

Interim Report
2011

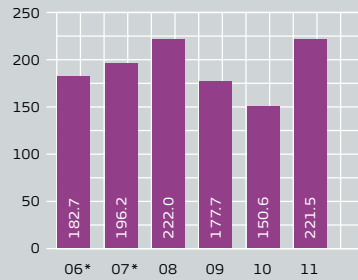


kardexgroup

Kardex Group at a glance

Net revenues

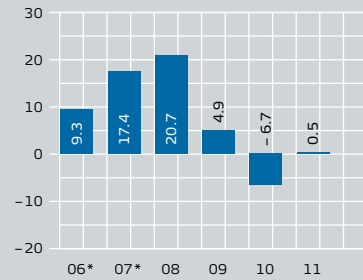
1.1.–30.6. in EUR millions



*continued operations

Operating result (EBIT)

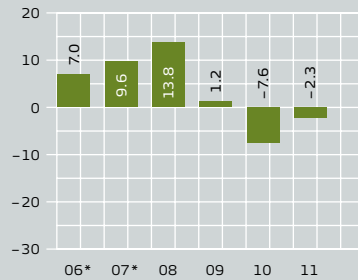
1.1.–30.6. in EUR millions



*continued operations

Net result

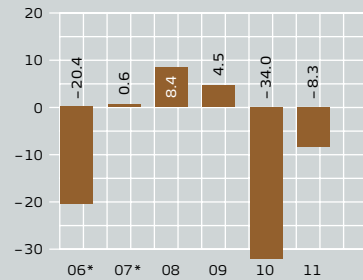
1.1.–30.6. in EUR millions



*continued operations

Free Cash Flow

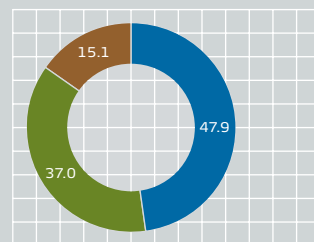
1.1.–30.6. in EUR millions



*continued operations

Segment net revenues

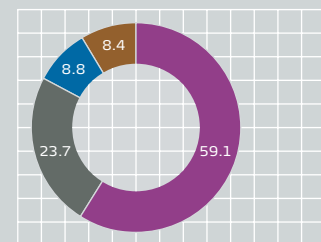
1.1.2011 – 30.6.2011 in %.



- Kardex Remstar
- Kardex Stow
- Kardex Mlog

Net revenues by regions

1.1.2011 – 30.6.2011 in %.



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

Overview

EUR millions

1 January to 30 June	2011	+/-%	2010
Bookings	251.0	34.4%	186.8
Order backlog (30 June)	156.8	21.0%	129.6
Net revenues	221.5	47.1%	150.6
Operating result (EBIT)	0.5		-6.7
EBIT in % of revenues, net	0.2%		-4.4%
Operating result before depreciation (EBITDA)	7.4		-0.5
EBITDA in % of revenues, net	3.3%		-0.3%
Result for the period	-2.3		-7.6
Result for the period in % of revenues, net	-1.0%		-5.0%
Capital expenditure (gross)	2.6	-36.6%	4.1
Net cash flow from operating activities	-6.6		-6.6
Net cash flow from operating activities in % of net revenues	-3.0%		-4.4%
Free cash flow	-8.3		-34.0
Free cash flow in % of revenues, net	-3.7%		-22.6%
	30.06.2011	31.12.2010	30.06.2010
Net debt	44.9	42.6	61.4
Equity	88.0	92.6	96.7
Equity ratio in %	29.2%	30.0%	32.5%
Employees (full-time equivalents)	2 136	2 122	2 130

More key figures

1 January to 30 June	2011	+/-%	2010
Average number of employees	2 136	8.6%	1 967
Average net sales per employee (EUR 1 000)	104	35.6%	76.5

Net revenues by regions

EUR millions

1 January to 30 June	2011	+/-%	2010
- Euro countries (without Germany)	64.7	16.6%	55.5
- Germany	64.4	103.2%	31.7
- Switzerland	7.4	13.8%	6.5
- Rest of Europe	45.2	57.5%	28.7
- Africa	1.9		-
- Americas	18.5	14.9%	16.1
- Asia Pacific	19.4	60.3%	12.1
Total net revenues	221.5	47.1%	150.6

Segment reporting

EUR millions

1 January to 30 June	2011	+/-%	2010
Kardex Remstar operating segment			
Bookings	119.5	18.9%	100.5
Order backlog (30 June)	73.1	10.3%	66.3
Segment net revenues	106.2	26.7%	83.8
Operating result (EBIT)	3.2		-4.2
EBIT in % of segment net sales	3.0%		-5.0%
Employees (full-time equivalents on 30 June)	1 292	-1.4%	1 311
Kardex Stow operating segment			
Bookings	97.2	33.5%	72.8
Order backlog (30 June)	46.6	8.6%	42.9
Segment net revenues	82.1	37.8%	59.6
Operating result (EBIT)	1.2		0.1
EBIT in % of segment net sales	1.5%		0.2%
Employees (full-time equivalents on 30 June)	584	3.4%	565
Kardex Mlog operating segment (2010: 1 May to 30 June)			
Bookings	35.8	165.2%	13.5
Order backlog (30 June)	38.5	88.7%	20.4
Segment net revenues	33.4	363.9%	7.2
Operating result (EBIT)	-3.0		-1.0
EBIT in % of segment net sales	-9.0%		-13.9%
Employees (full-time equivalents on 30 June)	249	3.3%	241

Report of the Executive Committee

Dear Shareholders

The Kardex Group is on the road to recovery from the serious, economic downturn in 2009 and 2010. Bookings have been improving continuously for more than a year, leading to a steady recovery in net revenues, and since the second quarter of 2011 the turnaround has also been evident from our results. Major efforts still need to be made to put the Kardex Group back on a sound and sustainable financial footing.

