

KARDEX

Financial statements under
IFRS and in euros

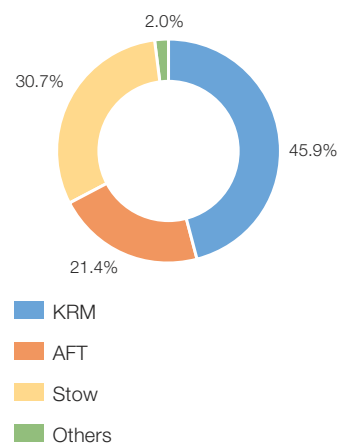


Half-year report 2005

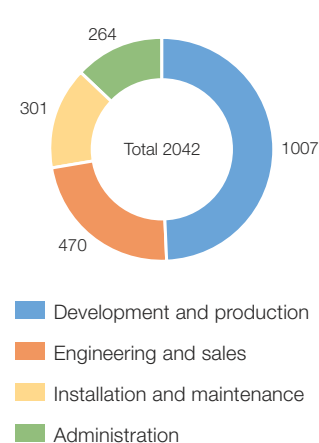
Group overview

		1st half-year 2005	1st half-year 2004	Change
Net revenues	EUR million	195.4	159.3	+22.7%
Operating profit (EBIT)	EUR million	8.2	-0.6	-
EBITDA	EUR million	12.4	5.1	+143.1%
Result before tax (EBT)	EUR million	7.6	-2.8	-
Result after tax	EUR million	4.8	-3.4	-
Bookings	EUR million	216.2	190.0	+13.8%
Backlog at June 30	EUR million	161.3	122.6	+31.6%
Equity at June 30	EUR million	135.2	121.2	+11.6%
Equity ratio	%	42.6	39.0	+9.2%
Share price at June 30	CHF	41.85	33.00	+26.8%
Earnings per share (basic, diluted)	EUR	0.86	-0.79	-

Net revenues by segment for the 1st half of 2005



Number of employees at June 30, 2005



Ladies and Gentlemen

As announced, the Kardex Remstar Group's financial statements for the first half of 2005 are reported for the first time under IFRS and in euros. For comparative purposes, the previous year's figures have been restated.

At the last Annual General Meeting at May 23, 2005, the Management Board of the Kardex Remstar Group announced "profitable growth" as its top priority. The half-year figures for 2005 demonstrate that the strategic course we have set is the correct one. Although the materials handling sector is still beset by fierce competition, great restraint among investors worldwide and a hard-fought price war which is putting pressure on margins, the Kardex Remstar Group succeeded in increasing net revenues and earnings.

The growth in net revenues was particularly gratifying. At EUR 195.4 million (previous year: EUR 159.3 million), revenues were 22.7% up on the comparable period of 2004. All three relevant divisions contributed to this result with double-digit net revenues growth. Earnings and other key figures also showed a positive trend. Given the unsatisfactory performance in this area in the first half of 2004, a percentage comparison is not particularly illuminating, but the absolute values speak for themselves. After-tax earnings amounted to EUR 4.8 million (previous year: EUR -3.4 million); earnings before tax totalled EUR 7.6 million (previous year: EUR -2.8 million); EBIT stood at EUR 8.2 million (previous year EUR -0.6 million); and EBITDA was EUR 12.4 million (previous year EUR 5.1 million).

BACKGROUND

These gains are not least a result of the Group's market-oriented structure, the strengthened capital basis, the capable new management team and enthusiastic employees at every level of the organization. In addition to volume gains, the Dynamic Storage and Retrieval Systems Division (KRM) made significant advances in productivity and profitability. The Industrial Automation and Conveyor Technology Division (AFT) reported a loss, despite marked net revenues growth in the first semester. This was due to high, non-recurring and non-transferable costs arising from an order. The Static Storage Systems Division (Stow) produced an outstanding performance on all fronts, the most noticeable being the improvement in margins. The small Special-Purpose Handling Systems

Division (STE) will not be shown separately in future.

OUTLOOK

New orders recorded by the Kardex Remstar Group in the first half of 2005 reached EUR 216.2 million (previous year: EUR 190.0 million), a gain of 13.8%. Orders in hand as at June 30, 2005, totalled EUR 161.3, up from EUR 122.6 million. This represented an advance on the previous year of 31.6%. The Kardex Remstar Group considers this a solid basis for a good second-half performance and improved results for the 2005 financial year as a whole.



