

2015

Annual Report

kardexgroup

The Kardex Group is a global industry partner for intra-logistic solutions and a leading supplier of automated storage solutions and materials handling systems. The Group consists of the two entrepreneurially managed divisions Kardex Remstar and Kardex Mlog.

Kardex Remstar develops, produces and maintains shuttles and dynamic storage and retrieval systems, and Kardex Mlog offers integrated materials handling systems and automated high bay warehouses.

The two divisions are partners for their customers over the entire lifecycle of a product or solution. This begins with an assessment of customer requirements and continues via the planning, realization and implementation of customer-specific systems through to ensuring a high level of availability and low lifecycle costs by means of customer-oriented lifecycle management.

Around 1 500 employees in over 30 countries worldwide work for the companies of the Kardex Group.

Kardex AG has been listed on the SIX Swiss Exchange since 1987.

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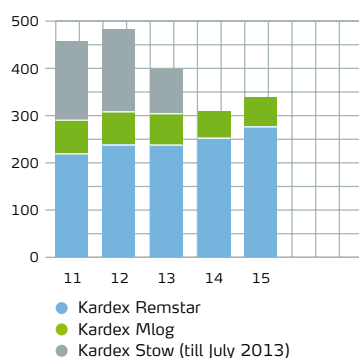
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The Annual Report is published in German and English.
The financial section is published in English only.

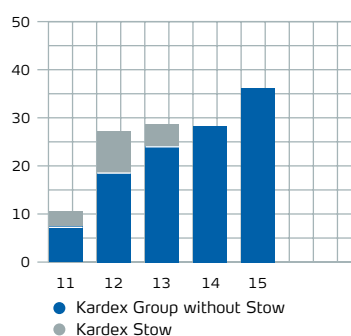
Figures indicated in brackets refer to the previous year.

Kardex Group at a glance

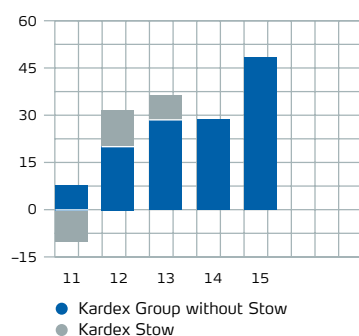
**Net revenues
by divisions**
in EUR millions



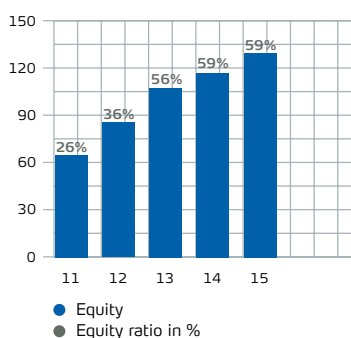
Operating result (EBIT)
in EUR millions



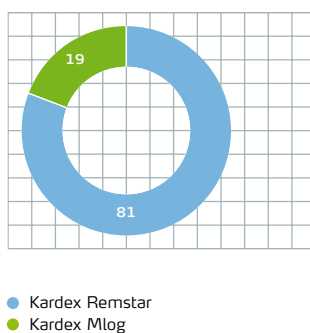
**Net cash flow from
operating activities**
in EUR millions



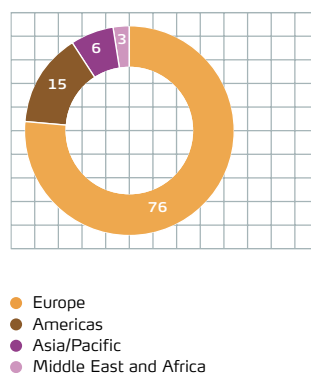
Equity and equity ratio
in EUR millions and in %



Net revenues by segments
Business year 2015 in %



Net revenues by regions
Business year 2015 in %



Highlights and key figures in 2015

Profitable growth continues

Kardex Group achieves double-digit EBIT margin

Strong free cash flow and ROCE

Kardex Remstar benefits from global demand for intra-logistics solutions

Kardex Mlog achieves the targeted EBIT margin range for the first time

Payouts to shareholders increased further

Key figures

EUR millions

1.1.-31.12.	2015		2014		+/- %
Bookings	350.1	103.4%	308.9	100.3%	13.3%
Order backlog (31.12.)	124.3	36.7%	107.8	35.0%	15.3%
Net revenues	338.5	100.0%	308.0	100.0%	9.9%
Gross Profit	122.0	36.0%	102.8	33.4%	18.7%
OPEX	85.7	25.3%	74.3	24.1%	15.3%
Operating result (EBIT)	36.3	10.7%	28.5	9.3%	27.4%
EBITDA	41.6	12.3%	34.6	11.2%	20.2%
Result for the period (net profit)	28.5	8.4%	23.8	7.7%	19.7%
Net cash flow from operating activities	48.2		28.3		70.3%
Free cash flow	42.7		23.7		80.2%
ROCE	45.2%		33.4%		35.3%
	31.12.2015		31.12.2014		+/- %
Net working capital	51.4		56.9		-9.7%
Net cash	112.3		85.1		32.0%
Equity/Equity ratio	129.4	58.7%	115.8	59.4%	11.7%
Employees (FTE)	1 509		1 480		2.0%

Report to the shareholders

Positive developments for the Kardex Group

The Kardex Group is looking back on another successful year. Both its divisions have benefited from robust markets, increased revenues and recorded positive profitability. Kardex Remstar is continuing its dynamic growth and reported a strong increase in demand from the USA in particular. Kardex Mlog harvested the fruits of its restructuring, recorded positive developments in all its segments and achieved the set margin targets. The operating result (EBIT) at Group level exceeded the 10% margin.

Significant currency influences

The annual result for 2015 incorporates significant currency effects. Bookings and consolidated revenues for Kardex Remstar were positively influenced by the strength of the US dollar against the euro, while costs converted into euros, which were incurred in US dollars and Swiss francs rose noticeably.

Healthy growth and improved operating result

At EUR 350.1 million, bookings by the Kardex Group were considerably above the previous year. This represents an increase of EUR 41.2 million or 13.3%, currency adjusted the growth amounts to 9.3%. Revenues of EUR 338.5 million exceeded last year's figure by 9.9% or 5.9% currency adjusted. Order backlog has increased in both divisions and are also clearly above the previous year at EUR 124.3 million (EUR 107.8 million). In line with turnover expansion, profitability increased at a over-proportional high rate. The gross margin reached 36.0% (33.4%). Currency adjusted, the operating costs for sales, marketing and administration were up 7.5% on the previous year. The operating result rose by 27.4% to EUR 36.3 million (EUR 28.5 million), which equates to a two-digit EBIT margin of 10.7% (9.3%). Although the tax level has increased to 20.8% (16.8%), it is still moderate. The annual profit of EUR 28.5 million achieved exceeds the previous year's result by 19.7%. Return on capital employed (ROCE) at 45.2% is well up on the previous year again (33.4%). The Group's headcount increased by 2.0% or 29 full-time equivalents since the beginning of the year to 1 509 employees.

Positive development in both divisions

Kardex Remstar reported its best financial year to date, even though not all markets developed as expected. The strongest growth boost at nearly 9% in local currency came from the USA. While demand from central and northern European countries was good, southern Europe was still weak and growth in Asia was less than expected. The systematic investments in marketing and sales led to an 11.6% increase in bookings to EUR 280.4 million and a 9.0% rise in turnover to EUR 273.7 million. Despite the associated additional expenditure and more intensive efforts in software and product development, Kardex Remstar achieved an operating result of EUR 35.6 million (EUR 28.6 million), equivalent to an EBIT margin of 13.0% (11.4%).

After a demanding phase of refocussing and restructuring, Kardex Mlog is back to profitable growth. The business model adjusted in 2012 is increasingly proving its worth both in the market and in the strong increase in earnings. There was strong demand for efficient storage and retrieval systems and for the refurbishment of existing systems and services. This is reflected in a strong boost to growth and the achievement of the targeted profitability level (EBIT margin 4–6%). Overall, the result was an increase in bookings by 20.7% to EUR 69.9 million, revenues of EUR 64.9 million (+11.7%) and an operating result of EUR 3.3 million (+73.7%).

Healthy balance sheet despite high dividends

The balance sheet of the Kardex Group is solid with no debts and no potential depreciation risks due to goodwill or capitalised tax loss carryforwards. The equity capital remains at a comfortable 58.7 percent (31/12/2014: 59.4%). The Group's capital is efficiently employed, net working capital could be reduced from EUR 56.9 million to EUR 51.4 million despite increased volumes. Due to the high free cash flow of EUR 42.7 million, the cash level increased to EUR 112.3 million (+EUR 27.2 million since 31/12/2014). This despite the fact that the payout rate was increased in 2015 and, as a result, dividends of CHF 2.30 per share or a total of EUR 16.9 million was paid out to the shareholders. The financial reserves provide the flexibility required to avail of targeted opportunities to further strengthen the market position.

Increased payouts to shareholders again

The Board of Directors will propose to the General Meeting a payout of CHF 3.00 per share (CHF 2.30) to the shareholders. The payout will take the form of a reduction in the nominal value. The current nominal value of Kardex shares is CHF 10.35, which still leaves margin for further tax-free payouts.

Separation of strategic and operative management

The current management structure, with an Executive Director managing the Group at an operational level via an Executive Committee, was introduced in line with the reorganisation of the Kardex Group 2011 and has proven successful. Since then, the strategic direction has been successfully implemented. It has given the Kardex Group and its two divisions, Kardex Remstar and Kardex Mlog, the necessary stability for economic success.

The Board of Directors now wants to effect the complete separation between strategic and operative management again. Consequently, the function of the Executive Director will be dissolved as of the General Meeting, but continuity will still be ensured. In his new role as acting Vice Chairman of the Board of Directors, Felix Thöni will form an important link between the management and the Board of Directors.

Jens Fankhänel, Divisional Manager of Kardex Remstar since 2011, is additionally taking over responsibility as CEO of the Kardex Group as of 1 May 2016. Thomas Reist, formerly Head of Finance & Controlling for the holding company, will be appointed as CFO of the Kardex Group as of 1 May 2016. Hans-Jürgen Heitzer, Divisional Manager of Kardex Mlog, will continue to complete the Group management team of Kardex.

Outlook

The Kardex Group continues to expect long-term growing demand for intra-logistics solutions and wants to fully exploit the opportunities available on the market. Both divisions are in a good position: Kardex Remstar as the global market leader in its segment and Kardex Mlog as the leading provider in attractive niche markets. The Group has further growth potential both with respect to new applications for their product and logistics solutions and from a geographical perspective. Its stable service business also makes it well equipped to face economical fluctuations. The Board of Directors and the Executive Committee are therefore confident about the further development of the company despite the restricted visibility of its business development.

Thank you

We would like to thank our partners and customers for the very pleasing development of our cooperation, our shareholders for their confidence and all our employees for their great commitment to Kardex.



Philipp Buhofer
Chairman of the Board of Directors



Felix Thöni
Executive Director

Information on the Kardex share

Share capital and capital structure

	2015	2014	2013	2012	2011
Par value per share (CHF)	10.35	11.00	11.00	11.00	11.00
Total registered shares	7 730 000	7 730 000	7 730 000	7 730 000	7 730 000
Number of treasury shares	-	-	-	21 500	3 149
Number of dividend-bearing shares	7 730 000	7 730 000	7 730 000	7 708 500	7 726 851
Registered capital (CHF 1 000)	80 006	85 030	85 030	85 030	85 030
Conditional capital (CHF 1 000)	-	-	-	-	-
Authorized capital (CHF 1 000)	-	-	-	-	7 823
Total voting rights	7 730 000	7 730 000	7 730 000	7 708 500	7 726 851

Key stock exchange figures per share

CHF	2015	2014	2013	2012	2011
Share price high	82.00	47.55	44.35	26.70	32.00
Share price low	40.20	37.60	23.05	11.65	10.60
Closing rate	78.00	46.25	39.20	24.40	11.95
Average volume per trading day (no. of shares)	16 528	14 719	23 239	30 242	11 617
Market capitalization – CHF million (31.12.)	602.94	357.51	303.02	188.61	92.37

Key figures per share¹

CHF	2015	2014	2013	2012	2011
Earnings per share (EPS) ² – basic	3.94	3.74	4.95	3.34	0.59
Earnings per share (EPS) ² – diluted	3.94	3.74	4.95	3.34	0.59
Price earning ratio (closing rate)	19.79	12.34	7.93	7.32	24.97
Dividend	-	1.65	1.25	1.20	-
Extraordinary dividend	-	-	1.40	4.00	-
Reduction of nominal value ³	3.00	0.65	-	-	-
Equity	18.10	18.01	16.89	13.35	10.20

¹ From May 2010 until July 2013, the Kardex Group consisted of the divisions Kardex Remstar, Kardex Stow and Kardex Mlog. As of July 2013 the Kardex Stow Division no longer belongs to the Group. These changes affect the comparison of the key figures per share.

² Calculated by the generally accepted method (net result/average number of outstanding shares).

³ 2015: Reimbursement by reduction of the nominal value as proposed to the Annual General Meeting to be held on 21 April 2016.

The registered shares of Kardex AG are traded by the Swiss Reporting Standard of SIX Swiss Exchange in Zurich, Switzerland. They are contained in the SPI (Swiss Performance Index). Stock exchange symbol: KARN; Swiss securities number: 10083728; ISIN number: CH0100837282; Bloomberg: KARN SW Equity; Reuters: KARN.S. Current prices can be seen at www.kardex.com.

Share price performance

Kardex AG (Holding) share

On SIX Swiss Exchange 1 January 2015 to 29 February 2016 based on the daily closing price in CHF



The value of the Kardex share rose by 68.6% from CHF 46.25 to CHF 78.00 in 2015. In the year under review Kardex paid in May an ordinary dividend from capital contribution of CHF 1.65 per share and a reimbursement by reduction of the nominal value of CHF 0.65 per share in July. The capital contribution reserve have been reimbursed completely to the shareholders. The overall performance for the year was 73.6%.

Shareholder structure

As at 31 December 2015, there were 1 739 shareholders (1 566) entered in the share register. The following shareholders held 3% or more of the outstanding share capital of Kardex AG at year end:

	31.12.2015	31.12.2014
BURU Holding and Philipp Buhofer	23.7%	23.6%
JP Morgan Asset Management	5.0%	5.0%

Contact

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Corporate calendar

Calendar of events for Investor Relations

2016 Annual General Meeting	21 April 2016
2016 Interim Report	11 August 2016
2017 Media and analysts' conference	08 March 2017
2017 Annual General Meeting	20 April 2017
2017 Interim Report	10 August 2017

Division Kardex Remstar

Dynamic growth continues

Kardex Remstar once again reported positive development for the 2015 financial year. In a challenging market environment, demand for dynamic storage and retrieval systems proved solid over the course of the year. The planned investments in marketing and sales have paid off. Overall leading to an 11.6% increase in bookings to EUR 280.4 million and a 9.0% rise in revenues to EUR 273.7 million and an operating result of EUR 35.6 million (+24.5%).

Competitive market environment

Intensive competition and sustained pressure on prices continued to dominate the market environment in 2015. At the same time, the growing intra-logistics market offers Kardex Remstar as market leader significant growth potential in industrial segments and regions, which have as yet been little penetrated. Increasing technological development is also evident in the intra-logistics sector. Currently, the biggest progress is being made with industry-specific applications, which once again underlined the reporting year.

Strong growth in the USA

In new business, bookings were up 12.0% and revenues by 8.8%. Especially the USA reached strong revenue growth. The excellent results in America were supported by the trend towards re-industrialisation and the strong US dollar. Despite this, Europe remains the most important sales region for Kardex Remstar, with a 71% share of sales in Europe a growth rate of 4.3% was achieved. As a direct result of local economic developments, turnover in India stagnated and was only slightly up in China.

Continuous growth in service business

The service sector, which corresponds to 28.2% of total revenues, also recorded a further increase to EUR 77.2 million (EUR 71.9 million). The growing number of installations and further increases in efficiency also contributed to the improved results. Further potential in the service sector can be generated in the future by means of additional services or new service products.

Increased penetration of intra-logistics market

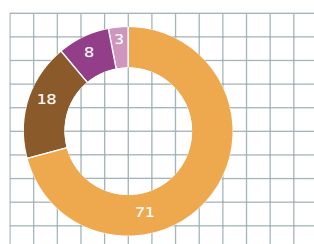
The OEM strategy implemented the previous year is also gaining in momentum resulting in the conclusion of further contracts. This new sales channel already contributes positively to profit. This trend is set to increase in the years to come with increasing volumes of our OEM partners.

Consolidated key figures for the Kardex Remstar Division

EUR millions	2015		2014		+/-%
Bookings	280.4	102.4%	251.2	100.1%	11.6%
Order backlog (31.12.)	86.5	31.6%	75.0	29.9%	15.3%
Segment net revenues	273.7	100.0%	251.0	100.0%	9.0%
Operating result (EBIT)	35.6	13.0%	28.6	11.4%	24.5%
EBITDA	40.2	14.7%	33.8	13.5%	18.9%
Employees (FTE on 31.12.)	1 256		1 242		

Net revenues by market regions – Kardex Remstar

Business year 2015 in %



- Europe
- Americas
- Asia/Pacific
- Middle East and Africa

Investments paying off

In the Kardex Remstar division, bookings increased by 11.6% (currency adjusted 6.7%) to EUR 280.4 million. Revenues rose by 9% (currency adjusted 4.2%) to a new record of EUR 273.7 million. The increased volumes were backed up by strategic investments in marketing and sales. The fresh, innovative new look at trade fairs also had the desired effect. Personnel costs increased by 8.7% to EUR 92.7 million, while expenditure on development was up 39.9% to EUR 8.8 million. Despite these increased expenses, the operating result was up based on higher profit contribution to EUR 35.6 million, which represents an EBIT margin of 13.0% (11.4%). The order backlog by the end of the reporting period was at EUR 86.5 million, up 15.3% on one year ago.