Owing to the late-cyclical nature of demand for warehouse logistics solutions, the Kardex Group has only gradually started to recover from the economic crisis this year. Bookings rose by 34% compared to the same period in the previous year, and were even up by 23% against the second half of 2010. Adjusted for acquisitions, bookings increased by 25% in the first half. With an order backlog of EUR 156.8 million at the end of June, the order books are well filled compared to the lows reported on 30 June 2010 (EUR 129.6 million) and at the end of 2010 (EUR 130.0 million). After getting off to a tentative start at the beginning of the year, revenues rose continually month for month, and in June reached year-to-date peaks in every division. Overall, net revenues of EUR 221.5 million (adjusted for the acquisition of Kardex Mlog EUR 188.1 million) were posted, which is 31.2% higher than in the corresponding year-back period (EUR 143.4 million) and almost 8% more than in the – traditionally stronger – second half of 2010. However, the higher volumes did not translate into profitability until the second quarter. The Group achieved total EBITDA of EUR 7.4 million and EBIT of EUR 0.5 million, the newly integrated Kardex Mlog impacting the Group result with a negative EBIT margin of 9.0% and an operating loss of EUR 3.0 million.

The result remains unsatisfactory and casts a shadow over the encouraging revenue trend and the associated positive perception of the Kardex Group in the warehouse logistics market. The integration of Kardex Mlog is increasingly bearing fruit in terms of marketing. The potential of the one-stop shop strategy is reflected in initial joint project successes. In the first half of the year, five orders were secured, each with combined offers from at least two of the three divisions.

Kardex Remstar Division

In the first half of 2011, the net revenues of the Kardex Remstar Division (dynamic storage and retrieval systems) increased by 26.7% to EUR 106.2 million (EUR 83.8 million) thanks to a combination of the economic recovery, a redoubling of sales activities and new product launches. Improvements in the utilization of plant capacity led to a recovery of the operating result (EBIT) to EUR 3.2 million (1H 2010: EUR –4.2 million). Bookings are continuing to make positive progress. In the first half of the year, the division booked orders amounting to EUR 119.5 million (EUR 100.5 million). The order backlog as of 30 June increased from EUR 66.3 million to EUR 73.1 million. Further projects designed to optimize the cost structure and adjust it to the order situation are planned or already underway in all areas. The improved order backlog at the end of the first half of 2011 and the implementation of the ongoing projects will continue to have a positive impact on the division's result despite a tougher competitive situation.

Kardex Stow Division

In the first half of 2011, Kardex Stow lifted sales by 37.8% to EUR 82.1 million and achieved an operating result of EUR 1.2 (1H 2011: EUR 0.1 million). The market environment improved compared with the previous year, although part of the growth in revenues was attributable to around 15% higher steel prices. Bookings increased by 33.5% to EUR 97.2 million and at the end of the period under review the order backlog stood at EUR 46.6 million. The gratifying growth in demand came from all markets served by Kardex Stow. Net revenues in China increased by more than 63%. In 2011, newly launched products, such as the Stow Atlas deep lane shuttle system jointly developed with Kardex Mlog and the silo system offered for the first time, enjoyed strong demand from selected customers.

Kardex Mlog Division

In the first half of 2011, the Kardex Mlog division posted revenues of EUR 33.4 million. At the same time, EBIT came to a negative EUR –3.0 million. During the period under review, bookings amounted to EUR 35.8 million. The negative operating result is unsatisfactory and, in addition to the amortization of intangible fixed assets amounting to EUR 1.4 million from the first-time consolidation, is essentially attributable to two factors: first, the rising, competition-related pressure on margins, and second, the large pool of fixed costs at the plant in Neuenstadt am Kocher, where capacity is still not fully utilized. This situation calls for rapid corrective measures which are now being introduced, but which will not filter through to the result until the 2012 financial year.

The integration of Kardex Mlog into the Kardex Group is nevertheless showing some initial successes. In the context of the internationalization strategy, initial orders were secured from Turkey, Belgium, Poland, Denmark and Austria. Since the integration in May 2010 a new mini load stacker crane for cartons and boxes for Kardex Stow has been developed, as well as a shuttle for the automation of block storage. Both machines met with a positive market reception and several units have already been sold.

Changes in management structure

After the General Meeting on 26 April, chairmanship of the company was transferred to Philipp Buhofer. As of 1 June, the Board of Directors streamlined the Group's organization with a view to shortening the decision-making process, bringing it closer to the customer and so strengthening the market positioning of the three divisions and the individual companies. The Group will now be headed by a newly created Executive Committee comprising the Chairman and Vice Chairman of the Board of Directors, the three division heads of Kardex Remstar, Kardex Stow and Kardex Mlog, as well as the Group CFO. There is to be a change of division head at Kardex Mlog. As of 1 September 2011, Hans-Jürgen Heitzer, currently responsible for Mlog Logistics' system business, will succeed Stefan Seidl as head of the division.

Adjustments to the implementation of strategy

From a long-term perspective, the Kardex Group's current areas of business are attractive and its combined expertise is meeting with a positive echo from the market. However, there is a need for structural and organizational measures to implement strategy and at the same time sustainably enhance profitability.

Kardex Remstar is operating in an environment which has become increasingly competitive in recent years, which calls for a continuous improvement of cost structures in addition to innovative efforts to remain the technological leader. Among other things, a review of the optimum use of the various company sites is underway. The feasibility of implementing the optimization projects prepared internally under the leadership of new division head Jens Fankhänel is currently being examined in collaboration with external industry specialists.