Michael Funk
Chairman of the Board of Directors



Richard Flury
Chief Executive Officer

DATAS FOR 2006

Media conference

Thursday, April 27, 2006, 9 am,
Zunfthaus zum Rüden, Zurich

Analysts' meeting

Thursday, April 27, 2006, 11 am,
Zunfthaus zum Rüden, Zurich

Annual General Meeting

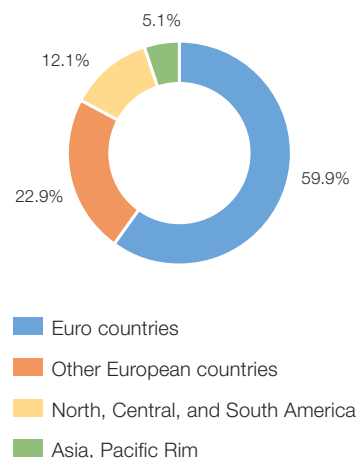
Monday, May 22, 2006, 11 am,
Lake Side Casino Zürichhorn, Zurich

Dynamic Storage and Retrieval Systems Division (KRM)

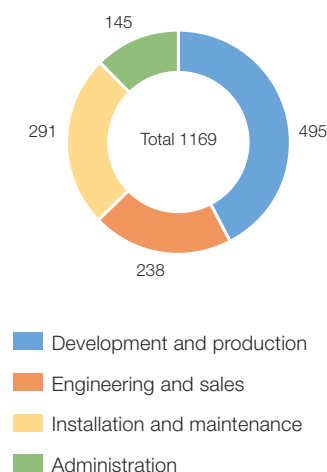
The Dynamic Storage and Retrieval Systems Division (KRM) focuses primarily on the production, global distribution, installation, and maintenance of dynamic storage, retrieval, and distribution solutions. These logistics solutions are marketed under the Kardex, Remstar, and Megamat (KRM) brands and are used predominantly in industrial, commercial, and administrative environments. The systems are developed and manufactured at three Group-owned facilities in Bellheim (Pfalz, Germany), Neuburg (Bavaria, Germany) and Westbrook (Maine, USA).

The 11.4% increase in net revenues in the first half of 2005 to EUR 89.6 million, compared with EUR 80.4 million the previous year, was the result of broadening demand, improved market penetration and the market-specific product range. The most notable increases were in southern European markets as well as in the demand for the Megamat brand. Sales in Middle and Far Eastern markets as well as in the USA were also better than average. The restructuring of production facilities – particularly at the Bellheim works – brought significant improvements in productivity. During the current year, the construction of a new center for sheet metal processing (EUR 5.5 million) will get underway at Bellheim. The higher productivity led to higher margins. EBIT improved by 490.0% during the first half of the year compared with the previous year, rising from EUR 1.0 million (which included amortization of goodwill amounting to EUR 0.2 million) to EUR 5.9 million. For fiscal 2005 overall, KRM expects double-digit growth in net revenues and EBIT. Furthermore, at the CeMAT trade fair in Hanover, Germany, we plan to present new products and applications as a platform for future growth.

Net revenue by geographical market for the 1st half of 2005



Number of employees at June 30, 2005



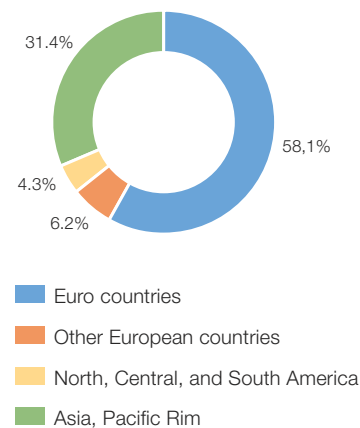
EUR million	1st half-year 2005	1st half-year 2004	Change
Net revenues	89.6	80.4	+ 11.4%
Operating profit (EBIT)	5.9	1.0	+ 490.0%
EBITDA	7.9	3.3	+ 139.4%
Bookings	99.1	86.1	+ 15.1%
Backlog at June 30	45.9	44.6	+ 2.9%

Industrial Automation and Conveyor Technology Division (AFT)

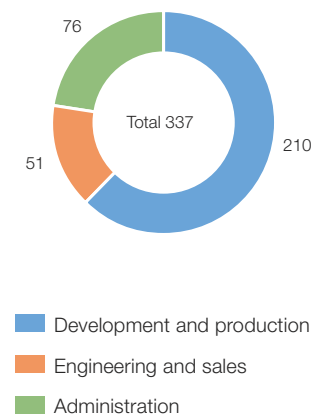
The key activities of the Industrial Automation and Conveyor Technology Division (AFT) are the engineering, production, global distribution, installation, and maintenance of ceiling and floor conveyor systems, together with the lifting and logistics equipment required primarily by the automobile industry. These products are developed and manufactured in Schopfheim (Baden-Württemberg, Germany), Bautzen (Saxony, Germany) and Seoul (South Korea).