Attractive employer

The positive development of Kardex Remstar is also reflected in the number of full-time equivalents which increased by 14 to 1 256. It is striking that levels of fluctuation have been very low for many years, which underlines the attractiveness of the company as an employer. Once again in the reporting year, Kardex Remstar invested heavily in the skills of its employees.

Outlook for 2016

Good order backlog levels, operative performance and planned technical innovations are the cornerstones for positive development in the current 2016 financial year. Kardex Remstar is in a good position to continue to be a first-choice partner for intra-logistics customers and therefore to sustain profitable growth.

Division Kardex Mlog

Targeted EBIT margin range achieved

After a demanding phase of refocussing and restructuring, Kardex Mlog is back to profitable growth. The business model, which was adjusted in 2012, is now established both in the market and in financial terms and is reflected in a considerable growth momentum and the achievement of the profitability targets set. There was strong demand for high-quality automatic shelf retrieval devices and material flow systems and for the modernisation of existing systems and services. Overall, the result was an increase in bookings by 20.7% to EUR 69.9 million, revenues of EUR 64.9 million (+11.7%) and an operating result of EUR 3.3 million (+73.7%).

Strategic realignment bears fruit

The transformation process for the strategic alignment of Kardex Mlog initiated four years ago is paying off more and more. The focus on low-risk greenfield installations, refurbishment projects and standardised industry solutions with additional comprehensive after sales service, has significantly reduced complexity and led to a considerable improvement in risk profile. At a financial level, the turnaround was already apparent in 2013, confirmed in 2014 and showed profitable growth and further increased operating results in the 2015 financial year.

Turnover mix develops as planned

In a stable market environment, bookings increased by 21% to EUR 69.9 million and turnover increased by 11.7% to EUR 64.9 million close to. The German home market is still the most important sales region for Kardex Mlog. Good sales were also recorded in Benelux, Austria and Italy.

The turnover mix changed as desired. Refurbishment projects grew at an above average rate to 42% which now represent around one fifth of total turnover. At the same time, the component business was successfully expanded, as confirmed by the increase in turnover of EUR 3.5 million. In the system business, project risk assessment has become a key factor of success. Despite the fact that Kardex Mlog continues to act cautiously in this segment, an increase in turnover was achieved compared to the previous year. At the end of the reporting period, the order backlog amounted to EUR 37.9 million, representing an increase of 15.2% over the previous year.

Service business still growing

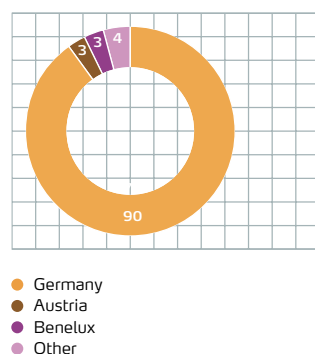
Kardex Mlog has installed over 900 systems to date and offers sustainable maintenance of these systems throughout the whole term with optimal customer benefits. Therefore, solid demand for maintenance support resulted in a raise in turnover, which was up 2.3% to EUR 13.1 million, representing a more than 20% proportion of total turnover. Regular software updates and upgrades and the

Consolidated key figures for the Kardex Mlog Division

EUR millions	2015		2014		+/-%
Bookings	69.9	107.7%	57.9	99.7%	20.7%
Order backlog (31.12.)	37.9	58.4%	32.9	56.6%	15.2%
Segment net revenues	64.9	100.0%	58.1	100.0%	11.7%
Operating result (EBIT)	3.3	5.1%	1.9	3.3%	73.7%
EBITDA	3.9	6.0%	2.6	4.5%	50.0%
Employees (FTE on 31.12.)	246		231		

Net revenues by market regions – Kardex Mlog

Business year 2015 in %



Kardex Mlog hotline, with a guaranteed telephone response time of less than one hour by a qualified contact person, are valuable to customers. 96% of all cases can be resolved via telephone and remote support. Downtimes are minimised without the need for a specialist to be sent on site.

EBIT margin reaches 5.1%

The increased sales volumes can be attributed to more intensive marketing efforts and increased strengthening of the sales organisation. Operating costs remain the same as the previous year despite mandatory pay increases. At the same time, the operating result was considerably higher thanks to volume effects and considerable efficiency improvements. After an improvement in the operative margin of 4.2% in the first half of the year, the trend became even stronger in the second half of the year. An EBIT of EUR 3.3 million was achieved for the whole year. This corresponds to an EBIT margin of 5.1%, which hits the target range of 4–6% for the first time since the integration of Mlog into the Kardex Group (2010). At Kardex Mlog, currency effects only play a minor role and had no major influence on the results.

Promising innovations

In order to help its customers reduce the costs of outgoing goods on a sustainable basis whilst increasing delivery flexibility and quality, Kardex Mlog reconfigured the dynamic sorting buffer MSequence and presented it at the most important trade fair in the industry, Logimat. The MMove Cross Drive, which allows quick manoeuvring around in the racking system of a warehouse, was also launched in 2014 and was well received by the market.

Outlook for 2016

Kardex Mlog plans to continue its profitable growth into the 2016 financial year. Further optimisation of the product mix and life cycle management will be considered just as important as investments into development projects. This should guarantee future growth and a sustainable EBIT margin in the target range of 4–6%.

Corporate Governance

The Kardex Group is committed to the recognized principles of responsible corporate governance as published by *economiesuisse* in the Swiss Code of Best Practice for Corporate Governance. By acknowledging these principles, the Group's aim is to strengthen and increase confidence on a lasting basis in management and corporate policies which are pursued in the interests of present and future shareholders, investors, employees, business associates and the general public. Through defined internal controls and mechanisms for the monitoring of business processes, the Group seeks to achieve risk-controlled decisions and results, and has set itself the goal of ensuring comprehensive, transparent communication with all stakeholder groups. The principles of corporate governance at the Kardex Group are defined in the Articles of Incorporation and the Kardex AG Organizational By-Laws, as well as in the Code of Conduct and other guidelines of the Kardex Group. The Group publishes further information on its website at www.kardex.com.

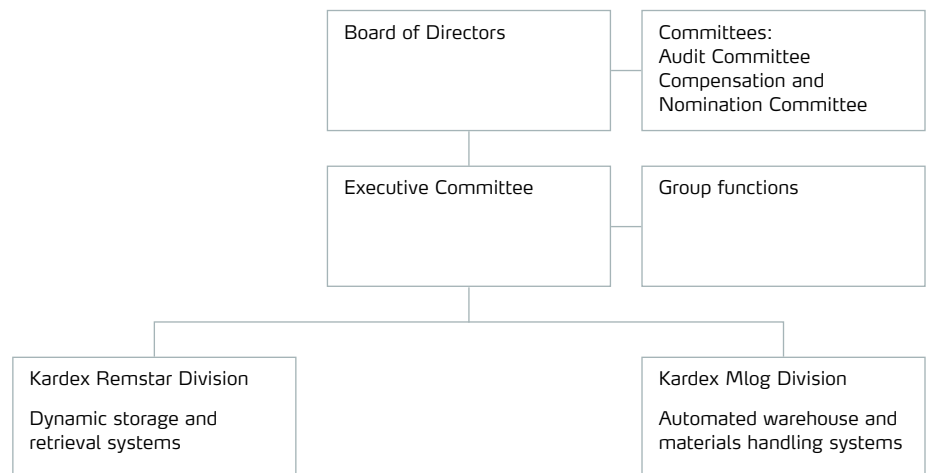
In the following section, as required by the guidelines of SIX Swiss Exchange, the Kardex Group provides information about its corporate governance. The information is organized as in the guidelines. To avoid redundancy and in the interests of readability, there are several cases where the reader is referred to other places in the Annual Report or other Kardex Group publications. Any significant changes occurring between the balance sheet date and the publication of this report have been noted.

1. Group structure and shareholders

1.1 Group structure

1.1.1 Structure of Group operations

The Kardex Group is divided into the two divisions or segments Kardex Remstar and Kardex Mlog.



The Kardex Group is led by the Board of Directors and the Executive Committee, which is headed by Felix Thöni as Executive Director. Additional members of the Executive Committee are the heads of division of Kardex Remstar and Kardex Mlog. The Executive Committee is assisted by the Head of Finance and Controlling of the holding company, although he is not a formal member.

The division of responsibilities between the Board of Directors, the Executive Director and the Executive Committee is explained in section 3.6, page 26.

1.1.2 Listed company in scope of consolidation

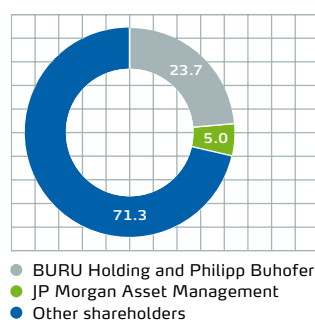
Company	Kardex AG
Registered office	Zurich, Switzerland
Listed at	SIX Swiss Exchange
Swiss security no.	10083728
ISIN	CH0100837282
Symbol	KARN
Market capitalization as at 31 December 2015	CHF 602.9 million

Kardex AG is a public limited company under Swiss law and is headquartered in Zurich, Switzerland (hereinafter "the company"). The registered shares of Kardex AG are traded according to the Swiss Reporting Standard of the SIX Swiss Exchange in Zurich, Switzerland. The par value per share is CHF 10.35. The other companies in the scope of consolidation are not listed.

1.1.3 Non-listed companies in scope of consolidation

The companies directly and indirectly held by Kardex AG within the scope of consolidation of the Kardex Group are listed in the notes to the consolidated financial statements on pages 74 and 75 of the Annual Report.

1.2 Significant shareholders



As at 31 December 2015, there were 1 739 shareholders (1 566) entered in the company's share register. The registered shares are held largely by private shareholders who are in most cases resident in Switzerland.

As at the balance sheet date (31 December 2015), the following shareholders had stakes equalling or exceeding 3% (in terms of capital held):

● BURU Holding and Philipp Buhofer	23.7%
● JP Morgan Asset Management	5.0%

Neither the company nor any of its subsidiaries held shares in Kardex AG at the balance sheet date (previous year: 0.0%).

Shares pending registration of transfer amounted to 35.1% of the total as at 31 December 2015 (previous year: 36.7%).

Reports of significant shareholders or groups of shareholders filed with the company and the Disclosure Office of SIX Swiss Exchange Ltd in accordance with article 20 SESTA can be viewed on the Disclosure Office's publication platform at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

1.3 Cross-shareholdings

As of the balance sheet date, there are no cross-shareholdings.

2. Capital structure

Share capital and capital structure

	2015	2014	2013	2012	2011
Par value per share (CHF)	10.35	11.00	11.00	11.00	11.00
Total registered shares	7 730 000	7 730 000	7 730 000	7 730 000	7 730 000
Number of treasury shares	-	-	-	21 500	3 149
Number of dividend-bearing shares	7 730 000	7 730 000	7 730 000	7 708 500	7 726 851
Registered capital (CHF 1 000)	80 006	85 030	85 030	85 030	85 030
Conditional capital (CHF 1 000)	-	-	-	-	-
Authorized capital (CHF 1 000)	-	-	-	-	7 823
Total voting rights	7 730 000	7 730 000	7 730 000	7 708 500	7 726 851

Price per share

The key share figures of the company are shown on page 8 of this Annual Report.

2.1 Ordinary capital

Kardex AG had ordinary capital of CHF 80 005 500 (number of shares: 7 730 000) as at 31 December 2015.

2.2 Authorized and conditional capital

The company had no authorized or conditional capital as at 31 December 2015.

2.3 Changes in capital

For an overview of the capital changes during the financial years 2011 to 2015, please see the table above "Share capital and capital structure" and page 8.

2.4 Shares and participation certificates

The company's 7 730 000 registered shares have a nominal value of CHF 10.35 each. Each registered share corresponds to one vote at the General Meeting ("one share – one vote" principle) and is eligible for dividends. The right to apply the special rules concerning treasury shares held by the company is reserved, particularly in relation to the exception from the entitlement to dividends.

As a rule, up to 75% of the operating result (operating net profit on the basis of the consolidated Group result) for the period is to be distributed to shareholders in accordance with a proposal of the Board of Directors to the General Meeting.

The company had no profit participation capital as at 31 December 2015.

2.5 Profit participation certificates

The company had issued no profit participation certificates as at 31 December 2015.

2.6 Restrictions on transferability and nominee registrations

The registered shares of Kardex AG may be purchased by any legal or natural person. Nominee registrations are permitted. The purchasing of shares is subject to the following limitations on nominee registrations:

The company may refuse registration as a shareholder with voting rights in the share register if upon request the purchaser does not expressly declare that they hold the shares in their own name and for their own account. The Board of Directors is entitled to delete an entry in the share register with retroactive effect from the date of that entry if such entry was based on false information. It may hear the shareholder or beneficiary in question in advance. In each case, the shareholder or beneficiary in question must be immediately informed of the deletion.

The aforementioned limitations on nominee registrations are explicitly laid down in § 3 paras. 10 and 11 of the Articles of Incorporation. These provisions of the Articles of Incorporation may be rescinded by a simple decision of the General Meeting. The foregoing applies subject to any restrictions on transferability imposed by the law. No exceptions were granted in the year under review.

2.7 Convertible bonds and options

As at 31 December 2015, the company had no convertible bonds or options outstanding.

3. Board of Directors



From right to left:
Jakob Bleiker,
Walter T. Vogel,
Philipp Buhofer,
Felix Thöni,
Ulrich Jakob Looser

3.1 Members of the Board of Directors

The Board of Directors of Kardex AG currently consists of four non-executive members and one executive member. The Articles of Incorporation stipulate between three and seven members. The non-executive members are independent in the sense of the Swiss Code of Best Practice for Corporate Governance and have not served on either the management board of Kardex AG or the management board of any subsidiary during the past three years. They have no or comparatively minor business interests with the Kardex Group. Felix Thöni as President of the Executive Committee is an executive member of the Board of Directors and as such not independent in the sense of the Swiss Code of Best Practice for Corporate Governance. He has been performing this function since the General Meeting of 24 April 2012. The tasks of the Executive Committee are described in section 3.6 on page 26. The Board of Directors consists of the following members:



Philipp Buhofer

1959, Swiss citizen, HWV Horw/Lucerne

Member of the Board of Directors since the General Meeting 2004,
term expires at the end of the Ordinary General Meeting 2016

Chairman of the Board of Directors since the General Meeting 2011

Since 1997 Independent entrepreneur

1997–2002 Delegate and Chairman of the Board of Directors, EPA AG, Zurich,
Switzerland

1987–1997 Purchasing and Sales and member of Executive Management,
EPA AG, Zurich, Switzerland

1984–1987 Procurement and Marketing, Metro International (Baar, Düsseldorf
and Hong Kong)



Walter T. Vogel

1957, Swiss citizen, grad. mechanical engineer, ETH Zurich

Member of the Board of Directors since the General Meeting 2006,
term expires at the end of the Ordinary General Meeting 2016

Vice Chairman of the Board of Directors since the General Meeting 2012

Since 2015 Member of various Boards of Directors

2007–2015 CEO, Aebi Schmidt Holding AG, Frauenfeld, Switzerland

2003–2007 CEO, Von Roll Holding AG, Gerlafingen, Switzerland

1999–2003 Head of the Infratec Division and member of Group Management,
Von Roll Group, Gerlafingen, Switzerland

1995–1999 Head of Direct Fastenings Business Unit and member of extended
Group Management, HILTI AG, Schaan, Liechtenstein

1992–1995 Director of Marketing and Sales and member of Executive
Management, Aliva AG, Widen, Switzerland



Jakob Bleiker

1957, Swiss citizen, grad. phys. ETH, lic. oec. HSG

Member of the Board of Directors since the General Meeting 2012,
term expires at the end of the Ordinary General Meeting 2016

Since 2011 Manager Confectionery and Food Division, Bosch Packaging
Technology, Robert Bosch GmbH, Beringen, Switzerland

2004–2011 Manager Bosch Packaging Systems Division, Bosch Packaging
Technology, Robert Bosch GmbH, Beringen, Switzerland

2002–2003 Manager Business Unit Sigpack Service and Specialty Market,
SIG Holding AG, Neuhausen, Switzerland

1998–2002 Manager Customer Support Service and member of the
Executive Board, Sulzer Textil AG, Rüti, Switzerland

1988–1998 Various management functions, Sulzer Group, Winterthur,
Switzerland

1986–1987 Project Manager, Kannegiesser Maschinen AG, Ziefen, Switzerland



Ulrich Jakob Looser

1957, Swiss citizen, grad. phys. ETH, lic. oec. HSG

Member of the Board of Directors since the General Meeting 2012,
term expires at the end of the Ordinary General Meeting 2016

Since 2009 Partner, Berg Looser Rauber & Partners (BLR & Partners), Thalwil,
Switzerland

