CHF 55.0 million less treasury holdings of convertible bonds of CHF 3.2 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 of 31 December 2010 was EUR 43.7 million (CHF 54.7 million). The book value of the bond issue of EUR 40.8 million (EUR 33.4 million) as of 31 December 2010 includes the conversion right in the amount of EUR 0.00 million (EUR 0.02 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 0.23% (0.67%) and volatility of 32.5% (27.5%) were assumed as at 31 December 2010. 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 2010 (effective impact on 2010 result: EUR 0.00 million):

31.12.2010		31.12.2009	
Share price CHF	Impact on result EUR millions	Share price CHF	Impact on result EUR millions
20.00	-	20.00	-
30.00	-	30.00	-
40.00	-	40.00	-0.1
50.00	-0.2	50.00	-0.6
60.00	-1.1	60.00	-1.9
70.00	-3.4	70.00	-4.0
80.00	-7.1	80.00	-7.1
90.00	-11.8	90.00	-10.8
100.00	-17.2	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).

On 20 April 2010, Kardex AG took out a syndicated loan in the amount of EUR 70.0 million arranged by UBS AG (42.86%), Credit Suisse AG (35.71%) and Zürcher Kantonalbank (21.43%). The facility is divided into an acquisition line totaling EUR 30.0 million, which was used to grant a Group loan to Kardex Germany GmbH for the purpose of financing its Mlog acquisition as of 1 May 2010. The acquisition line has to be amortized. This first tranche can be drawn in EUR and is subject to an annual ordinary amortization of EUR 6.0 million payable on 30 April each year.

The remaining EUR 40.0 million has been granted under a revolving credit facility as working capital. This will be used to refinance existing interest-bearing debt and as working capital to fund the Group's current business activities, including financing investment in non-current operating assets. As of 31 December 2010, the facility had not been used. This second tranche can be drawn in EUR and CHF or other freely convertible currencies acceptable to all lenders and freely available in substantial amounts in the relevant interbank markets at all times. Both tranches mature on 30 April 2015. The interest rate as at 31 December 2010 was 3.802% and is based on the EURIBOR rate of 1.052% plus a margin of 2.75% to cover company specific risk.

The commitment fee for the second tranche is 35.0% of the respective current interest margin, calculated on the average undrawn amount.

Additional credit covenants relate to a minimum EBITDA and to equity and the equity ratio.

As at 31 December 2010, the covenants agreed with the banks were satisfied.

Financial liabilities at year-end in all currencies had an average interest rate of 4.65% (2009: 5.6%).

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 0.2 million (excluding tax effects) (2009: EUR 0.1 million).

The interest on the syndicated loan is adjusted monthly if the EURIBOR rate changes. The interest margin is fixed at 3.50% until 31 March 2011 and may decrease if the net debt/EBITDA ratio improves accordingly.

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

### 23. Employee pension plans

#### Current employee benefits:

EUR millions	31.12.2010	31.12.2009
Social security and pension plan liabilities	1.9	1.8
Personnel claims	9.2	8.2
<b>Total current pension liabilities</b>	<b>11.1</b>	<b>10.0</b>

EUR millions	31.12.2010	31.12.2009
<b>Total pension assets</b>	<b>0.3</b>	<b>0.5</b>
Pension liabilities relating to defined benefit plans	14.3	3.4
Other long-term benefits to employees	5.3	4.8
<b>Long-term pension liabilities</b>	<b>19.6</b>	<b>8.2</b>
Short-term pension liabilities	0.2	-
<b>Total pension liabilities</b>	<b>19.8</b>	<b>8.2</b>
<b>Net pension liabilities defined benefit plans</b>	<b>14.2</b>	<b>2.9</b>
<b>Details of pension liabilities defined benefit plans</b>		
Present value of funded obligations	53.6	50.7
Present value of unfunded obligations	10.2	0.5
<b>Total present value of obligations</b>	<b>63.8</b>	<b>51.2</b>
Fair value of plan assets	-41.0	-41.3
<b>Benefit obligation in excess of plan assets</b>	<b>22.8</b>	<b>9.9</b>
Unrecognized actuarial losses	-8.4	-7.0
Unrecognized assets	-0.2	-
<b>Pension liabilities in defined benefit plans</b>	<b>14.2</b>	<b>2.9</b>

The increase in net staff pension liabilities in defined benefit plans is essentially attributable to the acquisition of Mlog Logistics GmbH (EUR 9.6 million) and a change of pension fund by the Swiss companies (EUR 0.8 million). In addition, the parameters of the pension plans of the Swiss-domiciled Kardex companies were adjusted to represent the actual development.

Allocation of plan assets:

EUR millions	31.12.2010	31.12.2009
Shares	2.4	1.9
Bonds	4.9	4.4
Claims against insurance companies (incl. other financial investments)	32.8	34.7
Cash and cash equivalents	0.9	0.3
<b>Total</b>	<b>41.0</b>	<b>41.3</b>

Movement in the present value of obligations  
Defined benefit plans:

EUR millions	2010	2009
<b>1 January</b>	<b>51.2</b>	<b>43.8</b>
Acquisition of subsidiaries	9.6	-
Current service cost	1.6	1.3
Interest expense	2.6	2.2
Benefits paid	-4.5	-3.5
Employees' contributions	1.3	1.9
Past service costs	0.7	-
Exchange rate differences	2.8	0.5
Actuarial gains and losses	1.6	5.3
Curtailment	-3.1	-0.3
<b>31 December</b>	<b>63.8</b>	<b>51.2</b>

Movement in plan assets defined benefit plans:

EUR millions	2010	2009
<b>1 January</b>	<b>41.3</b>	<b>38.8</b>
Expected return on plan assets	1.7	1.8
Employees' contributions	1.3	1.9
Employer's contributions	1.9	1.9
Benefits paid	-4.4	-3.4
Curtailment	-2.8	-
Exchange rate differences	2.2	0.4
Actuarial gains and losses	-0.2	-0.1
<b>31 December</b>	<b>41.0</b>	<b>41.3</b>

