



**ANNUAL REPORT  
2016**

**401.5 MILLION**

NET SALES

**47.9 MILLION**

EBIT

**36.8 MILLION**

CASH FLOW

ANNUAL REVIEW	2
REPORT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT	4
GROUP MANAGEMENT	6
INTERROLL ON THE CAPITAL MARKET	8
OUR BUSINESS	10
INTEVIEW DANIEL BÄTTIG	12
FINANCIAL POSITION, EARNINGS AND CASH FLOWS	14
PRODUCT GROUPS	16
REGIONS	22
INTERVIEW DR RALF GARLICHS AND DR CHRISTOPH REINKEMEIER	26
CORPORATE RESPONSIBILITY	30
SEAMLESS CUSTOMER SOLUTIONS	34
MARKETING	38
INTERVIEW MAURIZIO CATINO	40
CORPORATE GOVERNANCE	43
REMUNERATION REPORT	53
FINANCIAL STATEMENTS OF INTERROLL GROUP	63
FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.	115

# KEY FIGURES

in CHF million, unless stated differently

	2016	2015	2014	2013	2012
<b>Order intake / net sales</b>					
Total order intake	405.2	385.1	350.7	318.8	302.6
Rollers	93.5	93.4	81.2	75.4	80.4
Drives	123.6	110.3	114.9	109.4	99.3
Conveyors & Sorters	120.9	107.2	79.8	71.2	69.3
Pallet & Carton Flow	63.5	49.8	59.4	60.3	58.1
<b>Total net sales</b>	<b>401.5</b>	<b>360.7</b>	<b>335.3</b>	<b>316.3</b>	<b>307.2</b>
<b>Profitability</b>					
EBITDA	65.7	58.2	44.1	45.4	41.1
in % of net sales	16.4	16.1	13.2	14.3	13.4
EBITA	54.7	47.6	33.2	34.0	30.3
in % of net sales	13.6	13.2	9.9	10.7	9.9
EBIT	47.9	39.8	25.4	27.2	24.8
in % of net sales	11.9	11.0	7.6	8.6	8.1
<b>Result</b>	<b>36.2</b>	<b>29.3</b>	<b>19.1</b>	<b>20.5</b>	<b>19.4</b>
in % of net sales	9.0	8.1	5.7	6.5	6.3
<b>Cash flow</b>					
Operating cash flow	36.8	40.2	27.8	44.5	38.2
in % of net sales	9.2	11.1	8.3	14.1	12.4
<b>Free cash flow</b>	<b>18.0</b>	<b>17.3</b>	<b>12.0</b>	<b>5.0</b>	<b>30.2</b>
in % of net sales	4.5	4.8	3.6	1.6	9.8
<b>Total capital expenditures</b>	<b>19.5</b>	<b>24.3</b>	<b>16.8</b>	<b>39.8</b>	<b>10.6</b>
<b>Balance sheet (31.12.)</b>					
Total assets	324.8	293.0	278.2	258.2	227.6
Goodwill	17.3	16.7	17.6	16.0	9.0
Net financial assets (debts)	38.0	31.3	23.9	20.2	8.7
<b>Equity</b>	<b>233.1</b>	<b>207.6</b>	<b>200.3</b>	<b>187.2</b>	<b>157.6</b>
Equity ratio (equity in % of assets)	71.8	70.9	72.0	72.5	69.3
Return on equity (in %)	16.4	14.4	9.9	11.9	12.8
<b>Other key figures</b>					
RONA (Return on Net Assets, in %)	17.1	15.3	9.8	12.2	12.6
Average number of employees	1,892	1,820	1,675	1,488	1,420
Net sales per employee (in thousands CHF)	212	198	200	213	216
Productivity (added value/total personnel expenses)	2.10	2.04	1.86	1.95	1.92

## ABOUT INTERROLL

The Interroll Group is a leading global provider of high-quality key products and services for internal logistics. The company offers a broad product range in the four product groups “Rollers”, “Drives”, “Conveyors & Sorters” and “Pallet & Carton Flow” to about 23,000 customers (systems integrators and OEMs) around the world. Our core industries include courier, parcel, express and postal services, airports, food processing as well as distribution centres.

Interroll products are in use at well-known global brands such as Amazon, Bosch, Coca-Cola, Coop, DHL, FedEx, Peugeot, PepsiCo, Procter & Gamble, Siemens, Walmart and Yamaha, amongst others. Interroll is engaged in global research projects on logistics efficiency and actively supports industry associations in developing standards. Headquartered in Sant’Antonino, Switzerland, Interroll operates a worldwide network of 32 companies with around 2,000 employees. The company was founded in 1959. Since 1997, Interroll Group has been listed on the SIX Swiss Exchange and included in the SPI index.

[www.interroll.com](http://www.interroll.com)

**23,000  
CUSTOMERS  
AROUND  
THE WORLD**

**32  
COMPANIES  
AROUND  
THE WORLD**

**2,000  
EMPLOYEES  
AROUND  
THE WORLD**

## INTERROLL PRODUCT GROUPS

**ROLLERS**



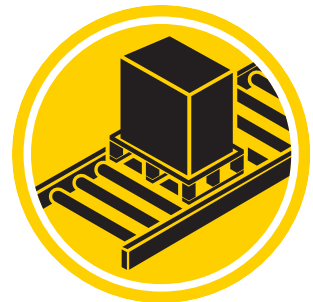
**DRIVES**



**CONVEYORS & SORTERS**



**PALLET & CARTON FLOW**



# HIGHLIGHTS OF THE BUSINESS YEAR 2016



## LOGIMAT: INTERROLL PRESENTS THE MSC 50

### LAUNCH OF THE MSC 50 IN EMEA

At the LogiMAT trade fair in Stuttgart, Germany, we present the new MSC 50 magnetic speed controller to the public for the first time.

### SOLUTIONS FOR THE TIRE INDUSTRY LAUNCHED

Interroll presents intelligent conveyor technologies and energy-efficient drive solutions at the Tire Technology Expo. This includes the 24 V RollerDrive, a powerful key product for an optimised production flow, especially in the Tire Industry.

### LAUNCH OF THE MCP IN THE AMERICAS REGION

The modular conveyor platform (MCP) that was successfully launched on the European and Asian markets in the last two years is now being presented in the Americas.



## FIRST BRAZIL POST SORTERS DELIVERED

### INTERROLL INNOVATION SUMMIT

Around 250 international participants use this industry forum to gather information regarding the latest ideas, processes and trends in intralogistics.

### CEMAT: 50TH "ROLLING ON INTERROLL" MEMBER

Interroll's trade fair presence at this year's CeMAT is entirely dedicated to innovation and partnership. The global partner programme "Rolling on Interroll" provided the inspiration for the stand concept.

### SORTER DELIVERY TO BRAZIL POST STARTED

Following a two part agreement with the systems integrator National Presort (NPI), Interroll has started to roll out the ten Cross Belt Sorters ordered into multiple mail sort centres throughout Brazil.

# Q1

# Q2



### 30 YEARS OF TECHNOPOLYMERE PRODUCTION IN TICINO CELEBRATED

#### 30 YEARS OF INTERROLL PRODUCTION IN TICINO

A factory for all: Interroll celebrates the thirtieth anniversary of its Centre of Excellence for technopolymers in Ticino, Switzerland. It serves the entire Interroll Group as the global Centre of Excellence for this product category.

#### BELT CURVE PRODUCTION IN SHENZHEN WITH RECORD VOLUMES

Interroll Shenzhen/China produced a record volume of belt curves. Already 60% of the airports in China and 80% of the CEP distribution centres are serviced by Interroll Portec belt curves.

#### PARMA STUDY PUBLISHED

A study by the University of Parma compares drum motors and gear motors. From the perspective of food safety, it can be concluded that the drum motor provides significant advantages, particularly in the areas of hygiene and on-site cleaning.



### PAUL ZUMBÜHL WELCOMES THE NEW EMPLOYEES IN KRONAU

#### EXPANSION OF BELT CURVE PRODUCTION IN EUROPE

Paul Zumbühl welcomes the new employees. With the purchase of the sheet metal working and coating departments of Ortner GmbH in Kronau, Germany, Interroll is continuing the expansion of its production capacities for Interroll Portec belt curves in Europe.

#### INTERROLL THAILAND WINS THE 5S AWARD

Interroll wins Thailand's 5S Award 2016 in silver.

#### SAP: 30 COMPANIES ARE NOW ONLINE

Interroll welcomes our colleagues in Cañon City, USA; in Newmarket, Canada; and La Roche-sur-Yon, France; which joined the SAP user community in 2016.

# Q3

# Q4

## GROWTH STRATEGY SUCCESSFULLY CONTINUED



Paul Zumbühl, Chief Executive Officer

Dear Shareholders, Employees,  
Customers and Business Partners,

Interroll has completed financial year 2016 with record levels of order intake, sales and net earnings. All regions and product groups have contributed positively.

In the production volumes of conveyors and Roller-Drive in Germany, we were able to exceed the previous year's figures again. Production in the Pallet and Carton Flow segment in France also developed very promisingly. In addition, the first cross belt sorters were delivered to Brazil Post and the production of belt curves in China increased considerably. These are all very good examples of how our products and solutions were well-accepted in the market, and how the name Interroll increasingly stands for global quality and reliability.

At CHF 405.2 million, order intake in 2016 was 5.2% above the previous year's figure of CHF 385.1 million (+4.4% in local currencies). This means the highest order intake in the company's history was achieved. Organic growth was 5.1%.

Net sales in the reporting currency rose by 11.3% from CHF 360.7 million to CHF 401.5 million (+10.4% in local currencies), which also corresponds to a company record value. Organic sales growth contributed 11.2%.

Our EBITDA rose by 12.9% from CHF 58.2 million to CHF 65.7 million. The EBITDA margin was 16.4% higher than the previous year (16.1%).

EBIT of CHF 47.9 million in 2016 climbed by 20.4% from the comparable period of the previous year (CHF 39.8 million). The EBIT margin was 11.9% (previous year: 11.0%).

These particularly strong improvements to operating earnings are mainly due to higher net sales, strict cost and investment discipline, and Group-wide productivity improvements.

Due to the strong net profit of CHF 36.2 million (previous year: CHF 29.3 million), we will suggest to you, our valued shareholders, a dividend of CHF 16.00 per share at the Annual General Meeting on 12 May 2017. In the previous year a dividend of CHF 12.00 per share was paid out.

With strong earnings in financial year 2016, Interroll continues the positive development of the past years.

At the Annual General Meeting in May 2016, Kurt Rudolf resigned as Chairman of the Board of Directors. Constructive and ultimately successful cooperation with the Group Executive Board will be continued under the leadership of the new Chairman of the Board of Directors, Urs Tanner.



*“We rely on trusted, well-established partnerships with our customers, suppliers, investors and employees.”*

#### **PROVEN TECHNOLOGY AND INNOVATION LEADERSHIP**

Interroll demonstrated its high level of technical expertise at the beginning of the year. At the LOGI-MAT trade fair in Stuttgart, Germany, we presented the new magnetic speed controller MSC 50 for the first time to the public.

Interroll has also successfully introduced new technologies in markets outside Europe. Since April, we have been offering the Modular Conveyor Platform (MCP) in the US, which we had already successfully placed in the European and Asian markets over the past two years. Interroll has continued its tradition of offering innovative, high-quality technologies to customers worldwide.

On the occasion of our Innovation Summit in Baal, Germany, over 150 customers and partners were able to experience our outstanding innovation performance. Baal is also home to the Interroll Research Centre and our Academy. Here, we demonstrate our broad competence in internal logistics.

In September, the Centre of Excellence for Technopolymers in Ticino, Switzerland, celebrated its 30th anniversary. Whether checkout, warehouse or airport logistics, wherever Interroll conveyors, sorters or flow storage systems are delivered, technopolymers from Ticino are never missing.

With the acquisition of the sheet processing unit of Ortner GmbH together with its employees, machinery and business premises in Kronau, Germany, Interroll could begin producing its belt curves in Europe in December, opening up additional growth potential for a market already established in the Americas and Asia.



Urs Tanner, Chairman of the Board of Directors

#### **TOGETHER TOWARD A CULTURE OF GROWTH**

Success is always the result of collaboration – both externally and internally. With this in mind, we have launched the “Culture for Growth” programme as a further pillar of our growth path. We want use it to convey a common message of leadership, values and cooperation to all Interroll employees to embody in everyday life.

“Culture for Growth” is not a project in the traditional sense, but an attitude that allows us to continue offering excellence to our customers and shareholders with our most important resources – Interroll’s employees.

In this spirit, we would like to thank all our employees for their great commitment which has contributed to Interroll’s positive development.

We would also like to thank our customers, suppliers, investors and, of course, you, dear shareholders, for your trust in our company.

Sant’Antonino, 10 March 2017

Urs Tanner  
Chairman of the  
Board of Directors

Paul Zumbühl  
CEO

# GROUP MANAGEMENT

*From left to right*

---

**Daniel Bättig**

*Chief Financial Officer (CFO)*

**Tim McGill**

*Executive Vice President Americas*

**Jens Karolyi**

*Senior Vice President  
Corporate Marketing & Culture*

**Dr Christoph Reinkemeier**

*Executive Vice President Global Sales & Service*

**Paul Zumbühl**

*Chief Executive Officer (CEO)*

**Dr Ralf Garlichs**

*Executive Vice President Products & Technology*

**Dr Ben Xia**

*Executive Vice President Asia*



## PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE GROUP MANAGEMENT

### PAUL ZUMBÜHL

(born 1957, Swiss)

Paul Zumbühl studied engineering sciences at the University of Applied Sciences Lucerne, Switzerland, and holds a degree as Dipl.-Ing. He also holds an MBA from the Joint University Programme of the universities of Boston, Berne and Shanghai. He participated in an AMP at the Kellogg Business School of Northwestern University, Evanston/Chicago, and holds a Swiss Federal Marketing Management Diploma (Eidg. Dipl.). After working for Symalit AG as a Sales Manager / Engineer, he held several management positions and was Managing Director of Sarna Group. From 1994 until 1999 he was the CEO of Mikron Plastics Technology and a member of the Executive Management Board of Mikron Group. In January 2000 he joined the Interroll Group Management as Chief Executive Officer (CEO). Paul Zumbühl is a member of the Board of Directors with the listed Swiss company Schlatter Holding AG as well as a member of the Industry Executive Advisory Board for the "Executive MBA Supply Chain Management" with ETH, Zurich, Switzerland.

### DANIEL BÄTTIG

(born 1964, Swiss)

Daniel Bättig holds an Executive MBA from the Graduate School of Business Administration (GSBA), Zurich, Switzerland, and a Bachelor in Business Economics from the Fachhochschule Nordwestschweiz (FHNW), Olten, Switzerland. Furthermore, he is a Certified Public Accountant with the Swiss Institute of Certified Accountants and Tax Consultants. At the start of his career he held various positions in finance with Von Roll Holding AG in Switzerland, Brazil and the USA. After working for Südelektra Holding AG as the Group Chief Accountant, he joined the Executive Management Board of Swiss Post International as CFO and later served as Head of International Mail. Since 2013 he has been the Chief Financial Officer (CFO) of Interroll Holding AG and a member of Interroll Group Management.

### DR RALF GARLICH

(born 1962, German)

Dr Ralf Garlich studied mechanical engineering with a focus on production engineering at the University of Hanover, Germany, and holds a PhD degree (Dr.-Ing.). After working for Festo Tooltechnic as Head of Production and Logistics, he joined the Winkelmann Group where he held several management positions. He joined Interroll Group in 2006 as Executive Vice President "Drives & Rollers." Since 2011, Ralf Garlich has been Executive Vice President Products & Technology and a member of the Interroll Group Management.

### JENS KAROLYI

(born 1970, German)

Jens Karolyi studied business administration at the Universities of Bamberg and Giessen, Germany. He started his career with Ericsson, where he held various management positions in Marketing, Branding and Communications and was based in Stockholm, Zurich and Düsseldorf. In 2007 he was promoted to Vice President Marketing & Communications Northern Europe. In 2011 he joined Interroll Group as Vice President Corporate Marketing and member of the Interroll Group Management. In February 2015 he took over additional responsibilities as Senior Vice President Corporate Marketing & Culture.

### TIM MCGILL

(born 1955, British)

Tim McGill majored in English literature at the Brockenhurst College in Hampshire, Great Britain. He joined Interroll Canada in 1990 as Sales Director having previously been employed by Brammer, Europe's leading supplier of quality industrial maintenance, repair and overhaul products in a series of roles with increasing management responsibility. After having been President of Werner Precision Rollers Canada for one year, he rejoined Interroll in 1996 as President of Interroll Canada. He was promoted to Head of Interroll Dynamic Storage North America in 2000. Since 2011 he has been acting as Executive Vice President Americas and is a member of Interroll Group Management.

### DR CHRISTOPH REINKEMEIER

(born 1966, German)

Dr Christoph Reinkemeier studied business administration with a focus on industrial marketing at the University of Münster, Germany, and holds a PhD degree (Dr. rer. pol.). After working for E.On AG as Project Manager of Corporate Development he held several management positions at Ista International GmbH. From 2007 to 2010 he was CEO for North and South America at Deckel Maho Gildemeister (DMG) America Inc. In 2011 he joined Interroll Group as Executive Vice President Global Sales & Service and a member of Interroll Group Management.

### DR BEN XIA

(born 1966, Chinese)

Dr Ben Xia graduated with a B.Sc. degree in electrical engineering from Shanghai Jiaotong University, China. After that, he studied electrical machinery at the Moscow Power Engineering Institute, Russia, and holds a PhD in electrical engineering (Dr.-Ing.). He also passed the Advanced Management Programme for Senior Executives at the China Europe International Business School (CEIBS) in Shanghai, China. After working for Pirelli Cables Asia-Pacific as Marketing Manager, he held positions as General Manager of Shanghai Citel Electronics Co. Ltd. and Managing Director of Vanderlande Industries North Asia. In 2013 he joined Interroll Group as Executive Vice President Asia and member of Interroll Group Management.

# INTERROLL ON THE CAPITAL MARKET

## INVESTOR INFORMATION

Interroll share information		2016	2015	2014	2013	2012
Number of registered shares		854,000	854,000	854,000	854,000	854,000
Number of average outstanding shares		850,634	849,155	849,170	826,920	799,090
Number of outstanding shares as of 31.12.		851,559	851,015	849,830	850,151	802,282
Share price high	CHF	1,172.00	858.00	582.50	490.00	360.00
Share price low	CHF	707.00	429.00	490.00	333.00	270.00
Year-end share price as of 31.12.	CHF	1,110.00	856.50	525.50	490.00	333.00
Market capitalisation as of 31.12.	CHF million	945.01	731.45	448.78	416.57	267.16
Par value as of 31.12.	CHF	1.00	1.00	10.00	10.00	10.00
Dividend	CHF	16.00	12.00			
Reduction of par value	CHF			9.00		
Distribution out of reserves from capital contributions	CHF				8.80	8.00
Earnings per average share outstanding	CHF	42.57	34.51	22.45	24.84	24.25
Payout ratio		37.59	34.78	40.09	35.43	32.98
P/E Ratio		26.07	24.82	23.41	19.73	13.72
Cash flow per average share outstanding	CHF	43.30	47.33	32.69	53.79	47.78
Equity per share outstanding as of 31.12.	CHF	273.72	244.00	235.73	220.25	198.64

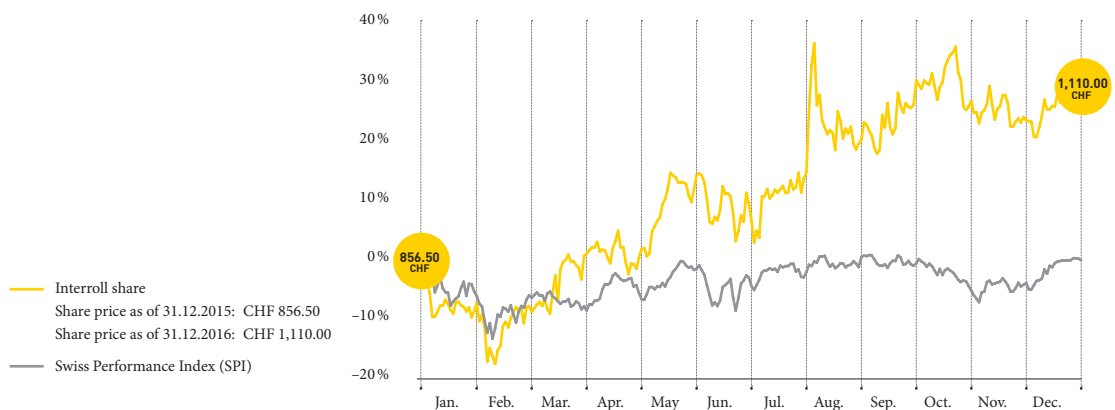
IPO: 1997 | Stock Exchange: SIX Swiss Exchange |

Market segment: Main Standard | Index: SPI

ISIN: CH0006372897 | Security identification symbol: INRN |

Security identification number: 637289

### Share price performance of Interroll relative to Swiss Performance Index SPI in 2016



### SWISS STOCK MARKETS CHARACTERISED BY UNEXPECTED DEVELOPMENTS

The performance of the stock markets in Switzerland was distinguished by a weak start into the new business year, Brexit and the unexpected election of Donald Trump as the new President of the United States of America. While the Swiss Market Index (SMI) fell by 6.8% from the beginning of the year, the Swiss Performance Index (SPI) increased slightly by 0.5% in 2016.

### POSITIVE DEVELOPMENT OF THE INTERROLL SHARE

Also in 2016, the Interroll share strongly climbed and reached the price of CHF 1,110.00, the highest year end closing value ever measured since the company went public in 1997. This represents an increase of 30% over the closing price at the end of 2015 of CHF 856.50.

In light of this, the Interroll share performed much stronger than the Swiss Performance Index once again in 2016. The share price had already increased by 63% in the previous year, 2015.

### STABLE FREE FLOAT

Around 22% (2015: 22%) of Interroll shares are held by the remaining founder families. As of 31 December 2016, the shareholding of Group Management and their relatives reached 2.9% (2015: 2.7%).

Information about significant shareholders can be found on page 120. Based on the SIX definition, the company's free float is around 78% (2015: 78%).