2001–2009 Chairman (since 2005), Accenture AG (Switzerland), Zurich,
Switzerland

1987–2001 Partner (since 1993), McKinsey & Company Inc., Zurich, Switzerland

1983–1984 Software development, Spectrospin AG, Fällanden, Switzerland



Felix Thöni

1959, Swiss citizen, Dr. oec. HSG

Member of the Board of Directors since the General Meeting 2011,
term expires at the end of the Ordinary General Meeting 2016

Executive Director and thus Chairman of the Executive Committee since
the General Meeting 2012

Since 2010 Board Member, management consultant

2003–2009 CFO, Charles Vögele Holding AG, Pfäffikon, Switzerland

1992–2002 CFO, Carlo Gavazzi Holding AG, Steinhausen, Switzerland

1988–1991 Area Controller, Schindler Management AG, Ebikon, Switzerland

3.2 Other activities and interests

Philipp Buhofer

Other directorship of listed company:

– Cham Paper Group Holding AG, Cham, Switzerland

Other directorships of non-listed companies:

– BURU Holding AG, Hagendorn, Switzerland

– DAX Holding AG, Hagendorn, Switzerland

– Lorzengrund Immobilien AG, Hagendorn, Switzerland

– Rapid Holding AG, Dietikon, Switzerland

Walter T. Vogel

Other directorships of non-listed companies:

– Aebi Schmidt Holding AG, Frauenfeld, Switzerland

– Skyguide SA, Meyrin, Switzerland

– FAI Air Sports Marketing & Events SA, Lausanne, Switzerland

Other activities at legal entities such as foundations and associations:

– Aero-Club der Schweiz, Lucerne, Switzerland

Jakob Bleiker

Other directorship of non-listed company:

– IQ-Plus Holding AG, Winterthur, Switzerland

Ulrich Jakob Looser

Other directorships of listed companies:

– Straumann Holding AG, Basel, Switzerland

– LEM, Fribourg, Switzerland

Other directorships of non-listed companies:

- Bachofen Holding AG, Uster, Switzerland
- Econis AG, Dietikon, Switzerland
- Spross Entsorgungs Holding AG, Zurich, Switzerland

Other activities at legal entities such as foundations and associations/consultancy roles/political offices:

- University of Zurich, Zurich, Switzerland: University Council
- Member of the Board of *economiesuisse*, Switzerland: Chairman of the Committee on Education and Research
- Swiss Association “Balgrist”, Zurich, Switzerland: Member of the Board
- Swiss-American Chamber of Commerce, Switzerland: Lead Chapter “Doing business in the US”
- Swiss Study Foundation, Switzerland: Head of the Finance Committee
- Swiss National Science Foundation (SNSF), Switzerland: Member of the Board of Trustees’ Executive Committee

Felix Thöni

Other directorship of listed company:

- Cham Paper Group Holding AG, Cham, Switzerland

Other directorship of non-listed company:

- Renergia Zentralschweiz AG, Perlen/Root, Switzerland

3.3 Number of permissible activities

The number of mandates in the highest management and governing bodies of legal entities outside the Kardex Group which are entered in the commercial register or a comparable foreign register is limited for members of the Board of Directors to:

- 5 for listed companies
- 10 for non-listed companies
- 15 for other legal entities such as foundations and associations

Mandates fulfilled in different legal entities of a single group or on behalf of this group will be considered collectively as one mandate. These limitations may be temporarily exceeded by at most one mandate for a period of no longer than six months.

If a member of the company’s Board of Directors also belongs to its management board, the regulations governing the relevant number of permissible activities for members of the Board shall be applicable.

3.4 Elections and terms of office

3.4.1 Principles of the election procedure and restrictions on term of office

The members of the Board of Directors are elected by the General Meeting annually, each for a term of office of one year, or until the end of the next Ordinary General Meeting. There is no limit to the number of times a member may be re-elected. If by-elections are held, new members serve out the term of office of their predecessors. Once they reach the age of 70, members of the Board of Directors retire from the Board of Directors automatically with effect from the next Ordinary General Meeting.

With regard to the appointment of the Chairman of the Board of Directors, the members of the Compensation and Nomination Committee and the independent proxy advisor, the Articles of Incorporation comply with the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

3.4.2 Initial election and remaining term of office of each member of the Board of Directors

Name	Year elected	Term expires
Philipp Buhofer	2004	2016
Walter T. Vogel	2006	2016
Jakob Bleiker	2012	2016
Ulrich Jakob Looser	2012	2016
Felix Thöni	2011	2016

3.5 Internal organization

The tasks of the Board of Directors are governed by the Swiss Code of Obligations, as well as the Articles of Incorporation and Organizational By-Laws of the company.

3.5.1 Allocation of tasks within the Board of Directors

Philipp Buhofer has served as Chairman of the Board of Directors since the General Meeting 2011 and Walter T. Vogel as Vice Chairman since 2012. Since the General Meeting 2012, Felix Thöni has been Executive Director and President of the Executive Committee. The two permanent committees of the Board of Directors are headed by Jakob Bleiker (Audit Committee) and Ulrich Jakob Looser (Compensation and Nomination Committee). There are no other committees.

3.5.2 Composition, duties and authority of the Board committees

Two permanent committees, the Audit Committee and the Compensation and Nomination Committee, exist to assist the Board of Directors in or prepare it for important decisions.

The committees are constituted as follows:

Name	Audit Committee	Compensation and Nomination Committee
Philipp Buhofer	Member	Member
Walter T. Vogel		Member
Jakob Bleiker	Chairman	
Ulrich Jakob Looser		Chairman

According to the Organizational By-Laws, the Board of Directors may set up other committees to help it carry out its duties more efficiently. It appoints the chairmen and members of the committees and defines their duties. The committees report back to the Board of Directors on their activities. However, overall responsibility for the duties assigned to the committees remains with the full Board of Directors.

Audit Committee

The Audit Committee supports the Board of Directors in its duties of ultimate supervision, with particular regard to monitoring the integrity of the financial statements, the annual and interim reports, the internal control system for accounting processes, risk management and the auditing activities of the external and internal auditors. The Audit Committee is primarily responsible for the following tasks:

- critically reviews the annual and interim financial statements, consulting the external auditors and the members of the Executive Committee or other management personnel, and submits a proposal to the Board of Directors for approval or rejection;
- assesses the auditing activities, audit plan, independence and remuneration of the external auditors as well as their cooperation with the finance and control officers of the company and discusses their reports and recommendations;
- makes an assessment of the functioning of the internal control system and the reliability of the reporting;
- monitors compliance with legislation, internal guidelines and other provisions;
- submits proposals to the full Board of Directors when necessary, if it notices a need for action in the course of its activities.

Compensation and Nomination Committee

The Compensation and Nomination Committee advises and submits proposals to the full Board of Directors primarily in the following areas:

- fundamental personnel issues within the Kardex Group;
- appointments to the Board of Directors and key positions within the Group;
- approval of conditions of employment for members of the Executive Committee (in particular compensation);
- defining fundamental parameters with regard to performance-related payments within the Kardex Group;
- setting individual performance-related payments to members of the Executive Committee;
- monitoring salary structure and salary development overall as well as individual total remunerations received which exceed a specific amount to be set by the committee;
- compliance with official and/or supervisory regulations concerning publication of remunerations received by the members of the Board of Directors and the Executive Committee.

3.5.3 Procedures of the Board of Directors and its committees

The Board of Directors convenes by invitation of the Chairman or a member representing him, or at the request of one of its members. Minutes detailing the Board's discussions and decisions are kept and signed by both the Chairman and the Secretary. The Secretary is appointed by the Board of Directors and need not be a member. The Chairman also presides over the General Meeting and, together with the Executive Committee, ensures that all stakeholders receive any necessary information in good time.

The Board of Directors meets regularly and as often as business requires in regular meetings which generally last half a day to a day. The Board of Directors also meets once a year for a one-to-two-day strategy session. In the year under review the Board met for five meetings and one two-day strategy session. The meetings lasted between one hour (constituent meeting following the General Meeting) and two days. The full Board of Directors usually visits and inspects one of the Group's production or sales companies once a year within the scope of a meeting of the Board of Directors. All members of the Executive Committee are invited to the regular meetings of the Board of Directors. In addition to the Executive Committee, the strategy and budget sessions are also attended by finance managers from the holding company and divisions. The Board may invite other management personnel or external advisors to attend as needed when dealing with specific issues. Written documentation on the agenda items specified by the Chairman or at the request of the Executive Committee is submitted to the Board of Directors well in advance of meetings. The non-transferable and inalienable legal duties of the Board of Directors are described in article 716a of the Swiss Code of Obligations. The company's Board of Directors has the following duties and authority in particular:

- strategic direction, organization and management of the Kardex Group;
- defining finance and accounting as well as financial planning and control;
- appointment and dismissal of the members of the Executive Committee and signatories of the company;
- regular review of business operations;
- making decisions on issues that have not been reserved or transferred by law, the Articles of Incorporation or other regulations to another body;
- formulation and preparation of proposals to be put to the General Meeting.

The Audit Committee comprises between two and five members of the Board of Directors, elected by the Board of Directors for a term of one year. The majority, including the Chairman, should be experienced in financial matters and accounting. The Board of Directors appoints the Chairman of the Audit Committee, who must not also be Chairman of the Board of Directors. The Audit Committee currently comprises Jakob Bleiker as Chairman and Philipp Buhofer as a member. The Audit Committee meets as often as required, but as a rule three times a year. At the invitation of the Chairman of the Audit Committee, the Head of Finance of the Kardex Holding and, if necessary, other employees from the finance department attend. The external auditors attend all meetings. In the year under review, the Audit Committee met on three occasions. These meetings generally lasted half a day. The Audit Committee reports to the full Board of Directors and puts forward proposals to them when necessary.

The duties and responsibilities of the Audit Committee are laid down in the Organizational By-Laws and listed in section 3.5.2 of this report.

The Compensation and Nomination Committee comprises two to five members, appointed from within the Board of Directors and selected by the General Meeting. The Board of Directors appoints the Chairman of the Compensation and Nomination Committee.

Other individuals also attend these meetings at the Chairman's invitation. The Compensation and Nomination Committee meets as often as required by business, but generally twice a year. In the year under review, the Compensation and Nomination Committee held two meetings, generally lasting half a day.

The duties and responsibilities of the Compensation and Nomination Committee are specified in the Organizational By-Laws and listed in section 3.5.2 of this report. The Compensation and Nomination Committee reports to the full Board of Directors.

3.6 Definition of areas of responsibility

The Kardex AG Board of Directors is the supreme managerial and supervisory body of the company and the Kardex Group. It bears ultimate responsibility for managing, supervising and monitoring the Executive Committee, which is responsible for the Kardex Group's management. In essence, it is responsible for decisions concerning corporate strategy and organizational structure as well as determining the corporate policy. The Board of Directors is responsible for appointing and dismissing members of the Executive Committee, defining finance and accounting, as well as approving long-term plans and annual as well as investment budgets. The Board of Directors delegates management of the company and the Kardex Group as a whole in full to the Executive Committee chaired by the Executive Director, unless otherwise specified by law, the Articles of Incorporation or the Organizational By-Laws. The Board has also appointed a head for each division. The Executive Committee manages the Kardex Group on the basis of the strategy adopted by the Board of Directors. The duties and authority of the Executive Committee are laid down in the Organizational By-Laws.

The Executive Committee bears primary responsibility for developing Group strategy for the attention of the Board of Directors, for the operational management of the company, its overall financial results and for the implementation of the strategy and resulting action plan adopted by the Board of Directors. The Head of Finance of the holding company is responsible for financial, tax and capital management for the holding company and is accountable for the development and implementation of the principles, regulations and limits of risk control. He is also responsible for creating transparency in respect of financial results and accountable for timely, high-quality financial reporting. Each head of division bears overall responsibility for his division and the management, results and risks thereof.

3.7 Information and control instruments to monitor the Executive Committee

Board of Directors

The Board of Directors is informed about the course of business and important business events by the Executive Committee at every Board meeting. This enables the Board to carry out its supervisory duties regarding the Group's strategic and operational progress.

Further instruments that enable to monitor and control the Executive Committee are:

- monthly financial reporting from the Head of Finance of the holding company and the heads of division on current business performance;
- periodic information concerning the revenue and results figures expected by the divisions in the current financial year;
- annual strategic analyses of the individual divisions and the Group as a whole, prepared by the Executive Committee, together with a long-term plan revised by the Executive Committee;
- annual revision of the business risk matrix for the Kardex Group by the Executive Committee. The risk matrix describes and evaluates the risks to the Kardex Group in the following categories and defines risk control measures: environment, corporate strategy, corporate management, production, market, information technology, finance and compliance;
- special reports by the Executive Committee on important investments, acquisitions and cooperative agreements;
- briefing of the Board of Directors by the Executive Committee on significant developments.

Chairman of the Board of Directors

The Chairman of the Board normally meets the Executive Director every month to discuss the course of business.

Audit Committee

The Audit Committee reports as a rule three times a year to the Board of Directors on matters concerning finance and accounting, accounting standards, compliance (laws and processes), as well as internal and external auditing. It also reviews the financial reporting processes.

Internal audit function

The internal audit function is integrated into the finance function of the holding company and the controlling processes of the divisions. The internal auditors support the various organizational units in achieving targets related to the maintenance and improvement of the internal control systems. When the internal investigations have been completed, the Head of Finance of the Kardex Holding submits a report to the Audit Committee detailing actual or suspected irregularities.

Measures based on the reports described in this section and submitted to the above-mentioned bodies are placed on the agenda for the relevant meetings and handled in succession.

4.1 Members of the Executive Committee

The Executive Committee currently comprises three members and manages the operational business of the Kardex Group. Felix Thöni is President of the Executive Committee in his capacity as Executive Director. In addition, the two heads of division are also members of the Executive Committee. The heads of division are responsible for the operational management of their respective divisions. The management structure can be seen in section 1.1.1 of this report on page 15. None of the present members worked for the Group before assuming their current position.



Felix Thöni, Executive Director

1959, Swiss citizen

Dr. oec. HSG

Since 2012 President of the Executive Committee

Since 2011 Board Member, term expires at the end of the Ordinary General Meeting 2016

Since 2010 Board Member, management consultant

2003–2009 CFO, Charles Vögele Holding AG, Pfäffikon, Switzerland

1992–2002 CFO, Carlo Gavazzi Holding AG, Steinhausen, Switzerland

1988–1991 Area Controller, Schindler Management AG, Ebikon, Switzerland



Jens Fankhänel, Head of Kardex Remstar Division

1965, German citizen

Grad. electrical engineer / automation technologist, University of Chemnitz

Since 2011 Head of Kardex Remstar Division

2008–2010 Managing Director WDS Region Europe 1, Swisslog AG, Buchs, Switzerland

2005–2008 Vice President and CEO Hub Central Europe, Dematic GmbH & Co. KG, Offenbach, Germany

2002–2005 Managing Director, Swisslog Australia, Epping, Australia

1994–2002 Senior Consultant/Director, i+o GmbH, Heidelberg, Germany



Hans-Jürgen Heitzer, Head of Kardex Mlog Division

1962, German citizen

Grad. mechanical engineer, Aachen Technical University

Since 2011 Head of Kardex Mlog Division

2010–2011 Managing Director, Mlog Logistics GmbH, Neuenstadt, Germany

2002–2009 Managing Director, Locanis AG, Unterföhring, Germany

2000–2001 Division Manager Distribution and Project Management automatic high rack storage systems, MAN Logistics, Heilbronn, Germany

1996–2000 Division Manager Systems, Mannesmann Dematic, South Africa

1989–1996 Project Manager "overall projects", Mannesmann Dematic, Offenbach, Germany

4.2 Other activities and interests

The members of the Executive Committee do not engage in any other activities relevant to the Kardex Group. There are no relevant interests. Other mandates held by Felix Thöni are listed on page 22. The other members of the Executive Committee do not hold any reportable mandates.

4.3 Number of permissible activities

Subject to exceptional approval from the Board of Directors, the number of mandates in the highest management and governing bodies of legal entities outside the Kardex Group which are entered in the commercial register or a comparable foreign register is limited for members of the management board to a total of ten mandates, a maximum of two of which may be in listed companies.

Mandates fulfilled in different legal entities of a single group or legal entity or on behalf of this group will be considered collectively as one mandate. These limitations may be temporarily exceeded by at most one mandate per category for a period of no longer than six months.

4.4 Management contracts

The company and its subsidiaries have no management contracts with third parties.

4.5 New management structure as of 1 May 2016

The current management structure, with an Executive Director managing the Group at an operational level via an Executive Committee, was introduced 2011 in line with the reorganisation of the Kardex Group and has proven successful. Since then, the strategic direction has been successfully implemented. It has given the Kardex Group and its two divisions, Kardex Remstar and Kardex Mlog, the necessary stability for economic success.

The Board of Directors believes that the Kardex Group is now prepared for the complete separation between strategic and operative management again. Consequently, the Executive Committee will be dissolved and the following decision has been taken:

As of the General Meeting 2016 the function of the Executive Director will be dissolved. Felix Thöni will focus on the tasks and duties as member of the Board of Directors. In the role of Vice Chairman of the Board he will remain an important link between the management and the Board of Directors and provide consulting to the operative management.

Jens Fankhänel, Divisional Manager of Kardex Remstar since 2011, is also taking over responsibility as CEO of the Kardex Group as of 1 May 2016. Thomas Reist, formerly Head of Finance & Controlling for the holding company, will be appointed as CFO of the Kardex Group as of 1 May 2016. Hans-Jürgen Heitzer, Divisional Manager of Kardex Mlog, will continue to complete the Group management team of Kardex.