Kardex Stow is operating in a competitive market environment. Thanks to its highly automated Belgian plant and the established plant in Shanghai, this division is well positioned on the cost front compared with its competitors. As the division's geographical sphere of action is limited by high transport costs, various strategic options are presently being looked into, including the acquisition of local suppliers and entering into partnerships.

In the case of Kardex Mlog, cost and complexity considerations mean that the drive to internationalize the business will be confined to neighboring European countries in the medium term. At the same time, it will be essential to reduce the cost of manufacturing the Group's successful products. An external team of experienced logistics experts is preparing solutions for this in conjunction with the respective company managers.

Plans to convert financial accounting to Swiss GAAP ARR (FER)

The Board of Directors of Kardex AG has decided to convert the Kardex Group's financial accounting from IFRS (International Financial Reporting Standards) to Swiss GAAP ARR (FER) with effect from the 2011 annual financial statements as of 1 January 2011. In the Board's view, the ever more complex detailed provisions of IFRS do not create any additional transparency for small and mid caps and have become increasingly unattractive owing to the considerable amount of work involved and the resulting costs. Swiss GAAP ARR (FER) is a recognized accounting standard which in future will allow the company to continue to publish high-quality, transparent financial reports, including segment reporting, at half-yearly intervals in compliance with the requirement to present a true and fair picture.

The change in the market segment on SIX Swiss Exchange is linked to the conversion of the accounting standard. After the change, the company's shares will no longer be traded in the Main Standard, but in the Domestic Standard.

Capital increase in preparation

In order to strengthen its equity base and increase its financial flexibility, Kardex AG will be undertaking a capital increase with full subscription rights for all shareholders in the third quarter. The approximately CHF 30 million in new funds which the Group plans to raise will enable it to refinance with shareholders' equity roughly half of the convertible bond issue which matured at the end of June 2011. It has in the meantime been repaid with a bank loan. To assure its medium-term debt financing, the Kardex Group has concluded financing agreements with Swiss and foreign banks which adequately cover its need to finance working capital, as well as to granting of guarantees.

Outlook

Seen from the present perspective, the market recovery is continuing across all divisions. According to management's estimates, the results for the second half of the year should be higher than those for the first six months. However, the medium-term economic impact of the persisting global debt crisis is difficult to assess. For this reason, the main focus of the entire organization is on a further cost reductions and at the same time on maintaining innovative capacity and intensive marketing.

Thank you for the trust you place in us.

The Members of the Executive Committee

Zurich, 22 August 2011



Philipp Buhofer
President of the Executive Committee



Felix Thöni
Vicepresident of the Executive Committee



Jos De Vuyst
Head of Kardex Stow Division



Jens Fankhänel
Head of Kardex Remstar Division



Gerhard Mahrle
Chief Financial Officer Kardex Group



Stefan Seidl
Head of Kardex Mlog Division

Consolidated income statement

EUR millions	Notes	Jan. to June 2011	Proportion (%)	Jan. to June 2010	Proportion (%)
Net revenues	5, 8	221.5	100.0%	150.6	100.0%
Cost of goods sold and services provided		-174.9	-79.0%	-118.5	-78.7%
Gross profit	5, 8	46.6	21.0%	32.1	21.3%
Marketing and sales expenses		-28.2	-12.7%	-23.8	-15.8%
Administrative expenses		-16.0	-7.2%	-13.1	-8.7%
Development expenses		-2.8	-1.3%	-2.4	-1.6%
Other operating income		2.0	0.9%	1.5	1.0%
Other operating expenses		-1.1	-0.5%	-1.0	-0.7%
Operating result (EBIT)	8	0.5	0.2%	-6.7	-4.4%
Financial income		0.5	0.2%	0.5	0.3%
Financial expenses		-4.1	-1.9%	-2.8	-1.9%
Result for the period before tax		-3.1	-1.4%	-9.0	-6.0%
Income tax expense		0.8	0.4%	1.4	0.9%
Result for the period		-2.3	-1.0%	-7.6	-5.0%
Result per share for the period, Kardex AG:					
- basic (EUR)	11	-0.41		-1.36	
- diluted (EUR) ¹	11	-0.41		-1.36	

¹ As the convertible bond issue did not have any dilutive effect in 2011 and 2010, the diluted result per share for the period is the same as the basic result per share for the period.

Comprehensive income statement

EUR millions	Jan. to June 2011	Proportion (%)	Jan. to June 2010	Proportion (%)
Result for the period	-2.3	-1.0%	-7.6	-5.0%
Other comprehensive income				
Foreign currency translation differences	-1.9	-0.9%	4.1	2.7%
Hedging transactions	-0.4	-0.2%	1.2	0.8%
Taxes on other comprehensive income	-		-0.1	-0.1%
Other comprehensive income after tax	-2.3	-1.0%	5.2	3.5%
Total comprehensive income for the period after tax	-4.6	-2.1%	-2.4	-1.6%