As per 31 December 2016, market capitalisation of Interroll Holding AG reached some CHF 945 million (as per 31 December 2015: around CHF 732 million).

### SHAREHOLDER BASE INCREASINGLY INTERNATIONAL

In 2016, an increasing percentage of shareholders based outside Switzerland purchased shares of Interroll. On 31 December 2016, about 50% of shareholders were based abroad, compared with 41% on 31 December 2015.

At the same time, shareholders with pending registration were reduced to less than 31%. In the previous year, around 37% of shareholders were not registered with the company.

We publish information relating to the Interroll share on our website [www.interroll.com](http://www.interroll.com). Financial reports, presentations and other documents are available for downloading.

Interested parties can register for our mailing list or request our standard publications. All key financial market data is published there as well.

#### Shareholder structure as at 31 December 2016



- Fixed shareholding: 22%
- Free float: 78%

#### Geographical distribution of the identified shareholder base acc. to the share register as at 31 December 2016



- Switzerland: 50%
- EMEA region (excluding Switzerland): 48%
- Rest of the world: 2%

# THE BUSINESS MODEL OF INTERROLL IS ORIENTED TOWARDS SUSTAINABLE GLOBAL GROWTH

## PRODUCT PLATFORMS, KEY MARKETS AND MARKET TRENDS

As a leader in innovation and technology, Interroll stands for high-quality key products and services in internal logistics worldwide. Our customer solutions for daily logistical challenges are based on globally available product platforms which are focused on:



ROLLERS



DRIVES



CONVEYORS & SORTERS



PALLET & CARTON FLOW

The company supplies more than 23,000 customers worldwide. In the key markets, these mainly include regionally oriented plant manufacturers, OEMs and global systems integrators:



AIRPORT



COURIER, EXPRESS, PARCEL



FOOD, BEVERAGE



DISTRIBUTION, WAREHOUSE

Further global growth of the Interroll Group focuses on clearly identifiable market trends that have not only shown sales potential thus far, but will continue to show such potential in the future:

- Steadily growing passenger traffic in international air travel and the related expansion of airport capacity and security technology for passenger and luggage transport.
- The global E-commerce and Retail Shopping Boom.
- The liberalisation and regionalisation in the courier, express and parcel markets.
- The stringent hygiene regulations in the food industry that are being adopted by an increasing number of countries, and the use of high-quality solutions that comply with legal requirements (such as drum motors as a conveyor drive).
- The decentralisation of distribution centres in order to shorten delivery times.
- Increasing product variety and the shortened production life cycles require increased flexibility and individualisation when commissioning goods in the flow of materials.
- Demand for material flow plants with better return on investment.
- Increased productivity in the industry and the related rise in efficiency in storage systems.



**ORGANISATION, STRATEGY AND SUCCESS FACTORS**

The Interroll Group consists of a single business unit. All products are sold in all markets via the respective regional sales companies, whereby the specific requirements of the customer groups of plant manufacturers, OEMs, systems integrators as well as end customers are met with a tailor-made variety of products and advice.

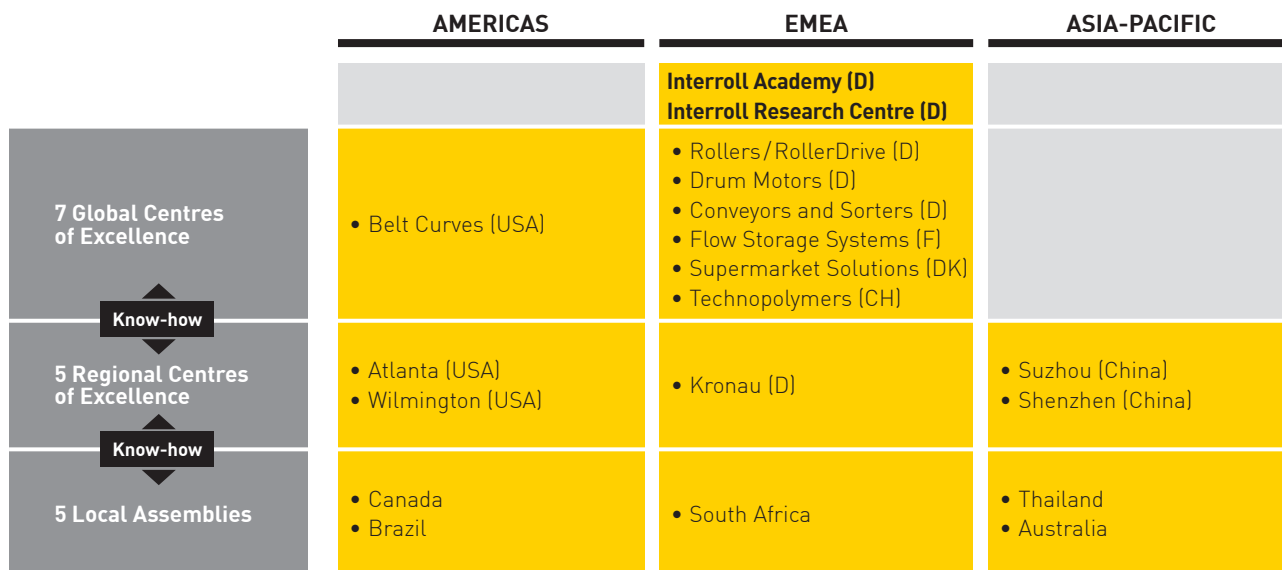
The Interroll Academy is responsible for excellent training and professional development of all employees of the Interroll Group worldwide. It will also begin offering training and courses for customers in 2016. The Interroll Research Centre (IRC) develops new products, processes and technologies. The production plants concentrate as global competence centres (Centres of Excellence) on the development and the manufacture of specific product groups. In order to quickly meet customer needs in all parts of the world, regional production centres (Regional Centres of Excellence) have been built which are under the direction of the competence centres. Assembly plants (local assembly) are supplied by production plants with semi-finished products and assemble products for the individual, local market.

The Interroll Group strives for a position of market leadership in its key products, solutions and services worldwide. An important element of this strategy is therefore the permanent, continued development and redevelopment of intelligent products that enable customers to save space and energy and secure a quick return on investment. It has the following technological makeup in this regard:

The success of Interroll to date and into the future is based on the following factors:

- The concentration of resources on key products, solutions and services through which global market leadership can be achieved in the longer term.
- The development and expansion of application-oriented product platforms according to a modular principle, which increases flexibility and quality for the customer and makes possible significant economies of scale within the Group.
- The global sales network with local sales subsidiaries that quickly recognise customer needs and market trends and can tap market potential worldwide.
- The Group-wide, uniform production technologies at all production facilities, supported by the Interroll Production System (IPS).
- The quality standards for the products that are identical worldwide and the zero-error strategy.
- The worldwide networking of Interroll Group companies via the uniform SAP system.
- Its own permanent development and the quick launch of new products onto the market.
- The support, training and professional development of all employees worldwide.
- The ability to digitise our own processes.

**TECHNOLOGY ORGANISATION AT INTERROLL:**



## “WE WANT TO IMPROVE OURSELVES CONTINUOUSLY.”

**We spoke with Daniel Bättig, the Chief Financial Officer (CFO) of the Interroll Group, about the past financial year, value-enhancing investments and responsible corporate management.**

**Mr. Bättig, Interroll once again enjoyed profitable growth in the last financial year. Sales revenues are up 11.3 percent, while net profit even rose by 23.6 percent. What were the most important reasons for this development?**

**Daniel Bättig:** The outstanding commitment and expertise displayed by our employees was the most important reason for this success. With their hard work, they were able to win the trust of our customers across the globe. At the same time, our continuous measures to increase efficiency and to adapt our range of solutions to customer wishes really paid off.

**However, the uncertainty we have all been facing increased significantly last year, particularly in the political arena. How do you handle these risks?**

**Daniel Bättig:** Interroll learned valuable lessons from the issues faced by the international economy in 2009. Since that time, we have not simply grown, but also greatly diversified both geographically and technologically. We are currently present in the most important global regions and also a much greater number of sectors with our significantly extended product portfolio. In addition, we finance our investments internally and therefore operate largely independently of the global financial market. This long-term strategy, together

with our lean decision-making structures which facilitate fast, short-term reactions, allows potential risks to be mitigated more effectively. Although it cannot offer absolute protection from all uncertainties, it definitely helps us address adversities that nobody is even aware of today.

**But the Swiss export industry in particular has been struggling for years with the strong franc, hasn't it?**

**Daniel Bättig:** That's true. Thanks to its decentralised production and sales structure, however, Interroll can hardly be described as a "classic" Swiss industrial manufacturer that delivers its products to other currency areas. We produce the vast majority of our solutions in precisely the regions and global currencies where they are marketed. This not only provides for good, rapid local market access, it also offers us natural protection from potential currency transaction risks. In addition to this, we manufacture virtually all of our products so that they are of identical quality at various locations throughout the world. This is appreciated by our customers, and it also affords us protection from unforeseeable events, such as fires or natural disasters that can occur locally in an area.

**Are you not worried that so much flexibility and decentralisation in the company might negatively impact efficiency?**

**Daniel Bättig:** No. Group-wide introduction of SAP is one key factor that has helped us continually increase efficiency within a Group that now boasts 32 active companies. To date, we have integrated this control instrument seamlessly in over 95 percent of all Group companies. The benefits of this networking are not only impressive for order or production management. Indeed, the controlling department also enjoys significantly increased efficiency. With SAP, we basically have a real-time overview at Group level of how our projected figures are developing. This allows us to take action far more quickly in the event of undesirable developments such as, for example, putting a brake on costs immediately. However, controlling is not the only department in which we are continuously increasing our financial efficiency. Shared services, which we use either Group-wide or in the regions depending on the subject matter, represent another example. For example, we have set up umbrella insurance that covers all of our subsidiaries and we centralised our management and personnel services in the major markets. By taking these steps, we avoid costly duplicate structures in the individual companies while improving conditions the procurement of third-party services through a higher purchase volume.



*“Efficiency, culture and innovation have a lasting impact on us.”*

**But achieving these efficiency improvements surely also required investment?**

**Daniel Bättig:** Anyone looking for a healthy harvest must first sow good seeds. It is obviously important to ensure that our owners accompany us on this long-term growth strategy, so they can see the changes for themselves in black and white. Our stable shareholder structure, which no longer exclusively comprises the founder families and now includes several domestic and overseas institutional investors, obviously helps us in this regard. When presenting our work to prospective investors, we no longer operate exclusively from Zurich. Indeed, we are now also present at the stock exchange locations in Frankfurt, Paris, London, Amsterdam and even New York. Additionally, we organise live English-language events on the Internet to present our operating results and activities. This is certainly another reason why foreign investors are increasingly investing in Interroll.

**What is particularly important to these investors?**

**Daniel Bättig:** Well, everyone is obviously interested in profitability, growth, and future prospects. The world has now started to recognise that internal logistics has developed into a promising growth market. Responsible corporate management also has an increasingly important part to play in many investment decisions. Since our company was founded, we have always placed great emphasis on acting responsibly. This is why we adhere to the regulations of our Compliance Management System, such as our Code of Conduct and our Supplier Code of Conduct. We recently underlined these responsibilities through joining the UN Global Compact initiative and thereby provided another clear commitment to accepting responsibility towards mankind, society and the environment throughout the world.



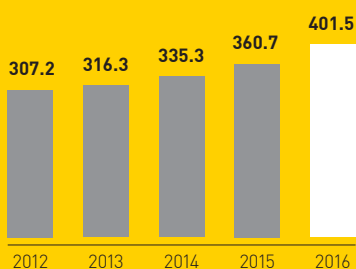
Daniel Bättig, Chief Financial Officer (CFO)

**What part do employees play in your growth strategy?**

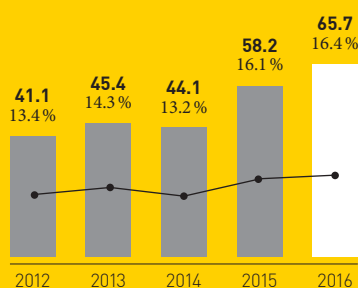
**Daniel Bättig:** Committed and qualified employees actually play a key role, as even the most modern production and office facilities are no use if they stand empty. We were therefore delighted when all employees from our latest acquisition in Kronau decided to join Interroll. Our first worldwide employee survey in summer 2016 showed that Interroll provides its employees and managers with a productive environment, with motivation levels very high across the globe. In addition, we have launched a special training programme as part of our “culture for growth” that will help our approximately 200 managers and specialists develop and utilise their potential even more effectively. We are keen to continuously develop, learn and improve – this is precisely the point of our Climate of Excellence guideline.

# FINANCIAL POSITION, EARNINGS AND CASH FLOWS

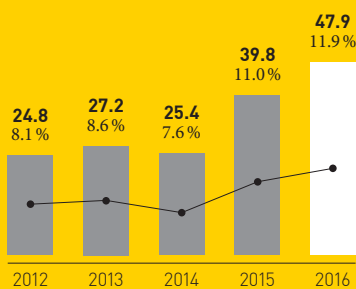
## NET SALES



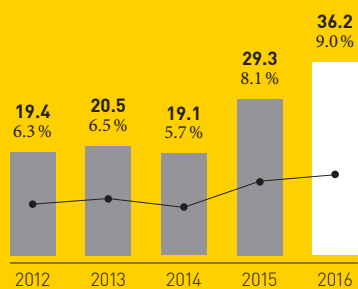
## EBITDA AND EBITDA MARGIN



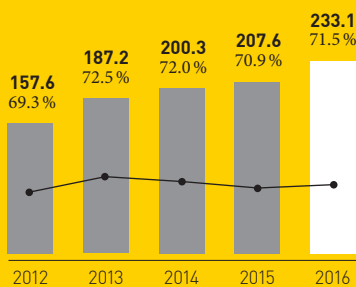
## EBIT AND EBIT MARGIN



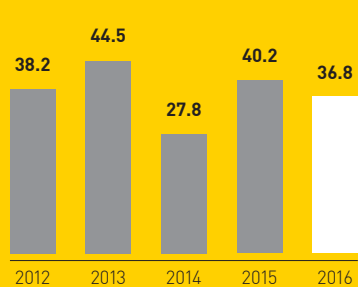
## NET PROFIT



## EQUITY AND EQUITY RATIO



## OPERATIONAL CASH FLOW



**ORDER INTAKE AND NET SALES DEVELOP AT RECORD LEVEL**

At CHF 405.2 million, order intake for 2016 was 5.2% higher than the previous year (+4.4% in local currencies), making this the highest order intake in the company's history. This was driven by continuous product business as well as projects with systems integrators, especially in the areas of e-commerce and airports.

Consolidated net sales rose by 11.3% to CHF 401.5 million in the reporting currency (+10.4% in local currencies), which is also a record high. All regions and product groups contributed to growth, albeit to varying degrees. Integrating business units purchased from Ortner GmbH in Kronau, Germany, in December 2016 contributed 0.1% to growth.

**NET PROFIT ACHIEVES A NEW HIGH AS WELL**

In 2016, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 12.9% to CHF 65.7 million (previous year: CHF 58.2 million), driven by higher net sales, strict cost and investment discipline, and Group-wide productivity improvements. The EBITDA margin was 16.4% (previous year: 16.1%). Earnings before interest and taxes (EBIT) also increased. After CHF 39.8 million in the previous year, they stood at CHF 47.9 million in 2016, which is 20.4% higher. The EBIT margin was 11.9% (previous year: 11.0%).

Net profit rose by a significant 23.6% compared to the previous year, from CHF 29.3 million to CHF 36.2 million. The profit margin amounted to 9.0% (previous year: 8.1%).

**DEVELOPMENT OF THE BALANCE SHEET REFLECTS GROWTH**

As of 31 December 2016, the balance sheet total rose to CHF 324.8 million, 10.9% above the value for 2015 (CHF 293.0 million). Increases were seen in inventories and mainly in receivables from customers. This development underscores the intense project work conducted with Interroll Group systems integrators in the reporting year.

Higher income also affected the equity of CHF 233.1 million as of 31 December 2016, which was 12.3% above the 31 December 2015 value of CHF 207.6 million. Driven by higher earnings, return on equity rose to 16.4% (previous year: 14.4%).

**FREE CASH FLOW CONTINUES TO INCREASE**

Mainly due to higher accounts receivables, operating cash flow decreased slightly to CHF 36.8 million from CHF 40.2 million in the previous year.

Investments totaling CHF 19.5 million were lower compared to the previous year (CHF 24.3 million). Among other things, this was due to the fact that the construction project Interroll Academy in Baal, Germany, no longer affected the reporting year.

In view of a slightly lower cash flow but lower investments, free cash flow improved by CHF 0.7 million from CHF 17.3 million in the previous year to CHF 18.0 million in the year under review despite the acquisition.

# PRODUCT GROUPS

## Sales by product group

- 23 % Rollers
- 31 % Drives
- 30 % Conveyors & Sorters
- 16 % Pallet & Carton Flow

### SALES (CHF MILLION) ROLLERS

93.5

#### References

- Dematic
- Knapp
- SSI Schäfer
- TGW
- Vanderlande

### SALES (CHF MILLION) DRIVES

123.6

#### References

- Itab
- Smiths Detection
- Triumph International
- Villeroy & Boch
- Walmart

### SALES (CHF MILLION) CONVEYORS & SORTERS

120.9

#### References

- Amazon
- China Post
- FedEx
- Hugo Boss
- Smiths Detection

### SALES (CHF MILLION) PALLET & CARTON FLOW

63.5

#### References

- Coca-Cola
- First Quality Tissue
- Procter & Gamble
- Red Bull
- Yamaha

## CONTINUING PRODUCT BUSINESS AND INCREASING PROJECT BUSINESS

Interroll has divided its performance portfolio into the four product groups “Rollers”, “Drives”, “Conveyors & Sorters” and “Pallet & Carton Flow”.

In 2016, all product groups developed satisfactorily.



### PRODUCT GROUP ROLLERS

The “Rollers” product group forms the basis for the Interroll portfolio. Since 1959, Interroll has been producing conveyor rollers in Wermelskirchen, Germany, the global Centre of Excellence for conveyors and driven rollers. Interroll plants also produce these products in the USA, Canada, Brazil, Thailand, China and South Africa.

Since its inception, Interroll has produced more than 500 million conveyor rollers, making it the world’s leading supplier in this sector. These are used in numerous internal logistics applications.

Very short delivery times, highly efficient production processes and the high quality of the Interroll products also contributed significantly to further growth during the year under review. In all regions, Interroll was able to grow its business with conveyor rollers in 2016.

Another reason for growing demand is the customer base which Interroll has been able to expand thanks to intensive sales activities. As in the case of drives, the increasing use of conveyor rollers in the new MCP conveyor platform could reinforce synergies between Interroll’s individual product groups.

Strong demand is also reflected in production. In financial year 2016, Interroll produced more conveyor rollers and RollerDrive units in a single year than ever before.

The good development of the product group was reflected in sales and order intake in 2016. Consolidated sales of CHF 93.5 million (2015: CHF 93.4 million) and order intake of CHF 93.7 million (2015: CHF 91.9 million) were again slightly higher than the record levels of the previous year.

Sales in the EMEA region were particularly pleasing, where Interroll rose by around 9.5% compared to the previous year.

With the MSC 50 magnetic speed controller, Interroll launched another innovation in the spring of 2016, which intelligently regulates the speed of sloped conveyors, preventing damage to the material being carried.

The new product was immediately met with a positive response on the market. The Interroll Production System (IPS) lays the foundation for efficiency and excellent quality in all processes at Interroll. This enables Interroll to offer its customers a wide range of around 60,000 conveyor roller variants, while simultaneously producing small batches – more than half of orders have a lot size of less than 10 pieces.



Top quality Interroll conveyor rollers, available in 60,000 different configurations.



## PRODUCT GROUP DRIVES

The portfolio of the product group “Drives” includes driven conveyor rollers (24-volt RollerDrive), controllers and 400V drum motors.

### 24-VOLT ROLLERDRIVE

With its RollerDrive products, Interroll is a leader in energy-efficient 24-volt technology. Our 24-volt motorised roller drives are characterised by low energy consumption, reduced noise pollution and easy installation and maintenance. In this way, we help our customers remain competitive and organise processes efficiently in internal logistics.

### CONTROLLERS

We offer our customers the right conveyor controller for each conveyor task, meeting their requirements exactly. In the previous year, we expanded our controller family for the RollerDrive EC 310 with the Interroll MultiControl, a network card for PROFINET, EtherNet/IP and EtherCAT.

This expansion has proven to be very successful in the year under review and is enjoying high demand.

### DRUM MOTORS

Drum motors from Interroll meet the highest hygienic standards in the food industry and are certified by the European Hygienic Engineering & Design Group (EHEDG). The Global Centres of Excellence in Baal, Germany, and Hvidovre, Denmark, have global responsibility for the drum motors within the Interroll Group. Overall, sales amounted to CHF 123.6 million, an increase of 12.1% over the previous year (CHF 110.3 million). Consolidated order intake rose to CHF 124.4 million compared with CHF 111.5 million in the prior-year period. The EMEA region developed strongly with sales growth of 27% for RollerDrive. The Asia-Pacific region also posted a gratifying increase.

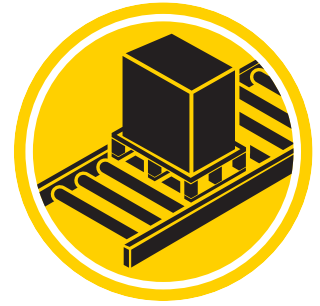
EMEA recorded a 12% higher sales of drum motors than in 2015. This positive development is largely due to strong performance in the important food markets of France and Great Britain. Interroll is a global leader in this product segment.

The high demand for Interroll’s driven conveyor rollers makes it necessary to expand capacity at the Wermelskirchen, Germany, site.

Interroll will be able to further develop its technologies and to continue successfully positioning itself for the sustainable success of these activities in the future. In June 2016, Interroll began work on the construction of a new hall, due to be completed in 2017.



Interroll Drum Motors and the RollerDrive product family comply with highest efficiency standards.



## PRODUCT GROUP PALLET & CARTON FLOW

The “Pallet & Carton Flow” product group offers dynamic storage solutions for pallets and container packages according to the FIFO (first-in, first-out) or LIFO (last-in, first-out) principle.

