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Kardex Remstar International Group Half-year Report 2006

Group results improved
Performance in the divisions varied

Kardex Remstar International Group, which is listed on the Swiss Stock Exchange SWX, increased revenues by 17.1% to EUR 222.7 million in the first half of 2006. All three divisions contributed to growth, although they performed differently. The Group operating result (EBIT) improved to EUR 3.8 million (vs. EUR –4.0 million in the previous year's period). Various extraordinary factors weighed on the result. The Group net result (EAT) amounted to EUR –0.4 million (vs. EUR –5.8 million in the previous year). For the financial year 2006 as a whole, Kardex expects a continued high level of incoming orders and a positive Group result.

Kardex is a worldwide leading supplier of products and services for logistics. The company succeeded in reaping benefits from the positive trend in the logistics markets in Europe, the USA and Asia in the first half of 2006. The Group's incoming orders rose by 14.2% to EUR 255.1 million. Kardex increased its revenues from EUR 190.1 million to EUR 222.7 million in the first half of 2006, with all three divisions contributing to growth, albeit to varying degrees.

Improved operating result

The Group improved its consolidated operating result by EUR 7.8 million to EUR 3.8 million, versus the negative consolidated operating result reported in the previous year. "Despite the noticeable improvement, the operating result fell short of our expectations," said CEO Jos De Vuyst. "One-time costs relating to the revision of the Annual Report 2005, lags in passing on increases in steel prices, and expansion of the new production facility in Belgium all weighed on the result."

The Group net result improved by EUR 5.4 million to EUR –0.4 million. Total assets increased from EUR 286.6 million to EUR 307.5 million in the first half of 2006, resulting in a decrease in the equity ratio to 29.0% (vs. 31.5% at 31 December 2005).

Kardex recorded investments of EUR 19.2 million in first half 2006 (vs. EUR 5.7 million the previous year). Investments in the new Stow production plant in Belgium and an increase in inventories led to a rise in net debt to EUR 66.6 million (vs. EUR 32.9 million at 31 December 2005). The increase in inventories is attributable to higher commodity prices, increased production volumes and effects relating to project financing.

KRM: Good results

KRM (Dynamic Storage and Retrieval Systems Division) benefited from the favorable economic environment in Germany, with incoming orders surging by 23.5% to EUR 122.4 million in first half 2006.

KRM reported favorable results for the first six months of 2006. Revenues climbed by 17.6% to EUR 105.4 million, while the operating result rose from EUR 3.6 million to EUR 9.0 million. The operating margin amounted to 8.5% (vs. 4.0% the previous year).

AFT: Targeted risk reduction

AFT (Industrial Automation and Conveyor Technology Division) continues on its turnaround course. Incoming orders declined as planned, reaching EUR 39.9 million (–29.3%). AFT intentionally reduced its order volumes in order to mitigate risks and improve margins. The diminished investment activity in the automobile industry also had an impact here.

AFT posted a negative operating result of EUR –5.8 million (vs. EUR –9.4 million the previous year) on revenues of EUR 41.4 million (vs. EUR 38.0 million the previous year). Factored into the result are one-time extraordinary costs amounting to EUR 1.0 million, relating to the revision of the Annual Report 2005. The operating margin improved from –24.7% to –14.0%.

Stow: Noticeable extraordinary effects

The volume of new orders in Stow (Static Storage Systems Divison) grew by 36.9%, reaching EUR 92.8 million; the surge was also driven by the renewed increase in steel prices.

Revenues at Stow climbed by 23.2% to EUR 78.1 million. The operating result sank from EUR 2.2 million to EUR 1.0 million and accordingly, the operating margin also shrank to 1.3% (vs. 3.5% the previous year).

The results reported by Stow were burdened by two factors: First, higher steel prices could only partially, and with a lag, be passed on to customers. Second, capacity at the new production plant in Belgium, which started operations in January 2006, did not yet reach its target level.

Outlook: Positive Group result expected

The Board of Directors and Executive Board expect a positive Group result for the financial year 2006 as a whole. The individual divisions should report varied performance in the second half of the year as well.

Given a prevailing high level of incoming orders, KRM will probably provide a substantially greater contribution to the Group result compared with the previous year.

With regard to AFT, the review of its strategic options is still in progress. The measures implemented at the operating level should improve future results. AFT is expected to record a reduced operating loss for the second half of 2006 versus the first half figures.

Stow anticipates persistently strong incoming orders. Its operating result in the second half of 2006 should turn out to be better than the number reported for the first six months. Overall, however, Stow is unlikely to achieve the operating result recorded in the previous financial year.

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Kardex Remstar International Group profile

The Kardex Remstar International Group is one of the world's leading suppliers of products and services in the logistics of dynamic storage and retrieval systems, automation and conveyor technology and static storage systems. The Group comprises three divisions, KRM, AFT and Stow, which operate subsidiaries and manufacturing facilities in Europe, America and Asia. Shares of Kardex AG (Holding), with headquarters in Zurich, are listed on the Swiss Stock Exchange SWX. Kardex has a staff of 2 100 employees worldwide. www.kri-group.com

Kardex Remstar International Group

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