Consolidated balance sheet

EUR millions	Notes	30.06.2011	31.12.2010	30.06.2010
Property, plant and equipment		59.9	62.7	66.2
Goodwill		43.9	43.9	44.0
Other intangible assets		17.7	20.1	22.8
Financial assets		1.2	1.1	8.7
Pension assets		0.1	0.3	0.4
Deferred tax assets		10.1	8.9	7.7
Non-current assets		132.9	137.0	149.8
Inventories, work in progress	5	38.1	30.2	40.9
Trade accounts receivable	5	84.4	73.7	63.1
Income tax receivables		1.1	2.6	3.1
Other receivables and prepaid expenses		13.6	12.2	17.1
Financial assets	5	-	10.0	-
Cash and cash equivalents		31.5	42.8	23.8
Current assets		168.7	171.5	148.0
Assets		301.6	308.5	297.8
Share capital		39.4	39.4	39.4
Reserves		49.2	53.8	58.0
Treasury shares		-0.6	-0.6	-0.7
Equity	10	88.0	92.6	96.7
Non-current financial liabilities	5, 12	44.5	34.8	42.8
Non-current pension liabilities		19.7	19.6	17.5
Deferred tax liabilities		3.7	4.2	3.9
Non-current provisions	13	2.5	2.3	1.9
Non-current liabilities		70.4	60.9	66.1
Trade accounts payable		55.8	52.5	45.1
Current financial liabilities	5, 12	31.9	50.6	42.4
Current employee benefits		13.4	11.1	11.7
Income tax payables		1.6	1.6	2.4
Current provisions	13	5.6	7.2	7.2
Other current liabilities and accruals		34.9	32.0	26.2
Current liabilities		143.2	155.0	135.0
Liabilities		213.6	215.9	201.1
Equity and liabilities		301.6	308.5	297.8

Consolidated cash flow statement

EUR millions	Notes	Jan. to June 2011	Jan. to June 2010
Result for the period		-2.3	-7.6
Income tax	4	-0.8	-1.4
Financial income		-0.5	-0.5
Financial expense		4.1	2.8
Depreciation and amortization on property, plant and equipment and intangible assets		6.9	6.2
Changes in pension assets, provisions and pension liabilities		0.3	-3.1
Result on sale of property, plant, equipment and intangible assets		-0.1	-
Other non-cash items		-1.0	-1.5
Cash flow before change in net current assets		6.6	-5.1
Change in net current assets		-12.4	-1.1
Income taxes paid		-0.8	-0.4
Net cash flow from operating activities		-6.6	-6.6
Purchase of property, plant and equipment		-2.2	-3.9
Sale of property, plant and equipment		0.1	-
Purchase of intangible and financial assets		-0.4	-0.6
Sale of intangible and financial assets		0.3	-
Acquisition of companies ¹	6	-	-23.0
Interest received		0.5	0.1
Net cash flow used in investing activities		-1.7	-27.4
Free cash flow		-8.3	-34.0
Disposal of treasury shares		-	0.1
Increase in financial liabilities		33.3	33.8
Decrease in financial liabilities		-1.6	-1.2
Repayment of convertible bond	5	-40.7	-
Disposal of financial assets (currency swap)	5	10.0	-
Interest paid		-3.7	-2.8
Net cash flow used in financing activities		-2.7	29.9
Effect of foreign currency translation differences on cash and cash equivalents		-0.3	1.1
Net change in cash and cash equivalents		-11.3	-3.0
Cash and cash equivalents at 1 January		42.8	26.8
Cash and cash equivalents at 30 June		31.5	23.8
Net change in cash and cash equivalents		-11.3	-3.0

¹ 2010: Acquisition of Mlog Logistics GmbH, Neuenstadt am Kocher, Germany

Consolidated statement of changes in equity

EUR millions	Share Capital	Capital reserves	Retained earnings	Hedging reserves	Exchange rate differences	Total reserves	Treasury shares ³	Equity
Opening balance 1 January 2010	39.4	79.3	-16.6	-	-2.1	60.6	-1.9	98.1
Result for the period			-7.6			-7.6		-7.6
Other comprehensive income:								
– Foreign currency translation differences (after tax) ¹					4.0	4.0		4.0
– Hedging transaction (after tax)			-	1.2		1.2		1.2
Total other comprehensive income (after tax)			-	1.2	4.0	5.2		5.2
Total comprehensive income for the period			-7.6	1.2	4.0	-2.4		-2.4
Transactions with shareholders:								
– Disposal of treasury shares ²			-0.2			-0.2	1.2	1.0
Transactions with shareholders			-0.2			-0.2	1.2	1.0
Closing balance 30 June 2010	39.4	79.3	-24.4	1.2	1.9	58.0	-0.7	96.7
Opening balance 1 July 2010	39.4	79.3	-24.4	1.2	1.9	58.0	-0.7	96.7
Result for the period			-2.2			-2.2		-2.2
Other comprehensive income:								
– Foreign currency translation differences (after tax) ¹			0.1		-1.1	-1.0		-1.0
– Hedging transaction (after tax)			-	-0.8		-0.8		-0.8
Total other comprehensive income (after tax)			0.1	-0.8	-1.1	-1.8		-1.8
Total comprehensive income for the period			-2.1	-0.8	-1.1	-4.0		-4.0
Transactions with shareholders:								
– Disposal of treasury shares ²			-0.2			-0.2	0.1	-0.1
Transactions with shareholders			-0.2			-0.2	0.1	-0.1
Closing balance 31 December 2010	39.4	79.3	-26.7	0.4	0.8	53.8	-0.6	92.6
Opening balance 1 January 2011	39.4	79.3	-26.7	0.4	0.8	53.8	-0.6	92.6
Result for the period			-2.3			-2.3		-2.3
Other comprehensive income:								
– Foreign currency translation differences (after tax) ¹					-1.9	-1.9		-1.9
– Hedging transaction (after tax)				-0.4		-0.4		-0.4
Total other comprehensive income (after tax)				-0.4	-1.9	-2.3		-2.3
Total comprehensive income for the period			-2.3	-0.4	-1.9	-4.6		-4.6
Transactions with shareholders:								
			-			-	-	-
Closing balance 30 June 2011	39.4	79.3	-29.0	-	-1.1	49.2	-0.6	88.0

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

² As part of share-based remuneration, treasury shares were allocated in the amount of EUR 0.04 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.

³ Number of treasury shares held as of 30 June 2011: 13 473 (30 June 2010: 20 218).