Historical information:

EUR millions	2010	2009	2008	2007	2006
Present value of obligations	63.8	51.2	43.8	44.6	46.9
Fair value of plan assets	-41.0	-41.3	-38.8	-37.6	-37.1
<b>Benefit obligation in excess of plan assets</b>	<b>22.8</b>	<b>9.9</b>	<b>5.0</b>	<b>7.0</b>	<b>9.8</b>
Experience adjustments					
on expected claims	0.6	-1.7	0.6	1.4	0.5
Experience adjustments					
on plan assets	-0.3	-	-0.1	0.4	-1.6

## Expenses for defined benefit plans:

EUR millions	2010	2009
Current service cost	1.6	1.3
Interest expense	2.6	2.2
Expected return on plan assets	-1.7	-1.8
Actuarial losses recognized	0.3	0.2
Amortization of prior service cost	0.7	-
Curtailment	-	-0.3
<b>Total expenses for defined benefit plans</b>	<b>3.5</b>	<b>1.6</b>

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

EUR millions	2010	2009
Cost of goods sold and services provided	0.8	0.5
Marketing and sales expenses	0.2	0.4
Administrative expenses	2.4	0.6
Development costs	0.1	0.1
<b>Total</b>	<b>3.5</b>	<b>1.6</b>

Actuarial assumptions (expressed as weighted averages):

	2010	2009
Discount rate	4.0%	4.6%
Expected rate of return on plan assets	3.9%	3.9%
Expected rate of increase in future compensation levels	1.6%	2.3%
Expected rate of increase in future pension levels	1.7%	1.8%

The effective return on plan assets was EUR 1.4 million (2009: EUR 1.6 million).

The expected long-term return on plan assets is 3.9% (2009: 3.9%). 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 2011 amount to EUR 1.7 million (2009: EUR 1.6 million).

## 24. Provisions

EUR millions	Legal disputes	Guarantees	Restructuring	Others	2010 Total	2009 Total
<b>1 January</b>	<b>2.6</b>	<b>3.5</b>	<b>1.6</b>	<b>2.2</b>	<b>9.9</b>	<b>13.1</b>
Acquisition of subsidiaries	0.1	0.3	-	0.8	1.2	-
Additions	0.9	1.2	1.6	1.2	4.9	8.2
Utilization	-1.0	-1.3	-1.6	-1.3	-5.2	-11.2
Reversal	-0.1	-1.1	-0.2	-0.2	-1.6	-0.1
Reclassifications	0.1	-	0.5	-0.3	0.3	-0.1
<b>31 December</b>	<b>2.6</b>	<b>2.6</b>	<b>1.9</b>	<b>2.4</b>	<b>9.5</b>	<b>9.9</b>
<b>Non-current provisions</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>0.8</b>	<b>2.3</b>	<b>1.0</b>
<b>Current provisions</b>	<b>2.6</b>	<b>1.1</b>	<b>1.9</b>	<b>1.6</b>	<b>7.2</b>	<b>8.9</b>

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 an operating segment 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 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. In the current year under review, the provision for guarantee claims could be reduced owing to a decrease in the frequency of defects and in the number of devices affected.

Provisions for restructuring relate to measures to adjust cost structures and to a selective reduction in jobs at the plants. 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.

Management of the Kardex Group has decided to further optimize the organizational structures at the Kardex Remstar Division's two plants in Germany. By outsourcing strategically non-relevant processes, efficiency could be further enhanced and the cost base made more flexible at the plants in Bellheim (Rhine-and Palatinate) and Neuburg (Bavaria). As a result of these organizational adjustments, the number of workplaces will be reduced by some 50 to 60 as of February 2011. The necessary provisions in the amount of EUR 0.8 million were set aside in financial year 2010. The remaining provisions for restructuring are in connection with a selective reduction in jobs at individual sales companies in the amount of EUR 0.4 million and severance payments of EUR 0.7 million.

Other provisions contain various individual positions that are essentially connected with maintenance and service agreements. The resulting cash outflows occur in the following financial year.

	EUR millions	31.12.2010	31.12.2009
<b>25. Other current liabilities and accruals</b>			
VAT, withholding tax and other tax liabilities		6.3	3.9
Other current liabilities		14.5	3.9
Accruals		11.2	11.4
<b>Total current liabilities and accruals</b>		<b>32.0</b>	<b>19.2</b>

The other current liabilities item includes the net amount owed to customers from overfinanced construction contracts in the amount of EUR 5.6 million (EUR 1.0 million).

## 26. Financial instruments

Financial assets and liabilities are classified in the following categories:

EUR millions	31.12.2010	31.12.2009
Financial assets held for sale	-	-
Loans and receivables	121.6	95.1
Trade accounts receivable	73.7	65.3
Other current receivables	5.1	3.0
Cash and cash equivalents	42.8	26.8
Derivatives for hedging	10.0	3.3
<b>Total financial assets</b>	<b>131.6</b>	<b>98.4</b>
Other financial liabilities	142.1	97.5
Non-current financial liabilities	34.8	43.2
Trade accounts payable	52.5	47.5
Current financial liabilities	50.6	3.6
Accrued expenses	4.2	3.2
<b>Total financial liabilities</b>	<b>142.1</b>	<b>97.5</b>

### 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. 2010
Derivatives for hedging	-	10.0	-	10.0
<b>Total financial assets</b>	-	10.0	-	10.0
Financial liabilities at fair value, change in fair value				
recognized in the income statement	-	-	-	-
Derivatives through income statement	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-

EUR millions	Level 1	Level 2	Level 3	31.12. 2009
Derivatives for hedging	-	3.3	-	3.3
<b>Total financial assets</b>	-	3.3	-	3.3
Financial liabilities at fair value, change in fair value				
recognized in the income statement	-	-	-	-
Derivatives through income statement	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	-

The option right is stated in the balance sheet as at 31 December 2010 at an amount less than EUR 0.0 million (2009: less than EUR 0.1 million) and assigned to fair-value level 3.