5. Compensations, shareholdings and loans

5.1 Content and method of determining compensation and shareholding programs

5.1.1 Guiding principles

The success of the Kardex Group depends very much on the quality and commitment of the members of the Board of Directors and of the Executive Committee. The aim of the compensation policy is to attract and retain qualified staff in both bodies. Performance-related compensation is an important element in achieving this objective. The most important principles of this are:

- remuneration should be performance-dependent and in line with the market;
- decisions on remuneration should be transparent and comprehensible;
- remuneration should be linked to the business success of the company/division.

5.1.2 Responsibilities

At the beginning of each term of office, the Compensation and Nomination Committee (section 3.5.2 of this report) submits proposals to the full Board of Directors concerning the nature and amount of the annual emoluments of the members of the Board of Directors (section 5.1.3.1) and a proposal concerning the compensation for the members of the Executive Committee (section 5.1.3.3). Moreover, in consultation with the full Board of Directors, the Compensation and Nomination Committee prepares targets for the members of the Executive Committee and submits a proposal to the Board of Directors concerning the structure of variable compensation of the members of the Executive Committee. The full Board of Directors in turn annually submits proposals for approval to the General Meeting regarding the following maximum total amounts:

- Total remuneration for the Board of Directors for the period until the next Ordinary General Meeting
- Total remuneration for the management board for the Ordinary General Meeting in the following financial year

In addition, the Board of Directors may submit proposals to the General Meeting for approval regarding maximum total amounts or individual remuneration elements for other time periods. Proposals may also be submitted relating to additional amounts for special remuneration elements as well as additional conditional proposals.

The total remuneration for the Board of Directors and management board is approved with an absolute majority of the votes cast (with abstentions, unmarked ballots and invalid ballots not deemed to be cast).

If an amount is not approved by the General Meeting, the Board of Directors rules on how to proceed. In particular, it is authorized to call an extraordinary General Meeting, or to set a maximum total amount or multiple maximum partial amounts (taking all relevant factors into account) and submit them to the next General Meeting for approval. The company may adjust remuneration within a maximum total or partial amount set in this way, subject to approval from the General Meeting.

At the end of the financial year, the Compensation and Nomination Committee reviews the attainment of the defined targets by the members of the Executive Committee, and the Board of Directors, at the request of the Compensation and Nomination Committee, approves the actual variable compensation as part of the maximum total remuneration authorized by the General Meeting.

The Board of Directors submits the annual remuneration report to the General Meeting for consultative approval.

5.1.3 System of compensation

5.1.3.1 Members of the Board of Directors

The members of the Board of Directors receive a fixed annual fee for their work, in particular for preparing and participating in meetings and for their work on the committees. In addition to the fixed fee, they may also be compensated for the time spent on special projects, at agreed daily rates in line with market conditions, provided that the Board of Directors agrees to this in advance.

The fixed fee is set according to the criteria of the responsibility assumed, the complexity of the task, the demands in terms of specialist expertise and personal qualities and the expected time to be involved. In addition, publicly accessible information from comparable Swiss industrial companies listed on SIX Swiss Exchange which are of similar size and have international production and market organizations is taken into account.

At least 20% and at most 100% of the fixed fee is paid in shares. The remainder is paid in cash. The share price is calculated based on the weighted average price of the preceding month (usually August). These shares cannot be traded for three years and are therefore priced at a markdown of 16%.

New members of the Board of Directors normally receive compensation from the month in which they assumed the relevant function. Departing members of the Board of Directors receive remuneration until the end of the month of their departure.

5.1.3.2 Executive Director

In addition to the emolument received as a member of the Board of Directors, the Executive Director receives a basic cash remuneration for his operational activity as a member of the Executive Committee based on actual time spent. He also receives variable compensation, which depends on the Group's operating result (EBIT).

5.1.3.3 Other members of the Executive Committee

The other members of the Executive Committee (heads of division) receive remuneration consisting of fixed cash emoluments and variable performance- and result-related payments. The fixed cash emoluments consist of a monthly salary, a flat-rate expense allowance and a company car. In addition, a salary-related contribution is paid into the pension scheme.

The fixed basic salary is determined taking account of the tasks and responsibility assigned, the qualifications and experience required and the market environment. The weighting of the criteria cited is discretionary. In addition, in setting the form and amount of the salary components, due account is taken of publicly accessible information from comparable Swiss industrial companies listed on the SIX Swiss Exchange which are of similar size and have international production and market organizations. No external consultants were co-opted for compensation issues during the year under review.

The variable performance- and result-related remuneration is determined on the basis of the fulfilment of the individual performance targets and the business success of the company or division, based on the target adopted by the Board of Directors. At the beginning of the year, the Compensation and Nomination Committee proposes to the Board of Directors the individual performance targets for the heads of division. After the end of the financial year, the Compensation and Nomination Committee assesses the fulfilment of these targets and criteria and, based on this, submits to the Board of Directors a proposal for the variable compensation. For the heads of division, the weighting of the variable component is 70% for attainment of the financial targets of the division he is responsible for and 30% for attainment of personal targets.

The business success of the company and the divisions is measured on the basis of the following key financial indicators:

- Weighting above 80%:
operating result (EBIT)
- Weighting below 20%
development of net working capital

The members of the Executive Committee may draw up to 100% of their variable compensation in Kardex AG shares. The share price is calculated based on the weighted average price for the preceding month (usually February). These shares cannot be traded for three years and are therefore priced at a markdown of 16%.

In performing their duties, members of the Executive Committee are in part also members of the Board of Directors of subsidiaries of the company within the Group. No emoluments or compensation are paid for these activities.

New members of the Executive Committee normally receive compensation from the month in which they assumed the relevant function. Departing members of the Executive Committee receive remuneration until the end of the month of their departure.

5.1.4 Notice periods

Members of the Board of Directors are elected by the General Meeting for a term of one year. All members of the Executive Committee have employment contracts with periods of notice below twelve months. Members of the Board of Directors and the Executive Committee are not entitled to any contractual severance payments or other remuneration or benefits in connection with their departure.

5.2 Regulations of the Articles of Incorporation

5.2.1 Principles regarding remuneration for members of the Board of Directors and the Executive Committee

The company's Articles of Incorporation provide for fixed remuneration for members of the Board of Directors, and remuneration consisting of fixed and variable (performance-based) elements for members of the Executive Committee. If members of the Board of Directors also belong to the Executive Committee, they will be subject solely to the remuneration regulations for members of the Executive Committee (§ 18b para. 1 and § 18c para. 1 of the Articles of Incorporation).

The following statutory principles apply to variable remuneration for members of the Executive Committee (§ 18c paras. 2 and 3 of the Articles of Incorporation):

- variable remuneration can include short-term and long-term remuneration elements;
- short-term performance-based remuneration elements are based on individual performance goals and/or the economic success of the company or a division;
- long-term remuneration elements are based on objective performance values aligned with the strategic goals, the attainment of which is generally assessed over a period of several years.

Both members of the Board of Directors and members of the Executive Committee may be paid remuneration entirely or partly in company shares or (for members of the Executive Committee) in comparable instruments or units. The procedures for this (award date, valuation, blocking periods etc.) are set by the Board of Directors (§ 18b para. 2 and § 18c paras. 4 and 5 of the Articles of Incorporation).

As regards responsibility for setting and approving remuneration, please refer to the statements made in section 5.1.2 of this report. If members of the Executive Committee join the Executive Committee or take on additional tasks during a period for which management board remuneration has already been approved, the company is empowered to arrange an additional sum per member amounting to a maximum of 40% of the approved total amount for management board remuneration if the approved total amount is insufficient to cover this member's remuneration. The adjusted additional amount does not have to be approved by the General Meeting and may be used for all forms of remuneration, including compensation for any disadvantage resulting from the change of job (§ 18e para. 3 of the Articles of Incorporation).

5.2.2 Loans, credits and pension benefits provided to members of the Board of Directors and the Executive Committee

The company's Articles of Incorporation do not provide for the possibility of granting loans or credits to members of the Board of Directors and the Executive Committee. However, pension amounts and benefits paid to pension institutions other than occupation pension schemes or similar institutions abroad for the benefit of members of the Board of Directors or the Executive Committee are permitted. Pension benefits such as these are deemed to be remuneration as described in § 18b para. 1 and § 18c para. 1 of the Articles of Incorporation, in so far as they are approved by the General Meeting, either individually or as part of a total amount (§ 18d of the Articles of Incorporation).

5.2.3 General Meeting vote regarding remuneration

As regards regulations under the Articles of Incorporation regarding General Meeting votes on remuneration, please refer to the statements made in section 5.1.2 of this report.

5.3 Remuneration report

5.3.1 Compensation

The remuneration report discloses the remuneration paid directly or indirectly and participation rights to current or former members of the Board of Directors, members of the Executive Committee and related parties. This remuneration report is audited by the external auditors and submitted by the Board of Directors to the General Meeting for consultative approval. There was no advisory council in either the year under review or the previous year.

No loans, credits or securities were provided to current or former members of the Board of Directors and the Executive Committee or related parties in either the year under review or the previous year. Furthermore, no claims against these parties were waived and there are no loans or credits due for repayment from them. No compensation was paid to former members of the Board of Directors or the Executive Committee.

Compensation 2015

CHF 1000		Pay- ments in cash	Payments in shares		Social security	Additional consulting	Total compen- sation
Name and Prenom	Function		Number	Value			
Board of Directors							
Philipp Buhofer	Chairman	151.6	1083	66.7	–	47.5	265.8
Walter T. Vogel	Vice Chairman	68.1	565	34.8	11.3	–	114.2
Jakob Bleiker	Member	44.0	851	52.4	10.2	–	106.6
Ulrich Jakob Looser	Member	67.9	315	19.4	6.6	–	93.9
Felix Thöni	Member	47.6	394	24.3	7.1	–	79.0
Total Board of Directors		379.2	3208	197.6	35.2	47.5	659.5

CHF 1000		Fix salary in cash	Variable salary		Social security	Total compen- sation
Name and Prenom	Function		in cash	in shares		
			Number	Value		
Executive Committee						
Jens Fankhänel ¹	HoD Kardex Remstar	483.9	432.4	–	–	1053.2
Total Executive Committee		1175.5	1225.7	–	–	2617.3

¹ Highest compensation.

Compensation 2014

CHF 1 000		Pay- ments in cash	Payments in shares		Social security	Additional consulting	Total compen- sation
Name and Prenom	Function		Number	Value			
Board of Directors							
Philipp Buhofer	Chairman	165.2	937	33.0	–	–	198.2
Walter T. Vogel	Vice Chairman	59.5	724	25.5	9.9	–	94.9
Jakob Bleiker	Member	40.0	1 136	40.0	9.2	–	89.2
Ulrich Jakob Looser	Member	60.0	398	14.0	5.8	–	79.8
Felix Thöni	Member	31.7	899	31.7	6.6	–	70.0
Total Board of Directors		356.4	4094	144.2	31.5	–	532.1

CHF 1000		Fix salary in cash	Variable salary		Social security	Total compen- sation
Name and Prenom	Function		in cash	in shares		
			Number	Value		
Executive Committee						
Felix Thöni ¹	Executive Director	492.5	507.6	–	–	1068.3
Total Executive Committee		1264.3	1017.7	–	–	2505.9

¹ Highest compensation.

5.3.2 Explanatory notes on the remuneration report and the compensation

The remuneration disclosed in section 5.3.1 includes the relevant remuneration for the year under review as a whole. The reported variable elements of remuneration relate to the reporting year which has ended (accrual principle). The variable emoluments are allocated and paid out according to the target attainment for the year under review described in sections 5.1.3.2 and 5.1.3.3, pages 31 and 32.

In addition to his fee as a member of the Board of Directors, the Executive Director is also entitled to compensation for his operative activity (section 5.1.3.2 on page 31). Upon disclosure, his remuneration was divided into the relevant components as a member of the Board of Directors and a member of the Executive Committee.

The members of the Board of Directors, the Executive Director, and the members of the Executive Committee are granted allotted shares at a markdown of 16% to compensate for the blocking period of three years (section 5.1.3.1 and section 5.1.3.3). This reduction, accepted in Switzerland for tax purposes, reflects the economic value reduction of a share blocked for three years. In the course of the introduction of the Swiss Ordinance against Excessive Remuneration (Ordinance), at the end of the 2014 financial year, no proven method had yet been developed for calculating the value at which blocked shares should be shown in the remuneration report. At that time, Kardex felt that the share price following the markdown best reflected the equivalent value for the recipient, and therefore used this value in the 2014 remuneration report. In the meantime, however, the statement of the share value on the award date without markdown has been established as a proven method. This method prioritizes the costs of company remuneration, and not the equivalent value obtained by the recipient. Kardex is now using this generally accepted method in the 2015 remuneration report. Due to the blocking period, the value of allotted shares is taken at the weighted average price for the month before purchase without markdown. The values for the previous year were not adjusted – an adjustment would have resulted in an increase of CHF 27 615 to the remuneration statement for the year 2014.

5.3.2.1 Members of the Board of Directors

There were no new or departing members in either the year under review or the previous year. In addition to the emolument received as members of the Board of Directors, the non-executive members of the Board of Directors can receive a cash remuneration for their operational activities based on actual time spent, shown separately in section 5.3.1.

The shares allotted during the year under review are valued in the remuneration report at the weighted average price for the month of August of CHF 61.60 per share. In the previous year, the allotted shares were valued at CHF 35.23, representing the weighted average price for the month of August minus the markdown of 16% as compensation for the blocking period. Compensation for the Board of Directors has increased in the year under review compared with the previous year, which is primarily due to the adjustment of fixed fees as well as to the remuneration for additional advisory activities. The General Meeting 2015 consented to the increase to fixed fees, as these had not been adjusted for more than five years, and approved the maximum total remuneration for the Board of Directors of CHF 750 000 for the period between the General Meeting 2015 and the General Meeting 2016.

5.3.2.2 Executive Director

The Executive Director has been serving since 2012. For the year under review the total remuneration as a member of the Board of Directors and the Executive Committee amounted to CHF 1 128.0 thousand (CHF 1 138.3 thousand) whereof CHF 550.0 thousand (CHF 507.6 thousand) was due to variable remuneration.

5.3.2.3 Members of the Executive Committee

There were no new or departing members in the year under review. The variable component of the compensation for the members of the Executive Committee came to an average of 46.8% (44.6%) of the total remuneration. The quantitative budgeted targets were mostly met or even exceeded. As the previous year, the members of the Executive Committee drew their variable remuneration portion in cash.

The Articles of Incorporation of Kardex AG provide for the prospective approval of remuneration by the General Meeting. For this reason, the General Meeting 2015 was not yet required to approve the maximum total remuneration for Executive Committee compensation during the year under review. For the 2016 financial year, the General Meeting 2015 approved maximum total remuneration of CHF 3.4 million, comprising the compensation for the Executive Director.

5.3.3 Share proportions 2015

Name and Prenom e	Function	Number of shares	Voting interest in %	hereof with retention period of 3 years until:			
				2016	2017	2018	Total
Board of Directors							
Philipp Buhofer ¹	Chairman	1 828 085	23.65%	1 500	937	1 083	3 520
Walter T. Vogel	Vice Chairman	14 387	0.19%	1 031	724	565	2 320
Jakob Bleiker	Member	4 387	0.06%	1 212	1 136	851	3 199
Ulrich Jakob Looser	Member	1 831	0.02%	425	398	315	1 138
Felix Thöni	Member	32 716	0.42%	2 121	899	394	3 414
Total Board of Directors		1 881 406	24.34%	6 289	4 094	3 208	13 591
Executive Committee							
Jens Fankhänel	HoD Kardex Remstar	6 000	0.08%	–	2 500	–	2 500
Hans-Jürgen Heitzer	HoD Kardex Mlog	827	0.01%	–	–	–	–
Total Executive Committee		6 827	0.09%	–	2 500	–	2 500

¹ Including shares held by BURU Holding.

6. Shareholders' participation rights

6.1 Voting right restrictions and representation

On 31 December 2015, 1 739 shareholders were entered in the share register. The majority of these had their registered office or domicile in Switzerland. Each Kardex AG registered share entitles the holder to one vote at the General Meeting. There are no voting right restrictions. Furthermore, any shareholder has the right to have his shares represented at the General Meeting by written proxy by an independent voting proxy, another shareholder with voting rights or a third party.

The Board of Directors sets out the requirements for powers of attorney and instructions to independent voting proxies and may also provide for the issuing of powers of attorney and instructions by electronic means without a qualified electronic signature.

6.2 Statutory quorums

Unless the law or Articles of Incorporation provide otherwise, the General Meeting passes its resolutions and conducts its elections by an absolute majority of the votes cast (with abstentions, unmarked ballots and invalid ballots not deemed to be cast). In the event of a tied vote, the Chairman of the General Meeting has the casting vote.

The company's Articles of Incorporation do not prescribe specific quorums other than those required by company law.

6.3 Convocation of General Meetings

The General Meeting is called by the Board of Directors at least 20 days prior to the date of the meeting by way of a notice published in the company's official publication, the Swiss Commercial Gazette.

In addition to the meeting date, time and venue, the announcement must state the items to be discussed and the resolutions proposed by the Board of Directors and shareholders who have requested a General Meeting or put forward an item for inclusion on the agenda.

