Interim Report 2009

KARDEX

Key figures

EUR millions

1 January to 30 June	2009	+/– %	2008
Bookings	169.7	–30.3	243.4
Order backlog	90.0	–33.6	135.5
Net revenues	177.7	–20.0	222.0
Operating result (EBIT)	4.9	–76.3	20.7
EBIT as % of revenues, net	2.8		9.3
Operating result before depreciation (EBITDA)	10.0	–60.2	25.1
EBITDA as % of revenues, net	5.6		11.3
Result for the period	1.2	–91.3	13.8
Result for the period in % of revenues, net	0.7		6.2
Total comprehensive income for the period	0.7	–94.9	13.8
Total comprehensive income for the period in % of net revenues	0.4		6.2
Capital expenditure (gross)	2.6	–23.5	3.4
Net cash flow	9.6	–15.8	11.4
Net cash flow in % of net revenues	5.4		5.1
Free cash flow	4.5	–46.4	8.4
Free cash flow in % of revenues, net	2.5		3.8
As of	**30.6.2009**	**+/– %**	**30.6.2008**
Net debt	23.2	–32.4	34.3
Equity	98.7	14.0	86.6
Equity ratio in %	39.8	21.7	32.7
Employees (full-time equivalents)	1 932	2.2	1 891

EUR millions

1 January to 30 June	2009	+/– %	2008
Kardex (KRM) operating segment			
Bookings	91.9	–28.8	129.1
Order backlog	52.7	–31.7	77.2
Segment net revenues	106.0	–13.1	122.0
Operating result (EBIT)	3.5	–72.9	12.9
EBIT in % of segment net sales	3.3		10.6
Employees (full-time equivalents on 30 June)	1 341	4.0	1 289
Stow operating segment			
Bookings	77.8	–31.9	114.3
Order backlog	37.3	–36.0	58.3
Segment net revenues	72.0	–28.6	100.8
Operating result (EBIT)	2.9	–66.3	8.6
EBIT in % of segment net sales	4.0		8.5
Employees (full-time equivalents on 30 June)	579	–1.9	590

Report of the Board of Directors

Leo Steiner
Chairman of the Board of Directors

Jos De Vuyst
Chief Executive Officer

Dear Shareholders,

Further strengthening of balance sheet

In the first six months of 2009, the Kardex Group further strengthened its balance sheet structure despite the unfavourable economic conditions. The global decline in demand for consumer and capital goods impacted the results for the first half of 2009. Countries which felt the impact of the downturn particularly keenly were Spain, the UK and Germany in western Europe and Poland, the Czech Republic and Russia in eastern Europe. China also saw a decline in demand. However, given the dynamism of the Chinese economy, demand can be expected to pick up rapidly once the economy shows signs of recovering. The US, Swiss and Dutch markets showed positive trends.

The Board of Directors and management responded swiftly to the negative economic developments and rolled out an action plan to bring cost structures into line with the decline in demand as far as possible. The most important measures taken in the first half of the year included short-time working hours in our factories and selective downsizing at distribution companies. Investment was also restricted to key planned strategic projects. In the USA, production is being concentrated and modernized at one location. Both divisions are continuing to implement the SAP projects launched last year.

Decline in revenues, lower earnings and free cash flow

As a result of the increasingly severe global economic downturn, the consolidated revenues of the Kardex Group decreased by 20.0% year-on-year to EUR 177.7 million in the first half of 2009. After adjustment for currency translation effects, the Group's revenues dropped by 19.5%. Kardex USA Inc., first consolidated since December 2008, and the business area taken over from Element Storage Systems AS, Norway, in May 2009, contributed EUR 7.0 million to Group revenues in the first half of 2009. The consolidated bookings fell by 30.3% to EUR 169.7 million. After adjustment for acquisitions, bookings were down 32.8% on the previous year.

The gross margin narrowed from 26.4% in the first half of 2008 to 24.4%. This was essentially due to lower utilization of production capacity and the associated rise in fixed costs coupled with the negative impact of lower average steel prices, which mainly affected the Stow Division.

In the first half of 2009, the operating result before interest and taxes (EBIT) declined by 76.3% to EUR 4.9 million (previous year: EUR 20.7 million). The EBIT margin came to 2.8% as against 9.3% in the first half of 2008. The operating result for the first half of 2009 includes special and one-off effects amounting to EUR 1.8 million which are attributable to the cost-cutting measures taken. As early as the second half of 2009 and in the years ahead, these measures will generate savings. In addition, various projects gave rise to one-off costs totalling EUR 1.0 million. After factoring out such special and one-off costs, EBIT stood at EUR 7.7 million or 4.3% of net revenues. Under the IFRS reporting standards, the result or net profit is now referred to as result for the period. In addition to the latter, the overall result for the period, which also contains gains and losses booked directly to equity, is reported. The result of EUR 1.2 million achieved by the Kardex Group for the period under review was well below the previous year's figure of EUR 13.8 million. The total comprehensive income for the period amounted to EUR 0.7 million (previous year: EUR 13.8 million).

