Financial reporting
Kardex Group

Consolidated income statement

EUR millions	Notes	2012	Proportion (%)	2011	Proportion (%)
Net revenues	1	484.4	100.0%	459.2	100.0%
Cost of goods sold and services provided		–366.0	–75.6%	–361.3	–78.7%
Gross profit		**118.4**	**24.4%**	**97.9**	**21.3%**
Marketing and sales expenses		–58.2	–12.0%	–55.2	–12.0%
Administrative expenses		–29.6	–6.1%	–29.1	–6.3%
Development expenses		–5.4	–1.1%	–5.2	–1.1%
Other operating income	5	5.2	1.1%	4.5	1.0%
Other operating expenses	5	–2.8	–0.6%	–2.5	–0.5%
Operating result (EBIT)		**27.6**	**5.7%**	**10.4**	**2.3%**
Financial result, net	7	–3.1	–0.6%	–6.4	–1.4%
Result for the period before tax		**24.5**	**5.1%**	**4.0**	**0.9%**
Income tax expense	8	–3.1	–0.6%	–1.0	–0.2%
Result for the period		**21.4**	**4.4%**	**3.0**	**0.7%**
Earnings per share (EUR)[1]:	17	2.77		0.48	

[1] No dilutive effect occurred in 2012 and 2011, the diluted result per share is the same as the basic result per share (net result/average number of outstanding shares).

Consolidated balance sheet

EUR millions	Notes	31.12.2012	31.12.2011
Property, plant and equipment	9	51.5	57.3
Intangible assets	9	5.0	5.5
Financial assets	11	7.0	7.3
Non-current assets		**63.5**	**70.1**
Inventories and work in progress	12	30.0	41.4
Trade accounts receivable	13	92.3	91.3
Other receivables	14	11.0	9.9
Prepaid expenses		4.9	2.9
Cash and cash equivalents	15	34.1	36.9
Current assets		**172.3**	**182.4**
Assets		**235.8**	**252.5**
Share capital	16	59.9	59.9
Capital reserves		83.8	83.9
Retained earnings incl. translation differences		–57.8	–79.2
Treasury shares	16	–0.5	–0.1
Equity		**85.4**	**64.5**
Non-current financial liabilities	18	15.3	41.9
Non-current provisions	20	21.4	21.1
Non-current liabilities		**36.7**	**63.0**
Trade accounts payable		52.6	55.7
Current financial liabilities	18	6.4	10.6
Current provisions	20	7.4	6.4
Accruals		25.3	27.2
Other current liabilities	21	22.0	25.1
Current liabilities		**113.7**	**125.0**
Liabilities		**150.4**	**188.0**
Equity and liabilities		**235.8**	**252.5**

Consolidated cash flow statement

EUR millions	Notes	2012	2011
Result for the period		21.4	3.0
Depreciation on property, plant and equipment and amortization on intangible assets	9	10.1	10.3
Impairment of assets	9	–	0.8
Changes in provisions and pension liabilities		1.2	2.1
Other non-cash items		–0.8	–
Cash flow before change in net current assets		**31.9**	**16.2**
Change in accounts receivables		–0.5	–17.4
Change in inventories and work in progress		11.6	–11.0
Change in other receivables and prepaid expenses		–1.8	–1.0
Change in accounts payables		–3.4	3.1
Change in other current liabilities and accruals		–6.4	6.7
Net cash flow from operating activities		**31.4**	**–3.4**
Purchase of property, plant and equipment	9	–3.7	–4.2
Sale of property, plant and equipment	9	1.4	0.2
Purchase of intangible and financial assets		–1.4	–0.7
Sale of intangible and financial assets		0.2	0.3
Acquisition of companies[1]	27	0.5	–
Net cash flow from investing activities		**–3.0**	**–4.4**
Free cash flow		**28.4**	**–7.8**
Acquisitions of treasury shares	16	–0.7	–
Disposals of treasury shares		0.2	0.2
Repayment of convertible bond		–	–40.7
Currency swap on convertible bond		–	10.0
Changes in current financial liabilities		–4.2	–1.3
Changes in non-current financial liabilities		–26.6	8.7
Capital increase		–	25.4
Net cash flow from financing activities		**–31.3**	**2.3**
Effect of foreign currency translation differences on cash and cash equivalents		0.1	–0.4
Net change in cash and cash equivalents		**–2.8**	**–5.9**
Cash and cash equivalents at 1 January	15	36.9	42.8
Cash and cash equivalents at 31 December	15	34.1	36.9
Net change in cash and cash equivalents, Group		**–2.8**	**–5.9**

[1] Reduction of purchase price for the acquisition of Mlog Logistics GmbH due to compensation payment by sellers.

Consolidated statement of changes in equity

EUR millions	Notes	Share capital	Capital reserves	Retained earnings	Hedging reserves	Translation differences	Total reserves	Treasury shares[1]	Equity
Opening balance 1 January 2011		**39.4**	**79.3**	**–83.0**	**0.4**	**0.6**	**–2.7**	**–0.6**	**36.1**
Result for the period				3.0			3.0		3.0
Foreign currency translation differences[2]						0.2	0.2		0.2
Hedging transaction					–0.4		–0.4		–0.4
Disposals of treasury shares[3]	16		–0.3				–0.3	0.5	0.2
Capital increase[4]	16	20.5	4.9				4.9		25.4
Closing balance 31 December 2011		**59.9**	**83.9**	**–80.0**	**–**	**0.8**	**4.7**	**–0.1**	**64.5**
Opening balance 1 January 2012		**59.9**	**83.9**	**–80.0**	**–**	**0.8**	**4.7**	**–0.1**	**64.5**
Result for the period				21.4			21.4		21.4
Acquisitions of companies[5]	27			0.5			0.5		0.5
Foreign currency translation differences [2]						–0.5	–0.5		–0.5
Acquisition of treasury shares	16						–	–0.7	–0.7
Disposals of treasury shares[3]	16		–0.1				–0.1	0.3	0.2
Closing balance 31 December 2012		**59.9**	**83.8**	**–58.1**	**–**	**0.3**	**26.0**	**–0.5**	**85.4**

[1] Number of treasury shares held as of 31 December 2012: 21 500 (3149).

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

[3] As part of share-based remuneration, treasury shares were allocated in the amount of EUR 0.3 million (EUR 0.5 million).

[4] On 2 September 2011, the Board of Directors of Kardex AG increased the share capital.

[5] Reduction of purchase price for the acquisition of Mlog Logistics GmbH due to compensation payment by sellers.

Notes to the consolidated financial statements

1. General information

The consolidated financial statements of the Kardex Group include Kardex AG and its subsidiaries (referred to collectively as the "Group" and individually as the "Group companies"). Kardex AG is the Group's parent company, a limited company under Swiss law, which is registered and domiciled in Zurich, Switzerland. Kardex AG 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 Swiss GAAP FER (FER) in their entirety.

2. Significant accounting policies

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 derivative financial instruments, which might be stated at fair value.

Principles of consolidation

The consolidated financial statements include Kardex AG as well as all domestic and foreign subsidiaries in which Kardex AG holds a direct or indirect ownership. Acquisitions are accounted for using the purchase method. All subsidiaries in which the Group holds more than 50 % of the voting power 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. Intra-Group balances, transactions and profits not realized through third parties are eliminated in the consolidation process. Kardex AG currently has no investments with a voting power less than 20 %, no investments in associated companies nor is it participating in joint ventures.

Foreign currency translation

Group currency
The consolidated financial statements are presented in million euros.

Foreign currency transactions
Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from transactions in foreign currencies and adjustments of foreign-currency items as at the balance sheet date are recognized in the income statement.

Financial statements of subsidiaries in foreign currency
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 are shown separately under equity (cumulative translation differences).