Measurement of the option right is described in note 22, page 98.

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 2010	Impact on net result		Impact on statement of comprehensive income	
	Positive	Negative	Positive	Negative
Derivative as hedging instrument	-	-	-	-
<b>Total</b>	-	-	-	-

The positive and negative influences were each calculated with a volatility of 25% and 40%. Fair-value measurement of the option right with a volatility of 25% would not have any impact. Fair-value measurement of the option right with a volatility of 40% would likewise not have any impact (2009: EUR 0.1 million given volatility of 35%).

For statement in the balance sheet, the fair value of the option right was calculated with a volatility of 32.5% (2009: 27.5%).

The maturity profile of the financial liabilities is as follows:

EUR millions	31.12.2010	31.12.2009
<b>From non-current financial liabilities</b>		
Non-current financial liabilities	31.4	53.6
1 to 5 years	26.2	50.7
over 5 years	5.2	2.9
Derivatives for hedging	-	31.3
1 to 5 years	-	31.3
over 5 years	-	-
<b>Total from non-current financial liabilities</b>	<b>31.4</b>	<b>84.9</b>
1 to 5 years	26.2	82.0
over 5 years	5.2	2.9
<b>From current financial liabilities</b>		
Trade accounts payable	52.7	47.5
less than 6 months	52.6	46.9
from 6 to 12 months	0.1	0.6
Current financial liabilities	52.9	5.4
less than 6 months	10.6	3.8
from 6 to 12 months	42.3	1.6
Other current liabilities	11.7	11.7
less than 6 months	11.5	11.5
from 6 to 12 months	0.2	0.2
Derivatives for hedging	31.3	-
less than 6 months	-	-
from 6 to 12 months	31.3	-
<b>Total from current financial liabilities</b>	<b>148.6</b>	<b>64.6</b>
less than 6 months	74.7	62.2
from 6 to 12 months	73.9	2.4
<b>Total financial liabilities</b>	<b>180.0</b>	<b>149.5</b>
Cash flow from derivatives	32.9	32.3
<b>Total net financial liabilities</b>	<b>147.1</b>	<b>117.2</b>

The market value of non-current liabilities with banks and the current portion of non-current financial liabilities is EUR 41.5 million (2009: EUR 10.2 million); the book value is EUR 41.5 million (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	31.12.2010	31.12.2009
<b>Currency derivatives</b>		
Contract volumes	1.6	0.1
Fair value (positive)	-	-
Fair value (negative)	-	-
<b>Interest rate derivatives</b>		
Contract volumes	-	-
Fair value (positive)	-	-
Fair value (negative)	-	-
<b>Interest rate and currency swap</b>		
Contract volumes	31.3	31.3
Fair value (positive)	10.0	3.3
Fair value (negative)	-	-

The currency derivatives are used to hedge the 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 (2010: EUR 0.4 million).

## 28. Leasing obligations

## 28.1 Operating leases

EUR millions	31.12.2010	31.12.2009
Expense for operating leases for the year	10.6	7.2
Future minimum payments		
for non-cancellable lease agreements:		
Up to 1 year	7.0	4.5
1 to 5 years	12.0	6.8
Over 5 years	15.0	0.9
<b>Total future minimum payments for operating leases</b>	<b>34.0</b>	<b>12.2</b>

Operating leases apply mainly to rent obligations (a large portion of which is for the Mlog site in Neuenstadt) and to vehicles. Leasing contracts are agreed at current market conditions.

On 26 November 2008 Mlog Logistics GmbH signed a rental agreement for the company's new premises in Neuenstadt am Kocher. Essential provisions of the rental agreement for this property cover the land, the office building, the production hall and related infrastructural elements. The rental agreement has a life of 20 years and does not include a right to early termination of the agreement. The lessee has the option of twice extending the agreement for a period of five years each time. The rental agreement entered into effect when Mlog Logistics GmbH took occupancy in September 2009. On the basis of a lease test, the rental agreement was classified as an operating lease. As of 31 December 2010, future minimum payments under the operating lease for the property amount to EUR 18.6 million.

## 28.2 Finance leases

EUR millions	Notes	31.12.2010	31.12.2009
Future minimum payments			
for non-cancellable lease agreements:			
1 year		0.8	0.8
2 to 5 years		1.5	2.1
Over 5 years		0.1	0.3
<b>Total future minimum payments for finance leases</b>		<b>2.4</b>	<b>3.2</b>
Interest		-0.3	-0.4
<b>Present value of finance leases</b>		<b>2.1</b>	<b>2.8</b>
Long-term finance leases	22	1.5	2.1
Short-term finance leases	22	0.6	0.7
<b>Total finance leases</b>		<b>2.1</b>	<b>2.8</b>

Finance leases apply mainly to property, plant and equipment. Leasing contracts are agreed at current market conditions.

	EUR millions	31.12.2010	31.12.2009
<b>29. Capital commitments</b>			
	Property, plant and equipment	-	-
	<b>Total capital commitments</b>	-	-

	EUR millions	31.12.2010	31.12.2009
<b>30. Contingent liabilities</b>			
	<b>Total contingent liabilities</b>	-	1.5

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.

	EUR millions	31.12.2010	31.12.2009
<b>31. Assets pledged or of restricted disposability</b>			
	Property, plant and equipment	24.2	26.1
	Trade accounts receivable	4.5	2.7
	Inventories	0.9	0.5
	Cash and cash equivalents	0.1	0.1
	<b>Total assets pledged or of restricted disposability</b>	29.7	29.4

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 150 000 shares in Stow International nv, Belgium.