Notes to the consolidated interim financial statements

1. General information

The consolidated half-year 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 SIX Swiss Exchange.

The consolidated half-year financial statements as at 30 June 2011 have been drawn up in accordance with the requirements of Swiss company law and the listing regulations of SIX Swiss Exchange and comply with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The half-year financial statements presented here are an update of the financial position as stated at 31 December 2010 and should be read in conjunction with the information published in the 2010 Annual Report. Apart from the changes listed under 2 below, the accounting and valuation principles applied are the same as those used in the 2010 annual report.

2. Changes in accounting policies

Kardex applies the following amended or new standards and interpretations published by the IASB from the time of their entry into force:

Standard/Interpretation	Entry into force	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 the 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

The changes have no material impact on the consolidated financial statements other than additional disclosures or changes in presentation.

3. 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 30 June. The interim 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.

4. 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.

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 the parameters used 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 influence on the expenses and income pertaining to employee retirement benefit plans.

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.

Income taxes

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 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 value adjustment 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 the 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 which exhibit an asset-side balance vis-à-vis customers are recognized as assets in the balance sheet, construction contracts which exhibit a liability-side balance vis-à-vis customers are recognized as debt in the balance sheet.

5. Significant changes compared to the previous year

During the prior-year reporting period, the Kardex Mlog operating segment was included in the scope of consolidation for two months as of 1 May 2010. During the period under review, the Kardex Mlog operating segment was included for six months (see 6., 8.).

The 2.25% convertible bond with a nominal value of CHF 55.0 million issued by Kardex AG on 29 June 2007 was repaid to bondholders on time on 29 June 2011. No currency loss was incurred as the currency risk against the EUR had been hedged. Because of this currency hedging, the balance sheet item current financial assets decreased by EUR 10.0 million compared to 31 December 2010 as this item included the currency swap. The second tranche of the syndicated loan amounting to EUR 33.0 million taken out with the consortium of banks on 20 April 2010 was used to repay the convertible bond (see 12).

The increase in revenues during the period under review compared with the prior-year period and the second half of 2010 resulted in a rise in net current assets. The item inventories, work in progress and construction contracts increased by EUR 7.9 million to EUR 38.1 million compared with the beginning of the year, while the item trade accounts receivable increased by EUR 10.7 million to EUR 84.4 million.

As a producer of capital goods for the logistics industry, the Kardex Group is a late-cyclical company and, therefore, was affected by the economic crisis in 2010. In the first half of 2011, demand recovered and bookings and revenues increased both compared with the prior-year period and compared with the second half of 2010. In the period under review, bookings amounted to EUR 251.0 million and were therefore up EUR 64.2 million on the prior-year period and up EUR 46.8 million on the second half of 2010. Revenues in the first half of 2011 were up EUR 70.9 million on the first half of 2010 and up EUR 16.2 million on the second half of 2010.

Efficiency improvements in the production facilities of all three divisions went some way toward compensating for the price pressure in the market. The gross profit margin declined by 0.3 percentage points versus the previous year, but this fall was well below the erosion of margins in financial 2010.

Tax income of EUR 0.8 million comprised mainly income taxes amounting to EUR -1.2 million, the change in deferred taxes amounting to EUR 1.4 million and capitalized loss carryforwards totaling EUR 0.4 million.

6. Scope of consolidation

Acquisitions

No acquisitions took place during the period under review.

During the prior-year period, 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.

Kardex Mlog is a leading supplier of automated materials handling systems which mainly operates in Germany.

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. The Mlog 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.

In the period from 1 May 2010 to 30 June 2010, the Kardex Mlog Division posted revenues of EUR 7.2 million and a loss for the period of EUR 0.9 million. If Mlog had been taken over on 1 January 2010, management estimates that the consolidated revenues of the Kardex Group for the period from 1 January 2010 to 30 June 2010 would have come to EUR 164.0 million and the loss for the period would have come to EUR 9.3 million.

The purchase price of EUR 29.6 million paid for all of the shares in Mlog comprises EUR 28.9 million in cash plus shares of Kardex AG with a value of EUR 0.7 million.

The contract of purchase between the sellers and the Kardex Group does not contain any agreement about subsequent purchase price adjustments.

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 2010: EUR 5.8 million), total identifiable assets from the business combination amount to EUR 16.5 million (Interim Report 2010: EUR 16.3 million) and goodwill amounts to EUR 13.1 million (Interim Report 2010: EUR 13.3 million).

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.

The acquisition gave rise to goodwill amounting to EUR 13.1 million in the consolidated balance sheet of the Kardex Group (paid purchase price of EUR 29.6 million less recognized net assets from business combination of EUR 16.5 million).

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

Disposals

No divestments took place during the period under review or during the relevant prior-year period.

7. Seasonality

The operating segments of the Group are subject to seasonal fluctuations as a result of customers' investment cycles. Experience shows that capital expenditures for investment goods and final acceptance for construction contracts are often placed in the second half of the year. Historically, this has tended to result in slightly lower net revenues and segment results for the first half of the year.