The global Centre of Excellence in La Roche-sur-Yon, France, is responsible for this product group within Interroll.

At the end of the 2016 financial year, Interroll had increased its consolidated sales by 27.3% to CHF 63.5 million compared to the same period of the previous year (CHF 49.8 million).

Consolidated order intake decreased slightly to CHF 61.1 million (previous year: CHF 61.4 million).

Demand in 2016 was particularly strong in Asia and Europe. In Korea, a large project was invoiced in the area of mineral water.

In Europe, demand grew in many markets. In Italy, for example, Interroll was able to conclude product specification work at a leading automotive group.

In Egypt, Interroll is implementing one of its largest dynamic storage projects outside Europe, equipping the warehouse of a food group with space for 11,000 pallets in collaboration with the assistance of a systems integrator.

Dynamic storage solutions have proven to be particularly cost-effective for warehouses with high turnover frequencies. Interroll’s flow storage systems are tested at the Interroll test centre in La Roche-sur-Yon, France.

After 50,000 test cycles under extreme conditions, Interroll guarantees a long service life and maximum safety.

Dynamic storage systems use the oblique plane effect.. This eliminates the need for an energy supply for drive systems. Studies show the high energy efficiency and environmental compatibility of dynamic storage systems with an average return on capital of two to three years.



Robust and reliable Interroll flow storage solutions.



## PRODUCT GROUP CONVEYORS & SORTERS

The “Conveyors & Sorters” product group comprises sorter and conveyor solutions developed by the Global Centres of Excellence in Sinsheim, Germany, and Cañon City, USA.

These include cross belt sorters, the Modular Conveyor Platform (MCP) and belt curves. With these products and solutions, Interroll has further expanded its strong position equipping airports as well as postal and logistics distribution centres.

In financial year 2016, the product group achieved consolidated sales of CHF 120.9 million, exceeding the prior-year period (CHF 107.2 million) by 12.8%.

In the year under review, the first Interroll cross belt sorters were delivered to Brazil Post.

Order intake rose by a significant 4.8% to CHF 126.0 million compared to CHF 120.2 million in the previous year.

### MODULAR CONVEYOR PLATFORM

In 2016, Interroll completed important new orders on the equipment of airport baggage control stations with its Modular Conveyor Platform. In Germany, Interroll was also able to bill a project that equipped a distribution centre of a leading fashion manufacturer with one of the longest conveyor stretches Interroll has ever delivered.

Following successful launches in Europe and Asia, Interroll rolled out the Modular Conveyor Platform in the spring of 2016 in the Americas market. In South America, Interroll has already signed a major contract for the new conveyor platform.

Interroll is thus consistently pursuing its globalisation strategy through innovative products that are rapidly available worldwide.

Modern material flow systems can be planned quickly and efficiently using Interroll's modular concept. Modifications can still be made to restore maximum availability and achieve energy efficiency in existing facilities that have undergone renovation work. Interroll's Modular Conveyor Platform provides flexible applications.

### BELT CURVES

With the acquisition of the sheet metal processing company Ortner GmbH, together with its employees, machinery and business premises in Kronau, Germany, Interroll continues to pursue its strategy of







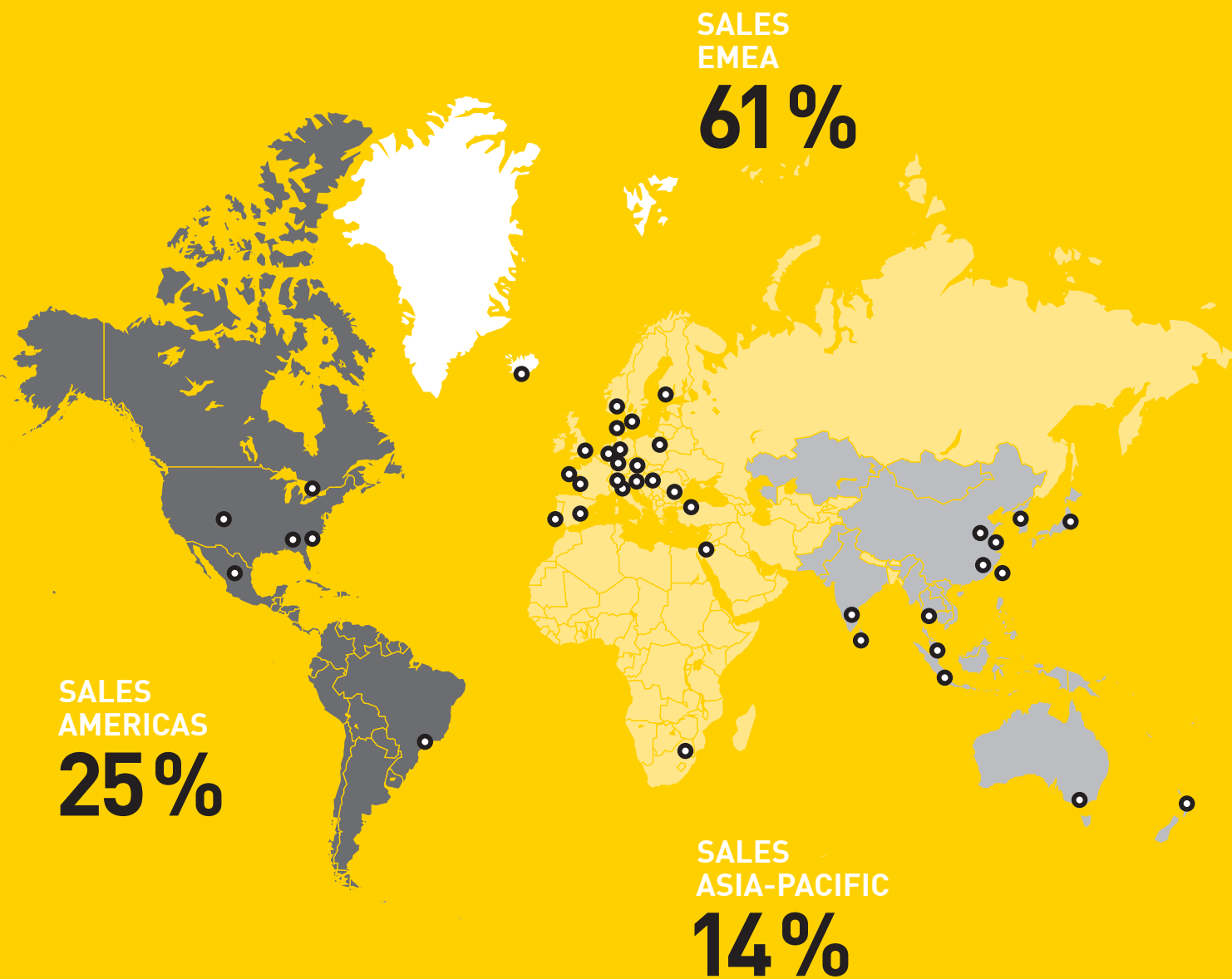
near-market production. This new Group location, near the existing plant in Sinsheim, will be expanded into the Regional Competence Centre for Belt Curves in Europe, Middle East and Africa (EMEA).

In 2013, Portec was bought in Cañon City, USA, and subsequently expanded into the Global Competence Centre for Belt Curves. A year later, the acquisition of Pert followed in Shenzhen, China, which has been providing the markets in the Asia-Pacific with highly efficient belt curves since then.

Interroll's modular conveyor platform offers application flexibility.



# REGIONS



INTERROLL IS ACTIVE WORLDWIDE VIA OWN COMPANIES, AGENTS AND DISTRIBUTORS.

**By opening up new markets and new customer potential, we continued our globalisation strategy in the 2016 financial year. Interroll's revenue share is 61 % in the Europe, Middle East and Africa (EMEA) region, 25 % in the Americas and 14 % in the Asia/Pacific region.**

## **EUROPE, MIDDLE EAST AND AFRICA (EMEA) STRONG DEVELOPMENT AGAIN**

In the EMEA region, the positive growth of the previous year continued in 2016. Order intake rose by 10.5 % year-on-year to CHF 244.0 million (previous year: CHF 220.9 million). Revenues were CHF 245.4 million, 14.5 % higher than in the same period of the previous year (CHF 214.3 million).

This development was driven by continued high demand for rollers and drives and, above all, for conveyors and sorters.

The demand for pallet and carton flow solutions remained strong in Northern and Western Europe.

All European markets developed positively. Significantly higher performance was achieved in Italy and Spain, despite their generally difficult economic circumstances, as well as in Germany, France and Scandinavia, in particular.

Spain and Great Britain recorded record orders. Northern and Eastern Europe also developed positively, while South Africa fell short of expectations.

Accounting for 61 % of Interroll's total revenues, EMEA remains the most economically significant region within the Group.

The technical requirements in internal logistics are high and require innovative responses to increasing complexity and new developments, in addition to robust customer relationships, industry knowledge and technical solution expertise.

At its Innovation Summit in Baal, Germany, as well as at the international trade fair CeMAT in Hanover, Germany, Interroll presented not only technical innovations but also broad industry know-how and high quality in production and sales processes.

As of this year, Interroll has also focused its activities on the Tire & Automotive industry. A new international key account team serves customers in Europe and abroad, and is opening up new markets at the same time. The interest in Interroll in this segment is considerable and the business trend in the first financial year was very positive.

**+14.5%**

**IN REPORTING CURRENCY**

**EMEA SHOWED STRONG GROWTH IN GERMANY, FRANCE AND SCANDINAVIA.**

## AMERICAS BREATHES AFTER TWO YEARS OF DOUBLE-DIGIT GROWTH

In the Americas region, the strong market positions from the previous two years were maintained in 2016. At CHF 99.9 million, sales were 2.3 % higher than the previous year (CHF 97.6 million).

Order intake fell only slightly by 1.2 % from CHF 107.2 million in the previous year to CHF 105.9 million.

Demand in the areas of e-commerce, food and distribution centres remained high in the North American market.

Interroll also consistently pursued its strategy of globally available products and services in the Americas region.

At the largest logistics fair in the Americas, Modex in Atlanta, Interroll presented its Modular Conveyor Platform (MCP) in the spring of 2016. After successful market launches in Europe and Asia in the past two years, this solution is now also available in all American markets.

South America developed nicely. This positive development also continued in Brazil. With the delivery of the first sorters for the Brazil Post project, Interroll was able to successfully position itself in a politically and economically difficult environment.

For this project, Interroll's responsible regional competence centre in Atlanta and the globally responsible competence centre for conveyors and sorters in Sinsheim will work closely together.

In the year under review, Interroll took account of the great growth dynamics in Central America by founding a sales and service company in Mexico City.

From this point on, Interroll intends to further develop the logistics hub of Mexico as well as neighbouring countries which are growing dynamically due to e-commerce, food distribution and the automotive industry and offer great business potential as a result.

**+2.3%**

**IN REPORTING CURRENCY**

**GROWTH IN THE AMERICAS REGION  
WAS DRIVEN BY THE CANADIAN AND  
BRAZILIAN MARKETS.**

## ASIA PACIFIC A REGION WITH MUCH POTENTIAL

Interroll continued to grow in the Asia-Pacific region in financial year 2016.

Following the seasonally weaker start, sales after the end of the financial year were CHF 56.1 million, an increase of 15.0% over the prior-year period (CHF 48.8 million).

Order intake fell by 2.9% from CHF 57.0 million in the previous year and reached a total of CHF 55.3 million. The previous year included a large pallet and carton flow project in Korea, which was invoiced in the reporting year.

As in previous years, China was the most important market for Interroll in the region. Sales growth in Southeast Asia was subdued due to shifts in new projects (in Thailand) and ongoing projects not yet billed

(in Singapore). On the other hand, for the first time in Interroll history, a large dynamic storage project in the Philippines amounting to over CHF 4 million could be booked towards the end of the year following intensive preparatory work and tests.

High demand for Interroll technology in the region affected all product groups. For example, in the year under review, Interroll collaborated with a systems integrator to equip a large airfreight hub of a global postal and logistics group.

The region is increasingly benefiting from the globalisation of the Interroll Group, with the establishment of its own on-site production facilities. The successful integration of regional competence centres in Suzhou and Shenzhen into the production network ensured positive synergy effects in the 2016 financial year thanks to higher on-site technical expertise and better customer proximity.

Interroll is also consistently implementing its product strategy in Asia. After the successful market introduction of the Modular Conveyor Platform (MCP) last year, the Magnetic Speed Controller 50 (MSC 50) was brought to the Asian market this autumn.

As a result, Interroll is continuing to reduce the timeframe of global product launches and globally strengthening its market opportunities through innovative, globally available technologies and services.

**+15.0%**

**IN REPORTING CURRENCY**

**IN THE ASIA-PACIFIC REGION, THE  
CHINESE AND THE KOREAN SUBSIDIARIES  
BOTH REPORTED GROWTH.**

## “WE WILL PROVIDE OUR CUSTOMERS WITH EVEN MORE PROFESSIONAL AND COMPREHENSIVE SUPPORT.”

A close connection between Product Development, Production and Sales is a proven recipe for success in the Interroll Group – in both its day-to-day business and in Group Management. We spoke to Dr Ralf Garlichs, Executive Vice President Products & Technology, and Dr Christoph Reinkemeier, Executive Vice President Global Sales & Services, about current market and technology trends, the challenges of the next few years and the benefits of a consistent platform strategy.



Dr Ralf Garlichs, Executive Vice President Products & Technology

**Dr Garlichs and Dr Reinkemeier, how did the market for material flow solutions develop in the past financial year?**

**Dr Reinkemeier:** The international intralogistics markets lost none of their momentum last year: quite the contrary in fact, as they were actually changing more than ever. Even in the field of e-commerce, which has already provided major growth impetus in the last few years, developments are still in their infancy. Alongside the necessary increase in capacity of the intralogistics infrastructure which must be capable of handling this growth, new services and new offers for end customers are also generating further potential for suitable material flow solutions – just think of ever shorter delivery times and easier processing of returns or online grocery sales. Any companies wishing to enter the food trade as e-commerce providers require mature logistics solutions that fulfil special requirements. They cannot simply use their existing systems. At the same time, we see that modern internal logistics operations are increasingly including the production industry and that there is still a great deal of catching up to do, particularly in the emerging economies. These all represent extremely attractive business opportunities which Interroll will be looking to utilise over the next few years.





Dr Christoph Reinkemeier, Executive Vice President Global Sales & Services

***“The international intralogistics markets lost none of their dynamism last year.”***

Dr Christoph Reinkemeier

**Dr Garlich:** In terms of technology, we are aware that our customers (i.e., systems integrators and equipment manufacturers) are having to master increasingly complex tasks. Alongside performance, delivery times and energy efficiency, the topic of automation in particular now plays an important role. Products such as our sorter, drive and flow storage systems are now becoming central components of more comprehensive solutions. This trend toward automation is great for us, as quality requirements become stricter with solutions of this kind. In addition, as a quality provider we have been using uniform and open interfaces for years. For example, our extremely energy-efficient flow storage systems can be combined with automatic stacking/retrieval machines, while our conveyors with integrated drive controllers can be incorporated seamlessly into warehouse management systems.

**At the same time, concepts created within the scope of Industry 4.0 are gradually gaining momentum.**

**Dr Garlich:** Yes. The opportunities offered by end-to-end digital networking will make intralogistics procedures even more efficient over the next few years. This is an important reason behind why it has been so essential for Interroll to significantly increase its innovative capacity in recent times. One key factor in this regard was our totalling €13 million investment in an innovation campus with Group-wide responsibility in Baal near Düsseldorf, Germany. This expertise and the close collaboration with both university-based and industrial partners help us secure many advantages. Among other things, they enable us to ensure that systems integrators can use our key products as end-to-end networked solutions for a seamless data flow within the scope of Industry 4.0 concepts.

Also groundbreaking was the complete range of control systems for individually required drive solutions, which Interroll developed very early on with leading strategic partners. In the future, these control systems will significantly reduce the complexity of process design for material flows. This is because they can perform tasks that previously had to be coordinated with higher-level systems, a process which was often time-consuming and costly. In the future, these control systems will make it far easier to make changes to the layout of a material flow system.

**Dr Reinkemeier, will these technological developments change the future role of Interroll?**

**Dr Reinkemeier:** No, we will unequivocally be sticking to our successful business concept. We will remain a neutral service provider and partner to both systems integrators and equipment manufacturers that is characterised by the highest quality, a diverse range of solutions, and short delivery times. Anyone looking to remain successful in the long term must be capable of setting clear boundaries in their business. In our case, we focus on key products and solutions that help our customers and partners become even more successful – with the benefits of a uniform global context such as quality standards, sourcing, economies of scale, worldwide availability, etc. This gives us an edge over our competitors and grants us access to a world of intralogistics whose greater complexity, stricter requirements and closer networking will provide us with a whole host of new opportunities. For example, we can make more effective use of our expertise as a materials handling specialist in the planning, configuration and operating phases to offer both small and large systems integrators key added value as a service partner. This can be achieved by using innovative information technology (IT) planning and layout tools, local services or additional sector expertise to reduce costs for our customers and make cooperation with Interroll even more beneficial for them.

**While we are on the subject of sector knowledge, how do you intend to use this expertise in sales?**

**Dr Reinkemeier:** In the future, we will provide even more intensive support for systems integrators and equipment manufacturers with operations that go beyond the boundaries of the mainstream intralogistics applications in which we traditionally operate. We believe there are plenty of interesting new opportunities that will allow us to use our expertise more comprehensively. The international tire industry is a good example of this, as we have been providing systems integrators with targeted and successful support in their projects for around two years here. We are confident that we can offer our customers genuine added value by expanding our sector expertise and utilizing our global presence. We are keen to intensify these sector-specific sales activities in the next few years and expand them using a targeted approach.

**Dr Garlich, won't the additional focus on special sector requirements lead to a significant increase in costs for the product portfolio?**

**Dr Garlich:** The answer to this is no, thanks to the consistent platform strategy we have been pursuing for many years. This approach also enables us to meet customers' segment-specific requirements flexibly without having to constantly reinvent the wheel for different sectors. A good example of this is our modular conveyor platform, which we can scale and adapt to a very wide range of requirements. In addition to this, when potential offers arise, we always keep a close eye on the commercial aspects that a stronger sector focus can tap into, such as the competitive situation and market volume. The fact that we are continuously expanding our international presence obviously helps in this regard as well.

**To what extent?**

**Dr Reinkemeier:** Many systems integrators, particularly in the sector-oriented project business, operate internationally and attach great importance to being able to provide users with optimum solutions, including for overseas operations. We can really play to our strengths here, as we have been building up our international structure for years. Local firms simply cannot compete with that. Our customers therefore benefit from our global presence, while our internationalisation strategy allows us to increase the market volume that can be tapped for segment-specific solutions.







***“Worldwide production at identical quality is of key importance.”***

Dr Ralf Garlichs

**Dr Garlichs:** With our international presence, our strategy of producing products at identical quality and with the greatest efficiency worldwide is also of key importance. This is also why we adopt a uniform worldwide approach with our Group-wide production system, which is based on the automotive industry’s Kaizen principle. At a production facility acquired in China, this not only enabled us to successfully raise the quality to Interroll’s level, but also increase productivity by 100 percent within just one year.

**What part does the Interroll brand play in this strategy?**

**Dr Reinkemeier:** The brand definitely plays an important part, especially in light of the increasing internationalisation of our business activities. Our customer pledge is crystallised in the brand. It represents the fact that all customers worldwide who cooperate with Interroll can rely on top quality, expertise and a high degree of reliability. We have made good progress on the path to establishing Interroll as a leading brand in

our market. At the same time, it is important for us to further raise our profile in customer perceptions. After all, many customers still associate us primarily with a specific product: conveyor rollers. We therefore need to continue working hard to emphasize our solution expertise more comprehensively. In the future, we should reach the point where every systems integrator and equipment manufacturer worldwide with a materials handling task to solve can get direct information about what Interroll has to offer them.

# CORPORATE RESPONSIBILITY

Interroll aims to create added value for its customers, employees and shareholders by delivering quality products and services around the world, operating sustainably, increasing customer satisfaction and employee loyalty, and meeting the needs of its shareholders through its growing market position.

## THE POWER OF PRINCIPLES: ENGAGE, ENABLE, SUSTAIN

Interroll connects the physical and the digital world and sets new global standards with its products, project solutions and services. This makes it easier for our customers and employees to work responsibly every day in a complex environment. In the long term, we bring economic success in line with sustainable, ecological awareness and social responsibility.

### PRINCIPLES WITH RESPECT TO OUR CUSTOMERS

- Our products are comprehensible and easy to use
- Our project solutions lead to partner relationships
- Our services create a consistent customer experience in the long term

### PRINCIPLES WITH RESPECT TO OUR EMPLOYEES

- We pursue common goals and maintain constructive, respectful cooperation on a Group-wide basis
- We help our employees to work efficiently and offer advanced, market-oriented working conditions
- We understand the commitment and the innovative strength of employees as an important source of our success

### PRINCIPLES WITH RESPECT TO SOCIETY

- As a provider of internal logistics, we make a significant contribution to modern infrastructures
- We secure international connections through a global network of Group companies and partnerships

### PRINCIPLES WITH RESPECT TO SUSTAINABILITY

- We act sustainably and focus on long-term business success. We strive for an appropriate balance between ecological action, social responsibility and economic success
- We also oblige business partners and suppliers to comply with minimum principles

### RELATED DOCUMENTS

- Interroll Code of Conduct (<https://www.interroll.com/downloads/company/>)
- Anti-Bribery & Anti-Corruption Guidelines (<https://www.interroll.com/downloads/company/>)
- Supplier Code of Conduct (<https://www.interroll.com/downloads/company/>)





## ENGAGE INTERROLL'S FIRST WORLDWIDE EMPLOYEE SURVEY

In June 2016, Interroll surveyed approximately 1,750 employees from 30 Group companies and in 16 different languages for the first time. An independent survey institute used a measuring model with around 50 multiple choice and open-ended questions, and the results were benchmarked: on one hand, high-performing companies (the HP Standard), and on the other, manufacturing companies (the Manufacturing Standard).

On a scale of up to 100, results from 65 to 75 points were considered a “good rating.”