### 32. Related parties

Related parties include members of the Management Board and Board of Directors, their family members, important shareholders and companies under their control. There are no outstanding receivables from or liabilities towards these parties. No transactions 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	2010	2009
	Short-term benefits <sup>1</sup>	1.6	1.7
	Share-based payments	0.2	0.2
	Termination benefits	-	0.3
	Pension payments and social expenses	0.2	0.1
	<b>Total compensation</b>	2.0	2.3

<sup>1</sup> Of which EUR 0.4 million in 2010 and EUR 0.3 million in 2009 to non-executive directors.

Compensation to the members of the Board of Directors is fixed. 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 Acquisitions

On 1 May 2010, the Kardex Group acquired the entire share capital of Mlog Logistics GmbH (Mlog) with registered office in Neuenstadt am Kocher, Germany, and thus 100% control of the voting rights. The transfer of the partnership interests was notarized on 30 April 2010. The company was consolidated into the Kardex Group as of 1 May 2010.

Mlog is a leading supplier of automated materials handling systems in Germany. The company is heavily focused on the German market, which accounts for more than 90% of revenues. Mlog operates in three core business areas: greenfield installations, refurbishment and after-sales service. In the area of greenfield installations the company offers its customers the complete range of solutions for the construction of automated materials handling systems. This ranges from project planning, through system design, component manufacture, and project management, to installation and commissioning. In the field of refurbishment, customers are offered planning and consultancy services as well as services for realizing and implementing the refurbishment of existing plants. After-sales service rounds out the company's product profile. In this field Mlog offers its customers all the services necessary for plant maintenance: courses and training, regular plant maintenance, spare-part and wear-and-tear management, software support and a 24-hour helpline, including remote support.

With the acquisition of Mlog, the Kardex Group is a significant step closer to its goal of becoming a leading provider of low-complexity automated materials handling systems. Kardex and Mlog Logistics have potential for significant synergies as the companies' existing business activities are complementary with no overlap in operational or (with the exception of Germany) geographic reach. Representing a strategic fit, the acquisition will enhance Kardex's product range, thereby enabling it to expand into a one-stop shop for fully automated logistics solutions. Realization of economies of scale will also improve competitiveness. The complementarity of services will generate quantifiable and non-quantifiable synergies. The current management team will remain responsible for management operations of the company at its existing site in Neuenstadt am Kocher. Within the Kardex Group it will become the third division as Kardex Mlog (automated storage and materials handling systems) and complement the Kardex Remstar and Kardex Stow Divisions.

With effect from 1 May 2010, the Board of Directors of Kardex AG appointed Stefan Seidl, managing director of Mlog, to the Management Board of the Kardex Group and Head of the Kardex Mlog Division.

In the period from 1 May 2010 to 31 December 2010 the Kardex Mlog Division produced revenues of EUR 27.8 million and a loss for the period of EUR 3.2 million. Management estimates that if Mlog had been acquired on 1 January 2010, consolidated net revenues of the Kardex Group for the period from 1 January 2010 to 31 December 2010 would have been EUR 369.3 million and the consolidated loss EUR 11.5 million.

The purchase price paid to Mlog for all of the company's shares is made up as follows:

EUR millions	
Cash	28.9
Shares of Kardex AG	0.7
Purchase price paid	29.6

The contract of purchase between the sellers and the Kardex Group does not contain any agreement about subsequent purchase price adjustments. Part of the purchase price was paid in the form of shares. These came from the Kardex Group's holdings of treasury shares and were valued at a volume-weighted discount of 15% to the stock market price at the time of the closing of the acquisition. A total of 31777 treasury shares with a value of CHF 31.61 each were transferred, which is equal to a total value of EUR 0.7 million.

## Recognized net assets from business combination:

EUR millions	Fair value of the acquired assets and liabilities
Property, plant and equipment	3.7
Customer base	1.8
Service contracts	2.6
Brand name	6.2
Technology	2.1
Non-competition clause	1.0
Other intangible assets	0.4
Financial assets	0.5
Inventories, work in progress	7.6
Trade accounts receivable	2.8
Other receivables and prepaid expenses	8.3
Cash and cash equivalents	6.1
Non-current pension liabilities	-10.0
Non-current provisions	-0.6
Non-current financial liabilities	-4.5
Deferred tax liabilities	-3.1
Trade accounts payable	-4.2
Other payables and advances	-0.6
Other current liabilities	-2.1
Current provisions and accruals	-1.5
<b>Total net assets from business combinations</b>	<b>16.5</b>

The market value of the identifiable assets and liabilities of Mlog and, hence, the goodwill at the time of the acquisition was established by independent consultants and examined by management.

Accounts receivable for goods and services were measured at fair value. The standard terms of payment of Kardex Mlog are net within 30 days, although different terms of payment may be agreed for individual project contracts. The possibility that customers may not be able to meet their liabilities is a source of credit risk. Management estimates that the probability of a loss of receivables among the acquired accounts receivable for goods and services is negligible.

The major part of the acquired other receivables and prepaid expenses consist of pledged guaranteed fixed-term deposits and of lendings to third parties totaling EUR 1.4 million.

The identifiable assets comprise Kardex Mlog's customer relationships, service agreements, brand and technology and the non-competition clause of Stefan Seidl, Head of the Kardex Mlog Division.

The value of the customer base is a result of the large number of installed systems and a certain amount of activity as general contractor. In recent years the company has enjoyed high visibility among its customers. Customer base take into account those revenues expected from signing new contracts with existing customers. The value of the customer base was determined using the multi-period excess earnings method.

Kardex Mlog currently has a number of hotline and maintenance service agreements. The company will derive benefit from these in the coming years. The service contracts contribute directly to service revenues. Other revenues are generated by orders for repairs and maintenance and sales of spare parts. Service contracts take into account those revenues that may be earned from existing service contracts and that can be regarded as secured by existing contracts over the next few years. The value of the service agreements was determined using the direct cash flow prognosis method. The company operates under the Mlog brand. The brand name comprises the company name and the company logo. All of the company's products and services are offered under this brand. The value of the Mlog brand is based on comparable third-party user and licence fees and was determined using the relief from royalty method.