Following the marked decline in AFT's net revenues in 2004, the division achieved a turnaround in volumes in the first half of 2005, even surpassing the record high attained in 2003. Net revenues for the first six months of 2005 were EUR 41.8 million (previous year: EUR 31.0 million), a rise of 34.8%. EBIT was unable to keep pace. As in 2004, AFT is showing a loss at the halfway point of the year. A year ago, the deficit stood at EUR –0.8 million (including amortization of goodwill amounting to EUR 0.7 million), while in the first half of 2005 it reached EUR –0.5 million. Apart from the fact that it is not easy today for suppliers to the automotive industry to generate adequate margins, the result was also adversely affected by additional, non-recurring and non-transferable costs arising from an order. With incoming orders still running at a satisfactory level, the quality of orders improving, various product upgrades being delivered and increasing success generating orders outside the automotive industry, the AFT Division is confident of being able to make a positive contribution to Group EBIT at the end of the year.

Net revenue by geographical market for the 1st half of 2005



Number of employees at June 30, 2005



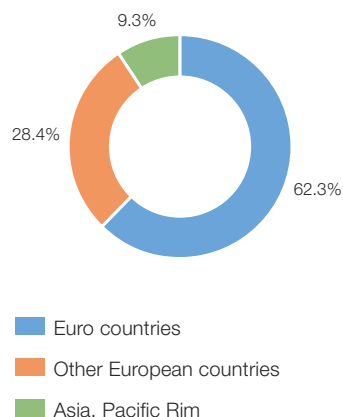
EUR million	1st half-year 2005	1st half-year 2004	Change
Net revenues	41.8	31.0	+34.8%
Operating profit (EBIT)	–0.5	–0.8	+37.5%
EBITDA	0.2	0.5	–60.0%
Bookings	47.4	42.7	+11.0%
Backlog at June 30	84.1	42.6	+97.4%

Static Storage Systems Division (Stow)

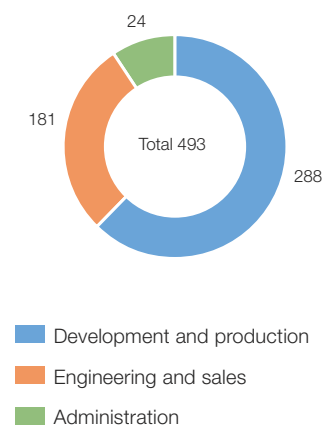
The core activity of the Static Storage Systems Division (Stow) is the manufacture of storage shelving typically used in high-bay warehouses. The most important customer segments include general contractors specializing in logistics, large corporations, and logistics service suppliers (warehouses). The plants in Wevelgem and Dottenijs (Belgium) as well as Shanghai (China) are globally recognized as models of automated high-volume production. Engineering, distribution, and on-site assembly are handled by the division's own distribution companies in Europe's key markets.

Despite a difficult start to fiscal 2005, the Stow Division reported impressive net revenues growth of 35.8% at the end of June 2005. In the second quarter, the division performed well above target, increasing half-year net revenues from EUR 44.1 million to EUR 59.9 million. Stow posted growth in practically all its markets during the first six months of the year. A welcome development was the significant improvement in EBIT. Further streamlining of factory organization and higher margins saw EBIT increase from EUR 0.0 million (including amortization of goodwill amounting to EUR 0.7 million) the previous year to EUR 2.8 million in the first six months of the current year. To ensure that this division can withstand the pressures of rapid expansion in the long term, we are investing in two new plants. The new factory in Belgium (EUR 15.0 million) is already under construction; the new plant in China (EUR 4.4 million) is at the planning stage. The Belgian plant is due to come on stream at the beginning of 2006, the Chinese one in mid-2006. The Stow Division is confident that it will be able to maintain the higher pace until the end of the year and contribute to Group EBIT with double-digit growth.

Net revenue by geographical market for the 1st half of 2005



Number of employees at June 30, 2005



EUR million	1st half-year 2005	1st half-year 2004	Change
Net revenues	59.9	44.1	+ 35.8%
Operating profit (EBIT)	2.8	-	-
EBITDA	4.2	1.9	+ 121.1%
Bookings	64.9	55.7	+ 16.5%
Backlog at June 30	27.0	31.3	- 13.7%

Pictures on front cover



A typical installation from the Dynamic Storage and Retrieval Systems Division (KRM): a row of Kardex Shuttle units form a logistics solution for the centralized storage and retrieval of components and spare parts.