At EUR 4.5 million, free cash flow in the first half of 2009 remained below the previous year's result (EUR 8.4 million). In the first half of 2009, the Kardex Group invested EUR 2.6 million primarily in property, plant and equipment as well as software, and spent a further EUR 2.6 million on the acquisition of net assets of Element Storage Systems AS, Norway.

Net debt again followed a positive trend, declining from EUR 25.4 million at the end of 2008 to EUR 23.2 million. At 39.8%, the equity ratio witnessed a further increase. As of the end of June 2009, the gearing (debt-to-equity ratio) stood at 23.5% (31 December 2008: 23.7%, 30 June 2008: 39.6%).

At the Annual General Meeting on 21 April 2009, shareholders of Kardex AG approved the proposal put forward by the Board of Directors to convert bearer shares into registered shares. This increases the transparency of the shareholder structure and makes it possible to communicate directly with shareholders.

Kardex (KRM) Division – new organizational structure

In the second half of 2009, the functional organization of the Kardex (KRM) Division is to be structured along similar lines to the Stow Division. Here, the aim of the Board of Directors and the Management Board is to push ahead swiftly and systematically with the strategic thrusts and to step up market expansion – particularly in Asia and the US – and the service business. The associated costs will amount to around EUR 1.0 million.

In the first half of 2009, the Kardex (KRM) Division (60% share) posted revenues of EUR 106.0 million. Compared with the year-back period (EUR 122.0 million), this represents a decline of 13.1%. The operating result before interest and taxes (EBIT) totalled EUR 3.5 million (previous year: EUR 12.9 million), a decline of 72.9%. The EBIT margin came to 3.3% (previous year: 10.6%). Before booking one-off cost of structural adjustments, EBIT came to EUR 5.0 million and the EBIT margin stood at 4.7%. Bookings received by the Kardex (KRM) Division came to EUR 91.9 million in the first half of 2009, which corresponds to a decrease of 28.8% compared to EUR 129.1 million in the first six months of 2008. Adjusted for acquisitions, bookings were down to EUR 85.8 million. As of 30 June 2009, order intake came to EUR 52.7 million (previous year: EUR 77.2 million).

Stow Division – positive result despite significantly lower revenues

During the first six months of 2009, Stow (40% share), the Group division operating in the static storage systems sector, posted revenues of EUR 72.0 million, a decrease of 28.6% in the first half of 2008. At EUR 2.9 million, earnings before interest and tax (EBIT) were down 66.3% on the year-back result (EUR 8.6 million). The EBIT margin stood at 4.0%. After stripping out the structural adjustment costs in the first half of the year, EBIT came to EUR 4.2 million and the EBIT margin stood at 5.8%. In the first half of the year, bookings amounted to EUR 77.8 million, down 31.9% on the first half of 2008. As of the end of June 2009, order intake amounted to EUR 37.3 million, 36.0% below the previous year's figure.

Outlook

The Kardex Group is confident that the measures taken have ensured the company's profitability in the current challenging economic situation. Customer reticence and the negative trend in evidence in many markets currently make it impossible at present to provide reliable forecasts for the medium or long-term future. If the decrease in revenues and results persists over the months ahead, the Kardex Group will take additional measures in both divisions with a view to further reducing capacity and costs. At the same time, high priority will be given to safeguarding expertise. With a sound balance sheet, the Kardex Group has sufficient financial latitude to implement its strategic projects and benefit from a recovery in demand on a sustainable basis.

Leo Steiner	Jos De Vuyst
Chairman of the Board of Directors	Chief Executive Officer