Kardex Mlog is a technological leader in the field of stacker cranes for pallets and special solutions. Cutting-edge technologies in drive technology, sensor systems and path-measuring systems ensure high volumes and low system down time. Over and above this, Kardex Mlog produces customized solutions for all sizes and types of stacker cranes. In this respect it should be emphasized that the company is one of the few manufacturers of stacker cranes able to produce them with a height of more than 40 meters. Mlog stacker cranes are also among the very best in terms of speed and acceleration. The value of the technology is based on comparable third-party user and licence fees and was determined using the relief from royalty method.

As part of the sale of Mlog to the Kardex Group, the employment status of Stefan Seidl, managing director of Mlog and, with effect from 1 May 2010, Head of the Kardex Mlog Division and member of the Management Board of the Kardex Group, was renegotiated and, among other things, a non-competition clause agreed. The value of the non-competition clause was determined using the incremental cash flow method.

The acquisition was valued definitively as of 31 December 2010. This resulted in the following adjustments compared with the Interim Report 2010: The acquired cash and cash equivalents amount to EUR 6.1 million (Interim Report: EUR 5.8 million), total identifiable assets from the business combination amount to EUR 16.5 million (Interim Report: EUR 16.3 million) and goodwill amounts to EUR 13.1 million (Interim Report: EUR 13.3 million).

In view of the fact that the size of the workforce cannot be directly controlled by the purchaser, this item has not been booked separately, but treated as part of the goodwill. Deferred taxes at a rate of 29.1% were calculated on the valuation differences arising from the market value assessment.

As a result of the acquisition, the consolidated balance sheet of the Kardex Group includes goodwill as follows:

EUR millions	
Total consideration paid	29.6
Total net assets from business combination	-16.5
<b>Goodwill</b>	<b>13.1</b>

Goodwill of EUR 13.1 million is the difference between the purchase price and the market value of net assets from the business combination. The workforce, assessed at EUR 3.8 million, is included in the goodwill. The remaining goodwill amounts to EUR 9.3 million and was paid for:

- potential synergies
- market share, market growth and market potential
- geographic market presence or sites

The goodwill is recognized in the balance sheet of Kardex Germany GmbH, the company acquiring Mlog, and is tax-deductible in Germany.

Costs related to the acquisition in the amount of EUR 0.7 million for legal advice and due diligence are recognized as administrative expenses in the income statement.

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 registered office in Kløfta near Oslo and is focused on Kardex and Stow products. Taking into account transaction costs in the amount of EUR 0.3 million, this transaction resulted in a cash outflow of EUR 2.6 million. The purchased goodwill in the amount of EUR 1.4 million was paid for future expected synergies and allocated to the Kardex Remstar operating segment. The acquisition was valued definitively as of 31 December 2009. Comparison with the provisional valuation conducted for the interim results resulted in an adjustment of the revaluation of other intangible assets in the amount of EUR 0.3 million and an increase in goodwill of EUR 0.3 million. If the assets and liabilities of Element Storage Systems AS had been acquired as of 1 January 2009, consolidated net revenues for 2009 would have been EUR 343.6 million. The consolidated net result would have remained the same.

### 33.2 Disposals

No disposals took place during the period under review.

## 34. Subsidiaries

Country	Finance, property, services	Development, production	Distribution, service	Company, domicile	Divisions	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
AUS		*	*	Kardex VCA Pty Ltd, Wodonga	Kardex Remstar	19	AUD	1 300 000	100	<sup>1</sup>
BE			*	S.A. Kardex nv, Forest/Brussels	Kardex Remstar	18	EUR	348 736	100	<sup>1</sup>
	*	*	*	Stow International nv, Spiere-Helkijn	Kardex Stow	244	EUR	11 375 939	100	<sup>1</sup>
CN			*	Kardex Logistic System (Beijing) Co. Ltd., Beijing	Kardex Remstar	27	EUR	200 000	100	<sup>1</sup>
		*	*	Shanghai Stow Storage Equipment Co. Ltd., Shanghai	Kardex Stow	153	CNY	78 707 143	100	<sup>2</sup>
DE		*	*	Kardex Produktion Deutschland GmbH, Bellheim/Pfalz	Kardex Remstar	464	EUR	6 919 568	84.48 15.52	<sup>3</sup> <sup>4</sup>
			*	Kardex Office GmbH, Oberursel/Taunus	Kardex Remstar	3	EUR	50 000	100	<sup>5</sup>
		*	*	Kardex Software GmbH, Wörth a. Rh.	Kardex Remstar	40	EUR	26 000	100	<sup>5</sup>
	*			Kardex Germany GmbH, Bellheim/Pfalz	Kardex Remstar	21	EUR	511 292	100	<sup>1</sup>
	*			Kardex Megamat Beteiligungs GmbH, Neuburg/Kammel	Kardex Remstar	-	EUR	5 113 431	100	<sup>5</sup>
	*		*	Kardex Deutschland GmbH, Neuburg/Kammel	Kardex Remstar	135	EUR	1 386 310	26.2 73.8	<sup>3</sup> <sup>5</sup>
		*	*	Mlog Logistics GmbH, Neuenstadt am Kocher	Kardex Mlog	250	EUR	50 000	100	<sup>5</sup>
			*	Stow Deutschland GmbH, Wiesbaden	Kardex Stow	14	EUR	511 400	100	<sup>2</sup>
FI			*	Kardex Finland OY, Muurame	Kardex Remstar	17	EUR	134 550	100	<sup>1</sup>
FR			*	Kardex SASU, Neuilly-Plaisance Cedex	Kardex Remstar	76	EUR	1 835 000	100	<sup>1</sup>
			*	Stow France S.A., Saint-Pierre-du-Perray	Kardex Stow	26	EUR	684 000	100	<sup>2</sup>
UK	*			Kardex Holdings Ltd., Epping	Kardex Remstar	-	GBP	1 828 000	100	<sup>1</sup>
			*	Kardex Systems (UK) Ltd., Epping	Kardex Remstar	76	GBP	828 000	100	<sup>1</sup>
			*	Stow U.K. Co. Ltd., Sunbury-on-Thames	Kardex Stow	11	GBP	220 000	100	<sup>2</sup>
IE			*	Kardex Systems Ireland Ltd., Dublin	Kardex Remstar	7	EUR	300 000	100	<sup>1</sup>
IN			*	Kardex India Storage Solutions Private Ltd., Bangalore	Kardex Remstar Kardex Stow	22 2	INR	26 143 500	100	<sup>1</sup>
IT			*	Kardex Italia S.p.A., Opera (Mi)	Kardex Remstar	28	EUR	309 874	100	<sup>10</sup>
NL			*	Kardex Systems bv, Woerden	Kardex Remstar	44	EUR	90 756	100	<sup>1</sup>
			*	Stow Nederland bv, Hoeven	Kardex Stow	15	EUR	18 152	100	<sup>2</sup>