A typical project from the Industrial Automation and Conveyor Technology Division (AFT): AFT ceiling-mounted conveyor systems move cars in manufacture from one station to another on an automated production line.



A typical arrangement from the Static Storage Systems Division (Stow): Stow elements manufactured in automated, high-volume production plants form the core of a customized high-bay warehouse solution.



A typical solution from the Special-Purpose Handling Systems Division (STE): an STE multi-tower for heavy loads is used for the centralized storage of long, flat items up to 6.8 m.

Consolidated income statement (condensed)

in EUR million	1st half-year 2005	1st half-year 2004
Net revenues	195.4	159.3
Costs of goods sold and services provided	-152.2	-122.3
Gross profit	43.2	37.0
Operating expenses	-35.0	-36.0
Operating result before amortization of goodwill (EBITA)	8.2	1.0
Amortization of goodwill	-	-1.6
Operating profit (EBIT)	8.2	-0.6
Net financial result	-0.6	-2.2
Result before tax (EBT)	7.6	-2.8
Income tax	-2.8	-0.6
Result after tax	4.8	-3.4
of which shareholders of Kardex AG	4.8	-3.4
of which minority shareholders	-	-
Basic earnings per share (EUR)	0.86	-0.79
Diluted earnings per share (EUR)	0.86	-0.79

Consolidated balance sheet (condensed)

in EUR million	30.06.2005	31.12.2004	30.06.2004
Property, plant and equipment	62.6	60.6	60.3
Intangible assets	51.7	51.8	52.9
Other long-term assets	4.3	4.2	5.0
Total non-current assets	118.6	116.6	118.2
Inventories and construction contracts	71.6	50.3	59.2
Accounts receivables	99.2	103.7	83.9
Other current assets	11.5	8.8	15.7
Cash and cash equivalents	16.5	19.0	33.9
Total current assets	198.8	181.8	192.7
Total assets	317.4	298.4	310.9
Equity excluding minority interest	135.2	128.3	121.2
Minority interest	–	–	–
Total equity	135.2	128.3	121.2
Long-term financial liabilities	40.6	41.2	47.1
Other long-term liabilities	14.2	13.9	14.3
Non-current liabilities	54.8	55.1	61.4
Accounts payables	54.5	58.1	66.3
Current financial liabilities	36.0	24.5	31.9
Other current liabilities	36.9	32.4	30.1
Total current liabilities	127.4	115.0	128.3
Total liabilities	182.2	170.1	189.7
Total equity and liabilities	317.4	298.4	310.9

Consolidated cash flow statement (condensed)

in EUR million	1st half-year 2005	1st half-year 2004
Cash flow from operating activities	-5.7	-7.3
Cash flow from investing activities	-5.6	-1.9
Cash flow from financing activities	8.5	28.7
Effect of exchange rate changes on cash and cash equivalents	0.3	0.2
Net change in cash and cash equivalents	-2.5	19.7
Cash and cash equivalents at January 1	19.0	14.2
Cash and cash equivalents at June 30	16.5	33.9

Consolidated equity (condensed)

in EUR million	30.06.2005	31.12.2004	30.06.2004
Equity at January 1	128.3	86.1	86.1
Capital increase resulting from business combination (net)	-	39.2	39.2
Hedging transactions	0.3	-	-
Currency translation	1.8	-0.5	0.8
Dividend	-1	-1.5	-1.5
Result after tax	4.8	5.0	-3.4
Equity	135.2	128.3	121.2

¹ Par value payback at August 10, 2005, of CHF -.74 per share or a total of EUR 2.7 million.

Notes to the condensed consolidated interim financial statements

1. General information

The condensed consolidated interim financial statements of the Kardex Remstar Group for the six months ended June 30, 2005, comprise Kardex AG (the "Company") and its subsidiaries (together referred to as the "Group"). Kardex AG is a company domiciled in Switzerland.

The Company has its listing on the Swiss Stock Exchange (SWX).

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors at August 9, 2005.

2. Summary of significant accounting policies

2.1 STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements (IAS 34). These are the Group's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 (First-time Adoption of International Financial Reporting Standards) has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 6.

2.2 BASIS OF PREPARATION

The consolidated financial statements are expressed in million euros. The Group began presenting its results in euros with effect from January 1, 2005, and has restated its 2004 results in euros for comparison purposes. This change reflects the fact that the Group's cash flows and transactions are primarily denominated in euros. The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

– derivative financial instruments

- financial instruments held for trading
- financial instruments classified as available for sale.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These condensed consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective or available for early adoption at January 1, 2004. The first IFRS annual financial statements will be published for the year ending December 31, 2005.