Comprehensive income statement

EUR millions	Jan. to June 2009	Proportion (%)	Jan. to June 2008	Proportion (%)
Net revenues	177.7	100.0	222.0	100.0
Cost of goods sold and services provided	–134.4	–75.6	–163.4	–73.6
Gross profit	**43.3**	24.4	**58.6**	26.4
Marketing and sales expenses	–21.5	–12.1	–23.9	–10.8
Administrative expenses	–13.8	–7.8	–12.7	–5.7
Research and development expenses	–1.9	–1.1	–1.2	–0.5
Other operating income	0.9	0.5	0.8	0.4
Other operating expenses	–2.1	–1.2	–0.9	–0.4
Operating result (EBIT)	**4.9**	2.8	**20.7**	9.3
Financial income	2.1	1.2	0.2	0.1
Financial expense	–4.4	–2.5	–2.7	–1.2
Fair-value adjustment for conversion right	–	–	0.4	0.2
Result for the period before tax	**2.6**	1.5	**18.6**	8.4
Income tax	–1.4	–0.8	–4.8	–2.2
Result for the period	**1.2**	0.7	**13.8**	6.2
Other comprehensive income				
Foreign currency translation differences	0.2	0.1	–0.1	–
Hedging transactions	–0.7	–0.4	0.1	–
Taxes on income on other result	–	–	–	–
Other comprehensive income after tax	**–0.5**	–0.3	**–**	–
Total comprehensive income for the period	**0.7**	0.4	**13.8**	6.2
Result per share for the period, Group:				
– undiluted (EUR)	0.21		2.48	
– diluted (EUR)[1]	0.21		2.32	

[1] As the convertible bond issue did not have any diluting effect in the first half of 2009, the diluted result per share for the period is the same as the undiluted result per share for the period.

Consolidated balance sheet

EUR millions	Notes	30 June 2009	31 Dec. 2008	30 June 2008
Property, plant and equipment		63.7	66.0	60.6
Goodwill		30.2	28.8	28.8
Other intangible assets		8.9	7.1	4.2
Financial assets		3.3	4.2	1.8
Pension surpluses		0.3	0.3	–
Deferred tax assets		4.7	5.1	4.1
Non-current assets		**111.1**	**111.5**	**99.5**
Inventories and construction contracts		30.9	34.8	47.1
Trade accounts receivable		67.1	93.0	85.1
Income tax receivables		1.8	1.8	1.0
Other receivables and prepaid expenses		9.4	8.2	9.2
Cash and cash equivalents		25.6	27.4	21.0
Assets held for sale	7	1.9	1.9	2.2
Current assets		**136.7**	**167.1**	**165.6**
Assets	14	**247.8**	**278.6**	**265.1**
Share capital	12, 13	39.4	48.7	48.7
Reserves		61.4	60.7	40.4
Treasury shares		–2.1	–2.1	–2.5
Equity		**98.7**	**107.3**	**86.6**
Non-current financial liabilities		43.7	46.1	47.1
Pension liabilities		8.5	7.7	6.7
Deferred tax liabilities		1.2	2.1	2.7
Non-current provisions	9	1.1	1.1	0.6
Non-current liabilities		**54.5**	**57.0**	**57.1**
Trade accounts payable		39.6	62.6	66.2
Current financial liabilities		5.1	6.7	8.2
Income tax payables		1.9	2.6	4.6
Current provisions	9	9.7	12.0	11.3
Other current liabilities and accruals	12	38.3	30.4	31.1
Current liabilities		**94.6**	**114.3**	**121.4**
Liabilities		**149.1**	**171.3**	**178.5**
Equity and liabilities		**247.8**	**278.6**	**265.1**

Consolidated cash flow statement

EUR millions	Jan. to June 2009	Jan. to June 2008
Result for the period	1.2	13.8
Income tax expenses	1.5	4.8
Financial income	–2.1	–0.2
Financial expense	4.4	2.7
Plant and equipment and intangible assets	5.0	4.4
Changes in pension surpluses, provisions and pension liabilities	–2.1	–0.2
Fair-value adjustment for conversion right	–	–0.4
Other non-cash items	0.7	–0.8
Cash flow before change in net current assets	**8.6**	**24.1**
Change in net current assets	3.3	–9.1
Cash flow from operating activities	**11.9**	**15.0**
Taxes on income paid	–2.3	–3.6
Net cash flow from operating activities	**9.6**	**11.4**
Purchase of property, plant and equipment	–1.7	–2.8
Sale of property, plant and equipment	0.2	0.3
Purchase of intangible and financial assets	–1.1	–0.6
Acquisition of companies[1]	–2.6	–
Interest received	0.1	0.1
Net cash flow from investing activities	**–5.1**	**–3.0**
Free cash flow	**4.5**	**8.4**
Purchase of treasury shares	–	–1.4
Repurchase of convertible bond	–	–1.8
Increase in long-term financial liabilities	6.2	–
Decrease in long-term financial liabilities	–8.4	–1.7
Increase in current financial liabilities	–	1.2
Decrease in current financial liabilities	–1.7	–6.5
Interest paid	–2.1	–2.4
Net cash flow from financing activities	**–6.0**	**–12.6**
Effect of foreign currency translation differences on cash and cash equivalents	–0.3	0.4
Net change in cash and cash equivalents	**–1.8**	**–3.8**
Cash and cash equivalents at 1 January	27.4	24.8
Cash and cash equivalents at 30 June	25.6	21.0
Net change in cash and cash equivalents, Group	–1.8	–3.8