Foreign currency impacts on long-term intra-Group loans with equity characteristics are recognized in equity.

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 for the hedging of assets and liabilities are measured initially and also subsequently in accordance with the same valuation principle as the hedged item. This means that if the hedged item is measured at fair value, the derivative financial instrument is also measured at fair value. If the lower of cost or market value is applied to the hedged item, a loss in value on the derivative financial instrument does not need to be recognized if, based on the application of lower of cost or market value, no increase in value is possible on the hedged item. The changes in value of the derivative financial instrument are recognized in the income statement, i. e. in the same way as the hedged item. The gain/loss on the derivative is neutralized by the loss/gain on the hedged item. A derivative is eliminated as soon as the end of the term has been reached or as soon as there is no further claim to future payments following disposal or default by the counterparty. At derecognition the difference between the carrying amount and the consideration received or given is recognized in the result of the period.

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. Interest expenses during the construction phase of property, plant and equipment are not capitalized.

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 cost of acquisition/net fair value or present value of the future lease payments at the start of the agreement, 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 significantly increase fair value or value in use, and expenditure that extends the estimated useful life of property, plant and 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 actual operational use commences. Property, plant and equipment under construction is not depreciated, but is regularly assessed for indication of a need to take impairment charges.

Depreciation expenses are 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 property, plant and equipment are reviewed annually and adjusted where necessary. Gains 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 fair value of the net assets acquired, results from the purchase of subsidiaries. Any goodwill that arises is offset against equity (retained earnings) at the time of acquisition. In case of the disposal of a subsidiary, acquired goodwill offset against equity at an earlier date is stated at original cost to determine the profit or loss recognized in the income statement.

The effects of a theoretical capitalization of goodwill with scheduled depreciation and any value adjustment to balance sheet and income statement during a useful life of five years are disclosed in the notes.

Internally generated intangible assets
Expenditure on development activities related to new technologies or know-how is recognized in the income statement in the period in which it is incurred. Capitalized development costs prior to conversion to FER in 2010 are depreciated over the remaining useful life.

Acquired intangible assets
Acquired intangible assets are capitalized where they will generate measurable benefits for the Group over several years.

Acquired intangible assets are stated at cost of production or acquisition less accumulated depreciation and impairment loss.

Subsequent costs
Subsequent expenditure on existing intangible assets is capitalized only when it increases the future economic benefits of the assets concerned to at least the same extent. 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. 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
Trademark rights	5 years
Capitalized software	5 years
Other intangible assets	5 years

Amortization is included in “Cost of goods sold and services provided”, “Marketing and sales expenses”, “Administrative expenses” and “Development expenses”.

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

Financial assets

Financial assets are normally measured at acquisition cost less any impairments.

Impairment of assets

Property, plant and equipment and other non-current assets are tested as at each balance sheet date to determine whether any events or changes in circumstances have occurred that might indicate an impairment. Where such indications exist, an impairment test is conducted. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized.

The recoverable amount is the higher of net fair value and value in use of the asset. The recoverable amount is normally determined for each asset. If the asset in question does not generate any separate cash flows, the smallest possible group of assets that generate separate cash flows is taken. Where the impairment exceeds the residual carrying amount, a provision amounting to the remaining difference is made.

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.

Trade accounts receivable and other current assets

Accounts receivable are stated at nominal value less any impairments. 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 a collective allowance for other long-overdue positions.

Inventories

Inventories are stated at the lower of acquisition/production cost or net fair value. Net fair value is defined as the value of the sales proceeds less the remaining costs of production, sale and administration 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. In the case of inventories manufactured by the Group, production costs also include an appropriate share of overhead. Discounts are treated as financial income. Adjustments are made for items lacking marketability and for slow-moving items.

Construction contracts

Provided contractual performance by the customer is highly probable and income and expenses arising from long-term 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 at the date of detection.

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 from the balance sheet date.

Repurchase of treasury shares

If the Group 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 in equity (capital reserves).

Dividend

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

Liabilities

Liabilities are normally shown at their nominal value.

The 2.25 % convertible bond with a nominal value of CHF 55.0 million 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.

Employee benefits

Pension plans
There are several employee pension plans within the Group, each of which complies with legal requirements for the country in question. A majority of employees are insured against retirement, death and disability, whether through a defined benefit or defined contribution plan. These plans are funded by contributions from employees and employers.

Actual economic impacts of employee pension plans on the Group are calculated on the balance sheet date. The pension plans's financial position is relevant to the measurement of pension assets and pension liabilities. In the case of Swiss pension plans, the financial statements prepared in accordance with FER 26 "Accounting of pension plans" constitute the basis. An economic obligation is carried as a liability if the conditions for the formation of a provision are met. An economic benefit is capitalized if it is used for the Group's future employee benefit expenses. Freely disposable employer contribution reserves are capitalized. The economic impacts of pension fund surpluses and shortfalls and the change in any employer contribution reserves are recognized in the income statement together with the amounts accrued over the same period. These same principles are applied in the case of foreign pension plans.

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.

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 time effect is significant, long-term provisions at the present value of probable future cash outflows 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.

Restructuring
Restructuring costs are provided for in the period in which an official, detailed restructuring plan is available to the Group and is announced. No provision is made for future operating losses.

Revenues from goods sold and services provided

Net revenues include all revenues from products sold and services provided less items such as rebates, other agreed discounts and value-added tax. Early payer discounts are reported in the financial result. Revenue from the sale of goods is recognized when the risks and rewards of ownership have transferred to the buyer which is most frequently after finalized installation or based on an accepted incoterm such as EXW, FOB or DDP. Provided that the conditions are met (see "Construction contracts"), the revenues resulting from construction contracts are reported using the percentage-of-completion method. Revenues from services are recognized according to the stage of completion. No revenue is recognized if there is significant uncertainty regarding recovery of the consideration due, associated costs or the possible return of goods.

Government grants

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

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.

Finance lease payments

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 rate of interest over the term of the liability.

Funding

Net financing costs comprise interest expense 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 as well as gains or losses from interest rate hedging are recognized in the income statement as they accrue.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement unless it relates to items recognized in 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 FER carrying amounts and the tax base. Deferred income tax assets and liabilities are netted only if they relate to the same taxable entity. Tax savings due to tax loss carryforwards on future taxable income are not recognized.

Earnings per share

Earnings per share are calculated by dividing the consolidated net result attributable to the shareholders of Kardex AG by the weighted average number of shares outstanding during the reporting period. The diluted earnings per share figure additionally includes the shares that might arise following the exercising of option rights.

Notes to the consolidated financial statements

1. Segment reporting

The Kardex Group comprises three business segments. Kardex Remstar develops, produces, sells and services dynamic storage, retrieval and distribution systems worldwide. Kardex Stow develops, produces and sells static storage systems in Europe and China, while Kardex Mlog develops, produces, sells and services stacker cranes, conveyor technology, as well as automated warehouse and materials handling systems, primarily in Germany.