### HIGH PERFORMANCE OF INTERROLL EMPLOYEES

The first Global Employee Survey showed very gratifying results. Interroll has a dedicated workforce that is ready to go the extra mile for the company:

Employee commitment received 69 points. This is above the Manufacturing Standard of 67, but under the HP Standard of 73 points. That means there is still potential for improvement. According to employee opinions, possibilities for training and individual development in the Group should be improved above all.

### INTERROLL PROVIDES ITS EMPLOYEES AND EXECUTIVES WITH A PRODUCTIVE ENVIRONMENT

The results show a good overall level of enablement in the Group (70 points). This is clearly above the Manufacturing Standard of 65 points and very close to the High-Performing Standard at 71 points. In particular, the employees strongly confirmed Interroll's quality and customer focus as well as the clear and promising orientation of the Group.

An exceptionally high response rate of 80% ensured a solid data set for this first personnel survey, underlining the outstanding commitment from around the world.

### CONTINUE INCREASING THE STRENGTHS, WORK ON THE WEAKNESSES

In the second half of the year, the Managing Directors, together with their local department and staff directors, carefully analysed the results of the survey and also developed measures to further strengthen the strengths identified and to work on the weaknesses.

A total of around 150 improvement measures have been defined throughout the Group and are already being implemented. To this end, more than 1,500 candid employee comments were drawn from the personnel survey.

The Interroll Global Employee Survey will be conducted for the second time in the 2017 financial year and will then allow another important benchmark: comparison with the previous year and thus an assessment of the appropriateness of the measures introduced in 2016.

## ENABLE INTERROLL ACADEMY

The Interroll Academy in Baal, Germany, is the driving force for the transformation of the Interroll Group into a learning organisation. Continued investment in modern training methods and facilities reflects our strong commitment to employee, customer and partner training.

### EMPLOYEE TRAINING

We are convinced that only well-trained employees can be motivated employees. This is why we train them with the aim of furnishing them with the expertise they need to provide valuable support to our customers. Our participants, who come from all areas of the company, are not only familiar with Interroll products, but also with the applications and concerns of our customers.

Through our numerous training and further education programmes, all employees can develop and optimally deploy their talents. Blended learning, which combines classical instruction with new Internet-based training methods (e-learning offers), can overcome internal hurdles and even reach interested employees who are not on site.

### CUSTOMER TRAINING

Trained, motivated employees are a unique source of ideas for increasing productivity, but also for the continuous further development of materials handling solutions.

With the Interroll Academy, we want to offer our customers the best possible training so that their employees can acquire the skills and knowledge required to successfully present Interroll products and solutions to their customers.

### LEADERSHIP TRAINING

As part of the “Culture for Growth” programme launched at Interroll, not only is a systematic survey conducted to assess the commitment of employees from around the world but a total of around 200 managers and specialists from the Group attended external leadership training seminars in 2016 and 2017 with the aim of achieving these main goals:

- Communicate clearly, compellingly and committedly
- Accompany and facilitate team processes
- Strengthen self-responsibility among employees
- Develop personal leadership skills
- Set up a coaching programme that acknowledges and encourages employees
- Promote effective problem analysis and decision-making
- Resolve conflicts constructively
- Drive innovation



All participants receive a Leadership Certificate.





## SUSTAIN INTERROLL AND THE UN GLOBAL COMPACT

Since the fourth quarter of 2016, Interroll has been a formal member of the UN Global Compact, and since the first quarter of 2017, also a member of the local Swiss network.

This joint initiative between economic enterprises, the United Nations and groups representing labour interests and civil society is intended to promote the social commitment of companies to human rights, work practices, environmental protection and the fight against corruption.

Interroll has joined the UN Global Compact because its principles are in line with those of our Group.

The UN Global Compact (UNGC) is the world's largest corporate network for an ecologically, economically and socially sustainable economy. The UNGC promotes a sustainable, global economy that enables long-term added value for people, communities, companies and markets.

It helps the members with responsible corporate governance so that they can shape and continuously improve their strategies and activities with regard to the ten UNGC principles on human rights, international working standards, the environment and anti-corruption along the entire economic value chain.

In constructive cooperation with various stakeholders, it contributes to global sustainable development in accordance with the UN goals for sustainability.

The Global Compact Network Switzerland takes on the tasks described under the UN Global Compact for Switzerland, offering relevant events, information, training, networking and consultations, and looks for as many new companies as possible for responsible and sustainable business management.

From financial year 2017, Interroll will publish a progress report on the implementation of the UN Global Compact (COP) as well as other, selected performance indicators on the topic.

### RELATED DOCUMENTS

- United Nations Global Compact (<http://www.unglobalcompact.org>)
- United Nations Global Compact Principles (<https://www.unglobalcompacts.org/what-is-gc/mission/principles>)
- Universal Declaration on Human Rights (<http://www.un.org/Overview/rights.html>)

# SPEEDY, GENTLY, SWEET!

**Biscuits and cookies are universally popular and the global market outlook is promising. Global trends like health and well-being on the one hand and indulgences on the other hand are forcing biscuit manufacturers adopt shorter innovation cycles and as a result, increase process complexity. Efficient material handling solutions and intelligent automation are becoming prerequisites for success, as illustrated in the case of a leading Dutch cookie manufacturer.**

Highest efficiency with 24V roller conveyors from Interroll.







One of the reasons why people have always liked biscuits – a word derived from the Latin “biscoctus,” or “twice baked” – is that they fit a variety of occasions and lifestyles. As a treat after a hard day of work or study, as an everyday habit together with a cup of tea or coffee or simply as nourishment to subdue hunger when our busy lives make us skip meals. The global cookie market is growing and competition between large, multinational players and local manufacturers in each region is fierce. Price pressure requires biscuit

manufacturers to implement lean and efficient processes and invest in intelligent automation solutions.

### **PRODUCT CUSTOMISATION REQUIRES FLEXIBLE SYSTEMS**

For a leading industrial cookie producer in the Netherlands, the strategic focus has always been on the optimisation of both the products and the production processes. For more than 80 years, the company has produced an ever-growing variety of high-quality cookies, which are sold to consumers worldwide. Despite the worldwide supply of high volumes, the company retains a high level of flexibility, as entry into a new market frequently requires product customisation in terms of recipe, size, weight and/or packaging.

The vast range of biscuits and cookies that the company offers has one requirement in common: They are all delicate, fragile and perishable products that need delicate handling and protective packaging to guard against breakage and loss of freshness and flavour. Production machines and especially material handling equipment and associated software pack-



## *Efficient material flow with Interroll's modular conveyor platform*

ages need to enable operators to perform fast change-overs and reduce errors while minimizing the risk of product damage.

### **ON THE ROAD TO LARGE-SCALE AUTOMATION**

To maintain its competitiveness and lay the foundation for future growth, this cookie manufacturer has, over the course of years, made significant investments in intelligent material handling solutions. The Dutch automation company Technisch Buro West-Brabant (TBWB) was selected as the primary automation partner many years ago and since then has delivered a number of turnkey projects based on its customer's cookie handling needs. TBWB is a renowned player

in the Netherlands and Germany for the automation of manufacturing plants and logistics centres with over 400 successfully implemented projects.

### **THE CHALLENGE: AUTOMATION OF PALLETIZING OPERATIONS**

In early 2015, TBWB was asked to work out an automation concept for its customer's palletizing operations, which were mainly performed manually and caused a bottleneck for shipping operations. A great variety of biscuit boxes coming out of more than 10 production lines needed to be processed faster: the palletizing capacity should be increased to 3,000 boxes per hour. Because of the tight project

System throughput was increased to a level of 3,000 boxes per hour.







Automatic palletizing for higher capacity



Interroll's product quality: a real guarantee for TBWB.

timing and the complexity that TBWB, as the responsible systems integrator, had to deal with, TBWB CEO Bart Friederichs needed to rely on trusted project partners: "For TBWB, the main goal in each project is to deliver a turnkey system for our customer. It must work according to their specifications, no matter what. To keep this promise towards our customer, we need project partners we can rely on, like Interroll."

#### **MODULAR CONVEYORS AND INTELLIGENT CONTROLS FROM INTERROLL**

The project required a great number of roller conveyors along with automatic palletisers and vertical lifts, which were supplied by another trusted partner, the Dutch company Qimarox, leading manufacturer of palletisers and vertical conveyors. TBWB integrated all products into the existing factory infrastructure, taking care of PLC controls, electrical wiring, user interfaces and ERP connectivity. For the transportation of biscuit boxes from the different production lines to the palletisers, TBWB implemented Interroll's latest generation of conveyor modules. The industry-leading 24V roller conveyors were not

only extremely easy to install but also brought the advantage of ongoing energy savings for TBWB's customer, due to the decentralised, zone-driven conveying concept. For inclines and declines, Interroll belt conveyors were used. From the controls side, the new MultiControl allowed fast and easy setup and smooth integration with the PLC.

#### **A SWEET SUCCESS**

TBWB installed this large, turnkey system within the given timeframe and resolved the key customer problem: increase of overall capacity while maintaining product quality. Due to the fragility of the biscuits, the conveying task was critical: "Avoiding product damages during the packaging operations was of critical importance. This is why the transportation of the boxes needed to be extremely gentle but at the same time really fast. For this reason, we have relied on the product quality of Interroll, which is a real guarantee for us. As in the past, the Interroll team has once again proven to be a great partner! At TBWB we're proud to put the Rolling On Interroll label on our systems," concludes Bart Friederichs.

# OUR MARKETING STRATEGY

The global Interroll marketing team received two international awards in 2016. The first was for the ad “Ready to rumble”, which took the silver prize at a competition for corporate ads. The second was for the global campaign known as “Rolling on Interroll”, which captured the bronze medal at the most important German-language competition, the “Best of Business” awards.

A key component of our marketing strategy is to appear at specialist and industrial trade fairs. In 2016, we attended some 20 international trade fairs as well

as a number of local events, which allowed us to present our products and services. Particularly noteworthy was the introduction of the MSC 50 speed controller at the LogiMAT trade fair in Stuttgart. Another highlight was Interroll’s presence at the CeMAT logistics trade fair in Hanover, which was held under the motto “Rolling on Interroll”. Customers and visitors were advised in a booth made to look like a first-class lounge, allowing for a direct exchange with and among our partners regarding new joint projects. We also arranged an in-house exhibition in conjunction with our leading partners in Baal, near Düsseldorf, which



Rolling on Interroll won the 2016 BoB (Best of Business) Award in the “Cross-media” category.



Interroll signed the prolongation of the contract with the Sauber F1 Team.

## *“Marketing activities promote global growth.”*

was attended by some 200 international business partners. Interroll plans to expand “Rolling on Interroll”, the customer loyalty programme that it introduced in March 2015 and which currently has 50 worldwide partners, into an industry community and to further increase joint activities in the area of communications, development and partnership.

There was a particular focus on the expansion of the company’s global website. Significant investments were made in new services, such as the complete 3D representation of all products in 3D CAD quality and so-called matchmakers. Both offerings are intended to simplify planning with our products for customers and they further underscore the advantages of Interroll solutions.

The partnership with the Sauber F1 Team was extended for another two years at the end of 2016. Sauber and Interroll share a passion for team spirit, technology and precision as well as an absolute desire for success. A number of factory tours were conducted for customers in Hinwill in 2016. In addition, the partnership was presented at trade fairs and other customer events.

## “SPEAKING THE CUSTOMER’S LANGUAGE”

For about the last two years, Interroll has been taking a closer look at systems integrators that work for the international tire industry. Maurizio Catino, Industry Sales Manager at Interroll, reports on the successful establishment of sales in this sector and the special requirements of production facilities.

**Mr Catino, what motivated Interroll to start focusing on the tire industry?**

**Maurizio Catino:** The idea of addressing the special requirements of the international automotive and tire sector came about at the beginning of 2014. It was born from experience I have gained over the course of my career, both in the Italian automotive industry and in the field of intralogistics with Interroll. The key was to combine this knowledge and these contacts productively and then use them even more intensively for the business. This strategy really paid off. Today, Interroll has established itself and its solutions in the tire industry and has become a recognised partner for systems integrators active in this sector. Discerning users certified our products, so we were quickly able to increase our market share. Our solutions are now in use at four of the five largest tire manufacturers in the world. All the work and efforts of the last few years have, therefore, been worth it.

**What approach did you adopt when establishing this sales segment? Did this require major investments?**

**Maurizio Catino:** No, we did not simply set up a new sales organisation overnight. We believed in this opportunity we had, but chose a targeted and cautious approach, working through our defined area step by step. Initially, it was obviously important to get an accurate overview of our existing presence in this sector’s environment. When taking stock, we then came to the conclusion that the systems integrators in this segment had been using us in a rather unstructured and ad hoc manner. In other words, the integrators

were not making full use of our particular strengths. There was no solution-oriented or benefit-driven focus in this market. We then changed this. We also decided that we would not establish parallel distribution for this sector offer. Instead, we simply extended the existing regional sales operations to include a vertical function. We were fortunate enough to get a professional sales employee on board for each important country and each major region, supporting us in this project in addition to his other duties. My international and partly virtual team now comprises 11 focused industry champions.

**What characterises the international market of the tire industry?**

**Maurizio Catino:** The tire market is fiercely contested internationally, not only in terms of innovations, but also with regard to prices. Any company capable of making its internal production processes more efficient and, at the same time, more reliable than the competition already has an important edge. This obviously fits in with our efficiency-oriented portfolio and suits the systems integrators that work with us. One example of this is the buffering of manufactured products on the conveyor system. We can really impress in many respects with our zero-pressure conveyor concept here, which is based on 24 V drive technology. This solution is far more energy-efficient than traditional hydropneumatic technology and also significantly more compact, not to mention quieter. This dramatically reduces the typical noise level in industrial applications, which not only improves working conditions for staff, but also increases their concen-





Maurizio Catino, Industry Sales Manager

***“Interroll has established itself and its solutions in the tire industry and has become a recognised partner for systems integrators.”***

tration and productivity levels. The noise reduction achieved is actually a quantum leap for running operations. I remember an operations manager once asking us to switch on the system when it was actually already running at full speed.

**So it is important for you to know all about the production processes of users?**

**Maurizio Catino:** Yes, this is the only way for us to provide the systems integrators with optimum support for their work. We need to speak and understand the language of our customers and also their customers. This then enables us to address customers as partners on an equal footing and generate the necessary trust in the solution. For example, if you know that the production lines in tire production operations need to be reconfigured once a year, you can offer users a genuine advantage in the form of our modular conveyor platform. With this solution it's very easy to modify and extend the original layout. In other words, it is precisely what users require – without the need for complex welding work to reconfigure existing systems or even a completely new system design.

**What part does the flow of materials play in this sector?**

**Maurizio Catino:** Logistics and production are growing closer and closer together. The conveyor solution used has been a business-critical infrastructure for some time now. Its failure could lead to all production operations being stopped. Even if they deliver major benefits, new solutions are therefore initially subjected to comprehensive testing by users and then internally certified (i.e., approved for company-wide use). We passed this test with flying colours and were then also able to impress with our worldwide presence. Many systems integrators also support their customers in international projects. This approach lets us fully exploit the internationalisation strategy we have been implementing over the last few years, as it enables our customers with international operations to see the potential disadvantages of collaborating with constantly changing local suppliers. When they work with us, on the other hand, they can be certain that they will receive consistently high quality anywhere in the world in terms of technology and service.



# CORPORATE GOVERNANCE

<b>1</b>	<b>INTRODUCTION</b>	44
<b>2</b>	<b>GROUP STRUCTURE AND SHAREHOLDERS</b>	44
<b>3</b>	<b>CAPITAL STRUCTURE</b>	44
<b>4</b>	<b>OPERATIONAL MANAGEMENT STRUCTURE</b>	45
<b>5</b>	<b>BOARD OF DIRECTORS</b>	48
<b>6</b>	<b>INTERNAL ORGANISATION</b>	50
<b>7</b>	<b>AUTHORITY REGULATIONS</b>	50
<b>8</b>	<b>INFORMATION AND CONTROL INSTRUMENTS</b>	50
<b>9</b>	<b>GROUP MANAGEMENT</b>	51
<b>10</b>	<b>SHAREHOLDERS' PARTICIPATION RIGHTS</b>	51
<b>11</b>	<b>CHANGE IN CONTROL AND DEFENCE MEASURES</b>	52
<b>12</b>	<b>AUDITOR</b>	52
<b>13</b>	<b>INFORMATION POLICY</b>	52



## 1 INTRODUCTION

### **Basis of the of the corporate governance report**

The corporate governance report 2016 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange on Corporate Governance, best practice related to the Minder initiative as well as to the regulations of the “Swiss Code of Best Practice for Corporate Governance”.

### **Cross references**

In order to minimise repeated comments, certain sections cross refer to other sections, especially to the financial report.

## 2 GROUP STRUCTURE AND SHAREHOLDERS

### **Group structure**

The operational management structure is disclosed in chapter 4 of this report.

### **Mother company and stock listing**

The holding company of the Group, Interroll Holding Ltd., is headquartered in Sant’Antonino/TI, Switzerland. Its registered shares are traded in the main segment of the SIX Swiss Exchange under the security number 637289. Further notes to the listing can be found in chapter “Interroll on the Capital Market” on page 8 of the annual report.

### **Consolidation range**

Subsidiaries belonging to the consolidation range of the Interroll Group are disclosed in note 8.4 of the Group’s financial statements. There are no other equity instruments publicly traded except those of Interroll Holding Ltd.

### **Significant shareholders**

All significant shareholders holding a reportable share are disclosed in note 3.5 (“Significant shareholders”) of the financial statements of Interroll Holding Ltd. Changes made during the year can be viewed on the SIX Swiss Exchange website under Significant Shareholders with Interroll.

### **Cross shareholdings**

The Interroll Group maintains neither capital nor voting rights with other entities.

## 3 CAPITAL STRUCTURE

### **Share capital and voting rights**

The share capital of Interroll Holding Ltd. amounts to CHF 854,000 and is made up of 854,000 fully paid registered shares with a par value of CHF 1 each. Each share has one voting right.

### **Authorised or conditional capital**

There is no authorised or conditional capital.

### **Other equity or participation instruments**

Furthermore, there are no other equity-like instruments such as profit-sharing rights or participation certificates.

### **Changes in capital**

There were no changes to the capital structure in the reporting or previous year.

### **Limitations on transferability and nominee rights**

Information about limitations on transferability and other nominee rights of the shareholders is disclosed in chapter 10 (“Shareholders’ participation rights”) of this report on corporate governance.

### **Further information on shareholders’ equity**

Additional information on equity is disclosed in the financial statements of the Group (see 1.5 “Consolidated statement of changes in equity”) and in the respective notes.

## 4 OPERATIONAL MANAGEMENT STRUCTURE

### Functional organisational structure

The Interroll Group consists of one single business unit. The complete product range is sold in all markets through local sales organisations. Interroll caters to the needs of its customers (original equipment manufacturers, systems integrators, end users) by offering a tailor-made product portfolio and expert consulting services. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Centre (IRC), which is centrally located, researches new application technologies and develops new products. Global Centres of Excellence continue developing the product range they focus on.

### Management structure

The Group Management and the Interroll management structure are organised by function (Overall Management, Products & Technology, Global Sales & Service, Corporate Marketing, Corporate Finance). The Board of Directors bases its financial management of the Group on both the turnover generated in the product groups and geographical markets as well as on consolidated financial reports. In addition, Group Management assesses the achievement of financial and qualitative targets and other key performance indicators of all subsidiaries.

The Interroll Group has no advisory body.

### Board of Directors

<b>CHAIRMAN</b>			
Urs Tanner			
<b>VICE CHAIRMAN</b>	<b>AUDIT COMMITTEE</b>	<b>COMPENSATION COMMITTEE</b>	<b>OTHER MEMBERS</b>
Prof. Dr Horst Wildemann	Philippe Dubois Paolo Bottini	Urs Tanner Prof. Dr Horst Wildemann	Stefano Mercorio Ingo Specht

### Group Management

<b>CHIEF EXECUTIVE OFFICER</b>	
Paul Zumbühl	
<b>CHIEF FINANCIAL OFFICER</b>	<b>SENIOR VICE PRESIDENT CORPORATE MARKETING &amp; CULTURE</b>
Daniel Bättig	Jens Karolyi
<b>EXECUTIVE VICE PRESIDENT GLOBAL SALES &amp; SERVICE</b>	<b>EXECUTIVE VICE PRESIDENT PRODUCTS &amp; TECHNOLOGY</b>
Dr Christoph Reinkemeier	Dr Ralf Garlich
<b>REGIONS</b>	
Executive Vice President Americas	Tim McGill
Executive Vice President Asia	Dr Ben Xia

### **Interroll Research Centre (IRC), Global Product Management**

The Interroll Research Centre (IRC) develops new products, techniques and technologies in close cooperation with the Centres of Excellence, Global Product Management and Global Sales.

<b>FUNCTIONAL UNIT</b>	<b>MANAGED BY</b>	<b>COMPANY</b>
Research & Development	Helmut Maiwald	Interroll Holding GmbH, Wermelskirchen (DE)
Global Product Management	Dietmar Hager	Interroll Holding GmbH, Wermelskirchen (DE)

### **Global Centres of Excellence (CoE)**

The seven Interroll Centres of Excellence are responsible worldwide for product development, strategic purchasing and the application and development of production technologies for specific product ranges. Furthermore, they produce and supply semi-finished goods to Group companies. The global Centres of Excellence of the Interroll Group are managed by the following persons:

<b>FUNCTIONAL UNIT</b>	<b>MANAGED BY</b>	<b>COMPANY</b>
Rollers, RollerDrive	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen (DE)
Industrial Drum Motors	Dr Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal (DE)
Supermarket Products	Dr Anders-Staf Hansen	Interroll Joki A/S, Hvidovre (DK)
Dynamic Storage Products	Bertrand Reymond	Interroll SAS, La Roche-sur-Yon (FR)
Conveyors and Sorters	Bernhard Kraus	Interroll Automation GmbH, Sinsheim (DE)
Belt Curves	Richard Keely	Interroll Engineering West Inc., Cañon City (US)
Technopolymers	Ingo Specht	Interroll AG, Sant'Antonino (CH)

## Worldwide sales and production companies

### Regional Centres of Excellence (RCoE)

Regional Centres of Excellence produce for the EMEA, Americas and Asia-Pacific regions. These centres handle the full product range of the global Centres of Excellence and provide the regional sales and service subsidiaries with finished products and the assembly sites with unfinished goods. Production assets and real estate were acquired as of 1 December 2016 in Kronau, Germany, which now form the Regional Competence Centre for Belt Curves in Europe-Middle East-Africa (EMEA).