8. Segment reporting

Until 31 May 2011, the Kardex Group was 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). Since 1 June 2011, the Kardex Group has been managed by the Board of Directors through the Executive Committee and the management of the operating divisions. 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 Executive Committee. The Executive Committee comprises the Chairman and Vice Chairman of the Board of Directors, the three division heads of Kardex Remstar, Kardex Stow and Kardex Mlog, as well as the Group CFO. In establishing the Executive Committee, the Kardex Group is increasing the decision-making competence of the divisions. The forward transfer of decision-making authority means that the function of Chief Executive Officer (CEO) no longer be required. 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 Executive Committee. 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 events 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 the valuation of its profitability and
 - 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 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 aftersales 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 at 30 June 2011/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)	32.0	32.2	0.5	64.7	–	–	64.7
– Germany	20.8	13.1	30.5	64.4	–	–	64.4
– Switzerland	6.1	1.3	–	7.4	–	–	7.4
– Rest of Europe	17.4	25.4	2.4	45.2	–	–	45.2
– Africa	0.2	1.7	–	1.9	–	–	1.9
– Americas	18.5	–	–	18.5	–	–	18.5
– Asia Pacific	11.2	8.2	–	19.4	–	–	19.4
Total net revenues, third party	106.2	81.9	33.4	221.5	–	–	221.5
Net revenue, with other operating segments	–	0.2	–	0.2	–	–0.2	–
Net revenue	106.2	82.1	33.4	221.7	–	–0.2	221.5
Cost of goods sold and services provided	–71.9	–68.9	–30.3	–171.1	–	0.2	–170.9
Depreciation and amortization of property, plant and equipment and intangible assets	–2.3	–1.5	–0.2	–4.0	–	–	–4.0
Gross profit	32.0	11.7	2.9	46.6	–	–	46.6
Marketing and sales expenses	–18.0	–7.3	–2.9	–28.2	–	0.2	–28.0
Administrative expenses	–8.4	–2.5	–1.6	–12.5	–2.8	1.9	–13.4
Development expenses	–1.8	–0.7	–0.2	–2.7	–	–	–2.7
Other operating income	0.5	1.2	0.5	2.2	1.9	–2.1	2.0
Other operating expense	–0.1	–0.8	–0.2	–1.1	–	–	–1.1
Depreciation and amortization of property, plant and equipment and intangible assets	–1.0	–0.4	–1.5	–2.9	–	–	–2.9
Operating result (EBIT)	3.2	1.2	–3.0	1.4	–0.9	–	0.5
Financial income	0.4	–	–	0.4	3.4	–3.3	0.5
Financial expense	–2.0	–0.6	–0.5	–3.1	–2.2	1.2	–4.1
Result for the period before tax	1.6	0.6	–3.5	–1.3	0.3	–2.1	–3.1
Income tax	–0.3	0.2	0.9	0.8	–	–	0.8
Result for the period	1.3	0.8	–2.6	–0.5	0.3	–2.1	–2.3
Number of employees on 30 June (full-time equivalents)	1 292	584	249	2 125	11	–	2 136

Eliminations concern intra-Group transactions.

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. The net revenues of the Kardex Stow operating segment include deliveries to a major customer in various countries and account for 16.8% of the segment's net revenues. The net revenues of the Kardex Mlog operating segment include deliveries two major customers; they account for 15.9% and 15.6% respectively of the segment's net revenues. The deliveries were made to Germany.

Segment reporting at 30 June 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)	27.9	27.6	-	55.5	-	-	55.5
– Germany	14.9	9.6	7.2	31.7	-	-	31.7
– Switzerland	5.3	1.2	-	6.5	-	-	6.5
– Rest of Europe	12.5	16.2	-	28.7	-	-	28.7
– Africa	-	-	-	-	-	-	-
– Americas	16.1	-	-	16.1	-	-	16.1
– Asia Pacific	7.1	5.0	-	12.1	-	-	12.1
Total net revenues, third party	83.8	59.6	7.2	150.6	-	-	150.6
Net revenue, with other operating segments	-	-	-	-	-	-	-
Net revenue	83.8	59.6	7.2	150.6	-	-	150.6
Cost of goods sold and services provided	-58.3	-49.0	-6.8	-114.1	-	-	-114.1
Depreciation and amortization of property, plant and equipment and intangible assets	-2.5	-1.8	-0.1	-4.4	-	-	-4.4
Gross profit	23.0	8.8	0.3	32.1	-	-	32.1
Marketing and sales expenses	-16.5	-6.5	-0.6	-23.6	-	-	-23.6
Administrative expenses	-7.3	-2.1	-0.1	-9.5	-3.5	1.5	-11.5
Development expenses	-1.9	-0.3	-0.2	-2.4	-	-	-2.4
Other operating income	0.7	0.9	0.1	1.7	2.0	-2.2	1.5
Other operating expense	-1.4	-0.3	-	-1.7	-	0.7	-1.0
Depreciation and amortization of property, plant and equipment and intangible assets	-0.8	-0.4	-0.5	-1.7	-0.1	-	-1.8
Operating result (EBIT)	-4.2	0.1	-1.0	-5.1	-1.6	-	-6.7
Financial income	0.6	0.2	-	0.8	3.9	-4.2	0.5
Financial expense	-1.5	-0.6	-0.1	-2.2	-2.5	1.9	-2.8
Result for the period before tax	-5.1	-0.3	-1.1	-6.5	-0.2	-2.3	-9.0
Income tax	1.2	-	0.2	1.4	-	-	1.4
Result for the period	-3.9	-0.3	-0.9	-5.1	-0.2	-2.3	-7.6
Number of employees on 30 June (full-time equivalents)	1 311	565	241	2 117	13	-	2 130

Eliminations concern intra-Group transactions.

The net revenues of the Kardex Stow operating segment include deliveries to a major customer. These deliveries were to various European countries and accounted for 14.6% of the segment's net revenues. The net revenues of the Kardex Mlog operating segment include deliveries to two major customers; they account for 33.0% and 16.8% 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.