The presentation of the condensed consolidated interim financial statements in compliance with IFRS has led to changes in the accounting principles compared with last year's statements, which were drawn up in line with Swiss GAAP FER guidelines. The accounting principles set out below were applied consistently for all periods covered by the condensed consolidated interim financial statements. As required by IFRS 1, they were also used for the opening balance sheet at January 1, 2004.

2.3 ACCOUNTING PRINCIPLES

2.3.1 SUBSIDIARIES

The capitalization of investment in subsidiaries is carried out in accordance with the Anglo-Saxon purchase method. All subsidiaries are consolidated 100 percent, with their assets and liabilities as well as their expenses and income. The minority interests in Dreier Systemtechnik AG (20%) are stated separately in Group equity and result. The financial statements of subsidiaries are integrated in the

financial statements from the day on which the Group took control until the date on which such control ended.

2.3.2 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4 FOREIGN CURRENCY CONVERSION

2.4.1 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

2.4.2 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items are reported as part of their fair value gain or loss. Translation differences on non-monetary items are included in equity from January 1, 2004.

2.4.3 FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The financial statements of all group subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate of each balance sheet date;
- income and expenses, as well as cash flow are trans-

lated at average exchange rates and all resulting exchange differences are recognized as a separate component of equity (currency translation).

2.4.4 NET INVESTMENT IN FOREIGN OPERATIONS

Exchange differences arising from the translation of the net investment in foreign operations, of financial liabilities and other currency instruments are taken to currency translation. They are released into the income statement upon disposal of the operation.

2.5 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments exclusive to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

2.6 HEDGING TRANSACTIONS

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. If the forecasted transactions subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gain and losses that were recognized directly in equity are reclassified into profit or loss in the same periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding statements, the associated cumulative gain or loss is removed from equity and recognized in profit or loss in the same periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognized immediately in profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedged relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain or loss recognized in equity is recognized immediately in profit or loss.

2.7 PROPERTY, PLANT AND EQUIPMENT

2.7.1 OWNED ASSETS

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour, an initial estimate of the cost of dismantling and removing the items and restoring the site.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

2.7.2 LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

2.7.3 SUBSEQUENT COSTS

The Group recognizes the cost of exchanging an item of property, plant and equipment as an asset if it is probable that its future economic benefit will accrue to the Group and the cost of the item can be determined reliably. All

other costs are recognized in the income statement at the time when they are incurred.

2.7.4 DEPRECIATION

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

buildings	40–50 years
machinery and production tools	4–10 years
equipment and motor vehicles	6–12 years
information technology (hardware)	3 years

The residual value is reassessed annually.

2.8 INTANGIBLE ASSETS

2.8.1 GOODWILL

All business combinations are accounted for by applying the purchase accounting method. Goodwill represents amounts arising on the acquisition of subsidiaries, associates and joint ventures. Acquisitions prior to January 1, 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under Swiss GAAP FER.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment.

2.8.2 RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense at the time incurred.

Expenditure on development activities, whereby research findings are applied to any plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense at the time incurred. Development

costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

2.8.3 OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

2.8.4 SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed at the time incurred.

2.8.5 AMORTIZATION

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment on an annual base. Other intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

Capitalized development costs	3 years
Licences and patents	5 years
Capitalized software	5 years

2.8.6 INVESTMENTS

Investments are classified as follows:

- financial assets at fair value through profit or loss
- loans and receivables, investments held to maturity
- financial assets that are available for sale.

The classification depends on the purpose for which the investments were acquired. Management determinates the classification of its investments at initial recognition and re-evaluates these designations at every reporting date.

2.9 IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization. They are tested for impairment annually and at any other time when there are indications that their book value may exceed their actual value. Assets that are subject to amortization are tested for impairment whenever

events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Goodwill was tested for impairment at January 1, 2004, as part of the transition to IFRS. No impairment loss was recognized.

2.10 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2.11 CONSTRUCTION CONTRACTS

Construction contracts are stated at cost plus profit recognized to date less a provision for foreseeable losses and less progress billings. Cost includes all expenditure relating directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

2.12 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less calculated bad debt allowances.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet.

2.14 EQUITY

2.14.1 SHARE CAPITAL

If shares or participation capital is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option, the capital is classified as equity. Incremental costs directly attributable to the issue of new shares or participation capital are shown in equity as deduction from the proceeds.

2.14.2 REPURCHASE OF SHARE CAPITAL

If the company repurchases its own shares, the payments including directly rated costs are shown as deductions under equity.