### Production companies and local assemblies

Guided by the production processes and production technology of the Interroll Centres of Excellence, local production companies manufacture and assemble products for regional markets. They concentrate on specific product groups within the full product range.

### Sales and service subsidiaries

Interroll sales companies concentrate on specific market and customer segments offering the full range of Interroll products and 24-hour repair service.

### Management of the operational subsidiaries

The management of the above companies was delegated to the following persons:

## EUROPE-MIDDLE EAST-AFRICA (EMEA)

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
Sales, service	Central Europe	J. Mandelatz	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
Sales, service	France	G. Calvez	Interroll SAS, Saint-Pol-de-Léon (FR)
Sales, service	Northern Europe	E. Kaiser	Interroll Nordic A/S, Hvidovre (DK)
Sales, service	Great Britain, Ireland	Ch. Middleton	Interroll Ltd., Corby (GB)
Sales, service	Iberian peninsula	R. Rovira	Interroll España SA, Cerdanyola del Vallès (ES)
Sales, service	Czech Rep., Balkans, Hungary	F. Ratschiller	Interroll CZ s.r.o., Breclav (CZ)
Sales, service	Poland, Russia, Ukraine	F. Ratschiller	Interroll Polska sp. z o.o., Warsaw (PL)
Sales, service	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
Sales, service	Italy	F. Ratschiller	Interroll Italia Srl (IT)
Sales, assembly, service	Africa	H. Campbell	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)
RCoE	EMEA	M. Kuhn	Interroll Kronau GmbH (DE)

## AMERICAS

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE, sales, service	USA	S. Page	Interroll Corporation, Wilmington/NC (US)
RCoE, sales, service	USA	R. Keely	Interroll Atlanta LLC, Hiram/GA (US)
CoE, sales, service	USA	R. Keely	Interroll Engineering West Inc., Cañon City/CO (US)
Sales, assembly, service	Canada	S. Gravelle	Interroll Canada Ltd., Newmarket/Toronto (CA)
Sales, assembly, service	Brazil, Argentina	M. Gaio	Interroll Logística Ltda., Jaguariuna/São Paulo (BR)
Sales, service	Mexico	L. Pallares	Interroll Mexico S. de R.L. de C.V. (MX)

## ASIA-PACIFIC

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	China	T. Zhang	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
RCoE	Asia-Pacific	MK Lo	Interroll Shenzhen Co. Ltd., Shenzhen (CN)
Sales, service	China	L. Zhi	Interroll Holding Management (Shanghai) Lo. Ltd. (CN)
Sales, service	South Korea	S. Jeong	Interroll Korea Corp. Seoul (KR)
Sales, service	Japan	G. W. Seng	Interroll Japan Co. Ltd., Tokyo (JP)
Sales, assembly, service	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
Sales, service	Singapore, South East Asia	G. W. Seng	Interroll (Asia) Pte. Ltd., Singapore (SG)
Sales, assembly, service	Australia	P. Cieri	Interroll Australia Pty. Ltd., Melbourne (AU)

## 5 BOARD OF DIRECTORS

### Members of the Board of Directors



*From left to right*

---

*Back row: Stefano Mercorio, Ingo Specht,  
Prof. Dr Horst Wildemann, Philippe Dubois*

*Front row: Urs Tanner, Paolo Bottini*

#### **Election principles and terms of office**

The Board of Directors is composed of at least six members. These members are elected individually at the General Meeting of Shareholders for a one-year term. The shareholders Dieter Specht and Bruna Ghisalberty or their direct first-generation descendants are entitled to nominate two representatives (one representative per family) in total, as long as they hold at least 10% each of the share capital.

## PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE BOARD OF DIRECTORS

### URS TANNER

(born 1951, Swiss)

Executive MBA University St. Gallen, AMP Harvard, served as CEO of Medela Group, Managing Director of the Tools & Plastics business segment of Mikron Group and held leading positions with Styner & Bienz AG (Adval Tech). Currently he is a co-owner of Halcyon Associates Inc. in the USA as well as a member of the Board of Directors of Belimed AG and Neutrik AG. Mr. Tanner, a member since 2008, was appointed Vice Chairman in 2009, has served as Chairman of the Board of Directors with Interroll Holding AG since 13 May 2016 and member of the Compensation Committee.

### PAOLO BOTTINI

(born 1965, Swiss)

lic. iur., lawyer and tax specialist (Eidg. Dipl.) held various positions within the law firm Bär & Karrer and is currently a managing partner of the firm in Lugano. Mr. Bottini has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### PHILIPPE DUBOIS

(born 1950, Swiss)

lic. iur. and lic. oec., was responsible for the IPO of Interroll Holding AG while working for UBS Warburg. He also held senior investment banking positions at the bank Julius Bär. Currently he is an independent management and financial consultant for M&A, corporate finance and management coaching. Mr. Dubois has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### STEFANO MERCORIO

(born 1963, Italian)

holds a degree in economics. He is currently working as a legal auditor and is the founder and senior partner of Studio Castellini Mercorio & Partners. Since 1987 he has been Dottore Commercialista iscritto all "Albo dei Dottori Commercialisti e degli Esperti contabili di Bergamo". Mr. Mercorio has been a member of the Board of Directors of Interroll Holding AG since 2013.

### INGO SPECHT

(born 1964, German)

holds a professional qualification as an industrial business manager from the Chamber of Commerce and Industry Cologne, Germany. He was owner and Managing Director of Luxis, Locarno, and has held various senior positions in IT, marketing and business development within the Interroll Group. Currently, he is serving as Managing Director of Interroll SA. Mr. Specht has been a member of the Board of Directors since 2006.

### PROFESSOR DR HORST WILDEMANN

(born 1942, German)

Dipl.-Ing. in mechanical engineering and Dipl.-Kfm. in business administration, Prof. Dr. Dr. h.c. mult., serves as Managing Director of TCW Transfer-Centrum for Production Logistics and Technology Management GmbH & Co. KG, head of the research institute for management, production and logistics at the Technical University of Munich and an honorary professor at the universities of Klagenfurt, Passau and Cottbus. He is currently Chairman of the Advisory Boards of Möhlenhoff GmbH and Rudolf GmbH as well as a member of the Advisory Board of Hamberger Industrierwerke AG. He is also a member of the Boards of Directors of Sick AG and Zeppelin GmbH. Prof. Dr. Wildemann has been a member of the Board of Directors with Interroll Holding AG and a member of the Compensation Committee since 1999. Furthermore, he has served as the Vice Chairman of the Board of Directors with Interroll Holding since 13 May 2016.

## 6 INTERNAL ORGANISATION

### Constitution and committees of the Board of Directors

The Board of Directors consists of the Chairman, the Deputy Chairman and the other members. The Board of Directors is assisted by two permanent committees within the areas of auditing (Audit Committee) and remuneration policy (Compensation Committee).

### Audit Committee

The Audit Committee receives the audit reports prepared by the local external auditors and by the Group auditor. It prepares the respective report on them to the Board of Directors. In particular, it ensures that the Group companies are also being audited on a regular basis. The Audit Committee mandates the internal audit department to execute internal audits and revises respective audit reports.

At least once a year, the Audit Committee also commissions a report on audits undertaken and planned as well as on any proposals to improve the audit function. The Audit Committee submits its proposals to the Board of Directors for decision.

### Compensation Committee

The Compensation Committee submits its proposals for the salary and bonus of the CEO, the members of Group Management, and the compensation of the Board of Directors to the Board of Directors for decision. At the request of the CEO at the beginning of the year, it defines the targets required for bonus payments. In addition, the Compensation Committee is responsible for establishing the terms of the share ownership scheme. The remuneration scheme is described in the remuneration report.

### Mode of collaboration of the Board of Directors and its committees

The Board of Directors meets as often as business requires, but at least four times per year.

The meetings are convened by the Chairman of the Board of Directors. Each member of the Board of Directors may demand that a meeting be convened, specifying the item on the agenda to be discussed. The CEO participates in the meetings of the Board of Directors. The executive vice presidents of the respective functional units and the vice presidents of the corporate functions as well as other members of management are invited to attend meetings when necessary.

The Board of Directors is deemed quorate if an absolute majority of its members is present in person. Resolutions are adopted on the basis of an absolute majority of votes present. In the event of an equal division of votes, the Chairman casts the deciding vote. All

resolutions are recorded in the minutes. The meetings usually take a full day.

Both committees of the board meet as necessary. Any member is entitled to convene committee meetings. In the business year 2016, the Board of Directors met on five occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings.

## 7 AUTHORITY REGULATIONS

### Statutory base for the authority regulations

All basic authorities and tasks of the organs are lined out in the Articles of Association of Interroll Holding Ltd. Responsibilities and duties that cannot be transferred to third parties are defined in these articles.

### Responsibility of the Board of Directors

The Board of Directors is responsible for the Group's strategy and governs the overall management, supervision and control over the operational management of the Interroll Group. The Board of Directors has exercised its statutory authority to delegate management to third parties who need not be shareholders (Group Management).

### Management and organisational regulations

In the provisions of the organisational regulations, the Board of Directors has delegated the management of ongoing business to a Chief Executive Officer (CEO). The CEO is responsible for the overall management of the Interroll Group and for all matters not falling under the purview of another governing body, as specified by law, the Articles of Association or the organisational regulations. In particular, the CEO is responsible for the operational management of the company as a whole. Competencies and controls are specified within a set of organisational regulations.

## 8 INFORMATION AND CONTROL INSTRUMENTS

### Reporting to the Board of Directors

At each meeting, the CEO informs the Board of Directors of the course of business, the principal events within the Group and the discharge of duties delegated to Group Management.

### Management information system

The Management Information System (MIS) of the Interroll Group consolidates the balance sheet, income statement and cash flow statement, as well as financial data pertaining to the subsidiary companies, on a monthly basis and compares the current figures with



those of the previous year and the budget. On the basis of the quarterly financial statements, the budget is assessed in the form of a forecast as to whether it is attainable with regard to each entity and also for the consolidated group. The financial reports are discussed during the meetings of the Board of Directors.

#### **Internal audit and control instruments**

On behalf of the Audit Committee, internal audits are performed annually at selected subsidiary companies. The focal points of the audit are defined according to the risk profile of the respective entity. The reports of the Audit Committee are discussed with the local management.

Extraordinary occurrences and decisions of material importance, as specified in the organisational regulations, are immediately brought to the attention of all members of the Board of Directors in writing.

## **9 GROUP MANAGEMENT**

The Group Management of the Interroll Group had the following members as of the end of 2016:

<b>NAME/ YEAR OF BIRTH</b>	<b>NATIONALITY</b>	<b>FUNCTION</b>	<b>MEMBER SINCE</b>
Paul Zumbühl (1957)	Swiss	Chief Executive Officer (CEO)	January 2000
Daniel Bättig (1964)	Swiss	Chief Financial Officer (CFO)	March 2013
Dr Ralf Garlichs (1962)	German	Executive Vice President Products & Technology	July 2006
Dr Chr. Reinkemeier (1966)	German	Executive Vice President Global Sales & Service	January 2011
Jens Karolyi (1970)	German	Sen. Vice President Corporate Marketing & Culture	January 2011
Tim McGill (1955)	English	Executive Vice President Operations Americas	January 2011
Dr Ben Xia (1966)	Chinese	Executive Vice President Operations Asia	June 2013

## **10 SHAREHOLDERS' PARTICIPATION RIGHTS**

#### **Representation and restriction of voting rights**

Rights governing shareholder participation are in accordance with the requirements specified within the Swiss Code of Obligations. Each share issued has one vote. A shareholder's voting rights are restricted to a maximum of 5% of the total number of votes. Individual nominees, however, are entitled to exercise more than 5% of the total votes if they disclose the identity of the beneficiaries they represent and if the respective beneficiaries as a whole do not exercise more than 5% of the voting rights. This restriction of voting rights does not apply to the founding families, insofar as the individual families hold at least 10% of the share capital.

Registered shares of nominees that exceed 2% of the shares outstanding are only listed in the share register as shares furnished with voting rights if

the nominee has provided written consent to the possible disclosure of names, addresses and shareholdings of those persons for whom the said nominee holds 0.5% or more of the shares outstanding.

#### **Statutory quorum**

Subject to contrary statutory or legal provisions, the General Meeting of Shareholders is quorate irrespective of the number of shareholders present and the shares represented by proxy.

#### **Convocation of the General Meeting of Shareholders**

The invitation to the General Meeting of Shareholders is issued at least twenty days prior to the Meeting and is legally effective upon inclusion in the Company's chosen vehicle of communication ("Schweizerisches Handelsamtsblatt"). In addition, the Board of Directors sends a written invitation to those registered shareholders listed in the share register.

**Agenda and registration in the share register**

The invitation to the General Meeting of Shareholders shall include all items on the agenda as well as all motions put forward by the Board of Directors and, if applicable, by the shareholders who have called for a General Meeting or the inclusion of an item on the agenda. No resolutions shall be passed on motions relating to items which have not been announced in the requisite manner, with the exception of those motions relating to the convocation of an Extraordinary Meeting of Shareholders or the execution of a special audit. No entries are made into the share register less than ten days prior to a General Meeting of Shareholders up to the day subsequent to the General Meeting of Shareholders.

**11 CHANGE IN CONTROL AND DEFENCE MEASURES****Obligation to make an offer**

There are no statutory regulations regarding opting up and opting out.

**Change in control clauses**

There are no agreements for severance pay, other agreements and plans in the event of a change in control or upon termination of a contract of employment.

**12 AUDITOR****Duration of the mandate and term of office of the lead auditor**

By decision of the General Assembly of 13 May 2016, Interroll Holding Ltd. has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC has been the Group Auditor of the Interroll Group since 2011. Mr. Patrick Balkanyi has been the lead auditor with audit responsibility since 2012.

**Audit fees**

The audit fees charged by PwC to subsidiaries of Interroll Group in the business year 2016 amounted to CHF 0.4 million. The audit fees charged by PwC in 2015 amounted to CHF 0.4 million.

**Supervisory and control instruments pertaining to the audit**

The Audit Committee is responsible for evaluating the external audit. The external auditors prepare an audit report to be submitted to the Board of Directors. At least two consultations are held each year between the external auditors and the Audit Committee. Material findings for each entity (Management Letters) as well as for the consolidated accounts are presented in the "Comprehensive Auditor's Report to the Board of Directors", which is discussed in detail.

**13 INFORMATION POLICY****Contact person**

Interroll is committed to providing swift, transparent and synchronous information to all stakeholders. To ensure that, the Group CEO and the Group CFO are available as direct contact persons.

**Published reports on the course of business**

Interroll Group publishes comprehensive financial results twice a year: for the first half and for the financial year as a whole. In addition to the financial results that are carried out in accordance with IAS/IFRS, shareholders and financial markets are regularly informed of significant changes and developments.

**Source of information**

Further relevant information and financial reports are available on [www.interroll.com/investor-relations](http://www.interroll.com/investor-relations), where reports can be downloaded. Shareholders recorded in the share register may request to receive the Annual Report in printed form and register for automatic delivery of the Annual Report with the Investor Relations department.

# REMUNERATION REPORT

<b>BASIC REMUNERATION PRINCIPLES</b>	<b>54</b>
<b>REMUNERATION OF THE BOARD OF DIRECTORS</b>	<b>54</b>
<b>REMUNERATION OF GROUP MANAGEMENT</b>	<b>56</b>
<b>REPORT OF THE STATUTORY AUDITOR</b>	<b>61</b>

The remuneration report provides information about the principles of Interroll's remuneration policy, the management process and the remuneration of the Board of Directors and Group Management. It complies with the requirements of Sections 14 to 16 of the Swiss Ordinance Against Excessive Compensation in Stock Exchange Listed Companies dated 20 November 2013 (VegüV), the guidelines on corporate governance information of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014.

## BASIC REMUNERATION PRINCIPLES

A fair, systematic and transparent remuneration system is aimed at contributing to the long-term development of the Interroll Group and to securing its business success. The Interroll Group's remuneration system is in line with its corporate strategy and based on appropriately rewarding short-term and long-term targets which have been achieved. It is aimed at putting Interroll in a position to attract, develop and retain the best people in its particular field and sector.

The Interroll Group's remuneration policy features the following aspects:

- The Board of Director's compensation exclusively comprises fixed remuneration. In this way, Interroll ensures the corporate body's independence in its supervision of Group Management.
- The ratio of fixed to variable remuneration for members of Group Management is appropriate and the level of the respective elements does not fluctuate excessively in order to prevent excessive variable remuneration components from negatively influencing individuals' willingness to take risks or resulting in a short-term approach.
- Remuneration must be commensurate with the responsibility, quality of the work and individual workload of the relevant role.
- In addition, remuneration is to ensure appropriate and competitive compensation based on the value contribution, the role and individual performance.
- As a component of the remuneration for members of Group Management, share plans are aimed at rewarding the achievement of long-term Group targets in the interests of shareholders and promoting long-term corporate performance.

The Board of Directors is responsible for the principles of the Group's remuneration policy and management process and is supported by the Compensation Committee in the fulfilment of this responsibility. The Board of Directors decides on the total remuneration

for the Board of Directors as well as Group Management and presents a proposal to the Annual General Meeting for approval.

On behalf of the Board of Directors, the Compensation Committee prepares all proposals and the basis for remuneration decisions to be taken. Its key duties are as follows:

- Propose and regularly review the Interroll Group's remuneration policy
- Propose and develop remuneration regulations for the Board of Directors and Group Management
- Propose and specify the remuneration principles for the following financial year
- Propose the remuneration for members of the Board of Directors
- Propose the remuneration for the CEO and, at the CEO's request, the remuneration of the other members of Group Management
- Propose employment terms and conditions, material amendments to existing contracts of employment with members of Group Management as well as other strategic HR decisions

At the Annual General Meeting of Interroll Holding AG on 12 May 2017, the Board of Directors will propose the total remuneration of the Board of Directors for the period up to the 2018 Annual General Meeting and the total remuneration for Group Management for financial year 2017 for approval. The voting rules authorising the remuneration of Board of Directors and Group Management are included in the Articles of Association of the Company.

## REMUNERATION OF THE BOARD OF DIRECTORS

### Principles and and the determination of remuneration

Remuneration paid to members of the Board of Directors is fixed, commensurate with their responsibilities and paid in cash. No variable components are included. In this way, Interroll ensures the independence of the Board of Directors in its supervision of Group Management. The remuneration depends on the workload and responsibilities of the Board of Directors. It takes into account market conditions and is based on the comparative values from other listed Swiss medium-sized industrial companies with international activities.

All remuneration paid to members of the Board of Directors of Interroll Holding AG by Interroll Holding AG and the subsidiaries over which it has direct or indirect control is decisive in determining annual

remuneration. Every year, the Board of Directors determines the fixed remuneration of the members of the Board of Directors of Interroll Holding AG for the period of time up to the next Annual General Meeting of Interroll Holding AG on the basis of the remuneration regulations of 15 March 2014 and at the Compensation Committee's request, subject to approval by the Annual General Meeting. Extraordinary efforts that go beyond the normal duties of the Board of Directors may be additionally compensated. All social security contributions are made by the employer.

Fixed-term contracts of employment and mandate agreements for members of the Board of Directors may be for a fixed contractual term of up to one year.

### Total remuneration for the 2016 term (audited)

Compensation paid to members of the Board of Directors is disclosed in accordance with VegüV and OR 663c as follows:

in thousands CHF		Cash	Shares / options	Social security*	Other benefits	Total com- pensation	Shares held as of 31.12.	Voting rights in %
<b>Urs Tanner</b>								
2016	P, CC **	150		17		<b>167</b>		0.00
2015	VP	75		12		<b>87</b>		0.00
<b>Paolo Bottini</b>								
2016	AC	60		10		<b>70</b>	20	0.00
2015	AC	57		9		<b>66</b>	20	0.00
<b>Philippe Dubois</b>								
2016	AC	60		6		<b>66</b>	100	0.01
2015	AC	57		9		<b>66</b>	100	0.01
<b>Horst Wildemann</b>								
2016	VP**, CC	75		7		<b>82</b>	820	0.10
2015	CC	57		5		<b>62</b>		0.00
<b>Stefano Mercorio</b>								
2016		60		12		<b>72</b>		0.00
2015		57		12		<b>69</b>		0.00
<b>Ingo Specht</b>								
2016		60		10		<b>70</b>	76,135	9.55
2015		57		9		<b>66</b>	82,340	10.35
<b>Total Board of Directors</b>								
<b>2016</b>		<b>465</b>		<b>62</b>		<b>527</b>	<b>77,075</b>	<b>9.67</b>
<b>2015</b>		<b>510</b>		<b>74</b>		<b>584</b>	<b>82,860</b>	<b>10.42</b>

P: Chairman of the BoD; AC: Audit Committee; VP: Vice Chairman of the BoD; CC: Compensation Committee

\* Social security costs consist of employer and employee contributions to the state-run Swiss social security system.

\*\* In this new function since 13 May 2016.

The Board of Directors holds no stock options with respect to Interroll Holding AG shares.

### **Valuation of total remuneration for the 2016 term**

The remuneration of the Board of Directors of approximately CHF 527,000 from GM 2016 to GM 2017 contains no significant special effects and is at the same level as in the previous year, within the CHF 700,000 approved at the Annual General Meeting 2016.

### **Outlook for the total remuneration for the 2017 term**

For the first time in 11 years, the Board of Directors is proposing a general increase in management fees of a total of max. CHF 160,000 p.a. and is proposing a maximum remuneration of CHF 800,000 at the Annual General Meeting 2017 for the term until the next Annual General Meeting 2018 (previous year: CHF 700,000).

### **Other remuneration (audited) and additional information**

No further payments in cash or in kind are made and no other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of the Board of Directors.

Severance pay for members of the Board of Directors is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

### **Loans and credits (audited)**

Interroll Holding AG and its subsidiaries granted no loans, advances or credits to members of the Board of Directors in the two reporting years.