Segment reporting at 30 June 2011/ 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)	0.6	45.4	–	46.0	–	–	46.0
– Germany	46.3	–	14.1	60.4	–	–	60.4
– Switzerland	0.2	–	–	0.2	0.6	–	0.8
– Rest of Europe	2.6	–	–	2.6	–	–	2.6
– Americas	5.5	–	–	5.5	–	–	5.5
– Asia-Pacific	0.2	6.0	–	6.2	–	–	6.2
Financial- and pension assets	18.9	–	–	18.9	210.2	–227.8	1.3
Deferred tax assets	5.7	2.5	1.9	10.1	–	–	10.1
Non-current assets	80.0	53.9	16.0	149.9	210.8	–227.8	132.9
Currents assets	108.6	59.1	29.1	196.8	24.0	–52.1	168.7
Assets	188.6	113.0	45.1	346.7	234.8	–279.9	301.6
Equity	83.6	50.6	10.6	144.8	134.0	–190.8	88.0
Non-current liabilities	46.1	6.7	17.7	70.5	36.8	–36.9	70.4
Current liabilities	58.9	55.7	16.8	131.4	64.0	–52.2	143.2
Equity and liabilities	188.6	113.0	45.1	346.7	234.8	–279.9	301.6
Capital expenditure	1.6	0.3	0.3	2.2	0.4	–	2.6

Eliminations concern intra-Group transactions.

Segment reporting 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	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
Assets	205.2	105.1	49.1	359.4	256.8	-307.7	308.5
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
Equity and liabilities	205.2	105.1	49.1	359.4	256.8	-307.7	308.5
Capital expenditure	7.2	1.3	0.1	8.6	-	-	8.6

Eliminations concern intra-Group transactions.

9. Convertible bond

On 29 June 2007, Kardex AG issued a 2.25% convertible bond with a nominal value of CHF 55.0 million and used the proceeds to repay existing bank loans. The conversion right could be exercised over the entire term of the bond, i.e. from 29 June 2007 until 29 June 2011. Bondholders could convert one bond with a par value of CHF 1000 into 14.06 Kardex shares. The conversion price may differ over time as circumstances changed (see also Convertible Bond Prospectus of 26 June 2007, pages 29–34).

The convertible bond was repaid to bondholders on schedule on 29 June 2011. No currency loss was incurred as the currency risk against the EUR had been hedged. From the hedging transaction, EUR 0.4 million from shareholders' equity was reclassified as financial income of the income statement.

In the period under review the Kardex Group did not redeem any of the convertible bond (first six months of 2010: EUR 0.0).

The market value (stock exchange price) of the bond issue as at 30 June 2010 was EUR 40.8 million. The book value of the bond issue of EUR 37.0 million as at 30 June 2010 included the conversion right in the amount of EUR 0.02 million, which represents an embedded derivative (debt financing instrument) and was carried at fair value.

10. 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1 January	11.00	11.00	5 627 453	5 627 453	39.4	39.4	15 364	57 573	-0.6	1.9
Disposals							-1 891	-37 355	-	-1.2
30 June	11.00	11.00	5 627 453	5 627 453	39.4	39.4	13 473	20 218	-0.6	0.7
Disposals								-4 854		-0.1
31 December		11.00		5 627 453		39.4		15 364		-0.6

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 of 30 June 2011, there were 5 627 453 (5 627 453) fully paid up registered shares with a nominal value of CHF 11.00 (CHF 11.00.) outstanding.

The share capital of Kardex AG can be increased by an amount of CHF 9.9 million (CHF 9.9 million) through the issuing of up to 900 000 (900 000) fully paid up shares with a nominal value of CHF 11.00 (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 consist of undistributed profits from previous years. 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).

The 33rd ordinary General Meeting of the shareholders of Kardex AG, Zurich, on 26 April 2011 approved the proposal put forward by the Board of Directors for the creation of authorized capital amounting to a maximum of CHF 30 950 986. The Board of Directors is authorized, at any time until 26 April 2013, to increase the share capital by a maximum of CHF 30 950 986 by issuing a maximum of 2 813 726 fully paid-up registered shares with a par value of CHF 11.00 each. Increases in partial amounts are permitted. The Board of Directors determines the issue price, the method of payment, the timing of the issue, and the date on which dividend entitlement commences. In addition, the Board of Directors determines the modalities for the exercising of subscription rights. These may be neither excluded nor limited. New shares may be issued by means of a firm underwriting. Subscription rights which are not exercised may be used by the Board of Directors in the interest of the company. The subscription and purchase of the new shares and any subsequent transfer of shares are subject to the restrictions on registration as laid down in the company's Articles of Association. If and to the extent that the Board of Directors has used or reserved the conditional capital in accordance with the company's Articles of Association, the authorized capital is reduced by the corresponding amount, which will not exceed the maximum of CHF 9 900 000 (maximum of 900 000 shares).

In the period under review, the Management Board drew as part of their compensation for the 2010 financial year 1 891 (5 578) shares from the company's holdings of treasury shares. In the prior-year period, 31 777 shares from the holdings of treasury shares were used to pay part of the purchase price of Mlog Logistics GmbH. As of 30 June 2011, Kardex AG held 13 473 (20 218) treasury shares valued at an average share price of CHF 49.53 (CHF 49.53) each.

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 and enable the corporate strategy to be implemented
- to maintain a solid balance sheet structure for the sustained development of the Kardex Group's business operations through future investments
- to achieve a return for investors that is commensurate with the risk
- to target an equity ratio of at least 35.0%

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

As of 30 June 2011, the equity ratio was 29.2% (31 December 2010: 30.0%, 30 June 2010: 32.5%).