<sup>1</sup> Kardex AG, Zurich, CH

<sup>2</sup> Stow International nv, Spiere-Helkijn, BE

<sup>3</sup> Kardex Megamat Beteiligungs GmbH, Neuburg a. d. K., DE

<sup>4</sup> Kardex Deutschland GmbH, Neuburg a. d. K., DE

<sup>5</sup> Kardex Germany GmbH, Bellheim, DE

<sup>6</sup> Kardex Production USA Inc., Lewistown (PA), USA

<sup>7</sup> Kardex Holdings Ltd., Epping, GB

<sup>8</sup> Kardex Systems AG, Volketswil, CH

<sup>9</sup> Mlog Logistics GmbH, Neuenstadt a. Kocher, DE

<sup>10</sup> KRM Service AG, Volketswil, CH

Country	Finance, property, services	Development, production	Distribution, service	Company, domicile	Divisions	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
NO			*	Kardex System AS, Skedsmokorset	Kardex Remstar Kardex Stow	14 4	NOK	6 100 000	100	1
A			*	Kardex Austria GmbH, Vienna	Kardex Remstar	17	EUR	300 000	100	1
			*	Mlog Logistics, Anthering	Kardex Mlog	-	EUR	35 000	100	9
			*	Stow GmbH Austria, Vienna	Kardex Stow	9	EUR	585 000	100	2
PL			*	Kardex Polska Sp.z.o.o., Warsaw	Kardex Remstar	5	PLN	200 000	100	1
			*	Stow Polska Sp.z.o.o., Warsaw	Kardex Stow	26	PLN	500 000	100	2
RU			*	Kardex CO. LTD, Moscow	Kardex Remstar	-	RUB	10 000	100	1
SE			*	Kardex Scandinavia AB, Bromma	Kardex Remstar	19	SEK	100 000	100	1
CH			*	Kardex Systems AG, Volketswil	Kardex Remstar	42	CHF	1 000 000	100	1
	*			KRM Service AG, Volketswil	Kardex Remstar	17	CHF	500 000	100	1
SG			*	Kardex Far East Private Ltd., Singapore	Kardex Remstar	10	SGD	1 550 000	100	1
SK			*	Kardex Slovensko s.r.o., Bratislava	Kardex Remstar	-	EUR	6 639	100	1
			*	Stow Slovensko s.r.o., Bratislava	Kardex Stow	-	EUR	33 194	100	2
ES			*	Storage Solution Iberica S.L., El Prat De Llobregat, Barcelona	Kardex Remstar	-	EUR	150 000	100	1
			*	Kardex Sistemas S.A., San Fernando de Henares, Madrid	Kardex Remstar	30	EUR	300 506	100	1
CZ		*	*	Kardex s.r.o., Prague	Kardex Remstar	19	CZK	500 000	100	1
			*	Stow Ceska Republika s.r.o., Prague	Kardex Stow	69	CZK	500 000	100	2
TR			*	Kardex Systems AG Turkey, Istanbul	Kardex Remstar	8	TRY	3 000	100	8
HU			*	Kardex Hungaria Kft., Budaörs	Kardex Remstar	5	HUF	2 514 000	100	1
US			*	Kardex Remstar LLC, Westbrook (Maine)	Kardex Remstar	100	USD	100	100	6
		*	*	Kardex Production USA Inc., Lewistown (PA)	Kardex Remstar	58	USD	1 000	100	1
CY			*	Kardex Systems Ltd., Limassol	Kardex Remstar	13	EUR	418 950	100	1
			*	KRI Logistics Ltd., Limassol	Kardex Remstar	-	EUR	25 650	100	1
			*	Kardex Systems (Cyprus) Ltd., Limassol	Kardex Remstar	-	EUR	34 200	100	1

<sup>1-10</sup> see page 115

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### 35. Risk management

As part of the newly introduced risk management mechanism, the Board of Directors and Management conduct a risk assessment at least once a year. 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 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 this documentation and noted that the Management Board confirmed that a risk management mechanism is in place.

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### 36. Release for publication and approval of the financial statements

The Board of Directors approved these financial statements on 17 March 2011 and released them for publication. They must also be approved by the shareholders' General Meeting.

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### 37. Events after the balance sheet date

No events have taken place between 31 December 2010 and 17 March 2011 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, 17 March 2011

As statutory auditor, we have audited the accompanying consolidated financial statements of Kardex AG, presented on pages 52 to 117, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2010.