Segment reporting 2012/Income statement

	Operating segments					
EUR millions	Kardex Remstar	Kardex Stow	Kardex Mlog	Kardex AG Zurich	Elimina-tions	Kardex Group
Net revenues, third party						
– Europe, Middle East and Africa	177.9	162.6	69.4	–	–	409.9
– Asia/Pacific	16.3	13.6	–	–	–	29.9
– Americas	41.9	1.2	1.5	–	–	44.6
Total net revenues, third party	**236.1**	**177.4**	**70.9**	**–**	**–**	**484.4**
Net revenues, with other operating segments	0.6	4.2	0.4	–	–5.2	–
Net revenues	**236.7**	**181.6**	**71.3**	**–**	**–5.2**	**484.4**
Cost of goods sold and services provided	–154.1	–151.1	–66.0	–	5.2	–366.0
Gross profit	**82.6**	**30.5**	**5.3**	**–**	**–**	**118.4**
Gross profit margin	34.9%	16.8%	7.4%			24.4%
Marketing and sales expenses	–36.7	–16.6	–4.9	–		–58.2
Administrative expenses	–18.7	–5.9	–3.5	–4.0	2.5	–29.6
Development expenses	–4.8	–0.3	–0.3	–	–	–5.4
Other operating income	2.7	1.9	0.7	2.6	–2.7	5.2
Other operating expense	–2.0	–0.5	–0.3	–0.2	0.2	–2.8
Operating result (EBIT)	**23.1**	**9.1**	**–3.0**	**–1.6**	**–**	**27.6**
EBIT margin	9.8%	5.0%	–4.2%			5.7%
Depreciation, impairment and amortization	5.8	3.6	0.6	0.1	–	10.1
EBITDA	**28.9**	**12.7**	**–2.4**	**–1.5**	**–**	**37.7**
EBITDA margin	12.2%	7.0%	–3.4%			7.8%

Eliminations concern intra-Group transactions.

Segment reporting 2011/Income statement

EUR millions	Operating segments Kardex Remstar	Kardex Stow	Kardex Mlog	Kardex AG Zurich	Elimina-tions	Kardex Group
Net revenues, third party						
– Europe, Middle East and Africa	169.0	151.7	73.1	–	–	393.8
– Asia/Pacific	13.4	15.2	–	–	–	28.6
– Americas	36.7	0.1	–	–	–	36.8
Total net revenues, third party	**219.1**	**167.0**	**73.1**	**–**	**–**	**459.2**
Net revenues, with other operating segments	0.2	1.7	0.3	–	–2.2	–
Net revenues	**219.3**	**168.7**	**73.4**	**–**	**–2.2**	**459.2**
Cost of goods sold and services provided	–153.0	–144.4	–66.1	–	2.2	–361.3
Gross profit	**66.3**	**24.3**	**7.3**	**–**	**–**	**97.9**
Gross profit margin	30.2%	14.4%	9.9%			21.3%
Marketing and sales expenses	–35.3	–14.4	–5.5	–	–	–55.2
Administrative expenses	–18.1	–5.6	–4.1	–5.2	3.9	–29.1
Development expenses	–3.6	–1.3	–0.3	–	–	–5.2
Other operating income	1.6	1.7	1.2	3.9	–3.9	4.5
Other operating expense	–0.4	–1.1	–1.0	–	–	–2.5
Operating result (EBIT)	**10.5**	**3.6**	**–2.4**	**–1.3**	**–**	**10.4**
EBIT margin	4.8%	2.1%	–3.3%			2.3%
Depreciation, impairment and amortization	6.6	3.7	0.7	0.1	–	11.1
EBITDA	**17.1**	**7.3**	**–1.7**	**–1.2**	**–**	**21.5**
EBITDA margin	7.8%	4.3%	–2.3%			4.7%

Eliminations concern intra-Group transactions.

2. Foreign currency translation

The main exchange rates for currency translation are:

in EUR	Average rates 2012	Average rates 2011	Year-end rates 31.12.2012	Year-end rates 31.12.2011
1 CHF	0.830	0.812	0.828	0.818
1 CNY	0.123	0.111	0.120	0.120
1 GBP	1.233	1.152	1.219	1.197
1 USD	0.778	0.718	0.755	0.765

3. Long-term construction contracts

EUR millions	2012	2011
Revenues from construction contracts (POC)	81.5	84.2

4. Personnel expenses

EUR millions	2012	2011
Salaries and wages	–93.2	–93.6
Social security contributions	–21.2	–21.5
Retirement and pension plan costs	–2.2	–2.4
Other personnel expenses	–6.5	–7.2
Total personnel expenses	**–123.1**	**–124.7**

5. Other operating income and expenses

EUR millions	2012	2011
Gains from the sale of non-current assets	0.7	0.1
Settlement of legal cases	0.7	–
Sales of discarded metal	2.2	2.5
Reversal of provision	0.6	0.5
Other income	1.0	1.4
Total other operating income	**5.2**	**4.5**

Other operating expenses include losses from tangible assets sold, severance payments, indemnities, taxes other than income taxes, provisions for onerous contracts and other positions.

6. Restructuring expenses

Restructuring expenses totalling EUR 3.3 million (EUR 3.1 million) were recognized in the income statement in the year under review. EUR 1.2 million (EUR 1.8 million) thereof was stated in the cost of goods sold and services provided, EUR 1.2 million (EUR 0.2 million) in marketing and sales expenses, EUR 0.2 million (EUR 1.1 million) in administrative expenses and EUR 0.7 million in development expenses.

7. Financial result, net

EUR millions	2012	2011
Interest income	0.2	0.5
Exchange gains (net)	0.1	–
Other financial income[1]	0.1	0.3
Total financial income	**0.4**	**0.8**
Interest expense	–2.3	–4.4
Exchange losses (net)	–	–0.6
Other financial expenses[1]	–1.2	–2.2
Total financial expenses	**–3.5**	**–7.2**
Total financial result, net	**–3.1**	**–6.4**

[1] Including early payer discounts

The financial expenses decreased by EUR 3.7 million due to the early repayment of the non-current bank loans, reduction of the risk premium of the syndicated loan, generally lower interest rate level and the repayment of the convertible bond in June 2011.

8. Income tax expense and tax losses carryforward

8.1 Income tax expense

EUR millions	2012	2011
Current income tax	–3.8	–2.1
Deferred income tax	0.7	1.1
Total income tax expense	**–3.1**	**–1.0**

The low effective tax rate of 12.7 % (25.4 %) is largely attributable to the usage of tax losses carryforward. The expected average tax rate for the year under review is 25.2 % (24.3 %) which is also applied for the deferred tax calculation.

Deferred tax assets from tax losses carryforward are not capitalized. The tax losses carryforward expire as follows:

8.2 Tax losses carryforward

EUR millions	31.12.2012	31.12.2011
Tax losses carryforward by expiration		
Until 2013	0.7	0.6
2014 until 2017	14.3	16.0
After 2017	48.8	53.2
Total tax losses carryforward	**63.8**	**69.8**

Tax losses carryforward mainly relate to Germany, Switzerland and the US. On 31 December 2012, the non-capitalized tax effects on losses carryforward amounted to EUR 16.4 million (EUR 18.7 million).

9. Property, plant, equipment and intangible assets

9.1 Property, plant and equipment 2012

EUR millions	Undeveloped properties	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
Acquisition cost, 1 January	**3.3**	**38.3**	**81.8**	**8.7**	**7.4**	**0.1**	**139.6**
Additions	–	–	2.8	0.3	0.6	–	3.7
Disposals	–	–	–3.3	–0.9	–0.6	–	–4.8
Other reclassifications	–	–0.2	–	0.2	–	–0.1	–0.1
Exchange rate differences	–	–	–0.1	–	–	–	–0.1
31 December	**3.3**	**38.1**	**81.2**	**8.3**	**7.4**	**–**	**138.3**
Accumulated depreciation and impairment, 1 January		**–13.6**	**–57.7**	**–4.9**	**–6.1**		**–82.3**
Additions – depreciation		–1.0	–5.7	–0.5	–0.8		–8.0
Disposals – depreciation		–	1.5	0.7	0.6		2.8
Disposals – impairment		–	0.5	0.1	–		0.6
Other reclassifications		0.1	–	–0.1	–		–
Exchange rate differences		–	–	–	0.1		0.1
31 December		**–14.5**	**–61.4**	**–4.7**	**–6.2**		**–86.8**
Net carrying amount, 1 January	3.3	24.7	24.1	3.8	1.3	0.1	57.3
Net carrying amount, 31 December	3.3	23.6	19.8	3.6	1.2	–	51.5
Carrying amount of fixed assets held under finance leases, 1 January	–	5.7	3.0	–	0.1	–	8.8
Carrying amount of fixed assets held under finance leases, 31 December	–	5.6	2.0	–	–	–	7.6

The insurance value of property, plant and equipment amounts to EUR 196.8 million.