No resolution may be passed on items that have not been announced in this way, except for requests to convene an extraordinary General Meeting and carry out a special audit at the wish of a shareholder.

Extraordinary General Meetings may be convened by the Board of Directors or at the request of the auditor. Shareholders representing at least one-tenth of the share capital may also request in writing that an extraordinary General Meeting be convened, setting forth the items and the proposals.

6.4 Inclusion of items on the agenda

Shareholders representing at least 1% of the shares issued may request in writing that items be added to the agenda, specifying the proposed resolutions. Such items must be submitted to the Board of Directors in writing at least 40 days before the General Meeting.

6.5 Entry in the share register

In the invitation to the General Meeting, the Board of Directors states the cut-off date by which shareholders must be entered in the share register to be entitled to participate in and vote at the meeting.

7. Changes of control and defence mechanisms

7.1 Duty to make an offer

In accordance with § 4 of the company's Articles of Incorporation, a purchaser of Kardex AG shares is only obliged to make a public offer under the terms of article 32 (the statutory opting-up clause) of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) if his holding exceeds 49% of the company's voting stock.

7.2 Change-of-control clauses

There are no change-of-control clauses.

8. Statutory auditors

8.1 Duration of the mandate and term of office of the auditor in charge

8.1.1 Time of assumption of existing audit mandate

The auditors are elected by the General Meeting for a period of one year. PricewaterhouseCoopers AG, Zurich, Switzerland have been the company's statutory auditors since 2014.

8.1.2 Time of assumption of office by the auditor in charge of the existing audit mandate

The auditor in charge, Thomas Wallmer, has been responsible for the mandate since the General Meeting on 23 April 2015. The auditor in charge may exercise his mandate for a maximum of seven years and resume the same mandate after a break of three years.

8.2 Audit fees

In the 2015 financial year, PricewaterhouseCoopers provided audit services to the value of CHF 427.0 thousand (previous year: CHF 466.8 thousand). These amounts include expenses.

8.3 Additional fees

PricewaterhouseCoopers was also paid fees totalling CHF 144.1 thousand (previous year: CHF 198.5 thousand) for non-audit-related services. The entire amount relates to the design and management of the transfer price concept and to tax and legal advice.

8.4 Information tools of the external auditors

The Audit Committee verifies the licensing, independence and performance of the auditors on behalf of the Board of Directors and proposes the appointment and, where necessary, discharge of auditors to be appointed or discharged by the General Meeting. The Audit Committee monitors the auditing of the annual financial statements of Kardex AG and the consolidated financial statements by the auditors. As part of their audit services, the statutory auditors provide the Audit Committee with regular written and verbal feedback on their findings and suggestions for improving the accounting and the internal control system. These are summarized in a comprehensive report by the auditors to the full Board of Directors (also containing the management letter). The Audit Committee generally meets the external auditors three times a year (three times in the year under review) to determine the audit scope. It ensures compliance with the mandatory rotation of the auditor in charge. The Audit Committee also reviews the amount of the fees paid to the auditors and their composition, broken down into audit services and non-audit-related services. The full Board of Directors is informed via the Audit Committee.

9. Information policy

The company is committed to an open information policy and provides shareholders, the capital market, employees and all stakeholders with open, transparent and timely information. The information policy accords with the requirements of the Swiss stock exchange (SIX Swiss Exchange) as well as the relevant statutory requirements. As a company listed on SIX Swiss Exchange, Kardex AG also publishes information relevant to its stock price in accordance with article 53 of the Listing Rules (ad hoc publicity).

The Group publishes a report on its activities every six months in March and August. All publications are available in electronic form. The Annual and Interim Reports are published on the company's website and printed and delivered on request. Press releases are additionally issued on a regular basis. Kardex maintains a dialogue with investors, analysts and the media at special events and road shows.

The annual media and analysts' meeting, as well as the General Meeting, are held in Zurich, Switzerland.

Information is sent electronically or by e-mail to SIX Swiss Exchange, the Swiss Commercial Gazette (the company's official publication medium) and other relevant national business publications. It is also published simultaneously on the Group website at www.kardex.com. In addition, interested parties can register at <http://www.kardex.com/nc/en/investor-relations/email-service-contact/information-service-subscription.html> and will receive the requested information by e-mail.

The prime responsibility for corporate communications bears the President of the Executive Committee.

The company's official publication medium is the Swiss Commercial Gazette. Information published in connection with the maintenance of registered share listings on SIX Swiss Exchange complies with SIX Swiss Exchange's Listing Rules and their implementing decrees. These can be found at www.six-exchange-regulation.com. The website www.kardex.com provides detailed, up-to-date information about the Group, its products and contact information.

The contact addresses can be found on page 9 of this report.

Calendar of events for Investor Relations

2016 Annual General Meeting	21 April 2016
2016 Interim Report	11 August 2016
2017 Media and analysts' conference	08 March 2017
2017 Annual General Meeting	20 April 2017
2017 Interim Report	10 August 2017

Auditors' report to the General Meeting



Kardex AG, Zurich

We have audited the accompanying remuneration report of Kardex AG for the year ended 31 December 2015 (paragraph 5.3.1, pages 34 to 35).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Kardex AG for the year ended 31 December 2015 (paragraph 5.3.1, pages 34 to 35) complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Gian Franco Bieler
Audit expert

Zurich, 9 March 2016

Financial reporting Kardex Group

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Consolidated income statement

EUR millions	Notes	2015	(%)	2014	(%)
Net revenues	3	338.5	100.0%	308.0	100.0%
Cost of goods sold and services provided		-216.5	-64.0%	-205.2	-66.6%
Gross profit		122.0	36.0%	102.8	33.4%
Marketing and sales expenses		-45.2	-13.4%	-39.9	-13.0%
Administrative expenses		-29.0	-8.6%	-26.5	-8.6%
R&D expenses		-9.3	-2.7%	-7.0	-2.3%
Other operating income	7	1.2	0.4%	1.1	0.4%
Other operating expenses	7	-3.4	-1.0%	-2.0	-0.6%
Operating result (EBIT)		36.3	10.7%	28.5	9.3%
Financial result, net	9	-0.3	-0.1%	0.1	0.0%
Result for the period before tax		36.0	10.6%	28.6	9.3%
Income tax expense	10	-7.5	-2.2%	-4.8	-1.6%
Result for the period		28.5	8.4%	23.8	7.7%
Earnings per share (EUR) ¹	19	3.69		3.08	

¹ No dilutive effect occurred in 2015 and 2014.

The notes to the consolidated financial statements from page 50 to page 75 represent an integral part of the Group's financial statements.

Consolidated balance sheet

EUR millions	Notes	31.12.2015	31.12.2014
Property, plant and equipment	11	24.8	24.6
Intangible assets	11	2.0	2.6
Financial assets	13	7.1	4.6
Non-current assets		33.9	31.8
Inventories and work in progress	14	15.2	17.6
Trade accounts receivable	15	48.0	48.1
Other receivables	16	8.7	10.5
Prepaid expenses		2.1	2.0
Cash and cash equivalents	17	112.5	85.1
Current assets		186.5	163.3
Assets		220.4	195.1
Share capital	18	56.4	59.9
Capital reserves		31.1	34.4
Retained earnings and Translation differences		41.9	21.5
Equity		129.4	115.8
Non-current provisions	22	17.7	16.4
Non-current liabilities		17.7	16.4
Trade accounts payable		11.8	10.7
Current financial liabilities	20, 25	0.2	-
Current provisions	22	8.3	6.5
Accruals	23	34.4	28.2
Other current liabilities	24	18.6	17.5
Current liabilities		73.3	62.9
Liabilities		91.0	79.3
Equity and liabilities		220.4	195.1

The notes to the consolidated financial statements from page 50 to page 75 represent an integral part of the Group's financial statements.

Consolidated cash flow statement

EUR millions	Notes	2015	2014
Result for the period		28.5	23.8
Depreciation and amortization	11	5.3	6.1
Changes in provisions and pension liabilities		3.1	0.6
Other non-cash items		-1.5	-0.3
Change in accounts receivable		1.1	2.3
Change in inventories and work in progress		3.0	1.6
Change in other receivables and prepaid expenses		1.7	-2.7
Change in accounts payable		0.9	-3.9
Change in other current liabilities and accruals		6.1	0.8
Net cash flow from operating activities		48.2	28.3
Purchase of property, plant and equipment	11	-4.1	-4.1
Sale of property, plant and equipment		0.1	0.1
Purchase of intangible assets	11	-0.5	-0.7
Purchase of financial assets		-1.0	-
Sale of financial assets		-	0.3
Acquisition of organizations	30	-	-0.2
Net cash flow from investing activities		-5.5	-4.6
Free cash flow		42.7	23.7
Acquisition of treasury shares	18	-0.2	-0.2
Disposal of treasury shares		0.2	0.2
Change in current financial liabilities		0.2	-
Change in non-current financial liabilities		-	-2.1
Dividend paid		-12.1	-16.8
Reduction of nominal value		-4.8	-
Net cash flow from financing activities		-16.7	-18.9
Effect of currency translation differences on cash and cash equivalents		1.4	1.2
Net change in cash and cash equivalents		27.4	6.0
Cash and cash equivalents at 1 January	17	85.1	79.1
Cash and cash equivalents at 31 December	17	112.5	85.1
Net change in cash and cash equivalents		27.4	6.0

The notes to the consolidated financial statements from page 50 to page 75 represent an integral part of the Group's financial statements.

Consolidated statement of changes in equity

EUR millions	Notes	Share capital	Capital reserves	Retained earnings	Translation differences	Treasury shares ¹	Equity
Opening balance 1 January 2014		59.9	51.2	-1.9	-2.3	-	106.9
Result for the period		-	-	23.8	-	-	23.8
Acquisition of organizations	30	-	-	-0.1	-	-	-0.1
Currency translation differences ²		-	-	-	2.0	-	2.0
Acquisition of treasury shares	18	-	-	-	-	-0.2	-0.2
Disposal of treasury shares ³	18	-	-	-	-	0.2	0.2
Dividend paid		-	-16.8	-	-	-	-16.8
Reclassification		-	-	-0.3	0.3	-	-
Closing balance 31 December 2014		59.9	34.4	21.5	-	-	115.8
Opening balance 1 January 2015		59.9	34.4	21.5	-	-	115.8
Result for the period		-	-	28.5	-	-	28.5
Currency translation differences ²		-	-	-	2.0	-	2.0
Acquisition of treasury shares	18	-	-	-	-	-0.2	-0.2
Disposal of treasury shares ³	18	-	-	-	-	0.2	0.2
Dividend paid		-	-	-12.1	-	-	-12.1
Reduction of nominal value ⁴		-3.5	-	-1.3	-	-	-4.8
Reclassification ⁵		-	-3.3	3.3	-	-	-
Closing balance 31 December 2015		56.4	31.1	39.9	2.0	-	129.4

¹ Number of treasury shares held as of 31 December 2015: 0 (0).

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

³ As part of share-based remuneration, treasury shares were allocated in the amount of EUR 0.2 million (EUR 0.2 million).

⁴ Effect of the difference between historical and spot rate has been recognized under "Retained earnings".

⁵ This item consists of the assignment of the reserve from capital contribution to unrestricted reserve as decided by the General Meeting at 23 April 2015.

The notes to the consolidated financial statements from page 50 to page 75 represent an integral part of the Group's financial statements.

Notes to the consolidated financial statements

1. General information

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

2. Significant accounting policies

Basis of preparation

The Group's consolidated financial statements were prepared in compliance with the provisions of Swiss company law and are in accordance with Swiss GAAP FER (FER) in their entirety including FER 31 "Complementary recommendation for listed companies", which is effective as of 1 January 2015.

Principles of consolidation

Consolidation is based on the individual Group companies' financial statements, as prepared on a consistent basis. The balance sheet date for all Group companies is 31 December with exception of Kardex India Storage Solutions Private Ltd., Bangalore, India where the balance sheet date for local GAAP closing is 31 March. The consolidated financial statements are prepared on a historical cost basis with the exception of derivative financial instruments, which may be stated at fair value.

The consolidated financial statements include Kardex AG as well as all domestic and foreign subsidiaries in which Kardex AG holds a direct or indirect ownership. Acquisitions are accounted for using the purchase method. All relevant subsidiaries in which the Group holds more than 50% of the voting rights or for which it is able to exercise a controlling influence on the subsidiary's operating or financial policies are accounted for using the full consolidation method, which incorporates assets and liabilities as well as revenues and expenses in their entirety. Intra-Group balances, transactions and profits not realized through third parties are eliminated in the consolidation process. Kardex AG currently has no investments with voting rights of less than 20%, no investments in associated companies and it is not currently engaged in any joint ventures.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in millions of euros. The euro is Kardex AG's functional currency and the presentation currency of the Group because the Group's cash flows and transactions are denominated mainly in euros.

Foreign currency transactions

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

Financial statements of subsidiaries in foreign currencies

The assets and liabilities of subsidiaries whose financial statements are prepared in currencies other than the euro are converted for consolidation purposes as follows:

- Assets and liabilities are translated on the balance sheet date at the exchange rate prevailing on that date.
- Revenues and expenses as well as cash flows are translated at the average exchange rate.
- Equity is translated at historical rates.

All resulting translation differences are shown separately under equity (translation differences). If a subsidiary is sold, its cumulative translation differences are included in the income statement as part of the gain or loss arising from the sale.

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

Derivative financial instruments and hedging transactions

The Group uses from time to time derivative financial instruments mainly to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments for the hedging of assets and liabilities are measured initially and also subsequently in accordance with the same valuation principle as the hedged item. This means that if the hedged item is measured at fair value, the derivative financial instrument is also measured at fair value. The changes in value of the derivative financial instrument are recognized in the income statement. The gain/loss on the derivative is neutralized by the loss/gain on the hedged item. Derivative financial instrument for other hedging purposes are measured initially and subsequently at their fair value and also recognized in the income statement.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at acquisition or construction cost less accumulated depreciation and impairment losses. The acquisition and construction cost includes all expenses directly attributable to the acquisition and necessary to bring the asset to working condition for its intended use. Interest expenses during the construction phase of property, plant and equipment are not capitalized.

Leased assets

Leasing agreements under which the Group company essentially assumes all the risks and rewards associated with the acquisition are treated as finance leases. These assets are stated at an amount equal to the lower of cost of acquisition/net fair value or present value of the future lease payments at the start of the agreement, less the accumulated depreciation and impairment loss. Obligations arising from finance leasing are recognized as liabilities.

Maintenance and renovation costs

Major renovation or modernization work, as well as expenses that significantly increase fair value or value in use, and expenditure that extends the estimated useful life of property, plant and equipment, are capitalized. Repairs and maintenance costs are recognized directly under operating expenses.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the following estimated useful lives:

Buildings	20 to 40 years
Machinery and production tools	4 to 12 years
Equipment and vehicles	5 to 8 years
Information technology (hardware)	3 years

Depreciation of an item of property, plant or equipment begins when actual operational use commences. Property, plant and equipment under construction is not depreciated, but is regularly assessed for any indication of a need to apply impairment charges.

Depreciation expenses are included in "Cost of goods sold and services provided", "Marketing and sales expenses", "Administrative expenses" and "R&D expenses".

The residual value and the useful economic life of the property, plant and equipment are reviewed annually and adjusted where necessary. Gains and losses arising from the sale of property, plant and equipment are recognized in the income statement.

Intangible assets

Goodwill

Goodwill, the difference between the cost of acquisitions and the fair value of the net assets acquired, results from the purchase of subsidiaries. Any goodwill that arises is offset against equity (retained earnings) at the time of acquisition. In case of the disposal of a subsidiary, acquired goodwill offset against equity at an earlier date is stated at original cost to determine the gain or loss recognized in the income statement.

The effects of a theoretical capitalization of goodwill with scheduled amortization and any value adjustment impacting on the balance sheet and income statement over a useful life of five years are disclosed in the notes.

Intangible assets from development activities

Expenditure on development activities related to new technologies or know-how is recognized in the income statement in the period in which it is incurred.

Other intangible assets

Other internally generated or acquired intangible assets are capitalized where they will generate measurable benefits for the Group over several years.

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

Subsequent costs

Subsequent expenditure on existing intangible assets is capitalized only when it increases the future economic benefits of the assets concerned to at least the same extent. All other expenditure is expensed at the time incurred.

Amortization

Amortization of intangible assets is charged to the income statement on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins on the date they are available for use. The estimated useful lives applied are as follows:

Licenses and patents	5 years
Trademark rights	5 years
Capitalized software	5 years
Other intangible assets	5 years

Amortization is included in "Cost of goods sold and services provided", "Marketing and sales expenses", "Administrative expenses" and "R&D expenses".

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

Financial assets

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

Impairment of assets

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

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

On each balance sheet date, impairments previously recorded are examined to establish whether the reasons that led to the impairment still apply to the same extent. If the reasons for an impairment no longer apply, the value will be reinstated up to a maximum of the carrying amount, as adjusted according to scheduled depreciation. The reverse booking is recognized in the income statement.

Trade accounts receivable and other current assets

Accounts receivable are stated at nominal value less any impairments. The value adjustment consists of individual allowances for specifically identified positions for which there are objective indications that the outstanding amount will not be received in full and of a collective allowance for positions that have been overdue for 180 days or longer.