2.14.3 DIVIDEND

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

2.15 EMPLOYEE BENEFITS

2.15.1 DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution pension plans are recognized in the income statement at the time incurred.

2.15.2 DEFINED BENEFITS PLANS

The Group's net obligation in respect of defined benefit post-employment plans is calculated separately for each plan. That benefit is discounted to determine its present value, and the fair value of any plan asset is deducted. The discount rate is a yield at the balance sheet date on debentures that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses at January 1, 2004, the date of transition to IFRSs, were recognized. The Group recognizes actuarial gains and losses that arise subsequent to January 1, 2004, using the corridor method. Under the corridor method, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan asset, that portion is recognized in profit or loss over the expected average remaining

working lives of the employees participating in the plan. Otherwise, the actuarial gain and loss is not recognized.

When the calculation results in plan assets exceeding liabilities to the Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

2.16 PROVISIONS

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.16.1 WARRANTIES

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data.

2.16.2 RESTRUCTURING

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced publicly. No provisions are recognized for future operating losses.

2.16.3 SITE RESTORATION

A provision for site restoration in respect of contaminated land is recognized when contamination of the land is ascertained.

2.16.4. ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

2.17 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

2.18 REVENUE RECOGNITION

2.18.1 GOODS SOLD AND SERVICE RENDERED

Revenue from the sale of goods is recognized in profit or loss as soon as the main risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in profit or loss according its stage of completion. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. No revenue is recognized if there is significant continuing management involvement with the goods.

2.18.2 CONSTRUCTION CONTRACTS

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by the cost-to-cost method. An expected loss on a contract is recognized immediately in profit or loss.

2.18.3 GOVERNMENT GRANTS

Government grants related to assets, including non-monetary grants at fair value, are deducted from the carrying amount of the asset. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.19 EXPENSES

2.19.1 OPERATING LEASE PAYMENTS

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss as an integral part of the total lease expense.

2.19.2 FINANCE LEASE PAYMENTS

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.19.3 NET FINANCING COSTS

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss.

Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

2.20 INCOME TAX

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

3. Financial risk management

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business. Derivative financial instruments are used only to hedge exposure to fluctuation in foreign exchange rates and interest rates.

3.1 CREDIT RISK

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments are allowed only in liquid securities and only with high-credit-quality financial institutions. Transactions involving derivative financial instruments are with counterparties that hold sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

3.2 LIQUIDITY RISK

Prudent liquidity risk management requires that the Group maintains sufficient liquid assets and the availability of funding through an adequate level of contractual credit facilities. Owing to the dynamic nature of its business, the Group Management has agreed sufficiently high credit lines with its credit institutions.

3.3 MARKET RISK

3.3.1 FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the euro. The currencies giving rise to this

risk are primarily swiss francs, pounds sterling and U.S. dollars.

The Group hedges a major part of anticipated U.S. dollars transactions for the subsequent six months. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

3.3.2 PRICE RISK

On account of its business model, the Group is exposed to a market price risk. Management endeavors to pass on any fluctuations to the market.

3.3.3 INTEREST RISK

The Group raises long- and short-term borrowings at floating as well as at fixed interest rates. Group treasury is responsible for monitoring interest rate movements continuously and for optimizing future expenses.

4. Critical accounting estimates and judgements

Group management has explained the development and disclosure of critical accounting methods to the Audit Committee. Its assessment is based on experience and other factors, such as expectations regarding future results which, under given circumstances, might be considered appropriate.

The book value of goodwill acquired before January 1, 2004, amounts to EUR 47.9 million. This has been divided up among the cash-generating units, which comprise either divisions or individual subsidiaries. The amount attainable for a cash-generating unit is defined on the basis of value-in-use calculations. The cash flow projections are based on plans for the next few years drawn up by management and approved by the Board of Directors. The gross profit margin determined by management is an empirically established figure and is in line with expected business growth. Other basic assumptions for the calculation include:

- assumed growth rate for periods
beyond the scope of plans 1.0%
- weighted average cost of capital
(WACC) before tax 10.8%–15.1%

5. Additional information

5.1. LIST OF SUBSIDIARIES

Please refer to note 25 in the annual report 2004 of the Kardex Remstar Group as well as to note 6.4 K of the condensed consolidated interim financial statements.

5.2 SEASONALITY

All Group divisions are subject to seasonal fluctuations as a result of the investment cycle. Capital expenditures for investment goods and final acceptance for construction contracts are typically placed in the second half of the year. This results in lower net revenues and segment results for the first half-year.