Amortization of property, plant and equipment is included in the items “Cost of goods sold and services provided” (EUR 6.4 million), “Marketing and sales” (EUR 0.2 million), “Development expenses” (EUR 0.1 million) and “Administrative expenses” (EUR 1.3 million).

9.2 Property, plant and equipment 2011

EUR millions	Undeveloped properties	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Plant under construction	Total property, plant and equipment
Acquisition cost, 1 January	**3.3**	**38.0**	**80.5**	**9.1**	**7.3**	**0.5**	**138.7**
Additions	–	0.1	1.8	0.5	0.7	1.1	4.2
Disposals	–	–	–1.5	–1.0	–0.7	–	–3.2
Other reclassifications	–	–	0.8	–	0.1	–1.5	–0.6
Exchange rate differences	–	0.2	0.2	0.1	–	–	0.5
31 December	**3.3**	**38.3**	**81.8**	**8.7**	**7.4**	**0.1**	**139.6**
Accumulated depreciation and impairment, 1 January		**–12.6**	**–52.4**	**–5.2**	**–5.8**		**–76.0**
Additions – depreciation		–1.0	–5.7	–0.6	–0.8		–8.1
Additions – impairment		–	–0.8	–	–		–0.8
Disposals – depreciation		–	1.5	0.8	0.7		3.0
Other reclassifications		–	–	–	–0.1		–0.1
Exchange rate differences		–	–0.3	0.1	–0.1		–0.3
31 December		**–13.6**	**–57.7**	**–4.9**	**–6.1**		**–82.3**
Net carrying amount, 1 January	3.3	25.4	28.1	3.9	1.5	0.5	62.7
Net carrying amount, 31 December	3.3	24.7	24.1	3.8	1.3	0.1	57.3
Carrying amount of fixed assets held under finance leases, 1 January	–	5.9	3.7	–	–	–	9.6
Carrying amount of fixed assets held under finance leases, 31 December	–	5.7	3.0	–	0.1	–	8.8

The insurance value of property, plant and equipment amounts to EUR 174.0 million.

Amortization of property, plant and equipment is included in the items "Cost of goods sold and services provided" (EUR 7.4 million), "Marketing and sales" (EUR 0.4 million) and "Administrative expenses" (EUR 1.1 million).

9.3 Intangible assets in 2012

EUR millions	Capitalized development costs	Capitalized software	Patents, licences and other intangible assets	Total intangible assets
Acquisition cost, 1 January	**4.7**	**13.7**	**0.9**	**19.3**
Additions	–	1.2	0.2	1.4
Disposals	–0.3	–0.3	–	–0.6
Other reclassifications	–	–0.3	0.4	0.1
Exchange rate differences	–	–	0.1	0.1
31 December	**4.4**	**14.3**	**1.6**	**20.3**
Accumulated amortization, 1 January	**–4.4**	**–8.7**	**–0.7**	**–13.8**
Additions	–0.3	–1.6	–0.2	–2.1
Disposals	0.3	0.3	–	0.6
31 December	**–4.4**	**–10.0**	**–0.9**	**–15.3**
Net carrying amount, 1 January	0.3	5.0	0.2	5.5
Net carrying amount, 31 December	–	4.3	0.7	5.0

Amortization of intangible assets is included in the items “Cost of goods sold and services provided” (EUR 0.4 million) and “Administrative expenses” (EUR 1.7 million).

9.4 Intangible assets in 2011

EUR millions	Capitalized development costs	Capitalized software	Patents, licences and other intangible assets	Total intangible assets
Acquisition cost, 1 January	**4.7**	**13.0**	**0.8**	**18.5**
Additions	–	0.5	0.1	0.6
Disposals	–	–0.5	–	–0.5
Other reclassifications	–	0.6	–	0.6
Exchange rate differences	–	0.1	–	0.1
31 December	**4.7**	**13.7**	**0.9**	**19.3**
Accumulated amortization, 1 January	**–3.9**	**–7.7**	**–0.6**	**–12.2**
Additions	–0.5	–1.6	–0.1	–2.2
Disposals	–	0.5	–	0.5
Other reclassifications	–	0.1	–	0.1
31 December	**–4.4**	**–8.7**	**–0.7**	**–13.8**
Net carrying amount, 1 January	0.8	5.3	0.2	6.3
Net carrying amount, 31 December	0.3	5.0	0.2	5.5

Amortization of intangible assets is included in the items “Cost of goods sold and services provided” (EUR 0.8 million) and “Administrative expenses” (EUR 1.4 million).

10. Treatment of goodwill

Goodwill is offset against retained earnings at the time of acquisition. The resulting impacts on equity and the net result, taking into account a goodwill amortization period of five years, are documented below.

Effects of a theoretical amortization of goodwill on balance sheet and income statement:

EUR millions	2012	2011
Declared result for the period	21.4	3.0
Theoretical annual amortization of goodwill	–6.6	–6.5
Theoretical exchange rate differences	–0.1	–0.1
Theoretical result for the period	**14.7**	**–3.6**
Acquisition value of goodwill, 1 January	**61.7**	**61.7**
Additions	–	–
Reduction of purchase price Mlog Logistics GmbH	–0.5	–
Exchange rate differences	0.2	–
Acquisition value of goodwill, 31 December	**61.4**	**61.7**
Theoretical accumulated amortization, 1 January	**–41.4**	**–34.8**
Theoretical annual amortization of goodwill	–6.6	–6.5
Theoretical exchange rate differences	–0.1	–0.1
Theoretical accumulated amortization, 31 December	**–48.1**	**–41.4**
Theoretical net book value goodwill, 31 December	**13.3**	**20.3**
Declared equity, 31 December	**85.4**	**64.5**
Theoretical effect of recognition of goodwill, 1 January	20.3	26.9
Theoretical effect		
of recognition of goodwill in reporting period	–7.0	–6.6
Theoretical equity, 31 December	**98.7**	**84.8**

11. Financial assets

EUR millions	31.12.2012	31.12.2011
Investments	0.1	0.1
Pension assets	1.9	2.0
Other financial assets	1.2	1.4
Deferred tax assets	3.8	3.8
Total financial assets	**7.0**	**7.3**

12. Inventories and work in process

EUR millions	31.12.2012	31.12.2011
Raw materials, supplies and other consumables	17.4	19.9
Finished goods	4.2	6.9
Spare parts	7.3	7.2
Work in process	21.9	27.0
Allowances	–7.4	–6.2
Advance payments by customers	–16.2	–17.5
Advance payments to suppliers	2.8	4.1
Total inventories and work in process	**30.0**	**41.4**

13. Trade accounts receivable

EUR millions	31.12.2012	31.12.2011
Trade accounts receivable	84.8	86.7
Construction contracts with amounts due		
from customers (underfinanced)	9.8	6.7
Allowances for doubtful accounts	–2.3	–2.1
Total trade accounts receivable	**92.3**	**91.3**

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

Allowances on trade accounts receivable are made mainly on a case-by-case basis; a collective allowance is also made on long-overdue positions.

14. Other receivables

EUR millions	31.12.2012	31.12.2011
Income tax receivables	1.0	1.2
VAT, withholding and other refundable tax	3.6	3.0
Guarantees	0.4	0.5
Advance payments	3.1	2.2
Other receivables	2.9	3.0
Total other receivables	**11.0**	**9.9**

15. Cash and cash equivalents

EUR millions	31.12.2012	31.12.2011
Cash, postal and bank current accounts	33.6	35.8
Time deposits	0.5	1.1
Total cash and cash equivalents	**34.1**	**36.9**

Of cash and cash equivalents, EUR 1.9 million (EUR 0.7 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.