## **REMUNERATION OF GROUP MANAGEMENT**

### **Principles and specification of total remuneration**

An individual remuneration agreement exists for each Group Management member whereby the projected total remuneration is based on the criteria specified below for determining the remuneration and market conditions in the relevant country. The projected total remuneration comprises a fixed and a variable remuneration component and may be exceeded as a result of excellent performance. The Group Management's actions must always focus on achieving a long-term sustained increase in value rather than pursuing short-term profit maximisation. The composition of total remuneration for the members of Group Management in general and the CEO in particular is based on this aim.

Total remuneration is determined on the basis of key criteria, such as global responsibility in the relevant role, individual actual performance contributing to the Group's long-term strategic development, the complexity of the area of responsibility and the personal results achieved on behalf of the Group.

External consultants may additionally be involved in determining the structure and level of remuneration on a case-by-case basis. As part of the Group's reorganisation and the appointment of a new Group Management in 2011–2013, market comparisons were made with the help of the relevant recruitment consultants and used in determining the level of remuneration when recruiting staff in Europe, America and Asia. Furthermore, comparisons were made on the basis of a detailed up-to-date Kienbaum salary study and a Towers Watson salary survey. These comparisons were repeated based on both studies in 2016.

In determining the annual total remuneration, all remuneration paid to members of Group Management by Interroll Holding AG and the subsidiaries over which it has direct control is taken into account, irrespective of whether such compensation relates to the global or local activities of the respective member of Group management and whether these are carried out for one or more subsidiaries in Switzerland or abroad (based on a separate contract of employment).

On the basis of the remuneration regulations dated 15 March 2014 and at the Compensation Committee's request, the Board of Directors specifies the total remuneration of Group Management every year, subject to approval from the Annual General Meeting. The Compensation Committee works out the CEO's total remuneration. The CEO works out the total remuneration of the other members of Group Management and submits his proposal to the Compensation Committee every year for approval by the Board of Directors. At the Annual General Meeting of Interroll Holding AG on 12 May 2017, the Board of Directors will present for approval a proposal regarding the total remuneration of Group Management for financial year 2017.

### **Fixed remuneration**

The fixed remuneration component of total remuneration is contractually stipulated and generally remains unchanged for three to five years if the job does not change. Adjustments may be made on the basis of the assessment of individual performance and in the event of changes to the area of responsibility.

### Variable remuneration

The maximum possible share of variable remuneration amounts to 60 % of total remuneration for the CEO, 50 % for members of Group Management in an operational management role and 30 % for members with centralised roles within the holding company. In the reporting year, the variable share in relation to total remuneration of Group Management amounted to approx. 37 %.

The calculation basis for variable remuneration includes the measurable sustained financial success (of the company or a part thereof) and annual individual targets, which must be measurable and of considerable strategic significance.

The company's financial success used to calculate the financial success component of variable remuneration is measured in terms of key figures compared with the previous year and a rolling 3-year plan. The key financial figures are: operating profit (EBITDA), operating profit margin (EBITDA in % of sales), gross margin (in % of sales), sales growth (growth compared with forecast and/or previous year) and return on net assets (RONA).

Specific key figures may be weighted differently or disregarded, depending on the company's strategic position or the role of each member of Group Management.

As a rule, the weighting of the financial success component in variable remuneration amounts to 100 % for the CEO, at least 66 % for members of Group Management in an operational management role and at least 33 % for members of Group Management with a centralised role within the holding company.

For the "individual targets" component, between 3 and a maximum of 5 individual measurable targets are agreed every year, with either the same or a different weighting. These targets must make an important contribution to the current or long-term success of the Group or parts thereof. They relate, for example, to new products, gaining market share, developing new markets, the successful integration of an acquired company, successful strategic projects, the achievement of inventory reduction targets, etc.

Basing variable remuneration on a multi-year plan (rather than the budget) motivates members of Group Management to think long-term. It means that the relative improvement is measured compared with the previous one-year period and the rolling 3-year plan, and short-term cost-cutting is prevented in the areas of market development and innovation, etc.

The Compensation Committee may deviate from the agreed variable remuneration in favour of a Group Management member if failure to achieve specific targets was solely attributable to external factors, or if an exceptional one-off performance was delivered.

### Overview: weighting of the variable part of total remuneration

Role in Group Management	Variable compensation for the total remuneration	Share component "financial success" in variable remuneration	Share component "individual targets" in variable remuneration
Group CEO	up to max. 60 %	100 % as a rule	0 % to approx. 33 % possible**
Executive VP*	up to max. 50 %	66 % or more	up to approx. 33 %
Corporate VP*	up to max. 30 %	33 % or more	up to approx. 66 %

\* Executive Vice President: operational management role; Corporate Vice President: centralised role within the holding company.

\*\* In extraordinary strategic situations; in reporting year 2016: 0 %.



### Long-term remuneration component: allotment of shares

Based on their commitment and influence, Group Management members are to participate long-term in the Group's increased value and also share the business risk as shareholders (and equity co-investors), as well as identify with Interroll's values.

As a result of this objective, a long-term share plan was agreed with the CEO in early 2005. As a long-term compensation component, the CEO receives a number of shares, which (since 2014) are dependent on the performance of the share price and the exceeding of certain minimum thresholds of earnings per share, operating profit margin and return on net assets (RONA). These shares are blocked for 6 to 8 years.

The share plan for the rest of Group Management was also introduced as a long-term remuneration component with the restructuring of the Group in 2011. These members of Group Management receive a number of shares as a long-term component of the variable remuneration (min. 20%). These shares are blocked for 4 years.

The conversion rate for variable remuneration applicable to the number of Interroll shares allotted is the relevant share price on 31 December of the financial year ended less the deduction permitted for tax purposes, depending on the length of the blocking period.

### Total remuneration for 2016 (audited)

Compensation paid to members of Group Management is disclosed in accordance with the requirements of Sections 14 to 16 of the Swiss Ordinance Against Excessive Compensation in Stock Exchange Listed Companies dated 20 November 2013 (VegüV), the guidelines on corporate governance information of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014, and is as follows:

in thousands CHF	Remuneration (net)		Equity-based compens.		Social security <sup>3)</sup>	Other benefits	Special compensation <sup>4)</sup>	Total compensation
	Fixed	Variable <sup>1)</sup>	Shares <sup>2)</sup>	Options				
<b>CEO (highest)</b>								
2016	656	881	497	0	560	44	627	<b>3,265</b>
2015	661	856	389	0	520	43		<b>2,469</b>
<b>Other members</b>								
2016	1,377	419	311	0	277	118		<b>2,502</b>
2015	1,347	407	341	0	258	118		<b>2,471</b>
<b>Total Group Management</b>								
<b>2016</b>	<b>2,033</b>	<b>1,301</b>	<b>807</b>	<b>0</b>	<b>838</b>	<b>161</b>	<b>627</b>	<b>5,767</b>
<b>2015</b>	<b>2,008</b>	<b>1,263</b>	<b>730</b>	<b>0</b>	<b>778</b>	<b>161</b>		<b>4,940</b>

<sup>1)</sup> The difference between provisions made in the previous year and the bonuses actually paid out is netted with the variable compensation planned for the year under review.

<sup>2)</sup> In the period under review 2,289 (previous year: 2,043) own shares were granted. 2,289 of these shares (previous year: 2,043) may not be sold for a period of four to eight years as of grant date. Share-based payments correspond to tax values.

<sup>3)</sup> Social security costs consist of employers' and employees' contributions to the state run Swiss social security system.

<sup>4)</sup> 700 Interroll shares, may not be sold for a period of five years as of the grant date (tax value). Explanation under "Valuation of total remuneration for financial year 2016" (page 59).

**Explanations regarding the calculation method**

The calculation method under IFRS differs in two aspects from the calculation of remuneration and shareholdings of members of the Board of Directors and Group Management in accordance with OR 663bis and OR 663c:

- Compensation for company cars under IFRS is based on the expenses including depreciation and lease instalments stated in the annual accounts. Under the OR, a rate of 0.8 % per month of the acquisition cost of the vehicles is used.
- Under IFRS, share-based remuneration is determined at market value on the allotment date. Under the OR, shares are valued at their taxable value, which is derived from the market value. As a result of the blocking period, the taxable value decreases compared with the market value according to the blocking period defined.
- The difference of CHF 0.641 million (previous year: CHF 0.390 million) related to company cars – CHF 0.058 million (previous year: CHF 0.070 million) – and share-based remuneration – CHF 0.583 million (previous year: CHF 0.320 million).

**Valuation of total remuneration for 2016**

At CHF 5.77 million, total remuneration paid to the Group Management was higher than in the previous year (CHF 4.94 million), but within the maximum total remuneration of CHF 5.80 million as approved by the Annual General Meeting in 2016. This is due to the high target achievement and a special compensation of CHF 0.63 million (in the form of 700 shares with a 5-year vesting period) to CEO Paul Zumbühl. This special compensation is intended to express our appreciation for exceptional achievements and merits during his 17 years of excellent management work for the Interroll Group.

Since his entry into office on 1 January 2000 (2½ years after the going public), the share price has risen tenfold. His leadership is characterised by a solid strategy, a high discipline, a continuous strengthening of the balance sheet and a global and successful market expansion.

To date, no compensation has ever been paid for additional or extraordinary achievements to Paul Zumbühl. Thus, this special indemnity has a onetime character. Excluding this special compensation, the regular total remuneration in the financial year 2016 was CHF 5.14 million (previous year: 4.94 million).

**Outlook for total remuneration in 2017**

The effective amount of the variable remuneration 2017 to the Group Executive Board is – as in recent years – based on the actual achievements. The fixed remuneration 2017 was adjusted after three to five years for four members of the Group Management. The maximum possible total remuneration for the financial year 2017 of CHF 5.90 million (previous year: CHF 5.80 million) submitted for approval at the Annual General Meeting on May 12, 2017 assumes a maximum achievement of the plan targets and contains a reserve for currency fluctuations. The effective remuneration is generally lower than the maximum authorized at the General Meeting. The regular and disbursed total remuneration 2016 of CHF 5.14 million (excluding the special compensation) is therefore the reference.

**Development of total remuneration in the last 10 years**

The table below shows total remuneration of Group Management over the last 10 years:

in CHF million	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Group Management	5.2	4.4	4.3	4.9	5.0	5.2	4.7	4.9	4.9	5.8*

\* incl. one time special compensation of CHF 0.6 million

Source: Annual Reports 2007–16, according to figures in the column “Total Compensation”, e.g. incl. all pension and other benefits.

Since 2007, the total remuneration (including pension and other employee benefits) has remained at a steady level with roughly the same number of members of Group Management. During these 10 years, Interroll has advanced to become the global market leader for key products in the internal logistics business and its market capitalisation was increased three-fold.

**Other remuneration (audited)  
and additional information**

The regulations on expenses and pensions are specified in the applicable local employment terms and conditions as well as the relevant statutory and prevailing market conditions of the countries concerned, in particular Germany, the USA, China and Switzerland.

In Switzerland, each Group Management member contributes a quarter to a third of the “savings element” to the pension fund. The rest is paid by the employer.

A company car and mobile phone are made available to the members of Group Management for business and private use. Alternatively, the corresponding amount is paid as a monthly flat rate. The maximum permitted limits in terms of the value of company cars are regulated in-house.

No further payments in cash, in kind or other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of Group Management.

Severance pay for members of Group Management is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

The notice periods for members of Group Management range from three to twelve months.

**Loans and credits (audited)**

Interroll Holding AG and its subsidiaries granted no loans, advances or credits to members of Group Management in the two reporting years.



## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING AG SANT'ANTONINO

We have audited the remuneration report of Interroll Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” on pages 55, 56, 58 and 60 of the remuneration report.

### 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 against Excessive Compensation in Stock Exchange Listed Companies (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 Interroll Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in cursive script, appearing to read 'P. Balkanyi'.

Patrick Balkanyi  
Audit expert  
Auditor in charge

A handwritten signature in cursive script, appearing to read 'N. Bertschinger'.

Nicole Bertschinger  
Audit expert

Zurich, 13 March 2017



# FINANCIAL REPORT OF INTERROLL GROUP

<b>1</b>	<b>CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL GROUP</b>	64
1.1	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	64
1.2	CONSOLIDATED INCOME STATEMENT	65
1.3	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	66
1.4	CONSOLIDATED STATEMENT OF CASH FLOWS	67
1.5	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	68
	<b>NOTES TO THE FINANCIAL STATEMENT OF INTERROLL GROUP</b>	69
<b>2</b>	<b>GENERAL INFORMATION ON THE FINANCIAL STATEMENTS</b>	69
<b>3</b>	<b>RISK MANAGEMENT</b>	78
<b>4</b>	<b>CHANGES IN THE SCOPE OF CONSOLIDATION</b>	81
<b>5</b>	<b>OPERATING SEGMENTS</b>	82
<b>6</b>	<b>NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	83
<b>7</b>	<b>NOTES TO THE CONSOLIDATED INCOME STATEMENT</b>	101
<b>8</b>	<b>OTHER DISCLOSURES ON THE FINANCIAL STATEMENTS</b>	106
<b>9</b>	<b>REPORT OF THE STATUTORY AUDITOR</b>	110



# 1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL GROUP

## 1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2016	in %	31.12.2015	in %
<b>ASSETS</b>					
Property, plant and equipment	6.1	95,859		90,374	
Intangible assets	6.3	38,629		43,160	
Financial assets		655		626	
Deferred tax assets	7.6	3,207		3,959	
<b>Total non-current assets</b>		<b>138,350</b>	<b>42.6</b>	<b>138,119</b>	<b>47.1</b>
Inventories	6.5	48,274		44,833	
Current tax assets		1,202		1,360	
Trade and other accounts receivable	6.6	98,725		76,989	
Cash and cash equivalents	6.7	38,264		31,654	
<b>Total current assets</b>		<b>186,465</b>	<b>57.4</b>	<b>154,836</b>	<b>52.9</b>
<b>Total assets</b>		<b>324,815</b>	<b>100.0</b>	<b>292,955</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		854		854	
Share premium		7,184		6,519	
Reserve for own shares		-1,914		-1,623	
Translation reserve		-55,083		-55,227	
Retained earnings		282,044		257,123	
Non-controlling interests					
<b>Total equity</b>	6.10	<b>233,085</b>	<b>71.8</b>	<b>207,646</b>	<b>70.9</b>
Non-current financial liabilities	6.12			8	
Deferred tax liabilities	7.6	3,050		4,505	
Pension liabilities	6.15	8,154		6,324	
Provisions	6.14	6,867		5,893	
<b>Total non-current liabilities</b>		<b>18,071</b>	<b>5.6</b>	<b>16,730</b>	<b>5.7</b>
Current financial liabilities	6.12	283		296	
Current tax liabilities	7.6	13,959		11,784	
Trade and other accounts payable	6.16	59,417		56,499	
<b>Total current liabilities</b>		<b>73,659</b>	<b>22.6</b>	<b>68,579</b>	<b>23.4</b>
<b>Total liabilities</b>		<b>91,730</b>	<b>28.2</b>	<b>85,309</b>	<b>29.1</b>
<b>Total liabilities and shareholder's equity</b>		<b>324,815</b>	<b>100.0</b>	<b>292,955</b>	<b>100.0</b>

\* See notes to the consolidated financial statements which form an integral part of this year's financial statement.

## 1.2 Consolidated income statement

in thousands CHF	see notes*	2016	in %	2015	in %
<b>Sales</b>	5	<b>401,460</b>	<b>100.0</b>	<b>360,738</b>	<b>100.0</b>
Material expenses		-162,848	-40.6	-149,900	-41.6
Personnel expenses	6.15 & 7.1	-114,106	-28.4	-105,099	-29.1
Increase/(decrease) in work in progress, finished products and own goods capitalised		2,197	0.5	4,194	1.2
Other operating expenses	7.3	-63,247	-15.8	-54,057	-15.0
Other operating income	7.4	2,228	0.6	2,358	0.7
<b>Operating result before depreciation and amortisation (EBITDA)</b>		<b>65,684</b>	<b>16.4</b>	<b>58,234</b>	<b>16.1</b>
Depreciation	6.1	-10,997	-2.7	-10,597	-2.9
Amortisation	6.3	-6,810	-1.7	-7,830	-2.2
<b>Operating result (EBIT)</b>		<b>47,877</b>	<b>11.9</b>	<b>39,807</b>	<b>11.0</b>
Finance expenses		-913	-0.2	-138	-0.0
Finance income		604	0.2	74	0.0
<b>Finance result, net</b>	7.5	<b>-309</b>	<b>-0.1</b>	<b>-64</b>	<b>-0.0</b>
<b>Result before income taxes</b>		<b>47,568</b>	<b>11.8</b>	<b>39,743</b>	<b>11.0</b>
Income tax expense	7.6	-11,353	-2.8	-10,440	-2.9
<b>Result</b>		<b>36,215</b>	<b>9.0</b>	<b>29,303</b>	<b>8.1</b>
<b>Result attributable to:</b>					
- non-controlling interests					
- owners of Interroll Holding AG		36,215	9.0	29,303	8.1
<b>Values per share (in CHF)</b>					
Non-diluted earnings (result) per share	6.11	42.57		34.51	
Diluted earnings (result) per share	6.11	42.57		34.51	
Face value reduction/dividend payment		12.00		9.00	

\* See notes to the consolidated financial statements which form an integral part of this year's financial statement.

## 1.3 Consolidated statement of comprehensive income

in thousands CHF	see notes*	2016	in %	2015	in %
<b>Result</b>		<b>36,215</b>		<b>29,303</b>	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurements of pension liabilities	6.15	-1,332		-840	
Income tax		270		174	
<b>Total items that will not be reclassified to income statement</b>		<b>-1,062</b>		<b>-666</b>	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		144		-14,123	
Income taxes					
<b>Total items that in the future may be reclassified subsequently to income statement</b>		<b>144</b>		<b>-14,123</b>	
<b>Other income</b>		<b>-918</b>		<b>-14,789</b>	
<b>Comprehensive income</b>		<b>35,297</b>		<b>14,514</b>	
<b>Result attributable to:</b>					
- non-controlling interests					
- owners of Interroll Holding AG		35,297	8.8	14,514	4.0

\* See notes to the consolidated financial statements which form an integral part of this year's financial statement.

## 1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2016	2015
<b>Result</b>		<b>36,215</b>	<b>29,303</b>
Depreciation, amortisation and impairments	6.1 & 6.3	17,807	18,427
Loss/(gain) on disposal of tangible and intangible assets	7.4	-28	-453
Financial result, net	7.5	309	64
Income tax expense	7.6	11,353	10,440
Changes in inventories		-3,503	-6,167
Changes in trade and other accounts receivable		-21,636	-12,077
Changes in trade and other accounts payable		3,646	8,175
Changes in provisions, net	6.14	2,822	-1,451
Income tax paid		-9,570	-7,807
Personnel expenses on share-based payments	7.1	1,238	972
Other non-cash expenses/(income)		-1,824	764
<b>Cash flow from operating activities</b>		<b>36,829</b>	<b>40,190</b>
Acquisition of property, plant and equipment	6.1	-13,094	-21,179
Acquisition of business segment	4	-4,778	
Acquisition of intangible assets	6.3	-1,635	-3,134
Acquisition of financial assets		-37	-46
Proceeds from disposal of property, plant and equipment	6.2	815	1,344
Settlement of loans receivable		6	14
Interests received		123	74
<b>Cash flow from investing activities</b>		<b>-18,600</b>	<b>-22,927</b>
Distribution out of reserves from capital contributions			-7,661
Dividends paid	4	-10,231	
Purchase of own shares		-2,075	-900
Sale of own shares		972	381
Proceeds from financial liabilities			13
Repayment of financial liabilities		-23	-156
Interest paid		-18	-32
<b>Cash flow from financing activities</b>		<b>-11,375</b>	<b>-8,355</b>
Translation adjustments on cash and cash equivalents		-244	-1,634
<b>Change in cash and cash equivalents</b>		<b>6,610</b>	<b>7,274</b>
Cash and cash equivalents at 1 January		31,654	24,380
<b>Cash and cash equivalents at 31 December</b>	6.7	<b>38,264</b>	<b>31,654</b>

\* See notes to the consolidated financial statements which form an integral part of this year's financial statement.

**1.5 Consolidated statement of changes in equity**

in thousands CHF	see notes*	Share capital	Share premium	Reserve for own shares	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>		<b>8,540</b>	<b>6,416</b>	<b>-2,008</b>	<b>-41,104</b>	<b>228,486</b>		<b>200,330</b>
<b>Result</b>						<b>29,303</b>		<b>29,303</b>
<b>Other comprehensive income, net of taxes</b>					<b>-14,123</b>	<b>-666</b>		<b>-14,789</b>
<b>Total comprehensive income</b>					<b>-14,123</b>	<b>28,637</b>		<b>14,514</b>
Face value reduction, net		-7,686		25				-7,661
Share-based payments	7.1		-15	987				972
Sale of own shares								
incl. tax effects	6.10		118	273				391
Purchase of own shares								
incl. tax effects	6.10			-900				-900
<b>Balance at 31 December 2015</b>		<b>854</b>	<b>6,519</b>	<b>-1,623</b>	<b>-55,227</b>	<b>257,123</b>		<b>207,646</b>
<b>Result</b>						<b>36,215</b>		<b>36,215</b>
<b>Other comprehensive income, net of taxes</b>					<b>144</b>	<b>-1,062</b>		<b>-918</b>
<b>Total comprehensive income</b>					<b>144</b>	<b>35,153</b>		<b>35,297</b>
Dividend payment, net						-10,231		-10,231
Share-based payments	7.1		370	868				1,238
Sale of own shares								
incl. tax effects	6.10		295	915				1,210
Purchase of own shares								
incl. tax effects	6.10			-2,075				-2,075
<b>Balance at 31 December 2016</b>		<b>854</b>	<b>7,184</b>	<b>-1,915</b>	<b>-55,083</b>	<b>282,045</b>		<b>233,085</b>

\* See notes to the consolidated financial statements which form an integral part of this year's financial statement.

## 2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

### 2.1 Convention of preparation

#### General notes on the convention of preparation

The 2016 consolidated financial statements of the Interroll Group are based on the annual financial statements of Interroll Holding Ltd., Sant'Antonino, and its subsidiaries as of 31 December 2016, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

The consolidated financial statements are based on historical cost except for marketable securities, investments not involving significant influence and derivative financial instruments, which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and recognised that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgments, estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the given circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next years are disclosed under "2.2 – Critical accounting estimates and judgments."