Inventories

Inventories are stated at the lower of acquisition/production cost or fair value less costs to sell. Fair value less costs to sell is defined as the value of the sales proceeds less the remaining costs of production, sale and administration incurred until the time of sale. Inventories are valued on a weighted-average basis. The acquisition and production cost also includes the cost of purchase and transport of inventories. In the case of inventories manufactured by the Group, production costs also include an appropriate share of the overheads incurred. Early payer discounts are treated as financial income. Adjustments are made for items lacking marketability and for slow-moving items.

Construction contracts

Provided contractual performance by the customer is highly probable and income and expenses arising from long-term construction contracts can be reliably estimated, the resulting revenues are reported using the percentage-of-completion method: the revenues and expenses are recognized in the income statement proportionally to the stage of completion. The stage of completion is determined using the cost-to-cost method, i.e. by calculating the ratio between the project costs incurred to date and the estimated overall costs of the project. Expected losses from construction contracts are immediately recognized in the income statement as at the date of detection.

Underfinanced projects are recorded under "Trade accounts receivables" while overfinanced positions report under "Other current liabilities".

Cash and cash equivalents

"Cash and cash equivalents" comprise cash balances, postal and bank account balances and other liquid investments with a maximum total maturity of three months from the balance sheet date.

Repurchase of treasury shares

If the Group repurchases its own shares, the payments, including directly related costs, are deducted from equity. Any gains or losses arising from transactions with treasury shares are recognized in equity (capital reserves).

Dividends

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

Liabilities

Liabilities are shown at their nominal value. Based on FER 31.7 the valuation principles as well as the terms and conditions such as interest rates, running time and currency are disclosed per group of equivalent financial instruments.

Employee benefits

Pension plans

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

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

Share-based payments

Share-based payments are recognized at fair value at the grant date and, until such time as entitlement is asserted, are charged to the corresponding positions in the income statement as personnel expenses. Since these remunerations are settled with equity capital instruments, the counter-entry is recognized in equity.

Provisions

Provisions are made

- insofar as the Group has, or may have, an actual or possible obligation (legal or constructive) due to past events;
- insofar as it is probable that settlement of this obligation will lead to an outflow of resources;
- insofar as the extent of the obligation can be reliably estimated.

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

Warranties

The provision for warranty risks from the sale of products and services is based on information about warranties from earlier periods.

Restructuring

Restructuring costs are provided for in the period in which an official, detailed restructuring plan is available to the Group and the management must have raised a valid expectation that it will carry out the restructuring or the restructuring plan is announced. No provision is made for future operating losses.

Revenues from goods sold and services provided

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

Operating lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

Lease payments are allocated between the financing costs and repayment of the principal. The financing costs are allocated to each period during the lease term to produce a constant rate of interest over the term of the liability.

Funding

Net financing costs comprise the interest expense on borrowings and pension liabilities, interest earned on investments, income and expenses from early payer discounts, gains and losses from foreign currency translation, as well as gains and losses from derivative financial instruments used for exchange rate hedging, all of which are recognized in the income statement. Interest income and expense, as well as gains or losses from interest rate hedging are recognized in the income statement as they accrue.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement unless it relates to items recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable related to previous years. Income tax is calculated using tax rates already in force or substantially enacted at the balance sheet date. Deferred tax is calculated using the balance sheet liability method on the basis of tax rates already in force or substantially enacted at the balance sheet date and is based on temporary differences between FER carrying amounts and the tax base. Deferred income tax assets and liabilities are netted only if they relate to the same taxable entity. Tax savings due to tax loss carryforwards on future taxable income are not recognized.

Earnings per share

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

3. Segment reporting

The Group is a global industry partner for intra-logistic solutions and a leading supplier of automated storage solutions and material handling systems. The Group consists of two entrepreneurially managed divisions, Kardex Remstar and Kardex Mlog. Kardex Remstar develops, produces and maintains shuttles and dynamic storage and retrieval systems and Kardex Mlog offers integrated materials handling systems and automated high-bay warehouses. The two divisions are partners for their customers over the entire life cycle of a product or solution.

3.1 Segment reporting 2015 / Income statement

EUR millions	Operating segments				Kardex Group
	Kardex Remstar	Kardex Mlog	Kardex AG Zurich (Holding)	Eliminations	
Net revenues, third party					
– Europe	193.9	64.8	–	–	258.7
– Americas	49.9	–	–	–	49.9
– Asia/Pacific	21.5	–	–	–	21.5
– Middle East and Africa	8.4	–	–	–	8.4
Total net revenues, third party	273.7	64.8	–	–	338.5
Net revenues, with other operating segments	–	0.1	–	–0.1	–
Net revenues	273.7	64.9	–	–0.1	338.5
Cost of goods sold and services provided	–163.8	–52.8	–	0.1	–216.5
Gross profit	109.9	12.1	–	–	122.0
Gross profit margin	40.2%	18.6%			36.0%
Marketing and sales expenses	–40.5	–4.7	–	–	–45.2
Administrative expenses	–23.0	–3.4	–4.6	2.0	–29.0
R&D expenses	–8.8	–0.5	–	–	–9.3
Other operating income	0.9	0.3	2.0	–2.0	1.2
Other operating expenses	–2.9	–0.5	–	–	–3.4
Operating result (EBIT)	35.6	3.3	–2.6	–	36.3
EBIT margin	13.0%	5.1%			10.7%
Depreciation and amortization	4.6	0.6	0.1	–	5.3
EBITDA	40.2	3.9	–2.5	–	41.6
EBITDA margin	14.7%	6.0%			12.3%

3.2 Segment reporting 2014 / Income statement

EUR millions	Operating segments				Kardex Group
	Kardex Remstar	Kardex Mlog	Kardex AG Zurich (Holding)	Eliminations	
Net revenues, third party					
– Europe	185.9	55.7	–	–	241.6
– Americas	38.5	0.1	–	–	38.6
– Asia/Pacific	19.2	–	–	–	19.2
– Middle East and Africa	7.2	1.4	–	–	8.6
Total net revenues, third party	250.8	57.2	–	–	308.0
Net revenues, with other operating segments	0.2	0.9	–	–1.1	–
Net revenues	251.0	58.1	–	–1.1	308.0
Cost of goods sold and services provided	–158.8	–47.5	–	1.1	–205.2
Gross profit	92.2	10.6	–	–	102.8
Gross profit margin	36.7%	18.2%			33.4%
Marketing and sales expenses	–35.4	–4.5	–	–	–39.9
Administrative expenses	–21.1	–3.2	–4.0	1.8	–26.5
R&D expenses	–6.3	–0.7	–	–	–7.0
Other operating income	1.0	0.1	1.8	–1.8	1.1
Other operating expenses	–1.8	–0.4	0.3	–0.1	–2.0
Operating result (EBIT)	28.6	1.9	–1.9	–0.1	28.5
EBIT margin	11.4%	3.3%			9.3%
Depreciation and amortization	5.2	0.7	0.2	–	6.1
EBITDA	33.8	2.6	–1.7	–0.1	34.6
EBITDA margin	13.5%	4.5%			11.2%

4. Foreign currency translation

The main exchange rates for currency translation are:

in EUR	Average rates		Year-end rates	
	2015	2014	31.12.2015	31.12.2014
1 CHF	0.937	0.823	0.925	0.831
1 CNY	0.145	0.122	0.141	0.134
1 GBP	1.377	1.240	1.361	1.278
1 USD	0.901	0.752	0.912	0.821

5. Long-term construction contracts

EUR millions	2015	2014
Revenues from construction contracts (POC)	47.4	38.3

6. Personnel expenses

EUR millions	2015	2014
Salaries and wages	-93.7	-84.5
Social security contributions	-19.3	-19.2
Retirement and pension plan costs	-2.4	-2.3
Other personnel expenses	-7.0	-6.8
Total personnel expenses	-122.4	-112.8

7. Other operating income and expenses

EUR millions	2015	2014
Gains from non-current assets sold	0.1	0.1
Scrap sales	0.5	0.6
Completion of legal cases	0.2	0.1
Other income	0.4	0.3
Total other operating income	1.2	1.1
Losses from non-current assets sold	-	-0.1
Taxes other than income taxes	-0.6	-0.2
Contribution to pension schemes	-0.4	-0.7
Legal and other expenses	-0.8	-0.3
Restructuring expenses	-1.6	-0.7
Total other operating expenses	-3.4	-2.0

8. Restructuring expenses

Restructuring expenses totaling EUR 1.6 million (EUR 0.7 million) were recognized in the income statement for the year under review and are reported as "Other operating expenses".

9. Financial result, net

EUR millions	2015	2014
Interest income	0.2	0.3
Exchange gains (net)	1.1	0.9
Other financial income ¹	1.4	1.3
Total financial income	2.7	2.5
Interest expense	-1.6	-1.3
Other financial expenses ¹	-1.4	-1.1
Total financial expenses	-3.0	-2.4
Total financial result, net	-0.3	0.1

¹ Including early payer discounts.

Interest expenses is mainly related to Mlog Logistics GmbH, Neuenstadt am Kocher, Germany for pension schemes without own assets.

10. Income tax expense and tax losses carryforward

10.1 Income tax expense

EUR millions	2015	2014
Current income tax	-9.0	-5.2
Deferred income tax	1.5	0.4
Total income tax expense	-7.5	-4.8

The effective tax rate of 20.8% has increased since previous year (16.8%) but is still low, which is largely attributable to the usage of tax losses carryforward. The locally applicable expected average tax rate is applied for the deferred tax calculation per subsidiary.

10.2 Analysis of income tax expense

The variance between the expected income tax expense, based on the expected income tax rate, and the effective income tax expense recorded in the consolidated income statement depends on the following determining factors. The Group's expected income tax rate is based on the result for the period before tax and the tax rate pertaining to each individual subsidiary at the respective fiscal year.

EUR millions	2015	2014
Result for the period before tax	36.0	28.6
Expected income tax rate	26.7%	25.9%
Expected income tax expense	-9.6	-7.4
Use of unrecognized tax losses carryforward	2.7	3.4
Effect of non-recognition of tax losses in current year	-0.2	-0.4
Withholding taxes not recoverable	-0.2	-0.2
Other	-0.2	-0.2
Effective income tax expense	-7.5	-4.8
Effective income tax rate	20.8%	16.8%

10.3 Tax losses carryforward

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

EUR millions	31.12.2015	31.12.2014
Tax losses carryforward by expiration		
Following year	0.1	–
In 2 to 5 years	1.6	0.9
After 5 years	24.9	32.9
Total tax losses carryforward	26.6	33.8

Remaining tax losses carryforward mainly relate to Germany. On 31 December 2015, the non-capitalized tax effects on losses carryforward amounted to EUR 6.6 million (EUR 9.3 million).

11. Property, plant, equipment and intangible assets

11.1 Property, plant and equipment 2015

EUR millions	Undeveloped properties	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Under construction	Property, plant and equipment
Acquisition cost, 1 January	4.2	23.7	40.1	3.4	5.5	0.8	77.7
Additions	–	0.1	1.9	0.1	0.6	1.4	4.1
Disposals	–	–	–0.7	–0.1	–0.4	–	–1.2
Reclassifications	–	–	0.7	–	0.1	–0.8	–
Exchange rate differences	–	0.3	0.2	0.1	–	–	0.6
31 December	4.2	24.1	42.2	3.5	5.8	1.4	81.2
Accumulated depreciation and impairment, 1 January	–	–13.9	–32.0	–2.8	–4.4	–	–53.1
Additions – depreciation	–	–0.8	–2.5	–0.2	–0.6	–	–4.1
Disposals – depreciation	–	–	0.7	0.1	0.4	–	1.2
Exchange rate differences	–	–0.1	–0.1	–0.1	–0.1	–	–0.4
31 December	–	–14.8	–33.9	–3.0	–4.7	–	–56.4
Net carrying amount, 1 January	4.2	9.8	8.1	0.6	1.1	0.8	24.6
Net carrying amount, 31 December	4.2	9.3	8.3	0.5	1.1	1.4	24.8

In the period under review, the Group held no fixed assets under finance leasing.

Depreciation of property, plant and equipment is included in the following items: EUR 3.0 million in “Cost of goods sold and services provided”, EUR 0.2 million in “Marketing and sales expenses”, EUR 0.8 million in “Administrative expenses” and EUR 0.1 million in “R&D expenses”.

11.2 Property, plant and equipment 2014

EUR millions	Undeveloped properties	Land and buildings	Machinery and production tools	Equipment and vehicles	Information technology	Under construction	Property, plant and equipment
Acquisition cost, 1 January	4.2	23.3	39.4	3.3	5.1	0.1	75.4
Additions	-	0.1	1.3	0.1	0.6	2.0	4.1
Disposals	-	-	-2.1	-0.1	-0.5	-	-2.7
Reclassifications	-	-	1.4	-	0.3	-1.3	0.4
Exchange rate differences	-	0.3	0.1	0.1	-	-	0.5
31 December	4.2	23.7	40.1	3.4	5.5	0.8	77.7
Accumulated depreciation and impairment, 1 January	-	-13.0	-30.7	-2.6	-4.0	-	-50.3
Additions – depreciation	-	-0.7	-3.1	-0.2	-0.6	-	-4.6
Disposals – depreciation	-	-	2.0	0.1	0.5	-	2.6
Reclassifications	-	-	-0.1	-	-0.3	-	-0.4
Exchange rate differences	-	-0.2	-0.1	-0.1	-	-	-0.4
31 December	-	-13.9	-32.0	-2.8	-4.4	-	-53.1
Net carrying amount, 1 January	4.2	10.3	8.7	0.7	1.1	0.1	25.1
Net carrying amount, 31 December	4.2	9.8	8.1	0.6	1.1	0.8	24.6

Depreciation of property, plant and equipment is included in the following items: EUR 3.4 million in "Cost of goods sold and services provided", EUR 0.2 million in "Marketing and sales expenses", EUR 0.9 million in "Administrative expenses" and EUR 0.1 million in "R&D expenses".

11.3 Intangible assets in 2015

EUR millions	Capitalized development costs	Capitalized software	Patents, licences and other intangible assets	Intangible assets
Acquisition cost, 1 January	3.3	9.7	1.3	14.3
Additions	-	0.4	0.1	0.5
Disposals	-2.0	-	-	-2.0
31 December	1.3	10.1	1.4	12.8
Accumulated amortization and impairment, 1 January	-3.3	-7.4	-1.0	-11.7
Additions – amortization	-	-1.0	-0.2	-1.2
Disposals – amortization	2.0	-	-	2.0
Exchange rate differences	-	-	0.1	0.1
31 December	-1.3	-8.4	-1.1	-10.8
Net carrying amount, 1 January	-	2.3	0.3	2.6
Net carrying amount, 31 December	-	1.7	0.3	2.0

Amortization of intangible assets is included in the following items: EUR 0.1 million in “Cost of goods sold and services provided” and EUR 1.1 million in “Administrative expenses”.

11.4 Intangible assets in 2014

EUR millions	Capitalized development costs	Capitalized software	Patents, licences and other intangible assets	Intangible assets
Acquisition cost, 1 January	3.3	8.7	1.6	13.6
Additions	-	0.6	0.1	0.7
Disposals	-	-	-0.4	-0.4
Reclassifications	-	0.4	-	0.4
31 December	3.3	9.7	1.3	14.3
Accumulated amortization and impairment, 1 January	-3.3	-5.7	-1.1	-10.1
Additions – amortization	-	-1.2	-0.3	-1.5
Disposals – amortization	-	-	0.4	0.4
Reclassifications	-	-0.4	-	-0.4
Exchange rate differences	-	-0.1	-	-0.1
31 December	-3.3	-7.4	-1.0	-11.7
Net carrying amount, 1 January	-	3.0	0.5	3.5
Net carrying amount, 31 December	-	2.3	0.3	2.6

Amortization of intangible assets is included in the following items: EUR 0.1 million in "Cost of goods sold and services provided" and EUR 1.4 million in "Administrative expenses".

12. Treatment of goodwill

Goodwill is offset against retained earnings at the time of acquisition. Based on FER 30.16 the resulting impact on equity and the net result, taking into account a goodwill amortization period of five years, are documented below.

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

EUR millions	2015	2014
Declared result for the period	28.5	23.8
Theoretical annual amortization of goodwill	-1.8	-5.5
Theoretical exchange rate differences	-0.2	0.1
Theoretical result for the period	26.5	18.4
Acquisition value of goodwill, 1 January	38.3	38.2
Acquisition value of goodwill Dansk Kontorteknik ApS	-	0.2
Exchange rate differences	0.2	-0.1
Acquisition value of goodwill, 31 December	38.5	38.3
Theoretical accumulated amortization, 1 January	-36.4	-31.0
Theoretical annual amortization of goodwill	-1.8	-5.5
Theoretical exchange rate differences	-0.2	0.1
Theoretical accumulated amortization, 31 December	-38.4	-36.4
Theoretical net book value goodwill, 31 December	0.1	1.9
Declared equity, 31 December	129.4	115.8
Theoretical effect of recognition of goodwill, 1 January	1.9	7.2
Theoretical effect of recognition of goodwill in reporting period	-1.8	-5.3
Theoretical equity, 31 December	129.5	117.7

13. Financial assets

EUR millions	31.12.2015	31.12.2014
Other financial assets	2.3	1.4
Deferred tax assets	4.8	3.2
Total financial assets	7.1	4.6

	EUR millions	31.12.2015	31.12.2014
14. Inventories and work in process			
Raw materials, supplies and other consumables		7.3	6.9
Finished goods		2.3	2.1
Spare parts		6.9	6.1
Work in progress		16.5	15.5
Allowances		-5.1	-5.0
Advance payments by customers		-14.4	-8.8
Advance payments to suppliers		1.7	0.8
Total inventories and work in progress		15.2	17.6

	EUR millions	31.12.2015	31.12.2014
15. Trade accounts receivable			
Trade accounts receivable		46.3	44.3
Construction contracts with amounts due from customers (underfinanced – POC) ¹		2.5	4.7
Allowances for doubtful accounts		-0.8	-0.9
Total trade accounts receivable		48.0	48.1

¹ Thereof EUR 13.0 million (EUR 16.5 million) prepayments from customers.