16. Share capital

	Nominal value per share (CHF)		Number of shares		Share capital in EUR millions		Number of treasury shares		Treasury shares in EUR millions	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
1 January	11.00	11.00	7730000	5627453	59.9	39.4	3149	15364	0.1	0.6
Additions	–	–	–	2102547	–	20.5	34659	–	0.7	–
Disposals	–	–	–	–	–	–	–16308	–12215	–0.3	–0.5
31 December	11.00	11.00	7730000	7730000	59.9	59.9	21500	3149	0.5	0.1

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 2012, there were 7 730 000 (7 730 000) fully paid up registered shares with a nominal value of CHF 11.00 (CHF 11.00) outstanding.

At the General Meeting of 24 April 2012 shareholders approved to abandon the remaining authorized capital.

The capital reserves comprise premiums as well as gains/losses from transactions with treasury shares.

In the period under review, the Executive Committee drew as part of their compensation for the 2011 financial year 6709 (2010: 1891) 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 2012 financial year 9599 (2011: 10 324) shares from the Company's holdings of treasury shares. As of 31 December 2012, Kardex AG held 21 500 (3149) treasury shares, which were purchased at an average share price of CHF 26.24 each.

In 2011, the Board of Directors conducted a capital increase and issued 2 102 547 registered shares with a par value of CHF 11.00 each, thereby raising the share capital by CHF 23 128 017 to CHF 85 030 000.

17. Earnings per share

	2012	2011
Number of outstanding shares		
at the beginning of the financial year	7726851	5612089
Issue of new shares	–	2102547
Purchases of treasury shares	–34659	–
Disposals of treasury shares	16308	12215
Number of outstanding shares		
at the end of the financial year	**7708500**	**7726851**
Weighted average number of outstanding shares	**7720905**	**6309090**
Net result Group (EUR)	**21370000**	**3005000**
Basic earnings per share (EUR)	**2.77**	**0.48**
Diluted earnings per share (EUR)[1]	**2.77**	**0.48**

[1] No dilutive effect occurred in 2012 and 2011, the diluted result per share is the same as the basic result per share (net result to average number of outstanding shares).

18. Financial liabilities

Non-current financial liabilities

EUR millions	31.12.2012	31.12.2011
Banks	14.7	40.9
Finance lease liabilities	0.6	1.0
Total non-current financial liabilities	**15.3**	**41.9**

Non-current financial liabilities with banks by due date

EUR millions	31.12.2012	31.12.2011
2 to 5 years	13.5	37.0
Over 5 years	1.2	3.9
Total non-current liabilities with banks by due date	**14.7**	**40.9**

Current financial liabilities

EUR millions	31.12.2012	31.12.2011
Current bank loans	5.5	7.1
Current portion of finance lease liabilities	0.4	0.5
Current portion of non-current financial liabilities	0.5	3.0
Total current financial liabilities	**6.4**	**10.6**

On 17 August 2011, Kardex AG took out a syndicated loan in the total amount of EUR 50 million, arranged by UBS AG (42.86%), Credit Suisse AG (35.71%) and Zürcher Kantonalbank (21.43%). This facility is divided into a credit line totalling EUR 20 million (tranche A), which has to be amortized, and a revolving, working capital credit line of EUR 30 million (tranche B). The credit line subject to amortization can be drawn in EUR and is subject to annual ordinary amortization of EUR 5.0 million payable on 30 April each year.

Tranche B is for the financing of working capital and non-current operating assets and can be drawn in EUR and CHF or other freely convertible currencies acceptable to all lenders. The interest rate for tranche A as at 31 December 2012 was 1.607% and is based on the Euribor rate of 0.107% plus a margin of 1.50% to cover Company-specific risk. Tranche B was not utilized as at 31 December 2012. The interest margin on the syndicated loan may decrease if the net debt/EBITDA ratio improves accordingly. Both tranches mature on 30 April 2015. The commitment fee for tranche B is 35% of the respective current interest margin for the calculation period, calculated on the average undrawn amount.

Compliance with the covenants agreed with the banks must be confirmed quarterly. The covenants include key financial figures relating to the leverage factor and equity ratio. All covenants were complied with as at 31 December 2012.

Financial liabilities at year-end in all currencies had an average interest rate of 3.01% (4.89%).

The market-dependent interest component of the syndicated loan depends on the development of the Euribor rate, on the one hand, and the chosen interest period, on the other; it is fixed for one to six whole months, depending on the choice of interest period.

19. Employee pension plans

Current employee benefits

EUR millions	31.12.2012	31.12.2011
Employee claims in other current liabilities	2.8	1.4
Employee claims in accruals	9.6	10.6
Total employee claims	**12.4**	**12.0**
Social security and pension plan liabilities	1.8	1.7
Total employee claims and pension plan liabilities	**14.2**	**13.7**

Employee entitlements include bonuses, holiday and overtime.
The liability towards the pension institutions amounted to EUR 0.2 million (EUR 0.1 million).

EUR millions	31.12.2012	31.12.2011
Total pension assets	**1.9**	**2.0**
Provisions		
Pension liabilities relating to defined benefit plans	12.4	12.2
Other non-current employee benefit obligations	4.0	5.2
Non-current provisions	**16.4**	**17.4**
Current pension liabilities	0.5	0.2
Other current employee benefit obligations	2.2	1.1
Current provisions	**2.7**	**1.3**
Total provisions	**19.1**	**18.7**

Employees and former employees receive different employee benefits and retirement pensions, which are determined in accordance with the legislative provisions in the countries concerned. All Swiss companies in the Group are members of collective foundations, which are not direct risk-takers. These pension plans are funded by contributions from employer and employee. The private pension plans in Switzerland are structured for the purpose of building up retirement assets with conversion into fixed retirement pensions and supplementary risk benefits. Some of the pension plans abroad are made into independent schemes. Measurement and recognition comply with FER 16.

Pension institutions EUR millions	Surplus/deficit 31.12.2012	Economic part of the Group 31.12.2012	Economic part of the Group 31.12.2011	Change to prior period or recognized in the result of the period, respectively	Contributions concerning the business period	Pension benefit expenses within personnel expenses 2012	Pension benefit expenses within personnel expenses 2011
Economic benefit/(economic obligation) and pension expenses							
Pension plans without surplus/deficit	–	–	–	–	–1.7	–1.7	–1.7
Pension institutions without own assets	–	–11.0	–10.5	–0.5	–	–0.5	–0.7
Total	**–**	**–11.0**	**–10.5**	**–0.5**	**–1.7**	**–2.2**	**–2.4**

20. Provisions

EUR millions	Deferred tax liabilities	Legal disputes and contractual penalties	Warranties	Retirement and other employee benefit obligations	Restructuring	Others	2012 Total	2011 Total
1 January	**1.0**	**2.1**	**2.9**	**18.7**	**1.4**	**1.4**	**27.5**	**28.7**
Additions	–	2.2	1.7	3.7	0.3	3.0	10.9	7.9
Utilization	–0.3	–0.2	–1.3	–3.3	–1.0	–2.4	–8.5	–6.7
Reversal	–	–0.6	–0.1	–	–	–0.1	–0.8	–2.4
Reclassifications	–0.3	–	–	–	–	–	–0.3	–
Exchange rate differences	–	–	–	–	–		–	–
31 December	**0.4**	**3.5**	**3.2**	**19.1**	**0.7**	**1.9**	**28.8**	**27.5**
Non-current provisions	**0.4**	**2.3**	**1.9**	**16.4**	**–**	**0.4**	**21.4**	**21.1**
Current provisions	**–**	**1.2**	**1.3**	**2.7**	**0.7**	**1.5**	**7.4**	**6.4**

Deferred tax liabilities are shown net after offsetting them against deferred tax assets. Netting takes place at individual company level.