#### New and amended standards (IAS/IFRS) and interpretations that have become effective in 2016

The Group prepares its annual report in accordance with IAS/IFRS. To this end, the Group regularly assesses the impact of adjustments and renewals communicated by the International Accounting Standards Board (IASB).

As of 1 January 2016, the Interroll Group amended the standards and interpretations of IFRS 10, IAS 28 (Consolidated Financial Statements and Investments in Associates and Joint Ventures), IFRS 11 (Joint Arrangements) and IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation). The application of these new and amended standards and interpretations has not had any material effects on the Interroll Group's Consolidated Financial Statements.

#### Future changes and amendments to IAS/IFRS standards and interpretations

The IASB has adopted new and revised standards and interpretations which will only be applied from 1 January 2017 or later and have not been prematurely applied in these Consolidated Financial Statements. The effects of the adoption/amendment of IFRS 9 (Financial Instruments), IFRS 16 (Leases) and IFRS 15 (Revenue from Contracts with Customers) cannot yet be determined with sufficient certainty.

Therefore, Group Management analyses potential effects of other new or amended standards and interpretations on the consolidated financial statement. Interroll Group closely follows discussions on IAS/IFRS standards and checks potential effects on group financial statement or disclosure requirements. At the time being, the Group expects only minor impacts in the presentation of the financial statements and no material impact on the annual financial statements except regarding IFRS 15, revenue from contracts with customers.

The new standard on the recognition of revenue (IFRS 15) applies to all contracts with customers except those that are financial instruments, leases or insurance contracts. IFRS 15 is based on a five step approach: 1) Identify the contract with the customer, 2) Identify the separate performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to separate performance obligations, 5) Recognise revenue when a performance obligation is satisfied. To what extent IFRS 15 will require Interroll to redefine the revenue recognition, to adjust the invoicing and accounting systems and to renegotiate contracts with the clients and the overall impact on the consolidated financial statements of Interroll is being assessed at the moment.



## 2.2 Critical accounting estimates and judgments

When preparing the consolidated financial statements, Group Management and the Board of Directors must make estimates and assumptions concerning the future. The resulting accounting estimates have an impact on the Group's assets, liabilities, income and expenses. Also, these estimates have an impact on the presentation of financial statements. Estimates made are assessed continuously and are based principally on historical experiences and other factors. The resulting accounting estimates can, by definition, deviate from the actual outcome.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial years are discussed below:

### *a) Income tax expense*

The Holding company and its subsidiaries are subject to income taxes in various countries. Significant judgment is required in determining the required worldwide provision for current and deferred income taxes and the realisation of tax losses carried forward. There are many transactions and calculations made for which the final tax determination is uncertain in the year under review. In case final tax assessments or tax audits of such matters are different from the amounts that were initially recorded, such differences may materially impact income tax expenses of the current period. The assessment of deferred tax assets is done with reference to business plans. Capitalised effects of losses carried forward are subject to annual review. Losses carried forward are only capitalised if they are usable under valid fiscal law in respective countries. The relevant figures are outlined in note 7.6.

### *b) Recoverable amount of goodwill, patents and licenses*

The assessment of the recoverable amount of goodwill and other intangible assets is, by definition, subject to uncertainties regarding expected future cash flows. It requires making adequate assumptions and calculating parameters. We refer to comments made under note 6.3 that also includes the relevant carrying amounts.

### *c) Provisions*

Liabilities from warranty are a result of the operational business of the Group. These provisions are accrued at balance sheet date based on historical experience. The actual cash flow can be lower or higher, or specific requests can be covered by insurance. The assessment of provisions and pension liabilities is, by definition, subject to uncertainties regarding future cash flows. It requires making assumptions and determining parameters, whose adequacy will only become clear in the future. We refer to comments made under notes 6.14 and 6.15, which also include the relevant carrying amounts.

## 2.3 Principles of consolidation and valuation

### **General notes on the principles of consolidation**

The consolidated financial statements of Interroll Holding Ltd. include the parent company's financial statements and the financial statements of all directly or indirectly held Swiss and foreign subsidiaries where the parent company holds more than 50 % of the voting rights or effectively exercises control through other means.

The full consolidation method is applied, whereby the assets, liabilities, income and expenses are fully incorporated. The proportion of the net assets and net income attributable to minority shareholders is presented separately as non-controlling interests in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income. Accounts payable to, accounts receivable from, income and expenses between the companies included in the scope of consolidation are eliminated. Intercompany profits included in inventories of goods produced are also eliminated.

Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is obtained, while subsidiaries sold are excluded from the consolidated financial statements from the date on which control is given up. The capital consolidation at acquisition date is carried out using the purchase method. The acquisition price for such a business combination is defined by the sum of assets and liabilities acquired or incurred, measured at fair value, and of the sum of equity instruments issued. Transaction costs related to a business combination are expensed. The goodwill resulting from such a business combination is to be recognised as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of non-controlled interests of the entity acquired, the fair value of equity instruments already held, liabilities and contingent liabilities at fair value. For the valuation of non-controlled interests there are options per transaction. Either the non-controlled interests are valued at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlled interests. Any negative goodwill is immediately recognised in the income statement after review of the fair value of the net assets acquired and set

off against the purchase price. The goodwill is subject to a yearly impairment test or even earlier, if indications for an early impairment test exist.

Changes in the amount of the holding which do not result in a loss of control are considered to be transactions with equity holders. Any difference between the acquisition price paid or the consideration received and the amount by which the non-controlled interests' value is adjusted, is recognised in the equity.

Investments in associates are investments where the parent company is either (directly or indirectly) entitled to 20%–50% of the voting rights or has considerable influence through other means. Investments in associates are accounted for by applying the equity method. Under this method, the investment is initially recorded at the purchase price and subsequently increased or decreased by the share of the associate's profits or losses incurred after the acquisition, adjusted for any impairment losses. The Group's share of results of associates is recognised in the income statement and in the statement of comprehensive income under share of profit and loss of associates. Goodwill included in the purchase price, representing any excess of consideration over the Group's share in net assets of the associate, is recognised as part of the investment's carrying amount. Dividends received during the year reduce the carrying amount of such investments.

Investments of which the Group does not hold a significant position of voting rights or of which the Group holds less than 20% are not consolidated but stated at their estimated fair value. Such investments are presented under financial assets at their estimated fair value. Any fair value adjustments are recognised in retained earnings. Fair value adjustments are recycled through the income statement at the date of disposal.

#### Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF). All assets and liabilities of the consolidated foreign subsidiaries are translated using the exchange rates prevailing at the closing date. Income, expenses and cash flows are translated at the average exchange rates for the year under review. The foreign currency translation differences resulting from applying different translation rates to the statement of financial position, the income statement and the statement of comprehensive income are added to or deducted from the line translation reserve of the equity. The same principle is applied for those resulting from the translation of the subsidiaries' opening net asset values at year-end rates and those arising from long term intercompany loans (net investment approach).

Transactions in consolidated entities where the transaction currency is different from the functional currency of the entity are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising on settlement of these transactions are included in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at year-end (closing date). Any gains or losses resulting from this translation are also recognised in the income statement.

The following exchange rates were the most important rates used for the translation of financial statements denominated in foreign currencies:

	Income statement (average rates)			Balance sheet (year-end rates)		
	2016	2015	Change in %	31.12.2016	31.12.2015	Change in %
EUR	1.091	1.065	2.5	1.074	1.083	-0.9
USD	0.989	0.964	2.6	1.019	0.995	2.4
CAD	0.748	0.748	0.0	0.757	0.717	5.6
GBP	1.330	1.470	-9.5	1.254	1.476	-15.0
SGD	0.716	0.700	2.3	0.705	0.703	0.3
CNY	0.149	0.153	-3.1	0.147	0.153	-4.4
JPY	0.009	0.008	13.8	0.009	0.008	4.8

**Current / non-current distinction**

Current assets are assets expected to be realised within one year or consumed in the normal course of the Group's operating cycle, or assets held for trading purposes. All other assets are classified as non-current assets.

Current liabilities are liabilities expected to be settled by use of cash generated in the normal course of the Group's operating cycle or liabilities due within one year from the reporting date. These also include short-term borrowings made as part of credit limits granted for an indefinite period, but subject to a termination period of less than one year from the reporting date. All other liabilities are classified as non-current liabilities.

**Segment reporting**

The Interroll Group has consisted of one single business unit since 1 January 2011.. The complete product range is sold in all markets through the respective local sales organisations. The customer groups that are OEMs (original equipment manufacturers), system integrators and end users are provided with tailor-made product offerings and differentiated consulting levels. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Centre, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

Group Management and the Interroll management structure are organised by function (Overall Management, Products & Technology, Global Sales & Service, Corporate Marketing and Corporate Finance). The Board of Directors bases its financial management of the Group on both the turnover generated in the product groups and geographical markets as well as on consolidated financial reports. Group Management additionally assesses the achievement of financial and qualitative targets of all legal entities.

Based on the current management structure, financial reporting to the chief operating decision makers is carried out in one reportable segment which is equal to the consolidated statements of the Group.

**Statement of cash flows**

The statement of cash flows presents, net of any foreign exchange rate effects, changes in cash flows during the year classified by operating, investing and financing activities, thereby providing information about the changes in cash and cash equivalents during the reporting period. Cash equivalents are held for the purpose of meeting the Group's short-term cash commitments rather than for investment or any other purposes. The effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies is disclosed separately.

Net cash from operating activities is determined using the indirect method, whereby the net result for the year is adjusted for:

- a) effects of transactions of a non-cash nature;
- b) deferrals or accruals of past or future operating cash receipts or payments;
- c) items of income or expense associated with investing or financing cash flows.

**Impairments**

The carrying value of long term non-financial assets, except assets from retirement benefits and assets from deferred taxes, are assessed at least once a year. If indications for an impairment exist, a calculation of the recoverable amount is performed (impairment test). For goodwill, other intangible assets with an indefinite useful lifetime and intangible assets which are not yet available for use, the recoverable amount is calculated regardless of the existence of indications of a decrease in value. If the carrying value of such an asset or the cash generating unit to which such an asset belongs is to exceed the recoverable amount, an adjustment is recognised through the income statement. Impairments on a cash generating unit or a group of cash generating units are first adopted on the goodwill and are thereafter proportionally split onto the other assets of the unit (or the Group).

The recoverable amount is the higher value of fair value less selling costs and value in use. The estimated future discounted cash flows are evaluated to determine the value in use. The discounting rate applied corresponds to a pre-tax rate which reflects the risk related to the assets. If an asset does not largely generate independent cash flows, the recoverable amount of the cash generating unit is calculated to which the asset concerned belongs to.

Impairments on the remaining assets are reversed if the estimations made in the calculation of the recoverable amount have changed and either has resulted in a reduction of the impairment amount or no impairment is required anymore. An appreciation in value of the goodwill may not be performed.

**Derivative financial instruments**

Derivative financial instruments are stated at fair value. The method of recognizing gains or losses depends on the type of the underlying transaction. The Group designates certain transactions with derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecasted financial transactions (cash flow hedges). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items within the context of its risk management objective and strategy. The Group also documents its assessment of the effectiveness of the derivatives at acquisition and during its term in relation to both, the values hedged or also in view of future cash flows.

Changes in fair value are recognised as follows:

***a) Fair value hedges***

Changes in the fair value of derivatives designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities.

***b) Cash flow hedges***

Changes in fair value of derivatives designated and qualified as cash flow hedges are recognised in equity. Amounts accumulated in equity are recycled to the statement of comprehensive income in the periods when the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the initial transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

***c) Other securities or financial instruments***

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of such hedging instruments are recognised immediately in the income statement. The fair value of derivatives traded in public markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. The fair value of derivatives which are not traded publicly (for example, "over-the-counter" derivatives) is determined by a valuation provided by the financial institution from which the derivative has been acquired.

## 2.4 Accounting principles: statement of financial position

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Non-current assets acquired by way of finance leases are recognised at the lower of the present value of future minimum lease payments and fair value, and depreciated accordingly. The related leasing liabilities are presented at their present value.

Depreciation is recognised on a straight-line basis over the estimated useful life and considering a potential residual value. The following useful economic life terms apply to the Group's main asset categories:

Buildings	25 years
Machinery	10 years
Vehicles	5 years
Office machines and furniture	5 years
Tools and moulds	5 years
IT infrastructure	3 years

Land is not depreciated.

Components of major investments in fixed assets with different estimated useful lives are recognised separately and depreciated accordingly. Estimated useful lives and estimated residual values are revised on a yearly basis as per the reporting date and resulting adjustments are recorded in the income statement.

Assets under construction for which completion has not yet been concluded or which cannot be used yet are capitalised based on incurred costs as per the closing date. Respective depreciation is recognised when the construction can be used.

Interests directly related to the acquisition or construction of property, plant and equipment is recognised and allocated to the related asset.

### Intangible assets

Intangible assets include goodwill, intangible assets purchased in the course of business combinations (patented and unpatented technology, customer relationship), licenses and patents and similar rights acquired from third parties as well as software acquired from third parties. These assets are stated at cost and are amortised on a straight-line basis over the following, expected useful lifetime:

Standard software	3 years
ERP software	8 years
Customer relationship	5–10 years
Patents, technology and licenses	6 years

Acquired customer relationships are customer values identified within the scope of IFRS 3. They are amortised based on their estimated melt-off time being a period of 5 to 10 years. In markets in which Interroll holds a solid market position, customer value is amortised over 10 years. A shorter amortization period is defined in markets with stiff competition.

Patents and technical know-how are amortised over their expected useful life. In view of the innovative market and competitive environment, the amortisation period has been determined to be 6 years.

Furthermore, intangible values acquired through business combinations may be identified. Such result from individual contractual agreements. These values are amortised over the period derived from the contractual agreement.

Goodwill with an indefinite useful life is allocated to specific cash generating units in order to allow the identification of possible impairments. Such impairment tests are carried out on an annual basis and any impairment is recognised in the income statement. Goodwill arising from the acquisition of a foreign entity is attributed to that entity's net assets and reported in the functional currency of that entity, then translated to the Group's reporting currency at the year-end rate.

**Financial assets**

Financial assets mainly comprise loans receivable that are stated at amortised cost less any valuation allowance. The recognition of interest income is based on the effective interest rate method.

**Non-current assets held for sale**

Tangible assets or a group of assets are classified as “non-current assets held for sale” if their carrying value will most probably be realised in a divestment transaction rather than by being used in the normal course of business. Such assets are actively brought onto the market and should be sold within one year. Non-current assets held for sale are presented at the recoverable amount, which is the lower of book value or fair value less costs to sell.

**Inventories**

Inventories are stated at the lower of cost (purchase price or Group production cost) and net realisable value. The cost of inventories is calculated using the weighted average method. Production overheads are allocated to inventories on a proportional basis. Slow moving goods and obsolete stocks are impaired. Intercompany profits included in inventories are eliminated by affecting net result.

**Trade and other accounts receivable**

Trade and other accounts receivable are stated at amortised cost, generally equalling nominal value. The amount of valuation adjustments corresponds to the difference between the carrying amount and the net present value of the future estimated cash flow. The valuation adjustments include individual impairments for specifically identified positions, where indication exists that the outstanding amount might not be fully recovered.

Collective impairment covers expected losses that cannot be excluded based on historical data and payment statistics. As soon as sufficient evidence is available that the receivable will definitively not be recovered, the related amount is directly written off and offset with the specific individual impairment respectively.

**Marketable securities**

Marketable securities are stated at their fair value as of the balance sheet date. Unrealised gains and losses are included in the financial result.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, postal and bank accounts, as well as credit balances payable on demand and deposits with a residual maturity of not more than 90 days at the acquisition date. These balances are stated at nominal value.

**Shareholders' equity**

Shareholders' equity is categorised as follows:

***a) Share capital***

The share capital contains the fully paid-in registered shares.

***b) Share premium***

Share premium comprises payments from shareholders that exceed the par value as well as realised gains/losses including tax on transactions with own shares.

***c) Reserve for own shares***

The acquisition price of own shares is disclosed as a reduction of shareholders' equity. Realised gains and losses on transactions with own shares are recognised in share premium. Compensation and cash inflows resulting from the issue and subsequent possible exercise of share options are credited to the Groups' reserves.

***d) Translation reserve***

Translation reserve consists of accumulated translation differences resulting from translation of group subsidiaries' financial statements with a functional currency other than Swiss franc and of intercompany loans with equity characteristics. The changes in currency differences are presented in the consolidated statement of comprehensive income.

***e) Retained earnings***

Retained earnings contain non-distributed profits.



**Financial liabilities**

Loans payable and overdrafts are stated at amortised cost. The recognition of interest expenses is based on the effective interest rate method.

**Provisions**

Provisions relate to product warranties and impending losses whose amount and timing is uncertain. They are recognised if the Group has an obligation based on past occurrences at balance sheet date or a cash drain is probable and can be reliably determined. The amounts recognised represent management's best estimate of the expenditure that will be required to settle the obligation. Providing the effect is material, long-term provisions are discounted.

**Retirement benefits**

The Group sponsors pension plans according to the national regulations of the countries in which it operates. All significant pension plans are operated through pension funds that are legally independent from the Group. Generally, they are funded by employees' and employers' contributions. The foreign pension schemes are normally defined contribution plans whereby the pension expense for a period equals the companies' contributions during that period. The Swiss and French pension schemes have certain characteristics of a defined benefit plan; the financial impact of this plan on the consolidated financial statements is determined based on the Projected Unit Credit Method.

**Trade accounts payable and advanced payments from customers**

Trade accounts payable are stated at amortised cost, generally equalling nominal value.

**2.5 Accounting principles: income statement****Revenue recognition, income from services**

Revenue is generally recognised upon delivery (transfer of risk and use). The Group establishes appropriate warranty provisions relating to rendered services in order to cover expected claims. Services which the Interroll Group performs in direct relation to its core products sold are recognised upon delivery in net sales.

**Material expenses**

Material expenses include all costs of raw materials and consumables used, goods purchased and third-party manufacturing, processing or conversion of the Group's products (services purchased).

**Product development**

Expenditure on research and development is only capitalised when the cumulative recognition criteria of IAS 38 are met. Expenses for product development include wages and salaries, material costs, depreciation of technical equipment and machinery dedicated to research and development, as well as proportional overhead costs. Such expenses are included in the respective line item of the income statement.

**Employee participation plans**

Certain employees participate in equity-based compensation plans of Interroll Holding Ltd. All equity-based compensation granted to these employees is valued at fair value at the grant date and recognised as personnel expense over the period until the vesting date. The fair value is calculated on the basis of the binomial method. Discounts granted to beneficiaries on the unconditional purchase of Interroll shares are recognised in the income statement at the grant date. Cash inflows resulting from equity-based participation plans are recognised as an increase in equity. Cash compensated participation plans are recognised as other liabilities and are valued at fair value at the balance sheet date.

**Operating lease expenses**

Property, plant and equipment that are held under operating leases are not recognised on the statement of financial position. The operating lease expense is recognised in the income statement on a straight-line basis over the lease contract period. Operating lease obligations depending on revenues are estimated and accrued as they become due.

**Financial result**

Interest expenses on loans and finance lease liabilities are recognised as financial expenses, whereas interest income on financial assets is recognised in financial income, both on an accrual basis. Moreover, the financial result includes foreign exchange gains and losses arising from the translation of items of the statement of financial position and transactions in foreign currencies as well as changes in the fair value of financial instruments.

**Income tax expense**

Current income taxes are calculated on the statutory results of the Group companies at the enacted or substantively enacted tax rate. They also include adjustment charges and credit notes issued on previous years' results.

Changes in deferred taxes are generally recognised in the income tax position, unless the underlying transaction has been directly recognised in the other comprehensive income. In such case the related income tax is also directly recognised in the statement of comprehensive income or in equity. Temporary differences resulting from initial recognition of assets and liabilities are not recognised in the income statement. Temporary differences on the participation value of subsidiaries are recognised except the parent is able to control the timing of the reversal of temporary differences and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax effects from the initial recording of assets / debts related to a transaction that affects neither the taxable result nor the annual profit are also not registered in the deferred tax expenses or deferred tax income.

Deferred taxes are calculated using local enacted or substantively enacted tax rates. The future benefits of tax loss carryforwards are recognised as an asset if it is probable that future taxable profits will be available to realise such benefits.

### 3 RISK MANAGEMENT

#### 3.1 Operational and strategic risk management

Risk management at Group level supports strategic decision making. Operational and strategic risk management coordinates and monitors risks arising from the economic activities of the Group.

A systematic operational and strategic risk analysis is performed annually by Group Management. In an annual strategy meeting, Group Management discusses and analyses such risks. The Board of Directors is regularly informed in a uniform manner of the nature, scope, assessment and counteractive measures of the risks.

#### 3.2 Financial risk management

##### **General information on the financial risk management of the Interroll Group**

The Group's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Group's financial performance.

The Board of Directors has supreme responsibility for risk management. To this end, the Board of Directors has delegated responsibility for the development and supervision of the risk management principles to the Audit Committee. The Audit Committee reports regularly to the Board of Directors.

The principles established for risk management are geared toward identifying and analysing those risks that might impact the Group, defining adequate limits and implementing and adhering to risk controls. The risk management principles and the related procedures are regularly verified in order to reflect changing market conditions and operations of the Group. The goal is to develop management regulations and management processes as well as a disciplined and constructive control environment through existing training and guidelines to ensure that risks are handled in a disciplined, deliberate manner.

The Audit Committee supervises the management's monitoring of compliance with principles and processes. Their adequacy is continuously verified with respect to the risks that the Group is exposed to. The Audit Committee is supported in this respect by the Internal Audit department.

Financial risk management is carried out by Group Treasury. Group Treasury identifies, evaluates and reduces financial risks in close cooperation with the Group's operating units and reports at regular intervals to the Audit Committee.

The following sections provide a summary of the scope of individual risks and the targets, principles and processes implemented for measuring, monitoring and hedging financial risks. Additional information on the financial risks is included in the notes to the consolidated financial statements (see note "6.9 – Financial risks").

**Market risk**

Market risks to which Interroll Group is exposed can be summarised into the following three main risk categories:

**a) Currency risk exposure**

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies. Foreign exchange risks arise from future commercial transactions and from recognised assets and liabilities. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group operates an internal monthly “netting” process. Net exposure resulting from assets and liabilities recognised is partially reduced using forward currency contracts. Such contracts are entered into only with highly rated financial institutions. Furthermore, the decentralised structure of the Group contributes to a substantial reduction of foreign currency exchange risks.