11. Earnings per share

1 January to 30 June	2011	2010
Number of outstanding shares at the beginning of the financial year	5 612 089	5 569 880
Purchases of treasury shares		
Disposals of treasury shares	1 891	37 355
Number of outstanding shares at the end of the financial year	5 613 980	5 607 235
Weighted average number of outstanding shares	5 612 730	5 591 878
Adjustment for anticipated exercise of conversion rights	-	667 010
Diluted weighted average number of outstanding shares	5 612 730	6 258 888
Net result Group (EUR)	-2 276 000	-7 577 000
Dilution effect (EUR):		
- Fair value adjustment for conversion right	-	-5 937
- Interest expense for conversion right	983 688	1 102 053
Consolidated result, diluted (EUR)	-1 292 312	-6 480 884
Basic earnings per share (EUR)	-0.41	-1.36
Diluted earnings per share (EUR)	-0.41	-1.36

12. Financial liabilities

EUR millions	30.06.2011	31.12.2010	30.06.2010
Banks	43.3	33.3	41.0
Finance lease liabilities	1.2	1.5	1.8
Total non-current financial liabilities	44.5	34.8	42.8

EUR millions	30.06.2011	31.12.2010	30.06.2010
Current bank loans	24.3	2.5	2.2
Convertible bond	-	40.8	37.0
Current portion of finance leasing	0.6	0.6	0.7
Current portion of non-current financial liabilities	7.0	6.7	2.5
Total current financial liabilities	31.9	50.6	42.4

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 first amortization in April 2011 was suspended by the banks.

The remaining EUR 40.0 million has been granted under a revolving credit facility as working capital. This serves as a working capital financing line to fund the Group's current business activities, including financing investment in non-current operating assets. As of 30 June 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 commitment fee for the second tranche is 35.0% of the respective current interest margin, calculated on the average undrawn amount.

During the period under review, a supplementary agreement was concluded in relation to the syndicated loan taken out with the consortium of banks. This supplementary agreement reduced the second tranche from EUR 40.0 million to EUR 33.0 million and was used to repay the convertible bond maturing on 29 June 2011. The Group committed itself to repay the loan amount outstanding under the second tranche in an amount corresponding to the net inflows of funds from the planned share capital increase (see 10. Equity). The supplementary agreement furthermore envisages the amortization of the first tranche of the syndicated loan in an amount of EUR 6.0 million on 30 April 2012, 30 April 2013 and 30 April 2014 and the remainder on final maturity.

The interest rate as at 30 June 2010 was 3.302% and is based on the EURIBOR rate of 1.052% plus a margin of 2.25% to cover company-specific risk. As at 30 June 2011, the interest rate for Tranche A was 4.816% and is based on the EURIBOR rate of 1.316% plus a margin of 3.50% to cover company-specific risk. The interest rate for Tranche B was 4.811% and is based on the EURIBOR rate of 1.311% plus a margin of 3.50% to cover company-specific risk. The interest due on the syndicated loan is adjusted monthly. The interest margin may decrease if the net debt/EBITDA ratio improves accordingly.

Additional credit covenants relate to the debt factor and to equity and the equity ratio.

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

13. Provisions

EUR millions	Legal disputes	Guarantees	Restructuring	Others	2011 Total	2010 Total
1 January	2.6	2.6	1.9	2.4	9.5	9.9
Acquisition of subsidiaries					-	1.2
Additions	0.3	0.2		0.4	0.9	4.9
Utilization	-0.5	-0.3	-0.8	-0.3	-1.9	-5.2
Reversal	-0.1	-0.1	-0.1		-0.3	-1.6
Reclassifications					-	0.3
Exchange rate differences				-0.1	-0.1	-
30 June / 31 December	2.3	2.4	1.0	2.4	8.1	9.5
Non-current provisions	0.2	1.5	-	0.8	2.5	2.3
Current provisions	2.1	0.9	1.0	1.6	5.6	7.2

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.

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.

In December 2010, the management of the Kardex Group 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 (Rhineland Palatinate) and Neuburg (Bavaria). During the period under review, a start was made on the implementation of the organizational adjustments decided upon. The provisions made for this in financial year 2010 in the amount of EUR 0.8 million were reduced accordingly.

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

14. Contingent liabilities

EUR millions	30.06.2011	31.12.2010
Total contingent liabilities	-	-

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.

15. Value of assets

The value of all assets which fall under IAS36 was reviewed as of 30 June 2011. This review did not reveal any need for writedowns. The goodwill impairment test was based on business plans adjusted in light of the current economic trend and accepted by management. This revealed that the goodwill reported on the balance sheet as of 30 June 2011 based on the adjusted business plans is sound and that no writedowns are required.

16. Related parties

Related parties include members of the Board of Directors and Executive Board, important shareholders and companies under their control. There are no outstanding receivables from or liabilities towards these parties. In the first half of 2011, 1891 (5578) treasury shares were granted to the members of the Management Board as part of their remuneration for the 2010 financial year. The period under review saw the departure of one member of the Management Board. A severance payment of EUR 446000 was agreed and paid out in February 2011. No transactions of any significance were carried out with related parties or companies during the period under review or the corresponding prior-year period.

17. Events after the balance sheet date

No events have taken place between 30 June 2011 and 22 August 2011 that would require an adjustment of the carrying amounts of assets and liabilities of the Kardex Group. A termination agreement was signed with one member of the Executive Committee after the balance sheet date. A severance payment of EUR 267000 was agreed. There are no further events which need to be disclosed here.

18. Release for publication

The Board of Directors approved these consolidated interim financial statements on 22 August 2011.

Dates for 2012

Annual Media Conference
Thursday, 29 March 2012
SIX Swiss Exchange, Zurich

Annual General Meeting
Thursday, 24 April 2012
SIX Swiss Exchange, Zurich

The Interim Report is published in English and German. The German version is binding.

All statements in this report, other than those based on historical fact, are forward-looking and provide no guarantee of future performance. They cover risks and uncertainties including, but not restricted to, future global economic conditions, exchange rates, statutory requirements, market conditions, activities of competitors and other factors beyond the company's control.

Published by
Kardex AG, Zurich

Concept and design
Losego & Renfer, Zurich

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

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