## 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 International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 year ended 31 December 2010 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 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



Roman Wenk  
Licensed Audit Expert



# Financial reporting Kardex AG (Holding)

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# Income statement Kardex AG (Holding)

CHF millions	Notes	2010	2009
Income from investments		6.8	6.3
Licensing income		6.9	7.3
Financial income		3.2	2.6
Other income		1.9	3.6
<b>Total income</b>		<b>18.8</b>	<b>19.8</b>
Administrative expenses	11	-7.8	-7.2
Licensing expenses		-0.3	-0.3
Trademark amortization		-0.3	-1.4
Financial expenses	12	-5.1	-3.1
Extraordinary expenses			
Change in valuation of loans	5	-	-3.4
<b>Total expenses</b>		<b>-13.5</b>	<b>-15.4</b>
<b>Net result</b>		<b>5.3</b>	<b>4.4</b>

# Balance sheet Kardex AG (Holding)

CHF millions	Notes	31.12.2010	31.12.2009
Loans to Group companies	5	46.7	16.6
Investments	5	226.5	224.9
<b>Non-current assets</b>		<b>273.2</b>	<b>241.5</b>
Receivables from Group companies		6.6	2.0
Prepaid expenses and other short-term receivables		0.2	0.3
Securities	6	3.1	5.0
Cash and cash equivalents		32.6	18.8
<b>Current assets</b>		<b>42.5</b>	<b>26.1</b>
<b>Assets</b>		<b>315.7</b>	<b>267.6</b>
Share capital	7,8	61.9	61.9
General reserve		41.2	41.2
Unrestricted reserve		20.0	20.0
Reserve for treasury shares	6	0.8	2.9
Retained earnings		27.7	20.2
<b>Equity</b>		<b>151.6</b>	<b>146.2</b>
Convertible bond	9		55.0
Non-current financial liabilities		30.0	
<b>Non-current financial liabilities</b>		<b>30.0</b>	<b>55.0</b>
Payables to Group companies		63.4	60.7
Other payables		8.2	5.7
Convertible bond	9	55.0	
Current portion of non-current financial liabilities		7.5	
<b>Current liabilities</b>		<b>134.1</b>	<b>66.4</b>
<b>Liabilities</b>		<b>164.1</b>	<b>121.4</b>
<b>Equity and liabilities</b>		<b>315.7</b>	<b>267.6</b>

# 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	31.12.2010	31.12.2009
Total conditional capital	9.9	9.9

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 was 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	31.12.2010	31.12.2009
Contingent liabilities in favour of subsidiaries and third parties	9.6	10.5
Subordinated loans to subsidiaries	2.3	4.6

## 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. 15, par. c of Swiss VAT legislation).

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

## 5. Subsidiaries and loans

Holdings in subsidiaries of Kardex AG are listed on pages 115 to 116 of this report.

In previous years subsidiaries were valued individually. As of 2009 the method was changed to group valuation.

The extraordinary expenses recognized in 2009 resulted from impairment charges made to loans to subsidiaries.

## 6. 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
<b>31 December 2007</b>	<b>28 466</b>	<b>61.78</b>	<b>1 759</b>
Purchase 2008	64 184	48.63	3 121
Disposal 2008	-31 854	54.15	-1 725
Valuation adjustments	-	-	-1 331
<b>31 December 2008</b>	<b>60 796</b>	<b>30.00</b>	<b>1 824</b>
Purchase 2009	-	-	-
Disposal 2009	-3 223	49.53	-160
Par value reduction	-	2.50	-144
Valuation adjustments	-	-	406
<b>31 December 2009</b>	<b>57 573</b>	<b>33.45</b>	<b>1 926</b>
Purchase 2010	-	-	-
Disposal 2010	-42 209	49.53	-2 091
Valuation adjustments	-	-	630
<b>31 December 2010</b>	<b>15 364</b>	<b>30.30</b>	<b>466</b>

In financial year 2010, no treasury convertible bonds were acquired (2009: CHF 0.0 million). The treasury convertible bonds were carried at acquisition cost as at 31 December 2010.

#### 7. Capital reduction for the purpose of par value repayment

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. This reduced 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.

#### 8. Conversion of bearer shares to registered shares

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

#### 9. Convertible bond

CHF millions	31.12.2010	31.12.2009
2.25% Convertible bond 2007–2011	55.0	55.0

Each bond, with a par value of CHF 1000.00 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 2010.

### 10. Significant shareholders 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:

	31.12.2010	31.12.2009
Buru Holding and Philipp Buhofer	20.3%	20.3%
Credit Suisse Asset Management Funds	-	3.6%
Pictet Funds SA	5.1%	3.0%

### 11. Administrative expenses

CHF millions	2010	2009
Personnel expenses	4.2	4.1
Other expenses	3.6	3.1
<b>Total administrative expenses</b>	<b>7.8</b>	<b>7.2</b>

### 12. Financial expenses

During financial year 2010, interest costs in the amount of CHF 1.3 million (2009: CHF 1.7 million) were incurred in connection with the convertible bond. Interest expenses in the amount of CHF 1.0 million and a commitment fee of CHF 0.3 million were incurred in financial year 2010 as a result of the syndicated loan.

### 13. Compensations and shareholdings

#### 13.1 Compensations

Board of Directors 2010

CHF 1 000	Board of Directors total	Leo Steiner Chairman of the Board of Directors	Philipp Buhofer	Dave Schnell	Walter T. Vogel	Martin Wipfli
Cash payments	390	127	55	84	65	59
Share payments <sup>1, 2</sup>						
Value	135	50	20	18	26	21
Units	4854	1816	701	647	935	755
Share based payments	-	-	-	-	-	-
Payments for additional work	-	-	-	-	-	-
<b>Total</b>	<b>525</b>	<b>177</b>	<b>75</b>	<b>102</b>	<b>91</b>	<b>80</b>

## Board of Directors 2009

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

<sup>1</sup> Valuation of the shares is based on the average share price for the month preceding the date of distribution (CHF 33.12/share, previous year CHF 33.81/share). As all shares distributed to members of the Board of Directors are subject to a three-year vesting period, they are dispensed at 16% (2009: 16%) below the relevant average share price.