[1] Takeover of the assets and liabilities of Element Storage Systems AS, Kløfta, Norway (cf. Note 4)

Consolidated statement of changes in equity

EUR millions	Share capital[3]	Capital reserves	Retained earnings	Hedging reserves	Exchange rate differences	Total reserves	Treasury shares[4]	Equity
Opening balance 1 Jan. 2008	**48.7**	**79.3**	**–50.1**	**0.1**	**–2.7**	**26.6**	**–1.1**	**74.2**
Result for the period	–	–	13.8	–	–	13.8	–	13.8
Other comprehensive income:								
Foreign currency translation differences (after tax)[1]	–	–	–	–	–0.1	–0.1	–	–0.1
Hedging transactions (after tax)	–	–	–	0.1	–	0.1	–	0.1
Total other comprehensive income	–	–	–	0.1	–0.1	–	–	–
Total comprehensive income for the period	–	–	13.8	0.1	–0.1	13.8	–	13.8
Transactions with shareholders:								
Acquisition of treasury shares[2]	–	–	–	–	–	–	–1.4	–1.4
Disposal of treasury shares[2]	–	–	–	–	–	–	–	–
Transactions with shareholders	–	–	–	–	–	–	–1.4	–1.4
Closing balance 30 June 2008	**48.7**	**79.3**	**–36.3**	**0.2**	**–2.8**	**40.4**	**–2.5**	**86.6**
Result for the period	–	–	19.2	–	–	19.2	–	19.2
Other comprehensive income:								
Foreign currency translation differences (after tax)[1]	–	–	–	–	1.0	1.0	–	1.0
Hedging transactions (after tax)	–	–	–	0.2	–	0.2	–	0.2
Total other comprehensive income	–	–	–	0.2	1.0	1.2	–	1.2
Total comprehensive income for the period	–	–	19.2	0.2	1.0	20.4	–	20.4
Transactions with shareholders:								
Acquisition of treasury shares[2]	–	–	–	–	–	–	–0.7	–0.7
Disposal of treasury shares[2]	–	–	–0.1	–	–	–0.1	1.1	1.0
Transactions with shareholders	–	–	–0.1	–	–	–0.1	0.4	0.3
Closing balance 31 Dec. 2008	**48.7**	**79.3**	**–17.2**	**0.4**	**–1.8**	**60.7**	**–2.1**	**107.3**

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

[2] In the course of financial 2008, Kardex AG purchased treasury shares in the amount of EUR 2.1 million. As part of share-based remuneration, treasury shares were allocated in the amount of EUR 1.1 million. In the first half of 2009, there were no transactions with treasury shares.

[3] On 21 April 2009, the Ordinary General Meeting of Kardex AG approved a move to reduce the nominal value of the shares by CHF 2.50 from CHF 13.50 to CHF 11.00. The payment to shareholders took place on 7 July 2009. As of 30 June 2009, the nominal value reduction was reported on the balance sheet as a liability toward shareholders under the position other liabilities and accruals. As of 30 June 2009, the share capital of Kardex AG consisted of 5 627 453 registered shares with a nominal value of CHF 13.50 (cf. Note 12).

[4] Number of treasury shares held as of 30 June 2009: 60 796 (31 December 2008: 60 796)

EUR millions	Share capital[3]	Capital reserves	Retained earnings	Hedging reserves	Exchange rate differences	Total reserves	Treasury shares[4]	Equity
Opening balance 1 Jan. 2009	48.7	79.3	–17.2	0.4	–1.8	60.7	–2.1	107.3
Result for the period	–	–	1.2	–	–	1.2	–	1.2
Other comprehensive income:								
Foreign currency translation differences (after tax)[1]	–	–	–	–	0.2	0.2	–	0.2
Hedging transactions (after tax)	–	–	–	–0.7	–	–0.7	–	–0.7
Total other comprehensive income	–	–	–	–0.7	0.2	–0.5	–	–0.5
Total comprehensive income for the period	–	–	1.2	–0.7	0.2	0.7	–	0.7
Transactions with shareholders:								
Acquisition of treasury shares[2]	–	–	–	–	–	–	–	–
Disposal of treasury shares[2]	–	–	–	–	–	–	–	–
Reduction in nominal value[3]	–9.3	–	–	–	–	–	–	–9.3
Transactions with shareholders	–9.3	–	–	–	–	–	–	–9.3
Closing balance 30 June 2009	39.4	79.3	–16.0	–0.3	–1.6	61.4	–2.1	98.7

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

[2] In the course of financial 2008, Kardex AG purchased treasury shares in the amount of EUR 2.1 million. As part of share-based remuneration, treasury shares were allocated in the amount of EUR 1.1 million. In the first half of 2009, there were no transactions with treasury shares.