The provisions for legal disputes and contractual penalties relate to ongoing proceedings. They include provisions for contractual obligations as well as warranties from the sale of an operating segment no longer retained.

The provision for warranties covers the cost for guarantee claims. The actual amount is based on current sales and available data. Experience shows that the provisions will be used in the following one to two years.

For employee benefit obligations, see note 19.

Provisions for restructuring relate to measures to adjust cost structures in Kardex France SASU (FR) and the finalization of the closure of the plant in Lewistown (USA). Provisions for restructuring include severance payments and are only be charged to the balance sheet once the restructuring decision has been announced. Normally the expenses would fall due within the course of one year.

Additions in “Others” and also partially in “Legal disputes” were mainly booked in order to cover estimated losses in project business. Other provisions also contain various individual positions that are essentially connected with maintenance and service agreements.

Additional details of the other provisions will not be given as these details may impair the position of the Group in ongoing proceedings.

21. Other current liabilities

EUR millions	31.12.2012	31.12.2011
VAT, withholding tax and other tax liabilities	6.9	6.2
Construction contracts with amounts due to customers (overfinanced)	6.9	7.6
Advances received (POC)	0.3	0.4
Social security and pension plan liabilities	1.8	1.7
Employee claims	2.8	1.4
Other current liabilities	3.3	7.8
Total other current liabilities	**22.0**	**25.1**

22. Derivative financial instruments

EUR millions	31.12.2012	31.12.2011
Currency derivatives (hedging)		
Contract volumes	0.5	3.3
Fair value (negative)	–	0.1

The currency derivatives (cash flow hedge) are used to hedge the Polish zloty and UK pound. 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.

23. Operating leases

EUR millions	31.12.2012	31.12.2011
Expense for operating leases for the year	11.2	11.1
Future minimum payments for non-cancellable lease agreements:		
Up to 1 year	7.8	7.5
1 to 5 years	14.3	15.2
Over 5 years	5.6	13.7
Total future minimum payments for operating leases	**27.7**	**36.4**

Operating leases apply mainly to vehicles and rents on buildings. Leasing contracts are agreed at current market conditions.

24. 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.

The total amount of guarantees in favour of third parties is EUR 43.7 million at 31 December 2012 (EUR 38.1 million).

25. Assets pledged or of restricted disposability

EUR millions	31.12.2012	31.12.2011
Property, plant and equipment	13.2	16.7
Trade accounts receivable	–	8.1
Inventories	–	5.1
Cash and cash equivalents	1.3	1.7
Total assets pledged or of restricted disposability	**14.5**	**31.6**

26. Related parties

Related parties (natural person or legal entity) are defined as any party directly or indirectly able to exercise significant influence over the organization as it makes financial or operational decisions. Organizations that are in turn directly or indirectly controlled by the same related parties are also deemed to be related parties. With the exception of the pension plans (see note 19), there were no outstanding receivables from or liabilities towards these parties. No transactions were carried out with related parties during the year under review or the previous year.

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.

27. Acquisition of subsidiaries

No acquisitions took place during the period under review.

Due to a compensation payment by the sellers based on tax litigations, the purchase price for the acquisition of Mlog Logistics GmbH, DE-Neuenstadt reduced, which is shown as a negative acquisition of subsidiaries.

28. Disposals of subsidiaries

No disposals took place during the period under review whereas the following subsidiaries were liquidated in 2012:

- Mlog Logistics, AT-Anthering
- Kardex Office GmbH, DE-Oberursel/Taunus
- Kardex Holdings Ltd., UK-Epping

The company Storage Solution Iberica S.L., ES-San Fernando de Henares, Madrid, has been merged with Kardex Sistemas S.A., ES-San Fernando de Henares, Madrid, in 2012.

29. Subsidiaries

Country	Finance, property, services	Development, production	Distribution, service	Company, domicile	Division	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
AT			*	Kardex Austria GmbH, Vienna	Kardex Remstar	17	EUR	300 000	100	1
			*	Stow GmbH Austria, Vienna	Kardex Stow	9	EUR	585 000	100	2
AUS		*	*	Kardex VCA Pty Ltd, Wodonga	Kardex Remstar	16	AUD	1 300 000	100	1
BE			*	S.A. Kardex nv, Forest/Brussels	Kardex Remstar	15	EUR	507 895	100	1
	*	*	*	Stow International nv, Spiere-Helkijn	Kardex Stow	246	EUR	11 375 939	100.0 0.0	1 9
CH			*	Kardex Systems AG, Volketswil	Kardex Remstar	42	CHF	1 000 000	100	1
	*			KRM Service AG, Zurich	Kardex Remstar	16	CHF	500 000	100	1
CN			*	Kardex Logistic System (Beijing) Co. Ltd., eijing	Kardex Remstar	35	EUR	200 000	100	1
		*	*	Shanghai Stow Storage Equipment Co. Ltd., Shanghai	Kardex Stow	157	CNY	78 707 143	100	2
CY			*	Kardex Systems Ltd., Limassol	Kardex Remstar	13	EUR	418 950	100	1
CZ			*	Kardex s.r.o., Prague	Kardex Remstar	23	CZK	500 000	100	1
		*	*	Stow Ceska Republika s.r.o., Prague	Kardex Stow	115	CZK	500 000	100	2
DE		*	*	Kardex Produktion Deutschland GmbH, Neuburg/Kammel	Kardex Remstar	402	EUR	6 919 568	84.48 15.52	3 4
		*	*	Kardex Software GmbH, Wörth a. Rh.	Kardex Remstar	33	EUR	26 000	100	5
	*			Kardex Germany GmbH, Bellheim/Pfalz	Kardex Remstar	30	EUR	511 292	100	1
	*			Kardex Megamat Beteiligungs GmbH, Neuburg/Kammel	Kardex Remstar	–	EUR	5 113 431	100	5
	*		*	Kardex Deutschland GmbH, Neuburg/Kammel	Kardex Remstar	127	EUR	1 386 310	26.2 73.8	3 5
	*	*	*	Mlog Logistics GmbH, Neuenstadt am Kocher	Kardex Mlog	254	EUR	50 000	100	5
			*	Stow Deutschland GmbH, Wiesbaden	Kardex Stow	24	EUR	511 400	100	2
ES			*	Kardex Sistemas S.A., San Fernando de Henares, Madrid	Kardex Remstar	23	EUR	142 900	100	1
FI			*	Kardex Finland OY, Jyväskylä	Kardex Remstar	19	EUR	134 550	100	1

[1] Kardex AG, Zurich, CH
[2] Stow International nv, Spiere-Helkijn, BE
[3] Kardex Megamat Beteiligungs GmbH, Neuburg a. d. K., DE
[4] Kardex Deutschland GmbH, Neuburg/Kammel, DE
[5] Kardex Germany GmbH, Bellheim, DE
[6] Kardex Production USA Inc., Westbrook (Maine), USA
[7] KRM Service AG, Zurich, CH
[8] Kardex Systems Ltd., Limassol, CY
[9] Kardex Systems AG, Volketswil, CH (1 share out of 2 429 989 shares)