<sup>2</sup> 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 related parties.

CHF 1 000	Management Board	2010		2009	
		Total Management Board	Highest compensation Jos De Vuyst, CEO	Total Management Board	Highest compensation Jos De Vuyst, CEO
Cash payments (fixed)		1 523	600	2 041	634
Cash payments (variable)		337	120	639	384
Share payments (variable) <sup>3, 4</sup>	Value	85	30	160	96
	Units	3 372	1 201	5 578	-
Payments in kind <sup>5</sup>		59	49	69	58
Occupational pension expenses <sup>6</sup>		277	37	108	44
<b>Total</b>		<b>2 281</b>	<b>836</b>	<b>3 017</b>	<b>1 216</b>

<sup>3</sup> Distributed shares are priced 16% (2009: 16%) below the share price at granting date and are subject to a three-year vesting period.

<sup>4</sup> 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.

<sup>5</sup> Rent and vehicles.

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

The previous year saw the departure of one member of the Management Board. A severance payment of CHF 0.5 million was agreed. Furthermore, no credits or other emoluments of any kind were granted to members of the Management Board or related parties.

### 13.2 Shareholdings of members of the Board of Directors, the Management Board and related parties and companies

Related parties and companies comprise family members and individuals or companies subject to significant influence. All transactions with related parties 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 related parties and companies have taken place.

#### Board of Directors

	Board of Directors total	Leo Steiner Chairman of the Board of Directors	Philipp Buhofer <sup>1</sup>	Dave Schnell	Walter T. Vogel	Martin Wipfli
Shares held 31 December 2010	1 184 413	11 905	1 144 049	3 201	6 264	18 994
Convertible bonds						
31 December 2010 (CHF 1 000)	230	230				
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	-	-	-	-

<sup>1</sup> 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)	Hans De Staercke, Head of Division Kardex Stow	Stefan Seidl Head of Division Kardex Mlog
Shares held 31 Dec 2010	63 701	25 471	-	1 342	5 111	31 777
Convertible bonds						
31 December 2010 (CHF 1 000)	-	-		-	-	-
Bonds						
31 December 2010 (CHF 1 000)	-	-		-	-	-
Shares held 31 Dec 2009	27 719	22 118	1 373	-	4 228	
Convertible bonds						
31 December 2009 (CHF 1 000)	-	-	-	-	-	
Bonds						
31 December 2009 (CHF 1 000)	-	-	-	-	-	

In addition to his responsibilities as Group CEO, Jos De Vuyst has been interim head of the Kardex Remstar Division from 1 April 2009 until 31 December 2010.

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#### 14. 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 and 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 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.

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#### 15. Events after the balance sheet date

No events have taken place between 31 December 2010 and 17 March 2011 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	31.12.2010
Balance brought forward	20.2
Release of reserves of treasury shares	2.1
Net profit	5.3
<b>Retained earnings at the disposal of the General Meeting</b>	<b>27.7</b>
Allocation to general reserves	26.8
Balance to be carried forward	0.9

The Board of Directors is proposing to the General Meeting that no dividend be distributed.

# Proposal for the appropriation of general reserves

## Proposal of the Board of Directors

The Board of Directors is proposing to the General Meeting to approve the following appropriation of general reserves:

CHF millions	31.12.2010
Balance brought forward	41.2
Allocation to general reserves	26.8
<b>General reserves after appropriation of earnings</b>	<b>68.1</b>
Allocation to reserves from capital contributions	68.1

# Report of the Statutory Auditor on the Financial Statements



To the General Meeting of Shareholders of Kardex AG, Zurich

Zurich, 17. March 2011

As statutory auditor, we have audited the accompanying financial statements of Kardex AG, presented on pages 122 to 131, which comprise the income statement, balance sheet and notes for the year ended 31 December 2010.

## 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 2010 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 cir-cumstances 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



Roman Wenk  
Licensed Audit Expert

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

**Published by**  
Kardex AG, Zürich

**Counsel, text**  
apra AG für Public Relations, Zurich

**Idea, Concept, Design**  
Losego & Renfer, Zurich

**Publishing system**  
ns»publish», Druckerei Feldegg AG,  
Schwerzenbach

**Printed by**  
FO Fotorotar, Egg

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# Products and solutions of the Kardex Group



The Kardex shuttle is a computer-controlled, automated vertical lift for storage and retrieval systems. It is modular in construction and works on the „goods-to-person“ principle.



The Megamat RS is an automated vertical circulating rack. The construction of the Megamat RS of Kardex Remstar offers max. storage capacity on a smallest possible area. The modular structure allows for max. investment security and future adaptability.



The Horizontal of Kardex Remstar is an automated horizontal storage carousel providing high levels of performance and safety. Its pick-to-light system allows precise picking accuracy.



The Kardex Remstar Lektrevier is an automated media storage system that can manage thousands of files, videos, CDs, DVDs etc.



With the intelligent solutions of Kardex Remstar for your order-picking needs you can achieve much greater profitability.



Our modular systems are flexible and can be integrated into any workflow.



The StowAtlas shuttle is a semi-automated deep lane storage system. It relies on one or more pallet shuttles to serve the different storage lanes. It can be serviced by standard forklifts.



Integrated storage systems: These installations integrate different kinds of storage systems into a customized storage solution for very specific needs.



The MTwin stacker crane, produced in-house, with an overall height of up to 45 m and a maximum payload of 1 200 kg/2 x 1 200 kg.



Control station to check loads and load carriers for profile, overloading and overhang.



Monorail from Kardex Mlog with individual driven chassis. Modular construction with high payload and conveying speeds up to 2 m/s.



Kardex Mlog develops, produces and implements hardware and software solutions to control the entire goods flow in fully automated high-bay warehouses.

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