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[4] Number of treasury shares held as of 30 June 2009: 60 796 (31 December 2008: 60 796)

Notes to the consolidated interim financial statements

1. General information

The consolidated interim 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 unaudited consolidated interim financial statements as at 30 June 2009 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 interim financial statements presented here are an update of the financial position as stated at 31 December 2008 and should be read in conjunction with the information published in the 2008 Annual Report. Apart from the changes listed under 2 below, the accounting and valuation principles applied are the same as those used in the 2008 annual report.

2. Changes in accounting policies

Effective from 1 January 2009, Kardex applies the following amended or new standards and interpretations published by the IASB:

- IAS 1 rev. "Presentation of Financial Statements"
- IAS 23 rev. "Borrowing Costs"
- IFRS 8 "Operating Segments"
- Change to IFRS 2 "Share-based Payment": Vesting Conditions and Cancellations
- Change to IFRS 7 "Financial Instruments: Disclosures": enhanced disclosures about fair value measurements and liquidity risk.
- Changes to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements": Puttable Instruments and Obligations Arising on Liquidation
- Change to IAS 39 "Financial Instruments: Recognition and Measurement"
- Minor amendments to various standards as a result of "Optimizations to IFRS 2008"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

Apart from additional disclosures under particular standards, or a change in the presentation of the comprehensive income statement and the statement of changes in equity, the amendments do not affect the consolidated financial statements. The amendment of IAS 23 did not lead to any adjustment as there were no transactions of this type to report in the Kardex Group as of 30 June 2009. The operating segments pursuant to IFRS 8 are explained in the Notes under 6. Segment Reporting.

3. 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 reporting period in which the circumstances changed. The comparative information has, where necessary, been reclassified or extended.

3.1 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 comprehensive 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 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.

3.2 Employee retirement benefit plans

Kardex maintains various types of employee retirement benefit plans which cover a section of the workforce. 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, among other factors, assumptions and estimates regarding the discount rates, the expected return on plan assets in the various countries and expected wage increase rates. The actuaries also use statistical data, such as mortality tables and staff turnover rates in the actuarial calculations they perform with a view to determining employee benefit obligations. If these parameters shift as a result of changes in the economic situation or new conditions in the markets, subsequent results may differ significantly from the actuarial reports and calculations. In the medium term, these can have a considerable influence on the expenses and income pertaining to employee retirement benefit plans.

3.3 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.

3.4 Income tax

Income tax liabilities are measured based on the current interpretation of tax laws in force in the countries in question, the accuracy of these calculations being confirmed (or otherwise) by the final assessment or following an audit by the tax authorities. The latter can result in significant changes to the actual tax expense. Furthermore, the assessment regarding the capitalization of tax 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 future influences and developments.

4. Scope of consolidation

An overview of all the Group's subsidiaries is given in Note 4.31 of the 2008 Annual Report. The only change in the scope of consolidation compared to 31 December 2008 is as a result of the acquisition of assets and liabilities of Element Storage Systems AS described under 4.1.

4.1 Increase in assets, liabilities and equity from acquisitions

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

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

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

At the time of the interim financial statement, the acquisition was only valued provisionally as it had not yet been possible to perform the necessary market value calculations and other calculations on a definitive basis. The provisional valuations are based on the best assumptions of management.

Goodwill was paid for future synergy expectations and allocated to the Kardex (KRM) Division.

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

If the assets and liabilities of Element Storage Systems AS had been acquired effective 1 January 2009, Group revenues would have amounted to EUR 178.4 million. The overall result for the period would have remained unchanged.

Additional information

EUR millions	1.1. – 30.6.2009	11.5. – 30.6.2009
Net revenues	1.0	0.3
Expenses	–1.0	-0.3
Result for the period before tax	–	–
Income tax/deferred tax	–	–
Result for the period	–	–

4.2 Divestments

No divestments took place during the period under review.

5. 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. In the current difficult period these mechanisms no longer apply.