Country	Finance, property, services	Development, production	Distribution, service	Company, domicile	Division	Headcount	Currency	Share capital in local currency	Percentage holding	Held by:
FR			*	Kardex France SASU, Neuilly-Plaisance Cedex	Kardex Remstar	73	EUR	1835000	100	1
			*	Stow France S.A.S., Saint Pierre du Perray	Kardex Stow	29	EUR	684000	100	2
HU			*	Kardex Hungaria Kft., Budaörs	Kardex Remstar	7	HUF	2514000	100	1
IE			*	Kardex Systems Ireland Ltd., Dublin	Kardex Remstar	4	EUR	300000	100	1
IN			*	Kardex India Storage Solutions Private Ltd., Bangalore	Kardex Remstar Kardex Stow	22 3	INR	26143500	99.0 1.0	1 8
IT			*	Kardex Italia S.p.A., Opera (Mi)	Kardex Remstar	31	EUR	310000	100	7
NL			*	Kardex Systems bv, Woerden	Kardex Remstar	33	EUR	90756	100	1
			*	Stow Nederland bv, Breda	Kardex Stow	15	EUR	18152	100	2
NO			*	Kardex Norge AS, Skedsmokorset	Kardex Remstar	13	NOK	2500000	100	1
PL			*	Kardex Polska Sp.z.o.o., Warsaw	Kardex Remstar	6	PLN	200000	100	1
			*	Stow Polska Sp.z.o.o., Warsaw	Kardex Stow	28	PLN	500000	100	2
RU			*	OOO Kardex Moscow	Kardex Stow	–	RUB	10000	100	1
SE			*	Kardex Scandinavia AB, Bromma	Kardex Remstar	25	SEK	100000	100	1
SG			*	Kardex Far East Private Ltd., Singapore	Kardex Remstar	6	SGD	1550000	100	1
SK			*	Kardex Slovensko s.r.o., Bratislava	Kardex Remstar	–	EUR	6639	100	1
			*	Stow Slovensko s.r.o., Bratislava	Kardex Stow	–	EUR	33194	100	2
TR			*	Kardex Turkey Depolama Sistemleri Ltd. Sti., Istanbul	Kardex Remstar	8	TRY	5000	99.5 0.5	1 7
UK			*	Kardex Systems (UK) Ltd., Hertford	Kardex Remstar	62	GBP	828000	100	1
			*	Stow U.K. Co. Ltd., Swindon	Kardex Stow	9	GBP	220000	100	2
US			*	Kardex Remstar LLC, Westbrook (Maine)	Kardex Remstar	53	USD	100	100	6
		*	*	Kardex Production USA Inc., Westbrook (Maine)	Kardex Remstar	15	USD	1000	100	1

30. Risk management

As part of its duty to supervise the Company, the Board of Directors performs at least once in a year a systematic risk assessment. 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, reputational risk and potential financial impact. This process is supported by a risk matrix that describes and values the substantial risks valid for the Group according the following categories: external environment, strategy, management and leadership, production, market and sales, information technology and finance and compliance. Measures in order to cope with these risks are also contained in the risk matrix. The Board of Directors has noted the report of the Executive Committee on the Group-wide risk management at the meeting on 13 December 2012 and approved the measures contained therein.

31. Release for publication and approval of the financial statements

The Board of Directors approved these financial statements on 13 March 2013 and released them for publication. They must also be approved by the Shareholders General Meeting.

32. Events after the balance sheet date

No events have taken place between 31 December 2012 and 13 March 2013 that would require an adjustment of the carrying amounts of assets and liabilities of the Group or need to be disclosed here.

Report of the statutory auditor on the consolidated financial statements

KPMG

To the General Meeting of Shareholders of Kardex AG, Zurich

Zurich, 13 March 2013

As statutory auditor, we have audited the accompanying consolidated financial statements of Kardex AG, presented on pages 48 to 78, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2012.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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)

Income statement of Kardex AG

CHF millions	Notes	2012	2011
Income from investments		4.8	3.2
Licensing income		7.9	7.5
Financial income	3	2.9	15.9
Other income		3.2	4.8
Release of impairment on investments and loans to Group companies	5	3.0	–
Total income		**21.8**	**31.4**
Administrative expenses	2	–4.6	–6.5
Licensing expenses		–0.2	–0.2
Trademark amortization		–0.1	–
Financial expenses	3	–2.3	–6.6
Income tax		–0.1	–0.1
Additions of impairment on investments and loans to Group companies	5	–	–3.4
Extraordinary expenses	1	–	–45.7
Total expenses		**–7.3**	**–62.5**
Result for the period		**14.5**	**–31.1**

Balance sheet of Kardex AG

CHF millions	Notes	31.12.2012	31.12.2011
Property, plant and equipment	4	0.4	0.5
Loans to Group companies	1, 5	20.4	37.4
Investments	5	174.2	172.3
Non-current assets		**195.0**	**210.2**
Receivables from Group companies		12.7	22.8
Other short-term receivables		0.1	–
Prepaid expenses		1.6	0.3
Securities	6	0.5	–
Cash and cash equivalents		16.2	29.9
Current assets		**31.1**	**53.0**
Assets		**226.1**	**263.2**
Share capital		85.0	85.0
General (legal) reserves			
– Reserve from capital contribution		73.6	73.6
– Reserve for treasury shares	6	0.6	0.2
Unrestricted reserve		20.0	20.0
Retained deficit/earnings and release of reserves for treasury shares		–29.9	1.5
Result for the period		14.5	–31.1
Equity		**163.8**	**149.2**
Non-current financial liabilities		12.1	42.8
Non-current financial liabilities		**12.1**	**42.8**
Payables to Group companies		41.5	62.3
Other short-term payables	7	0.1	0.2
Accrued expenses		0.7	0.7
Provisions		1.9	1.9
Current portion of non-current financial liabilities		6.0	6.1
Current liabilities		**50.2**	**71.2**
Liabilities		**62.3**	**114.0**
Equity and liabilities		**226.1**	**263.2**

Notes to the financial statements of Kardex AG

1. Accounting principles

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

The accounts of Kardex AG are kept in euros as functional currency. As at 31 December, the annual financial statements are translated into Swiss francs:
– Assets and liabilities are translated at closing rates.
– The income statement and movements in equity capital are translated at average year-end rates.
– Equity capital is translated at historic rates.
– Translation differences are taken to income in accordance with the imparity principle (provisioning of unrealized gains).

Since 2011 Kardex AG adopted the closing rate method also for shareholdings and loans to Group companies which resulted in an unrealized price loss of CHF 45.7 million in 2011. In former years historic rates were applied for those positions.

2. Administrative expenses

CHF millions	2012	2011
Personnel expenses	3.1	4.1
Other expenses	1.5	2.4
Total administrative expenses	**4.6**	**6.5**

3. Financial expenses and income

The financial income of previous year was affected by exchange rate gains on financial debts, mostly held in euros.

Financial expenses have decreased because of the amortization of financial debts and decreased interest rates.

4. Fire insurance for property, plant and equipment

The fire insurance value of property, plant and equipment of Kardex AG amounts to CHF 0.6 million (CHF 0.7 million).

5. Investments and loans to Group companies

Holdings in subsidiaries of Kardex AG are listed on pages 76 and 77 of this report.

Provision for impairment on loans to subsidiaries were released by CHF 3.0 million.

In prior year impairment charges on loans to subsidiaries caused expenses of CHF 3.4 million.