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

Allowances on trade accounts receivable are made mainly on a case-by-case basis; a collective allowance for positions that have been overdue for 180 days and longer is also made.

	EUR millions	31.12.2015	31.12.2014
16. Other receivables			
Income tax receivables		0.6	0.7
VAT, withholding and other refundable tax		4.6	5.1
Advance payments		1.4	2.3
Other receivables		2.1	2.4
Total other receivables		8.7	10.5

	EUR millions	31.12.2015	31.12.2014
17. Cash and cash equivalents			
Cash, postal and bank current accounts		103.2	84.4
Time deposits		9.3	0.7
Total cash and cash equivalents		112.5	85.1

Of cash and cash equivalents, EUR 1.0 million (EUR 1.6 million) is currently held in countries with specific formalities and request procedures for transfers abroad. By complying with these requirements, the Group has these funds at its disposal.

18. Share capital

	Nominal value per share (CHF)	Number of shares	Share capital in EUR millions	Number of treasury shares	Treasury shares in EUR millions
Opening balance 1 January 2014	11.00	7 730 000	59.9	–	–
Additions	–	–	–	6 844	0.2
Disposals	–	–	–	–6 844	–0.2
Closing balance 31 December 2014	11.00	7 730 000	59.9	–	–
Opening balance 1 January 2015	11.00	7 730 000	59.9	–	–
Additions	–	–	–	3 208	0.2
Disposals / reduction of nominal value	–0.65	–	–3.5	–3 208	–0.2
Closing balance 31 December 2015	10.35	7 730 000	56.4	–	–

As at 31 December 2015, there were 7 730 000 (7 730 000) fully paid up registered shares with a nominal value of CHF 10.35 (CHF 11.00) outstanding.

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

In the period under review the Executive Committee drew no shares (2 500) from the Company's holdings of treasury shares. In the period under review, the Board of Directors, as part of their compensation for the 2015 financial year, drew 3 208 (4 094) shares from the Company's holdings of treasury shares. As at 31 December 2015, Kardex AG held no treasury shares (0).

The equity comprises EUR 19.3 million (EUR 17.9 million) in non-distributable reserves.

19. Earnings per share

	2015	2014
No. of outstanding shares, 1 January	7 730 000	7 730 000
Acquisition of treasury shares	-3 208	-6 844
Disposal of treasury shares	3 208	6 844
No. of outstanding shares, 31 December	7 730 000	7 730 000
Weighted average No. of outstanding shares	7 729 974	7 729 870
Result for the period (EUR)	28 540 000	23 846 000
Basic earnings per share (EUR)	3.69	3.08
Diluted earnings per share (EUR)¹	3.69	3.08

¹ No dilutive effect occurred in 2015 and 2014, the diluted result per share is the same as the basic result per share (result of the period/average number of outstanding shares).

20. Financial liabilities

EUR millions	31.12.2015	31.12.2014
Derivative financial instruments	0.2	-
Total current financial liabilities	0.2	-

After Kardex AG has voluntarily terminated the remaining tranche B of the syndicated loan in the amount of EUR 30 million as per 1 February 2014, Kardex AG had negotiated bilateral uncommitted credit lines with its main banks in the amount of EUR 30 million as a replacement of the terminated syndicated loan. The bilateral uncommitted credit lines are available to Kardex AG for the issuance of guarantees and in the form of overdrafts or fixed advances.

Additionally the committed credit line of Basler Kantonalbank in the amount of EUR 10 million was expiring on 30 April 2015 and in turn replaced with another uncommitted credit line in the amount of EUR 10 million usable for the same purpose as above mentioned bilateral uncommitted credit lines.

EUR 1.4 million (EUR 1.2 million) of these bilateral credit lines have been utilized in form of guarantees as of 31 December 2015 whereas no cash advance has been drawn.

No collateral was provided for all these lines of credit. All lines of credit rank pari passu.

21. Pension plans

Employees and former employees receive different employee benefits and retirement pensions, which are determined in accordance with the legislative provisions in the countries concerned. Some companies in the Group are not direct risk-takers as being members of collective foundations. These pension plans are funded by contributions from both the employer and the employee. The private pension plans in Switzerland and the Netherlands are structured for the purpose of building up retirement assets to be converted into fixed retirement pensions and supplementary risk benefits. The Swiss subsidiaries are affiliated to a collective pension plan where the surplus/deficit cannot be determined per individual contract but it can be stated that based on the preliminary, non-audited figures as per 31 December 2015 the coverage of the collective plan as a whole amounts to 110.9%. Some of the pension plans are made into independent schemes, especially in Germany, Italy and the UK. In addition to the independent schemes in Germany there are also schemes where the companies are direct risk-takers but most of those schemes are backed-up with insurance contracts. In Italy, in addition to the independent scheme, also a firm percentage of the salary is provided for at the nominal value to cover the risk of age. All other pension liabilities are discounted by rates between 1.7% to 3.9% as the time factor has a significant impact. Measurement and recognition of all the above mentioned plans comply with FER 16.

EUR millions	Pension plans without surplus/deficit	Pension plans with deficit	Pension institutions without own assets	Total
Surplus/deficit as per 31 December 2014		-0.6		-0.6
Economic part of the Group 1 January 2014	-	-0.3	-10.6	-10.9
Change to prior period or recognized in the result of the period, respectively	-	-0.3	-0.8	-1.1
Economic part of the Group 31 December 2014	-	-0.6	-11.4	-12.0
Surplus/deficit as per 31 December 2015		-		-
Economic part of the Group 1 January 2015	-	-0.6	-11.4	-12.0
Change to prior period or recognized in the result of the period, respectively	-0.5	0.6	-0.9	-0.8
Economic part of the Group 31 December 2015	-0.5	-	-12.3	-12.8
Pension benefit expenses within personnel expenses 2014	-1.7	-0.1	-0.5	-2.3
Change to prior period or recognized in the result of the period, respectively	-	-0.3	-0.8	-1.1
Contributions concerning the period 2014	-1.7	0.2	0.3	-1.2
Pension benefit expenses within personnel expenses 2015	-1.9	-0.1	-0.4	-2.4
Change to prior period or recognized in the result of the period, respectively	-0.5	0.6	-0.9	-0.8
Contributions concerning the period 2015	-1.4	-0.7	0.5	-1.6

22. Provisions

EUR millions	Deferred tax liabilities	Legal disputes and contractual penalties	Warranties	Retirement and other employee benefit obligations	Restructuring	Others	Provisions
Opening balance 1 January 2014	0.4	0.3	2.8	17.2	0.7	2.9	24.3
Additions	-	-	2.1	3.9	0.6	0.9	7.5
Utilization	-0.1	-0.1	-0.8	-3.7	-0.7	-1.7	-7.1
Reversal	-	-0.1	-0.1	-0.1	-	-0.1	-0.4
Reclassifications	-	-	-	-1.5	-	-	-1.5
Exchange rate differences	-	-	0.1	-	-	-	0.1
Closing balance 31 December 2014	0.3	0.1	4.1	15.8	0.6	2.0	22.9
Non-current provisions	0.3	0.1	2.0	13.8	0.2	-	16.4
Current provisions	-	-	2.1	2.0	0.4	2.0	6.5
Opening balance 1 January 2015	0.3	0.1	4.1	15.8	0.6	2.0	22.9
Additions	0.1	-	2.2	3.6	2.0	0.6	8.5
Utilization	-	-	-0.4	-2.6	-0.3	-0.6	-3.9
Reversal	-0.2	-	-0.9	-0.1	-0.3	-	-1.5
Reclassifications	-	-	-	-	0.1	-0.1	-
Closing balance 31 December 2015	0.2	0.1	5.0	16.7	2.1	1.9	26.0
Non-current provisions	0.2	0.1	1.9	15.2	0.3	-	17.7
Current provisions	-	-	3.1	1.5	1.8	1.9	8.3

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

The provisions for legal disputes and contractual penalties relate to ongoing proceedings and include provisions for contractual obligations.

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

For employee benefit obligations, see note 21.

Remaining provisions for restructuring relate to measures for adjusting cost structures in subsidiaries. Provisions for restructuring include severance payments and are only recognized in the balance sheet once the management must have raised a valid expectation that it will carry out the restructuring or the restructuring plan is announced. Normally the expenses fall due within one to two years.

23. Accruals

EUR millions	31.12.2015	31.12.2014
Accrued expenses	5.5	4.8
Accrued vacation and overtime pay	4.2	3.8
Accruals for salaries, variable compensations, etc.	11.2	9.2
Accrual for income tax < 1 year	3.5	1.6
Deferred income	10.0	8.8
Total accruals	34.4	28.2

The position "Accrued expenses" contains expenses that have occurred in the period under review but the corresponding invoices have not been received yet. "Deferred income" consists of recorded invoices to customers based on maintenance and service contracts where services have not yet been fully provided as per balance sheet date.

24. Other current liabilities

EUR millions	31.12.2015	31.12.2014
VAT, withholding tax and other tax liabilities	9.1	9.1
Construction contracts with amounts due to customers (overfinanced – POC) ¹	4.7	4.0
Social security and pension plan liabilities	1.0	0.9
Employee claims	1.1	1.2
Other current liabilities	2.7	2.3
Total other current liabilities	18.6	17.5

¹ Thereof EUR 14.3 million (EUR 7.4 million) prepayments from customers.

25. Derivative financial instruments

EUR millions	31.12.2015	31.12.2014
Currency derivatives (hedging)		
Contract or nominal value	20.5	–
Negative fair value	0.2	–

The Group uses derivative financial instruments as part of its Group-wide risk management approach. Currency risks from accounts receivable for larger orders in foreign currencies are partially hedged. As hedging instruments mostly forward exchange contracts and currency swaps are used with a maximum maturity of 12 months as a general rule. Any gains and losses accruing are recognized directly in the income statement.

The currency derivatives are used to hedge the foreign currency risk on the distribution of dividends to the shareholders in Swiss franc as well as accounts receivable in US dollar.

	EUR millions	31.12.2015	31.12.2014
26. Operating leases			
Expense for operating leases for the year		7.7	7.2
Future minimum payments for non-cancellable lease agreements			
Up to 1 year		5.1	4.8
1 to 5 years		10.1	8.6
Over 5 years		10.2	10.3
Total future minimum payments for operating leases		25.4	23.7

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

27. Contingent liabilities

The Group is currently involved in various litigations arising in the course of business. The Group does not anticipate that the outcome of these proceedings, either individually or in total, will have a material effect on its financial or income situation.

The total amount of guarantees in favor of third parties was EUR 26.2 million as at 31 December 2015 (EUR 27.3 million).

	EUR millions	31.12.2015	31.12.2014
28. Assets pledged or of restricted disposability			
Cash and cash equivalents		1.3	1.3
Total assets pledged or of restricted disposability		1.3	1.3

29. Related parties

Related parties (natural persons or legal entities) are defined as any party directly or indirectly able to exercise significant influence over the organization as it makes financial or operational decisions. Organizations that are in turn directly or indirectly controlled by the same related parties are also deemed to be related parties. With the exception of the pension plans (see note 21), there were no outstanding receivables from or liabilities towards these parties. No material transactions were carried out with related parties during the year under review or the previous year.

Disclosures of compensation and shareholdings in accordance with the Swiss Code of Obligations may be found in the Corporate Governance report on page 34 and 35 and in the notes to the financial statements of Kardex AG.

30. Acquisition of organizations

No acquisition took place during the period under review.

In the previous year, two newly established Kardex subsidiaries have been incorporated into the Group, namely Kardex Business Partner GmbH, Neuburg/Kammel, Germany, and Kardex Danmark A/S, Odense, Denmark. Kardex Business Partner GmbH was established mainly to develop the OEM-business of Kardex Remstar and is a 100% subsidiary of Kardex Germany GmbH, Bellheim, Germany. Kardex Danmark A/S, Odense, Denmark was built-up to strengthen the presence of the same division in the life cycle business in Denmark and is a 100% subsidiary of Kardex AG, Zurich, Switzerland. During the first half-year of 2014, Kardex Danmark A/S acquired the business of the Danish intra-logistic provider Dansk Kontorteknik ApS. The purchase price of EUR 0.2 million represents mainly goodwill and is allocated to equity.

31. Disposals of subsidiaries

No disposal took place during the period under review.

In the previous year OOO Kardex, Moscow, Russia an operationally dormant company, was liquidated.

32. Subsidiaries

Country	Finance, property, services	Development, production	Distribution, service		Company, domicile	Division	Employees (FTE)	Currency	Share capital in local currency	Percentage holding	Held by:
AT			*		Kardex Austria GmbH, Vienna	Kardex Remstar	20	EUR	300 000	100	¹
AU		*	*		Kardex VCA Pty Ltd, Wodonga	Kardex Remstar	18	AUD	700 000	100	¹
BE			*		S.A. Kardex nv, Dilbeek	Kardex Remstar	16	EUR	507 895	100	¹
CH			*		Kardex Systems AG, Volketswil	Kardex Remstar	40	CHF	1 000 000	100	¹
	*				KRM Service AG, Zurich	Kardex Remstar	16	CHF	500 000	100	¹
CN			*		Kardex Logistic System (Beijing) Co. Ltd., Beijing	Kardex Remstar	41	CNY	1 675 040	100	¹
CY			*		Kardex Systems Ltd., Limassol	Kardex Remstar	12	EUR	418 950	100	¹
CZ			*		Kardex s.r.o., Prague	Kardex Remstar	28	CZK	500 000	100	¹
DE		*	*		Kardex Produktion Deutschland GmbH, Neuburg/Kammel	Kardex Remstar	427	EUR	8 567 730	87.47 12.53	⁴ ³
		*	*		Kardex Software GmbH, Wörth am Rhein	Kardex Remstar	41	EUR	26 000	100	⁴
	*				Kardex Germany GmbH, Bellheim/Pfalz	Kardex Remstar	37	EUR	511 292	100	¹
	*		*		Kardex Deutschland GmbH, Neuburg/Kammel	Kardex Remstar	147	EUR	1 386 310	26.2 73.8	² ⁴
			*		Kardex Business Partner GmbH, Neuburg/Kammel	Kardex Remstar	4	EUR	25 000	100	⁴
	*	*	*		Mlog Logistics GmbH, Neuenstadt am Kocher	Kardex Mlog	246	EUR	50 000	100	⁴
DK			*		Kardex Danmark A/S, Odense	Kardex Remstar	9	DKK	500 000	100	¹
ES			*		Kardex Sistemas S.A., San Fernando de Henares, Madrid	Kardex Remstar	27	EUR	142 900	100	¹
FI			*		Kardex Finland OY, Jyväskylä	Kardex Remstar	11	EUR	134 550	100	¹
FR			*		Kardex France SASU, Neuilly-Plaisance Cedex	Kardex Remstar	71	EUR	1 835 000	100	¹
HU			*		Kardex Hungaria Kft., Budaörs	Kardex Remstar	11	HUF	3 000 000	100	¹
IE			*		Kardex Systems Ireland Ltd., Dublin	Kardex Remstar	1	EUR	300 000	100	¹
IN ⁸			*		Kardex India Storage Solutions Private Ltd., Bangalore	Kardex Remstar	21	INR	26 143 500	99.0 1.0	¹ ⁷
IT			*		Kardex Italia S.p.A., Opera (Mi)	Kardex Remstar	29	EUR	310 000	100	⁶

Country	Finance, property, services	Development, production	Distribution, service		Company, domicile	Division	Employees (FTE)	Currency	Share capital in local currency	Percentage holding	Held by:
MY			*		Kardex Malaysia Sdn Bhd, Kuala Lumpur	Kardex Remstar	7	MYR	1 000 000	100	¹
NL			*		Kardex Systems bv, Woerden	Kardex Remstar	34	EUR	90 756	100	¹
NO			*		Kardex Norge AS, Kjeller	Kardex Remstar	22	NOK	2 525 000	100	¹
PL			*		Kardex Polska Sp.z.o.o., Warsaw	Kardex Remstar	5	PLN	1 250 000	100	¹
SE			*		Kardex Sverige AB, Solna	Kardex Remstar	22	SEK	100 000	100	¹
SG			*		Kardex Far East Private Ltd., Singapore	Kardex Remstar	1	SGD	1 550 000	100	¹
TR			*		Kardex Turkey Depolama Sistemleri Ltd. Sti., Istanbul	Kardex Remstar	13	TRY	1 350 000	99.5 0.5	¹ ⁶
UK			*		Kardex Systems (UK) Ltd., Hertford	Kardex Remstar	58	GBP	828 000	100	¹
US			*		Kardex Remstar LLC, Westbrook (Maine)	Kardex Remstar	59	USD	100	100	⁵
		*	*		Kardex Production USA Inc., Westbrook (Maine)	Kardex Remstar	10	USD	1 000	100	¹

¹ Kardex AG, Zurich, Switzerland

² Kardex Produktion Deutschland GmbH, Neuburg/Kammel, Germany

³ Kardex Deutschland GmbH, Neuburg/Kammel, Germany

⁴ Kardex Germany GmbH, Bellheim, Germany

⁵ Kardex Production USA Inc., Westbrook, USA

⁶ KRM Service AG, Zurich, Switzerland

⁷ Kardex Systems Ltd., Limassol, Cyprus

⁸ Balance sheet date for local GAAP closing is 31 March.