6. Segment reporting

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

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

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

The core activity of the Stow Division (Static Storage Systems) is the manufacture of storage shelving typically used in high-bay warehouses. The most important customer segments include general contractors specializing in logistics, large corporations, and logistics service suppliers (warehouses). The plants in Dottenijs (Belgium) and Shanghai (China) are regarded as leaders in automated mass production. Logistics engineering, distribution and assembly are handled by our own sales companies in the most important markets.

No 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 directly or indirectly holds all shareholdings in the subsidiaries of both operating segments.

Segment reporting as at 30 June 2009 / Income statement

EUR millions	Operating segments Kardex (KRM)	Operating segments Stow	Total Operating Segments	Kardex AG Zurich	Eliminations	Group
Net revenues, third party						
– Euro countries	56.8	45.8	102.6	–	–	102.6
– Switzerland	9.5	1.7	11.2	–	–	11.2
– Rest of Europe	10.9	20.5	31.4	–	–	31.4
– Africa	–	0.1	0.1	–	–	0.1
– North and South America	20.4	–	20.4	–	–	20.4
– Asia Pacific	8.4	3.6	12.0	–	–	12.0
Total net revenues, third party	106.0	71.7	177.7	–	–	177.7
Net revenues, with other divisions	–	0.3	0.3	–	–0.3	–
Net revenues	**106.0**	**72.0**	**178.0**	**–**	**–0.3**	**177.7**
Cost of goods sold and services provided	–76.0	–58.7	–134.7	–	0.3	–134.4
Gross profit	**30.0**	**13.3**	**43.3**	**–**	**–**	**43.3**
Marketing and sales expenses	–14.8	–6.7	–21.5	–	–	–21.5
Administrative expenses	–9.8	–2.5	–12.3	–2.6	1.1	–13.8
Research and development expense	–1.7	–0.2	–1.9	–	–	–1.9
Other operating income	0.8	0.1	0.9	1.1	–1.1	0.9
Other operating expenses	–1.0	–1.1	–2.1	–	–	–2.1
Operating result (EBIT)	**3.5**	**2.9**	**6.4**	**–1.5**	**–**	**4.9**
Financial income	0.8	0.7	1.5	5.1	–4.5	2.1
Financial expense	–1.8	–1.4	–3.2	–2.0	0.8	–4.4
Fair-value adjustment for conversion right						
Result for the period before tax	**2.5**	**2.2**	**4.7**	**1.6**	**–3.7**	**2.6**
Income tax	–0.9	–0.5	–1.4	–	–	–1.4
Result for the period	**1.6**	**1.7**	**3.3**	**1.6**	**–3.7**	**1.2**
Number of employees (full-time equivalents)	1 341	579	1 920	12	–	1 932

The sales of the Stow operating segment include deliveries to a major customer. These deliveries took place in various European countries and accounted for 11.8% of segment sales. The sales of the Kardex (KRM) operating segment do not include any deliveries to customers accounting for more than 10% of segment sales.

Segment reporting as at 30 June 2008 / Income statement

EUR millions	Operating segments: Kardex (KRM)	Operating segments: Stow	Total Operating Segments	Kardex AG Zurich	Eliminations	Group
Net revenues, third party						
– Euro countries	70.5	60.8	131.3	–	–	131.3
– Switzerland	7.0	0.9	8.0	–	–	8.0
– Rest of Europe	21.3	29.8	51.1	–	–	51.1
– Africa	–	0.1	0.1	–	–	0.1
– North and South America	14.3	–	14.3	–	–	14.3
– Asia Pacific	8.5	8.8	17.3	–	–	17.3
Total net revenues, third party	121.6	100.4	222.0	–	–	222.0
Net revenues, with other divisions	0.4	0.4	0.8	–	–0.8	–
Net revenues	**122.0**	**100.8**	**222.8**	**–**	**–0.8**	**222.0**
Cost of goods sold and services provided	–83.3	–80.9	–164.2	–	0.8	–163.4
Gross profit	**38.7**	**19.9**	**58.6**	**–**	**–**	**58.6**
Marketing and sales expenses	–15.7	–8.2	–23.9	–	–	–23.9
Administrative expenses	–9.1	–2.6	–11.7	–2.4	1.4	–12.7
Research and development expenses	–0.9	–0.3	–1.2	–	–	–1.2
Other operating income	0.6	0.1	0.7	1.6	–1.5	0.8
Other operating expenses	–0.7	–0.3	–1.0	–	0.1	–0.9
Operating result (EBIT)	**12.9**	**8.6**	**21.5**	**–0.8**	**–**	**20.7**
Financial income	0.5	0.1	0.6	7.4	–7.8	0.2
Financial expense	–1.2	–0.9	–2.1	–1.6	1.0	–2.7
Fair-value adjustment for conversion right	–	–	–	0.4	–	0.4
Result for the period before tax	**12.2**	**7.8**	**20.0**	**5.4**	**–6.8**	**18.6**
Income tax	–2.3	–2.4	–4.7	–0.1	–	–4.8
Result for the period	**9.9**	**5.4**	**15.3**	**5.3**	**–6.8**	**13.8**
Number of employees (full-time equivalents)	1 290	590	1 880	11	–	1 891