5.3 INTANGIBLE ASSETS

in EUR million	30.06.2005	31.12.2004	30.06.2004
Goodwill	47.9	47.5	49.0
Capitalized Development Cost (R & D)	2.3	2.4	2.1
Capitalized Software	1.3	1.5	1.3
Other	0.2	0.4	0.5
Total	51.7	51.8	52.9

5.4 COMMITMENTS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

At June 30, 2005, the Group was committed to purchasing property, plant and equipment to the value of EUR 14.7 million (2004: none).

5.5 EQUITY

The Group recorded a net increase of EUR 39.2 million in equity as a result of the merger with Tuxedo Invest AG in fiscal 2004. For further details please refer to the notes on the consolidated financial statements in the Annual Report for 2004.

5.5.1 REPAYMENTS OF DEBT AND EQUITY

On May 23, 2005, the Annual General Meeting approved a par value payback of CHF –.74 per share (total CHF 4.2 million / total EUR 2.7 million). The payment will be made following the entry in the Commercial Register. The procedure will probably be completed by the end of August 2005.

5.6 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months to June 30, 2005, was based on the profit assignable to ordinary shareholders of EUR 4 844 000 (six months to June 30, 2004: EUR – 3 380 000) and a weighted average number of 5 627 453 issued shares during the six months to June 30, 2005 (six months to June 30, 2004: 4 294 674).

5.7 EVENTS AFTER THE BALANCE SHEET DATE

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

5.8 SEGMENT REPORTING

Segment information is presented in the condensed consolidated interim financial statements in respect of the Group's divisions, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Intersegment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group is comprised of the following main business segments (divisions):

- Dynamic Storage and Retrieval Systems Division (KRM)
- Industrial Automation and Conveyor Technology Division (AFT)
- Static Storage Systems Division (Stow)

in EUR million	KRM		AFT		Stow		Other/ Eliminations/ Finance		Total Group	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
1. half-year										
Segment net revenues	89.6	80.4	41.8	31.0	59.9	44.1	4.1	3.8	195.4	159.3
Euro countries	53.7	47.9	24.3	18.9	37.3	26.6	1.9	2.0	117.2	95.4
Other European countries	20.5	19.2	2.6	1.0	17.0	14.2	1.5	1.2	41.6	35.6
North, Central and South America	10.8	9.0	1.8	2.0	–	–	–	–	12.6	11.0
Asia and Pacific Rim	4.6	4.3	13.1	9.1	5.6	3.3	0.7	0.6	24.0	17.3
Operating profit (EBIT)	5.9	1.0	-0.5	-0.8	2.8	–	–	-0.8	8.2	-0.6

6. Explanation of transition to IFRSs

These are the Group's first condensed consolidated interim financial statements under IFRS.

When drawing up the IFRS opening balance for January 1, 2004, comparative figures for the six months to June 30, 2004, and the annual financial statements for December 31, 2004, the Group has restated the figures

that were published in these statements under Swiss GAAP FER.

An explanation of the effects of the transition to IFRSs on the Group's financial position, financial performance and cash flows, can be found in the following overview and notes:

6.1 RECONCILIATION OF RESULT

in EUR million			Fiscal 2004	1st half year 2004
Result under Swiss GAAP FER		A	6.0	0.7
IAS 2	Inventories	B	0.4	-0.5
IAS 11	Construction contracts	C	-2.1	-3.2
IAS 12	Income taxes	D	0.8	0.9
IAS 16	Property, plant and equipment	E	-0.2	-
IAS 19	Employee benefits	F	0.1	-
IAS 37	Provisions	G	0.2	-
IAS 38	Intangible assets	H	-0.5	-0.9
IAS 39	Financial instruments	I	0.3	0.2
IFRS 3	Business combinations	J	-	-
Other		K	-	-0.6
Result under IFRS			5.0	-3.4

6.2 RECONCILIATION OF EQUITY

in EUR million			31.12.2004	30.06.2004	01.01.2004 Opening balance sheet
Equity under Swiss GAAP FER		A	146.7	142.7	103.5
IAS 2	Inventories	B	-1.7	-2.6	-2.1
IAS 11	Construction contracts	C	-5.3	-6.4	-3.2
IAS 12	Income taxes	D	0.6	0.7	-0.2
IAS 16	Property, plant and equipment	E	-2.2	-2.0	-2.0
IAS 19	Employee benefits	F	-2.7	-2.8	-2.8
IAS 37	Provisions	G	-1.7	-1.9	-1.9
IAS 38	Intangible assets	H	-2.7	-3.1	-2.2
IAS 39	Financial instruments	I	-2.4	-2.5	-2.7
IFRS 3	Business combinations	J	0.2	0.2	0.2
Other		K	-0.5	-1.1	-0.5
Equity under IFRS			128.3	121.2	86.1