6. Securities

Securities are made up entirely of equity shares.
Treasury shares underwent the following movements:

	Number	Price per share in CHF	Total CHF 1 000
31 December 2008	**60 796**	**30.00**	**1 824**
Disposals 2009	–3 223	49.53	–160
Par value reduction	–	2.50	–144
Valuation adjustments			406
31 December 2009	**57 573**	**33.45**	**1 926**
Disposals 2010	–42 209	49.53	–2 091
Valuation adjustments			630
31 December 2010	**15 364**	**30.30**	**466**
Disposals 2011	–12 215	49.53	–605
Valuation adjustments			177
31 December 2011	**3 149**	**11.95**	**38**
Purchase 2012	34 659	22.41	777
Disposals 2012	–16 308	22.60	–369
Valuation adjustments			79
31 December 2012	**21 500**	**24.40**	**525**

7. Liabilities towards pension funds

CHF millions	31.12.2012	31.12.2011
Liabilities towards pension funds	–	0.1

8. Authorized capital

CHF millions		31.12.2012	31.12.2011
Total authorized capital	Value	–	7.8
	Units	–	711 179

At the General Meeting of 26 April 2011 shareholders approved the creation of authorized capital in the amount of CHF 30 950 986 (2 813 726 shares with a par value of CHF 11.00). Following the capital increase carried out in September 2011 in the amount of CHF 23 128 017 and the payment of 2 102 547 shares, the company only had CHF 7 822 969 (number of shares 711 179) in authorized capital as at 31 December 2011.

At the General Meeting of 24 April 2012 shareholders approved to abandon the remaining authorized capital.

9. 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 85.0 million as at 31 December:

	31.12.2012	31.12.2011
Buru Holding and Philipp Buhofer	22.6 %	22.0 %
LB (Swiss) Investment AG[1]	4.4 %	
Stancroft Trust Limited[1]		4.0 %

[1] As soon as the stake falls below the threshold of 3 % the stake is not reported anymore.

10. Operating leases

CHF millions	31.12.2012	31.12.2011
Expense for operating leases for the year	0.2	0.3
Future minimum payments for		
non-cancellable lease agreements:		
Up to 1 year	0.3	0.3
1 to 5 years	0.7	1.0
Total future minimum payments for operating leases	**1.0**	**1.3**

Operating leases apply mainly to vehicles and rents on buildings. Leasing contracts are agreed at current market conditions.

11. 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. 1c of Swiss VAT legislation).

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

12. Contingent liabilities

CHF millions	31.12.2012	31.12.2011
Contingent liabilities in favour of		
subsidiaries and third parties	4.3	10.1
Subordinated loans to subsidiaries	0.2	–

13. Risk management

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

As part of its duty to supervise the Company, the Board of Directors performs at least once in a year a systematic risk assessment. The Board of Directors has noted the report of the Executive Committee on the Group-wide risk management at the meeting on 13 December 2012 and approved the measures contained therein.

14. Events after the balance sheet date

No events have taken place between 31 December 2012 and 13 March 2013 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.

15. Compensations and shareholdings

15.1 Compensations

Board of Directors 2012

CHF 1000		Board of Directors total	Philipp Buhofer Chairman	Walter T. Vogel	Felix Thöni	Jakob Bleiker[1]	Ulrich Looser[1]	Leo Steiner[2]	Martin Wipfli[2]
Cash payments[3]		388	133	65	61	43	43	16	27
Payments in shares									
with retention period[4, 5]	Value	129	50	24	24	16	9	6	–
	Units	9 599	3 673	1 781	1 781	1 188	693	483	–
Payments for the work in the									
Executive Committee[3, 6]		518	32	–	486	–	–	–	–
Total		**1 035**	**215**	**89**	**571**	**59**	**52**	**22**	**27**

Board of Directors 2011

CHF 1000		Board of Directors total	Philipp Buhofer Chairman	Felix Thöni[7]	Leo Steiner	Walter T. Vogel	Martin Wipfli	Dave Schnell[8]
Cash payments[3]		407	111	56	86	61	59	34
Payments in shares with								
retention period[4, 5]	Value	120	39	17	20	23	21	–
	Units	10 324	3 406	1 437	1 710	1 961	1 810	-
Payments for the work in								
the Executive Committee[3]		338	93	245	–	–	–	–
Total		**865**	**243**	**318**	**106**	**84**	**80**	**34**

1 Since Annual General Meeting 2012

2 Till Annual General Meeting 2012

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

4 Valuation of the shares is based on the average share price for the month preceding the date of distribution which was CHF 16.05 per share (CHF 13.82/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% (16%) below the relevant average share price.

5 The fixed minimum portion of the director's fee drawn in shares is 20% (20%).

6 The remuneration to Felix Thöni contains a variable payment of CHF 81 740 (CHF 0) which depends from the result of the Group.

7 Since Annual General Meeting 2011

8 Till Annual General Meeting 2011

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

Executive Committee

CHF 1000		2012 Executive Committee total[1]	2012 Highest compensation Jens Fankhänel[2]	2011 Executive Committee total[1]	2011 Highest compensation Jos De Vuyst[3]
Cash payments (fixed)		1 576	444	1 703	572
Cash payments (variable)[4]		833	300	238	95
Payments in shares with retention period (variable)[4, 5]	Value	–	–	83	32
	Units	–	–	6 709	2 563
Payments in kind[6]		31	8	53	20
Occupational pension expenses[7]		240	124	356	30
Severance payments[8]		–	–	751	–
Total		**2 680**	**876**	**3 184**	**749**

1 Payments to executive members of the Board of Directors are included in the payments to the Board of Directors.

2 Jens Fankhänel is heading the Kardex Remstar Division

3 Jos De Vuyst is heading the Kardex Stow Division since 15 February 2011 and was CEO of the Group until 31 May 2011.

4 The Executive Committee 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. In 2012 the variable component was paid fully in cash.

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

6 Rent and vehicles.

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

8 In the financial year 2011, two members of the Executive Committee have retired. A severance payment in the amount of CHF 751 465 was agreed. Furthermore, no credits or other emoluments of any kind were received by the members of the Executive Committee or by related parties.

15.2 Shareholdings of members of the Board of Directors, the Executive Committee and related parties

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 Executive Committee, no significant transactions with related parties and companies have taken place.

Board of Directors

	Board of Directors	Philipp Buhofer Chairman[1]	Walter T. Vogel	Felix Thöni[2]	Jakob Bleiker[3]	Ulrich Looser[3]	Leo Steiner[4]	Martin Wipfli[4]
Shares held								
31 Dec. 2012	1 772 017	1 745 955	12 067	12 114	1 188	693		
Shares held								
31 Dec. 2011	1 770 556	1 702 282	10 286	10 333			18 715	28 940

[1] Including shares held by Buru Holding.
[2] Since Annual General Meeting 2011
[3] Since Annual General Meeting 2012
[4] Till Annual General Meeting 2012

Executive Committee

	Executive Committee[1]	Gerhard Mahrle CFO	Jens Fankhänel Head of Kardex Remstar Division	Jos De Vuyst Head of Kardex Stow Division	Hans-Jürgen Heitzer Head of Kardex Mlog Division
Shares held					
31 Dec 2012	44 269	2 937	11 000	29 505	827
Shares held					
31 Dec 2011	37 560	2 291	7 500	26 942	827

[1] The shares of the executive members of the Board of Directors are listed above.

Since 24 April 2012 the Executive Committee is headed by the Executive Director Felix Thöni.

Proposal of the Board of Directors to the Annual General Meeting

1. Appropriation of retained deficit

The Board of Directors is proposing to the General Meeting to approve the carryforward of accumulated losses:

CHF millions	31.12.2012
Balance brought forward	–29.6
Creation of reserves of treasury shares	–0.3
Result for the period	14.5
Net result	**–15.4**
Net result at the disposal of the General Meeting	**–15.4**
Balance to be carried forward	–15.4

2. Distribution of a dividend from the reserve from capital contribution

The Board of Directors is proposing to the General Meeting to distribute a dividend of CHF 1.20 per share on the share capital entitled to dividends funded by a withdrawal from the reserve from capital contribution.

The share capital entitled to dividends amounts to CHF 84 793 500 (7 708 500 shares). As of the end of the period 21 500 treasury shares, which are intended to be used for the benefit of the Company, are not entitled to dividends. The use of those lies within the competence of the Board of Directors.

CHF millions	31.12.2012
Distribution of dividend from the reserve from capital contribution	**9.3**