The sales of the Stow operating segment include deliveries to a major customer. These deliveries took place in various European countries and accounted for 13.8% of segment sales. The sales of the Kardex (KRM) operating segment do not include any deliveries to customers accounting for more than 10% of segment sales.

Segment reporting as at 30 June 2009 / Balance sheet

EUR millions	Operating segments Kardex (KRM)	Stow	Total Operating Segments	Kardex AG Zurich	Eliminations	Group
Property, plant and equipment and intangible assets						
– Euro countries	36.1	52.8	88.9	–	–	88.9
– Switzerland	0.1	–	0.1	0.1	–	0.2
– Rest of Europe	3.2	0.1	3.3	–	–	3.3
– Africa	–	–	–	–	–	–
– North and South America	4.0	–	4.0	–	–	4.0
– Asia Pacific	0.1	6.3	6.4	–	–	6.4
Financial assets	4.5	0.1	4.6	190.8	–191.8	3.6
Deferred tax assets	4.3	0.4	4.7	–	–	4.7
Non-current assets	52.3	59.7	112.0	190.9	–191.8	111.1
Current assets	106.2	53.6	159.8	10.1	–33.2	136.7
Assets	**158.5**	**113.3**	**271.8**	**201.0**	**–225.0**	**247.8**
Equity	83.5	52.7	136.2	125.5	–163.0	98.7
Non-current liabilities	29.5	17.8	47.3	36.0	–28.8	54.5
Current liabilities	45.5	42.8	88.3	39.5	–33.2	94.6
Equity and liabilities	**158.5**	**113.3**	**271.8**	**201.0**	**–225.0**	**247.8**
Capital expenditure	1.2	1.4	2.6	–	–	2.6

Segment reporting as at 30 June 2008 / Balance sheet

EUR millions	Operating segments Kardex (KRM)	Stow	Total Operating Segments	Kardex AG Zurich	Eliminations	Group
Property, plant and equipment and intangible assets						
– Euro countries	37.7	48.2	85.9	–	–	85.9
– Switzerland	0.1	–	0.1	0.1	–	0.2
– Rest of Europe	0.4	0.2	0.6	–	–	0.6
– Africa	–	–	–	–	–	–
– North and South America	1.9	–	1.9	–	–	1.9
– Asia Pacific	0.1	4.9	5.0	–	–	5.0
Financial assets	3.3	0.3	3.6	188.9	–190.7	1.8
Deferred tax assets	3.5	0.6	4.1	–	–	4.1
Non-current assets	47.0	54.2	101.2	189.0	–190.7	99.5
Current assets	116.7	72.0	188.7	5.8	–28.9	165.6
Assets	**163.7**	**126.2**	**289.9**	**194.8**	**–219.6**	**265.1**
Equity	76.6	48.2	124.8	127.3	–165.5	86.6
Non-current liabilities	28.7	18.8	47.5	34.8	–25.2	57.1
Current liabilities	58.4	59.2	117.6	32.7	–28.9	121.4
Equity and liabilities	**163.7**	**126.2**	**289.9**	**194.8**	**–219.6**	**265.1**
Capital expenditure	1.9	1.5	3.4	–	–	3.4

7. Assets held for sale

The assets held for sale relate to a property in Belgium. In management's view these are highly likely to be sold in the second half of 2009.

8. Repurchase of convertible bond

On 29 June 2007, Kardex AG issued a 2.25% convertible bond with a nominal value of EUR 33.2 million and used the proceeds to repay existing bank loans. There were no buybacks of convertible bonds in the first half of 2009 (first half of 2008: EUR 1.9 million). The carrying amount of the bond of EUR 32.2 million as at 30 June 2009 (31 December 2008: EUR 32.2 million) also includes the conversion right of EUR 18 308 (31 December 2008: EUR 34 688) which, as an embedded derivative (debt capital instrument), is stated at market value as of the balance sheet date.