6.3 NOTES TO THE RECONCILIATION TO IFRSs

IFRS 1 permits new users to take advantage of some alleviation in relation to previous guidelines. The Kardex Remstar Group has made use of this as follows:

- Business combination: There was no revaluation in relation to business combination entered into before the transition to IFRS (January 1, 2004).
- Fair value or revaluation as deemed cost: Carrying amounts on fixed assets comparable with the fair value on transition to IFRSs were adopted in the opening IFRS balance sheet.
- Employee benefits: The cumulative actuarial gains and losses were assessed in the opening IFRS balance sheet.
- Cumulative translation differences: All translation differences were set at zero at the date of transition to IFRS.

6.4 DETAILS TO THE RECONCILIATION TABLES

- A The Kardex Remstar Group converted its consolidated financial statements from Swiss francs to euros. The resulting currency translation effects are recognized in the opening Swiss GAAP FER balances.
- B The application of adjusted and consistent internal valuation principles necessitated an additional value adjustments for inventories with a low turnover ratio and for slow-moving items.
- C Under IFRS, the stage of completion for construction contracts is recognized using the cost-to-cost method. Under Swiss GAAP FER, the project status was recognized on the basis of technical progress reports.
- D Revaluation of deferred tax assets and liabilities on all temporary differences between the tax balance sheets and IFRS balance sheets resulted in a net decrease in equity at January 1, 2004.

Significant components include the impact on income tax positions arising from the transition to

IFRS and the consistent calculation of deferred income tax on tax-deductible loss carryforwards.

- E The useful lives of fixed assets were reviewed and adjusted with particular regard to the introduction of the “component approach”. In addition, the revaluation of a number of properties resulted in a decrease in this line entry.
- F On transition to IFRS, the Group had actuarial calculations prepared for all defined benefit plans and recognized any funded status surpluses and deficits in the balance sheet. In particular, Swiss-defined contribution plans not recognized under Swiss GAAP FER qualify as defined benefit plans under IFRS and are now included. The biggest adjustments relate to pension schemes in Germany (EUR 1.2 million), UK (EUR 1.1 million) and Switzerland (EUR 0.3 million).
- G For the opening IFRS balance sheet, the Group has introduced a new basis for calculating provisions for guarantees, including historical and manufacturing data.
- H More detailed external (IFRS) and internal guidelines on reporting internal development costs and adjustment of their expected useful lives resulted in a decrease in this position.
- Organization costs, which are capitalized under Swiss GAAP FER, do not qualify as assets under IFRS; these costs were accordingly recognized in the IFRS income statement.
- I The application of more precise internal valuation principles, based on historical data, for doubtful or overdue accounts resulted in an adjustment in the allowances for receivables. In addition, a derivative not shown under Swiss GAAP FER was recognized under IFRS at market value as a financial debt amounting to EUR 0.3 million.

The derivative was reversed in the first half of the year and the amount charged against profit or loss in the opening balance sheet.

- J An increase on goodwill arising from the liquidation of an employee option program at Stow, which was shown under Swiss GAAP FER in 2004, was included in the opening IFRS balance sheet at the same amount of EUR 0.2 million.
- K The other entries comprise differences in various balance sheet items (EUR 0.5 million), inclusion of a previously not consolidated subsidiary, LT Engineering AG, Reinach, Switzerland (EUR –0.2 million), and the valuation of loans at rates applicable on the balance sheet date (EUR 0.2 million). Under Swiss GAAP FER, loans were valued on the basis of lower of cost or market.

6.5 CASH FLOW STATEMENT

The cash flow statement under IFRS does not show any significant change from the figures under Swiss GAAP FER. The changes affect:

Securities totalling EUR 0.6 million and held in the fund under Swiss GAAP FER (for all reporting periods) are assigned to cash flow from investing activities under IFRS. Interest paid and received is now shown under Cash flow from financing activities (formerly Cash flow from operating activities). Apart from this, the organization costs listed under point H, which do not qualify as assets under IFRS, move from Cash flow from investing activities to Cash flow from operating activities (Cash outflow of EUR 0.6 million at June 30, 2004, or EUR 0.4 million at December 31, 2004).

The half-year Report is published in German and English.

The original German version is binding.

All statements in this report, other than those based on historical fact, are forward-looking and provide no guarantee of future performance. They are subject to risks and uncertainties which include, but are not restricted to, future global economic conditions, currency exchange rates, legal requirements, market conditions, the activities of the competition as well as other factors that are beyond the company's control.

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