33. Risk management

As part of its duty to supervise the Company, the Board of Directors performs a systematic risk assessment at least once a year. The risk assessment was based on a company-specific risk universe and on information obtained from interviews with division and Group management. Risks were recorded according to their likelihood, reputational risk and potential financial impact. This process is supported by a risk matrix that describes and values the substantial risks valid for the Group according to the following categories: external environment, strategy, management and leadership, production, market and sales, information technology and finance and compliance. Measures in order to cope with these risks are also contained in the risk matrix. The Board of Directors noted the report of the Executive Committee on Group-wide risk management at the meeting on 11 December 2015 and approved the measures contained therein.

34. Release for publication and approval of the financial statements

The Board of Directors approved these financial statements on 9 March 2016 and released them for publication. They must also be approved by the Shareholders General Meeting.

35. Events after the balance sheet date

No events took place between 31 December 2015 and 9 March 2016 that would require an adjustment to the book value of Kardex AG's assets, liabilities or equity or need to be disclosed here.

Report of the statutory auditor on the consolidated financial statements



Report of the Statutory Auditor to the General Meeting of Shareholders of
Kardex AG, Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Kardex AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (presented on pages 46 to 75), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Gian Franco Bieler
Audit expert

Zurich, 9 March 2016

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Income statement of Kardex AG

CHF millions	Notes	2015	2014
Income from investments		17.9	15.8
Licensing income		5.4	5.1
Other income		2.1	2.3
Total operating income		25.4	23.2
Licensing expenses		-0.1	-0.2
Personnel expenses		-3.1	-2.9
Other operating expenses		-1.5	-1.5
Depreciation and amortization		-0.1	-0.1
Additions of impairment on loans to Group companies	3	-1.5	-1.6
Release of impairment on investments	4	2.9	-
Total operating expenses		-3.4	-6.3
Operating result (EBIT)		22.0	16.9
Financial income	5	8.1	0.6
Financial expenses	5	-29.3	-1.2
Result for the period before tax		0.8	16.3
Tax expense		-0.5	-
Result for the period		0.3	16.3

Balance sheet of Kardex AG

CHF millions	Notes	31.12.2015	31.12.2014
Cash and cash equivalents		89.9	76.4
Trade receivables from Group companies		3.9	6.8
Other current receivables third		0.1	0.1
Prepaid expenses		0.2	0.3
Current assets		94.1	83.6
Loans to Group companies	3	7.2	9.6
Investments	4	136.9	149.8
Property, plant and equipment		0.1	0.2
Non-current assets		144.2	159.6
Assets		238.3	243.2
Current payables to Group companies (interest-bearing)		51.9	39.6
Current payables third		0.2	0.1
Accruals		1.8	1.5
Current liabilities		53.9	41.2
Non-current provisions		0.8	0.9
Non-current liabilities		0.8	0.9
Liabilities		54.7	42.1
Share capital		80.0	85.0
Statutory capital reserve (capital contribution reserve)		–	13.0
Statutory retained earnings		17.0	17.0
Unrestricted reserve		20.2	20.0
Retained earnings and release of reserves for treasury shares		66.1	49.8
Result for the period		0.3	16.3
Equity		183.6	201.1
Equity and liabilities		238.3	243.2

Notes to the financial statements of Kardex AG

1. Significant accounting policies

Basis of preparation

The financial statements of Kardex AG comply with the requirements of the Swiss Code of Obligations and follow the recognized accounting principles.

Foreign currencies

The euro is Kardex AG's functional currency and the presentation currency of the Group because the Group's cash flows and transactions are denominated mainly in euros. The accounts of Kardex AG are presented in millions of Swiss francs.

Foreign currency translation

As at 31 December, the annual financial statements are translated into Swiss francs by applying the following principles, whereas translation differences are recognized in accordance with the imparity principle (provisioning of unrealized gains):

- Assets and liabilities (including shareholdings and loans to Group companies) are translated at closing rates.
- The income statement and movements in equity capital are translated at average year-end rates.
- Equity capital is translated at historical rates.

Cash and cash equivalents

"Cash and cash equivalents" comprise bank account balances and other liquid investments with a maximum total maturity of three months from the balance sheet date.

Investments

"Investments" comprise exclusively shareholdings in intercompany and are carried at cost, while the purchase price includes the acquisition price of the shares but also additional cost of acquisition. An impairment is recognized for each individual investment whenever the fair value of a shareholding, based on the earnings value (weighted two times) and the net asset value (weighted one time), falls below the investment value.

Current payables to Group companies (interest-bearing)

This position contains euro cash-pool balances in favor of the counterparty of Kardex AG. Participants of the euro cash-pool are all Group companies with a significant transaction volume in euro. Interest rate applied are at market level.

2. Employees

The averaged number of full-time-equivalents at Kardex AG amounted to 6.5 in 2015 (6.0 in 2014).

3. Loans to Group companies

Provision for impairment of loans to subsidiaries was increased by CHF 1.5 million (CHF 1.6 million) which is mainly due to further investments into the development of the market region Asia/Pacific.

4. Investments

Investments are made up entirely of shareholdings of Kardex AG in subsidiaries which are listed on pages 74 and 75 of this report. Kardex AG held no minority interest as at 31 December 2015.

During the period under review no investments were made.

In 2014 two newly established Kardex subsidiaries were incorporated into the Group, namely Kardex Business Partner GmbH, Neuburg, Germany, and Kardex Danmark A/S, Odense, Denmark. Kardex Business Partner GmbH was established mainly to develop the OEM-business of Kardex Remstar and is a 100% subsidiary of Kardex Germany GmbH, Bellheim, Germany. Kardex Danmark A/S, Odense, Denmark was built-up to strengthen the presence of the same division in the life cycle business in Denmark and is a 100% subsidiary of Kardex AG, Zurich, Switzerland. During the first half-year of 2014, Kardex Danmark A/S acquired the business of the Danish intra-logistic provider Dansk Kontorteknik ApS. The purchase price of EUR 0.2 million represented mainly goodwill and was allocated to equity.

Due to consistently good results and the recovery of the equity of most subsidiaries, CHF 2.9 million of the provisions for impairment of investments in subsidiaries was released in 2015, while in 2014 no further adjustments were made.

5. Financial expenses and income

Financial income increased due to the changes in the exchange rates, while the interest remained at a low level.

Financial expenses of CHF 29.3 million increased compared to 2014 (CHF 1.2 million) mainly due to significant translation differences on net assets amounting to CHF 21.1 million as a result of the appreciation of the Swiss franc against most other currencies.

6. Treasury shares

Kardex AG held no treasury shares at 31 December 2015.

Treasury shares underwent the following movements:

	Number	Price per share in CHF	Total CHF 1 000
Opening balance 1 January 2014	-	-	-
Purchases	6 844	42.88	293.5
Disposals	-6 844	42.88	-293.5
Valuation adjustments			-
Closing balance 31 December 2014	-	-	-
Opening balance 1 January 2015	-	-	-
Purchases	3 208	63.24	202.9
Disposals	-3 208	63.24	-202.9
Valuation adjustments			-
Closing balance 31 December 2015	-	-	-

7. Liabilities towards pension funds

Kardex AG had no liabilities towards pension funds as at 31 December 2015 (CHF 0).

8. Release of hidden reserves

During the period under review no hidden reserves were released.

9. Significant shareholders as defined by Art. 663c of the Swiss Code of Obligations

The following shareholders owned more than 3% of the share capital of CHF 80 005 500 as at 31 December 2015 respectively CHF 85 030 000 as at 31 December 2014:

	31.12.2015	31.12.2014
BURU Holding and Philipp Buhofer	23.7%	23.6%
JP Morgan Asset Management	5.0%	5.0%

10. Operating leases

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

CHF millions	31.12.2015	31.12.2014
Expense for operating leases for the year	0.3	0.3
Future minimum payments for non-cancellable lease agreements		
Up to 1 year	0.2	0.3
1 to 5 years	1.2	0.2
Total future minimum payments for operating leases	1.4	0.5

11. Securing of liabilities

In view of the group taxation principle, all Swiss companies bear unlimited joint and several liability for value-added tax (in accordance with Art. 15, § 1c of Swiss VAT legislation).

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

12. Contingent liabilities

CHF millions	31.12.2015	31.12.2014
Contingent liabilities in favor of subsidiaries and third parties	5.2	6.0
Subordinated loans to subsidiaries	1.1	1.7

13. Events after the balance sheet date

No events took place between 31 December 2015 and 9 March 2016 that would require an adjustment to the book value of Kardex AG's assets, liabilities or equity or are subject to disclosure here.

14. Shareholdings and grants

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

Related parties and companies comprise family members and individuals or companies that can exert a significant influence.

Other than compensation payments and ordinary contributions to the various pension plans for members of the Board of Directors and Executive Committee, no significant transactions with related parties and companies took place.

Board of Directors and Executive Committee 2015

				Thereof with retention period of 3 years until:			
Name and Prenom	Function	Number of shares	Voting interest in %	2016	2017	2018	Total
Board of Directors							
Philipp Buhofer ¹	Chairman	1 828 085	23.65%	1 500	937	1 083	3 520
Walter T. Vogel	Vice Chairman	14 387	0.19%	1 031	724	565	2 320
Jakob Bleiker	Member	4 387	0.06%	1 212	1 136	851	3 199
Ulrich Jakob Looser	Member	1 831	0.02%	425	398	315	1 138
Felix Thöni	Member	32 716	0.42%	2 121	899	394	3 414
Total Board of Directors		1 881 406	24.34%	6 289	4 094	3 208	13 591
Executive Committee							
Jens Fankhänel	HoD Kardex Remstar	6 000	0.08%	–	2 500	–	2 500
Hans-Jürgen Heitzer	HoD Kardex Mlog	827	0.01%	–	–	–	–
Total Executive Committee		6 827	0.09%	–	2 500	–	2 500

¹ Including shares held by BURU Holding.

Board of Directors and Executive Committee 2014

				Thereof with retention period of 3 years until:			
Name and Prenom	Function	Number of shares	Voting interest in %	2015	2016	2017	Total
Board of Directors							
Philipp Buhofer ¹	Chairman	1826931	23.63%	3673	1500	937	6110
Walter T. Vogel	Vice Chairman	13822	0.18%	1781	1031	724	3536
Jakob Bleiker	Member	3536	0.05%	1188	1212	1136	3536
Ulrich Jakob Looser	Member	1516	0.02%	693	425	398	1516
Felix Thöni	Member	32322	0.42%	1781	2121	899	4801
Total Board of Directors		1878127	24.30%	9116	6289	4094	19499
Executive Committee							
Jens Fankhänel	HoD Kardex Remstar	6000	0.08%	3500	–	2500	6000
Hans-Jürgen Heitzer	HoD Kardex Mlog	827	0.01%	–	–	–	–
Total Executive Committee		6827	0.09%	3500	–	2500	6000

¹ Including shares held by BURU Holding.

In the period under review, the Board of Directors, as part of their compensation for the 2015 financial year, were granted 3 208 (4 094) shares over the amount of CHF 197.6 thousand (CHF 144.2 thousand) instead of remuneration in cash.

Proposal of the Board of Directors to the Annual General Meeting

1. Appropriation of retained earnings

The Board of Directors will propose to the General Meeting that accumulated gains be carried forward as follows:

CHF millions	31.12.2015
Balance brought forward	66.1
Result for the period	0.3
Net result	66.4
Net result at the disposal of the General Meeting	66.4
Balance to be carried forward	66.4

2. Reduction of nominal value

Instead of payment of a dividend, the Board of Directors will propose to the General Meeting a reduction of nominal value by CHF 3.00 from CHF 10.35 to CHF 7.35 per share. This corresponds to a reduction of the share capital of CHF 23 190 000 from CHF 80 005 500 to CHF 56 815 500.

Report of the statutory auditor on the financial statements



Report of the Statutory Auditor to the General Meeting of Shareholders of
Kardex AG, Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Kardex AG, which comprise the balance sheet, income statement and notes (presented on pages 80 to 86), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Wallmer
Audit expert
Auditor in charge



Gian Franco Bieler
Audit expert

Zurich, 9 March 2016

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**Kardex Tool Storage
and Material Handling**

Shuttle XP
Kardex Remstar

Megamat RS
Kardex Remstar

Horizontal
Kardex Remstar

**Kardex Warehousing
and Small Parts Storage**

Megamat RS
Kardex Remstar

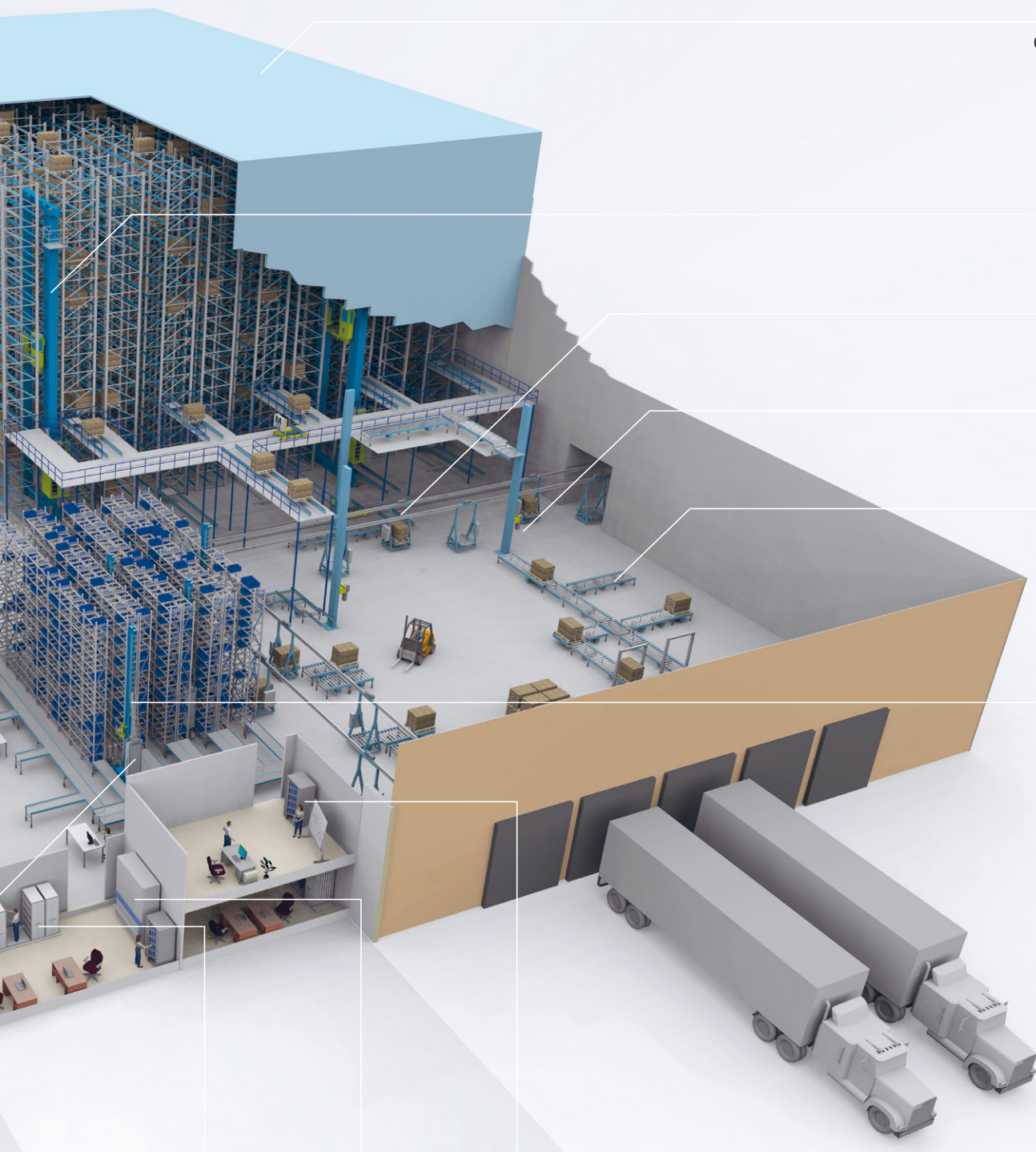
Shuttle XP
Kardex Remstar

Service
Kardex Mlog and
Kardex Remstar

Conveyor
Systems
Kardex Mlog

Miniload SR
Machines
Kardex Mlog

**Kardex High Bay Storage
and Conveyor Systems**



Greenfield Installation
Kardex Mlog

Pallets SR Machines
Kardex Mlog

Monorail
Kardex Mlog

Vertical Conveyor
Kardex Mlog

Conveyor Systems
Kardex Mlog

Miniload
SR Machines
Kardex Mlog

Mobile Shelving
Kardex Remstar

Lektriever
Kardex Remstar

Times Two
Kardex Remstar

Kardex
Office Solutions

The Group publishes its Annual Report in English and German. The financial section will be published in English only. In the event of any conflict between the English and German versions, the English version shall prevail.

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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 forward-looking 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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