9. Provisions

Mio. EUR	Legal disputes	Guaran-tees	Structural adjustments	Onerous contracts	Others	2009 Total	2008 Total
01 January	**4.7**	**3.7**	**1.3**	**1.2**	**2.2**	**13.1**	**12.1**
Additions	0.9	0.1	1.8	0.4	0.6	**3.8**	**6.0**
Utilization	–2.4	–0.2	–1.5	–1.2	–0.7	**–6.0**	**–4.1**
Reversal	–	–0.1	–	–	–	**–0.1**	**–0.9**
Exchange rate differences	–	–	–	–	–	–	–
30 June /31 December	**3.2**	**3.5**	**1.6**	**0.4**	**2.1**	**10.8**	**13.1**
Non-current provisions	–	**0.9**	–	–	**0.2**	**1.1**	**1.1**
Current provisions	**3.2**	**2.6**	**1.6**	**0.4**	**1.9**	**9.7**	**12.0**

Legal disputes

The provision for legal disputes is the total of various individual amounts set aside for miscellaneous ongoing legal proceedings of all divisions. The nature of the legal disputes mainly relates to disagreements arising from warranty claims, employment law cases, litigation in connection with the sale of a division, as well as to sales of goods and services. The reduction in the provision for legal disputes is mainly attributable to a payment made in legal proceedings.

Guarantees

The provision for warranties covers the cost for guarantee claims. The amount of the provisions is based on the current sales volume and empirical data. The provisions will be used in the next one to two years.

Structural adjustments

The provisions formed in 2008 concerned the organizational integration of the hitherto autonomous Megamat GmbH, Germany into the organization of the Kardex (KRM) Division. This integration was completed in the first half of 2009 and all provisions were used. In the first half of 2009, the Kardex Group felt the impact of the global decline in demand for capital goods. This led to a marked decline in the capacity utilization of the manufacturing facilities. In response to this trend, management introduced measures to adjust structures. The provisions are based on a detailed plan. In addition, the Group informed the staff affected or already began implementing the measures.

10. Capital commitments

EUR millions	30 June 2009	31 December 2008
Property, plant and equipment	1.0	0.1
Total capital commitments	1.0	0.1

11. Contingent liabilities

EUR millions	30 June 2009	31 December 2008
Total contingent liabilities	0.6	0.8

12. Capital reduction for the purpose of nominal value repayment

On 21 April 2009, the Ordinary General Meeting of Kardex AG approved a move to reduce the nominal value of the shares by CHF 2.50 from CHF 13.50 to CHF 11.00. This reduces the share capital of Kardex AG by CHF 14 068 632.50 from CHF 75 970 615.50 to CHF 61 901 983.00 (EUR 39.4 million). After three notices to creditors, on 7 July 2009 the capital reduction was entered in the Commercial Register and the payment was made to shareholders. As of 30 June 2009, the nominal value reduction is reported on the balance sheet as a liability toward shareholders amounting to EUR 9.3 million under the position Other liabilities.

13. Conversion of bearer shares to registered shares

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

14. Value of assets

The value of all assets was reviewed as of 30 June 2009. 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. This revealed that the goodwill reported on the balance sheet as of 30 June 2009 based on the adjusted business plans is sound and that no writedowns are required.

15. Related parties

Related parties include members of the Board of Directors and Management Board, important shareholders and companies under their control. The period under review saw the departure of one member of the Management Board. A severance payment of EUR 333 000 was agreed, plus the monthly payments due until the end of the year. Apart from these amounts, there were no significant outstanding receivables from or liabilities towards related parties. No additional transactions of any significance were carried out with related parties during the period under review or the year-back period. In the first half of 2008, the Board of Directors approved a one-off share participation scheme for members of the Management Board and Board of Directors. Members of the Management Board were able to purchase Kardex shares with a value of between 50% and 100% of their fixed annual salary at a preferential price. Likewise, the members of the Board of Directors were able to purchase preferential shares up to a maximum value of 100% of their annual director's salary. The shares are blocked for three years following the subscription date. The shares were allocated in the second half of 2008. In the first half of 2009, no shares or share-based instruments were issued to the Management Board or the Board of Directors at preferential prices.

16. Events after the balance sheet date

The Board of Directors and management decided to introduce a functional organizational structure in the Kardex (KRM) Division in the second half of the year. As a result, the regionally managed division will be restructured. Discussions will be held with the employees affected by this reorganization. Any severance or compensation payments due will be recognized in the income statement as soon as they are known.

17. Release for Publication

The Board of Directors approved these consolidated interim financial statements on 6 August 2009.

Dates for 2010

Annual Media Conference
Wednesday, 16 March 2010
SIX Swiss Exchange, Zurich

Annual General Meeting
Tuesday, 27 April 2010
Zurich Marriott Hotel, Zurich

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

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

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