**b) Interest rate risk**

Financial assets and liabilities contain interest-bearing loans at either a fixed or a variable rate. Related interest risks are disclosed in 6.9.

**c) Price risk**

The Group is exposed to raw material price changes (steel, copper, technical polymers) as well as to price changes in financial liabilities and assets. Raw material price risks are not hedged, while risks from financial assets and liabilities may be partially or fully reduced using derivative financial instruments (as described in 2.3 – Principles of consolidation and valuation, section “derivative financial instruments”).

**Credit risk**

The risk of default is the risk of incurring a financial loss when a customer or a counterparty to a financial instrument does not fulfill its legal obligation. The default risk at Interroll exists on trade and other accounts receivable and on cash and cash equivalents.

A credit check is performed for any customers who exceed the EUR 5,000 credit limit before the order is executed. The credit check is also based on the credit information database provided by an international service provider that is a leader in this sector. Their software enables a credit limit to be established for each individual customer based on existing data and a special calculation formula defined by the Interroll Group.

Accumulation of credit risks in trade and other accounts receivable is limited due to large number of customers and their global distribution. The extent of credit risks is mainly determined by the individual characteristics of each single customer. The risk evaluation includes an assessment of creditworthiness by considering the customer’s financial situation, its credit history and other factors. Sales and services are provided only to customers whose creditworthiness is verified by means of the process described above. A credit limit is defined for each customer. These limits are verified at least once a year.

Interroll invests its funds in short-term deposits at a multitude of banks with whom long standing relationships exist. Such deposits have a maturity date shorter than twelve months. Likewise, transactions with derivative financial instruments are entered into only with major financial institutions. Interroll does not hold material open positions with these institutions.

The maximum credit risk from financial instruments corresponds to the balance sheet amount of each single financial asset. There are no guarantees or other liabilities that could increase the risk over the corresponding amount in the statement of financial position.

**Liquidity risk**

Liquidity risk is the risk that the Group cannot fulfill its financial obligations on time.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close market positions at any time. Due to the dynamic nature of the underlying business, Group Treasury aims to ensure funding by keeping committed credit limits available.

### 3.3 Capital risk management

#### Objectives and principles of capital management

The Interroll Group strives to safeguard its going concern by defining and adhering to a strong equity base. This equity level is defined based on the operational and balance sheet risk of the Group. The Group's refinancing should be adapted to suit the asset structure and allow further growth of the business. The distribution of a regular portion of the profits shall be made possible based on the realisation of an appropriate return on equity.

#### Equity ratio targets and payout ratio

Based on above targets and principles, Group Management aims for a long-term equity ratio of 50–60%. The ordinary payout ratio corresponds to 30–35% of net profits. This ratio may deviate depending on the general economic outlook and planned future investment activities.

#### Key figures for capital risk management

The following table shows the key indicators with regard to capital risk management. Additional information can be found in the cover of the annual report.

#### Debt covenants

Debt covenants defined for committed credit lines of over CHF 40 million call for an equity ratio of at least 35% (see 6.9 "Financial risks – Credit facilities and debt covenants")

in million CHF, if not noted differently

	2016	2015
Total assets	324.8	293.0
Net financial assets	38.0	31.3
<b>Gearing (net debts/equity)</b>	<b>n/a</b>	<b>n/a</b>
Operating cash flow	36.8	40.2
<b>Indebtedness factor (net debts/cash flow)</b>	<b>n/a</b>	<b>n/a</b>
Equity	233.1	207.6
<b>Equity ratio (equity in % of assets)</b>	<b>71.8</b>	<b>70.9</b>
Result	36.2	29.3
<b>Return on equity (in %)</b>	<b>16.4</b>	<b>14.4</b>
Non-diluted earnings per share (in CHF)	42.57	34.51
Distribution per share (in CHF)	16.00	12.00
<b>Payout ratio (in %)</b>	<b>37.6</b>	<b>34.8</b>

## 4 CHANGES IN THE SCOPE OF CONSOLIDATION

### Changes in business year 2016

#### New companies

The Interroll Group launched Mexico S. de R.L. de C.V. during the year under review, its second subsidiary in Latin America. No new companies were started in the previous year.

#### Acquisitions / Divestitures

On 1 December 2016, Interroll bought the sheet shaping business of Ortner GmbH in Kronau, Germany, through the purchase of selected assets. Around 40 employees will produce Interroll belt curves for Europe, a product which is already well established in the Americas and Asia-Pacific regions. The acquisition included the operational real estate. This business will operate under the name of Interroll Kronau GmbH. No acquisitions or divestitures were made during the year under review.

#### Allocation of net assets acquired

The following overview shows a summary of the purchase price paid for the acquisition as well as the values of the identified assets of Ortner GmbH.

in thousands CHF	2016
	Fair value
Property, plant and equipment	4,276
Intangible assets	54
Deferred tax assets	554
Inventory	266
<b>Total assets</b>	<b>5,150</b>
Deferred tax liabilities	158
<b>Total liabilities</b>	<b>158</b>
<b>Total acquisition costs</b>	<b>4,992</b>

#### Cash flow from acquisitions

The amount settled in cash and with shares in 2016 was for the assets bought from Ortner GmbH.

in thousands CHF	2016
Cash settlement of acquisition	4,992
./. Shares at market value	-213
<b>Net cash used in acquisitions</b>	<b>4,778</b>

#### Further notes regarding the acquisition of the Ortner assets

Acquisition-related expenses of CHF 0.05 million were stated under consultancy expenses in the profit and loss account for financial year 2016.

Based on third-party evaluations, the fair value of the real estate amounted to CHF 3.2 million and the fair value of the machinery totalled around CHF 0.8 million.

Since 1 December 2016, Interroll Kronau GmbH has made a contribution totalling CHF 0.3 million to Interroll Group's sales revenue. Its share in the profit for the same period was not material.

Had Interroll Kronau GmbH already been consolidated from 1 January 2016, sales revenue of CHF 3.8 million and a net profit of CHF 0.2 million would have been reported in Interroll Group's profit and loss account.



## 5 OPERATING SEGMENTS

### Sales and non-current assets by geographical market

Sales and non-current assets according to geographical market are presented as follows:

in thousands CHF	Sales				Non-current assets			
	2016	in %	2015	in %	2016	in %	2015	in %
Germany	65,493	16.3	49,938	13.8	60,440	44.9	55,487	41.6
Rest of EMEA *	179,943	44.8	164,334	45.6	38,951	29.0	43,411	32.5
<b>Total EMEA*</b>	<b>245,436</b>	<b>61.1</b>	<b>214,272</b>	<b>59.4</b>	<b>99,391</b>	<b>73.9</b>	<b>98,898</b>	<b>74.1</b>
USA	70,215	17.5	80,998	22.5	28,537	21.3	28,803	21.6
Other Americas	29,675	7.4	16,646	4.6	1,540	1.1	1,177	0.9
<b>Total Americas</b>	<b>99,890</b>	<b>24.9</b>	<b>97,644</b>	<b>27.1</b>	<b>30,077</b>	<b>22.4</b>	<b>29,980</b>	<b>22.5</b>
<b>Total Asia-Pacific</b>	<b>56,134</b>	<b>14.0</b>	<b>48,822</b>	<b>13.5</b>	<b>5,020</b>	<b>3.7</b>	<b>4,656</b>	<b>3.4</b>
<b>Total Group</b>	<b>401,460</b>	<b>100.0</b>	<b>360,738</b>	<b>100.0</b>	<b>134,488</b>	<b>100.0</b>	<b>133,534</b>	<b>100.0</b>

\* Europe, Middle East, Africa

Sales were broken down by invoice address. Non-current assets are disclosed excluding financial assets and deferred tax assets.

### Information about major customers

Sales are transacted with more than 10,000 customers. No customer accounts for more than 4% percent of Group sales.

### Sales by product group

Sales broken down by product group:

in thousands CHF	2016	in %	2015	in %	2014	in %
Drives	123,645	30.8	110,276	30.6	114,905	34.3
Rollers	93,486	23.3	93,369	25.9	81,209	24.2
Conveyors & Sorters	120,864	30.1	107,239	29.7	79,773	23.8
Pallet- & Carton Flow	63,465	15.8	49,854	13.8	59,419	17.7
<b>Total Group</b>	<b>401,460</b>	<b>100.0</b>	<b>360,738</b>	<b>100.0</b>	<b>335,306</b>	<b>100.0</b>

## 6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6.1 Property, plant and equipment

#### Movements of property, plant and equipment

	Land & buildings		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		Total	
in thousands CHF	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>COSTS</b>										
<b>At 1.1.</b>	<b>92,790</b>	<b>86,544</b>	<b>95,353</b>	<b>94,857</b>	<b>8,208</b>	<b>9,044</b>	<b>1,094</b>	<b>4,463</b>	<b>197,445</b>	<b>194,908</b>
Currency translation adj.	-165	-5,824	-71	-5,589	-34	-644	-23	-392	-293	-12,449
Additions	419	2,330	5,475	8,222	1,872	980	5,328	9,647	13,094	21,179
Disposals	-609	-1,885	-4,107	-3,305	-662	-1,215	-6	-11	-5,384	-6,416
Reclassifications	167	11,625	807	1,168	10	43	-964	-12,613	20	223
Acquisition	3,480		864						4,344	
<b>At 31.12.</b>	<b>96,082</b>	<b>92,790</b>	<b>98,321</b>	<b>95,353</b>	<b>9,394</b>	<b>8,208</b>	<b>5,429</b>	<b>1,094</b>	<b>209,226</b>	<b>197,445</b>
<b>ACCUMULATED DEPRECIATION &amp; IMPAIRMENTS</b>										
<b>At 1.1.</b>	<b>-31,776</b>	<b>-32,666</b>	<b>-69,449</b>	<b>-70,038</b>	<b>-5,846</b>	<b>-6,235</b>			<b>-107,071</b>	<b>-108,939</b>
Currency translation adj.	20	2,377	45	3,905	6	435			71	6,717
Depreciation	-3,487	-3,131	-6,316	-6,387	-1,194	-1,079			-10,997	-10,597
Disposals		1,644	4,104	3,095	492	1,037			4,596	5,776
Reclassifications			34	-24		-4			34	-28
<b>At 31.12.</b>	<b>-35,243</b>	<b>-31,776</b>	<b>-71,582</b>	<b>-69,449</b>	<b>-6,542</b>	<b>-5,846</b>			<b>-113,367</b>	<b>-107,071</b>
<b>Property, plant and equipment at 31.12.</b>	<b>60,839</b>	<b>61,014</b>	<b>26,739</b>	<b>25,904</b>	<b>2,852</b>	<b>2,362</b>	<b>5,429</b>	<b>1,094</b>	<b>95,859</b>	<b>90,374</b>
Capital commitments	1,718		1,453	745	3	1			3,174	746
Insurance value*	110,199	104,834	117,456	113,646					227,655	218,480

\* The insurance value of production equipment and machinery also covers other tangible assets.

#### Further notes to property, plant and equipment

In the opinion of Group Management, no risks exist at the end of the period under review which negatively impacted the book value of fixed assets.

### 6.2 Non-current assets held for sale

No non-current assets were held for sale, neither in the year under review nor in the previous year.

### 6.3 Intangible assets

#### Movements of goodwill and intangible assets

in thousands CHF	Goodwill		Software		Patents, technology and licences		Customer relationships		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>COSTS</b>										
<b>At 1.1.</b>	<b>19,809</b>	<b>20,733</b>	<b>35,517</b>	<b>33,074</b>	<b>18,562</b>	<b>20,427</b>	<b>23,992</b>	<b>25,960</b>	<b>97,880</b>	<b>100,194</b>
Currency translation adj.	11	-828	8	-172	-239	-1,956	-198	-1,968	-418	-4,924
Additions			1,635	3,044		91			1,635	3,135
Disposals		-96	-50	-429					-50	-525
Acquisition	562						55		617	
<b>At 31.12.</b>	<b>20,382</b>	<b>19,809</b>	<b>37,110</b>	<b>35,517</b>	<b>18,323</b>	<b>18,562</b>	<b>23,849</b>	<b>23,992</b>	<b>99,664</b>	<b>97,880</b>
<b>ACCUMULATED AMORTISATION &amp; IMPAIRMENTS</b>										
<b>At 1.1.</b>	<b>-3,126</b>	<b>-3,126</b>	<b>-17,856</b>	<b>-14,000</b>	<b>-14,458</b>	<b>-14,673</b>	<b>-19,281</b>	<b>-18,521</b>	<b>-54,721</b>	<b>-50,320</b>
Currency translation adj.			-8	126	221	1,367	234	1,665	447	3,158
Amortisation			-4,652	-4,253	-1,174	-1,152	-984	-2,425	-6,810	-7,830
Disposals			49	272					49	272
<b>At 31.12.</b>	<b>-3,126</b>	<b>-3,126</b>	<b>-22,467</b>	<b>-17,855</b>	<b>-15,411</b>	<b>-14,458</b>	<b>-20,031</b>	<b>-19,281</b>	<b>-61,035</b>	<b>-54,720</b>
<b>Total intangible assets, net at 31.12.</b>	<b>17,256</b>	<b>16,683</b>	<b>14,643</b>	<b>17,662</b>	<b>2,912</b>	<b>4,104</b>	<b>3,818</b>	<b>4,711</b>	<b>38,629</b>	<b>43,160</b>

#### Goodwill: impairment test

The impairment tests are generally based on a three-year plan and on the present value of future (pre-tax) cash flows (value in use) determined using pre-tax discount rate of 12.3% (2015: 11.3%). The growth rate is defined as a key assumption. No further growth was assumed for the extrapolation of free cash flows. The Cash Generating Unit (CGU) equals the Interroll Group. There is only one operating segment and this is synonymous with the reporting segment. All decisions are made at Interroll Group level.

#### Sensitivity analysis of the goodwill impairment tests

For both the year under review and the previous year, the sensitivity analysis performed revealed that the discounted value of future free cash flows exceeds the value of the current goodwill, even when assuming a change of the discount rate under normal economic conditions. The growth rate was reviewed in regards to its sensitivity. This test led to the conclusion that the discounted value of future cash flows exceeds the value of the current goodwill position, even if no growth is assumed.

#### Software

Of the accumulated acquisition costs, CHF 31.6 million (2015: CHF 29.9 million) relate to the setup and introduction of SAP. In the year under review, the additions to this process management system amounted to CHF 1.7 million (2015: CHF 1.2 million). Amortisation starts with the go live date and ends after 8 years.

SAP was launched in 2011 for the two Centres of Excellence for Drum Motors and Rollers/RollerDrive units in Germany as well as for all European sales and service subsidiaries. In 2012, SAP was also launched in the Centre of Excellence for Supermarket Products in Denmark, in the Regional Centre of Excellence for Rollers and Drum Motors in the USA as well as in several sales subsidiaries in the Asia-Pacific region. SAP went live in Interroll China in 2013, at the Centre of Excellence for Automation in Sinsheim in 2014 and SAP was implemented in more additional sites in North America and in France during the current year.

#### Patents and licenses

Patents and licenses are normally amortised on a straight line basis over 6 years unless the life cycle is shorter. In the year under review and in the previous year, no essential patents or licenses were bought. As per the end of 2016, an amortisation term of additional three years remains on the majority of patents and licenses. A review was performed for indications of impairment in patents and licenses was performed. There are no signs that would indicate an impairment of this value.

### Customer relationships

Customer relationships are amortised on a straight line basis over 10 years unless the life cycle is shorter. At the end of 2016, an amortisation term of an additional six years remains on the majority of customer relationships. A review was performed for indications of impairment in customer relationships. There are no signs that would indicate an impairment of this value.

### 6.4 Assets pledged or assigned

in thousands CHF	31.12.2016	31.12.2015
Trade receivables	415	201
<b>Total assets pledged or assigned</b>	<b>415</b>	<b>201</b>

These assets are pledged or assigned to local credit lines granted (see liquidity risk in note 6.9).

### 6.5 Inventories

#### Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2016	31.12.2015
Raw materials	34,581	31,258
Work in progress	10,437	11,341
Finished products	5,543	4,388
Valuation allowance	-2,287	-2,154
<b>Total inventory, net</b>	<b>47,008</b>	<b>44,833</b>

No inventory was pledged in either year under review.

#### Development of valuation allowance on inventory

in thousands CHF	2016	2015
<b>Balance as per 1.1.</b>	<b>-2,154</b>	<b>-2,213</b>
Currency translation adjustment	-28	219
Additions	-317	-566
Reductions	212	406
<b>Total valuation allowance on inventory as per 31.12.</b>	<b>-2,287</b>	<b>-2,154</b>

The addition of valuation allowances is due to slow or non-moving items within the inventory. The reduction of the valuation allowance on inventory is related to the sale or scrapping of items, as well as to a reassessment of the valuation allowance affecting the consolidated income statement of the Group.

## 6.6 Trade and other accounts receivable

### Detailed overview of trade and other accounts receivable

Trade accounts receivable arise from deliveries and services relating to the Group's operating activities. VAT, withholding tax and other current receivables are included in the other accounts receivable. The other accounts receivable are analysed for valuation adjustment like trade receivables. There was no valuation adjustment necessary on other accounts receivable in either year under review.

in thousands CHF	31.12.2016	31.12.2015
Trade accounts receivable from goods and services	82,049	62,256
Valuation allowance	-4,927	-2,784
<b>Total trade accounts receivable, net</b>	<b>77,122</b>	<b>59,472</b>
Prepaid expenses and accrued income	3,931	5,934
Prepayments for inventories	2,014	1,594
Other accounts receivable	15,584	10,471
Forward exchange dealing	74	-482
<b>Total other accounts receivable</b>	<b>21,603</b>	<b>17,517</b>
<b>Total trade and other accounts receivable, net</b>	<b>98,725</b>	<b>76,989</b>

### Ageing and valuation allowances of trade accounts receivable

Trade accounts receivable are due and specific / general valuation allowances have been evaluated as follows:

in thousands CHF	31.12.2016			31.12.2015				
	Gross	Valuation allowance		Net	Gross	Valuation allowance		Net
		individual	collective			individual	collective	
Not past due	48,355	-248	<b>48,107</b>	41,831	-255	<b>41,576</b>		
Past due 1-30 days	9,699		<b>9,699</b>	9,573		<b>9,573</b>		
Past due 31-60 days	7,717		<b>7,717</b>	4,061		<b>4,061</b>		
Past due 61-90 days	2,325	-1	<b>2,324</b>	2,415	-10	<b>2,405</b>		
Past due > 90 days	13,953	-4,238	<b>9,275</b>	4,376	-2,075	<b>1,857</b>		
<b>Total trade accounts receivable</b>	<b>82,049</b>	<b>-4,487</b>	<b>77,122</b>	<b>62,256</b>	<b>-2,340</b>	<b>59,472</b>		

### Development of the individual and collective valuation allowances of trade accounts receivable

The valuation allowances on trade accounts receivable from third parties developed as follows:

in thousands CHF	2016			2015		
	Total	Valuation allowance		Total	Valuation allowance	
		individual	collective		individual	collective
<b>At 1.1.</b>	<b>-2,784</b>	<b>-2,340</b>	<b>-444</b>	<b>-2,783</b>	-2,290	<b>-493</b>
Currency translation adjustment	48	44	4	230	181	49
Additions	-3,289	-3,289		-1,078	-1,078	
Allowance used	758	758		381	381	
Allowance reversed	340	340		466	466	
<b>At 31.12.</b>	<b>-4,927</b>	<b>-4,487</b>	<b>-440</b>	<b>-2,784</b>	<b>-2,340</b>	<b>-444</b>

During the year under review, an amount of CHF 0.8 million (2015: CHF 0.4 million) relating to irrecoverable trade receivables was written off. Currently, no other risks are identifiable in the net trade accounts receivable. Sales are broadly diversified across geographical and industrial markets. Thus, the risk of unexpected losses from trade receivables is deemed low.

**Currencies in trade accounts receivable**

Trade accounts receivable reported in CHF are held in the following currencies:

in thousands CHF	31.12.2016	in %	31.12.2015	in %
EUR	32,473	39.6	25,325	40.7
USD	23,511	28.7	13,119	21.1
CNY	13,199	16.1	11,449	18.4
THB	2,117	2.6	1,272	2.0
DKK	1,489	1.8	1,774	2.8
all other currencies	9,260	11.2	9,317	15.0
<b>Total trade accounts receivable, gross</b>	<b>82,049</b>	<b>100.0</b>	<b>62,256</b>	<b>100.0</b>

**Regional breakdown of trade accounts receivable**

Trade accounts receivable can be broken down into the following geographical areas:

in thousands CHF	31.12.2016	in %	31.12.2015	in %
Europe, Middle East, Africa	37,931	46.2	30,970	49.7
Americas	26,085	31.8	14,059	22.6
Asia-Pacific	18,033	22.0	17,227	27.7
<b>Total trade accounts receivable, gross</b>	<b>82,049</b>	<b>100.0</b>	<b>62,256</b>	<b>100.0</b>

On average, trade accounts receivable are 63 days outstanding (DSO). The respective value is for Europe 41, for Americas 89 and for Asia 82. In the previous year, the DSO was 56 for the Group, for Europe 47, for Americas 62 and for Asia 84.

**6.7 Cash and cash equivalents****Positions included in cash and cash equivalents**

in thousands CHF	31.12.2016	31.12.2015
Cash on hand, bank and postal accounts	35,754	30,289
Short-term deposits	2,510	1,365
<b>Total cash and cash equivalents</b>	<b>38,264</b>	<b>31,654</b>

**Interest rates of cash and cash equivalents**

The interest rates on cash and cash equivalents vary between 0 % (CHF) and 12 % (BRL). The respective rates for 2015 were 0 % (CHF) and 16 % (BRL).

**Currencies held in cash and cash equivalents**

in %	31.12.2016	31.12.2015
EUR	21.0	29.0
CHF	18.0	8.0
USD	20.0	21.0
THB	3.0	6.0
JPY	3.0	3.0
KRW	4.0	10.0
ZAR	2.0	1.0
other currencies	29.0	22.0
<b>Total cash and cash equivalents</b>	<b>100.0</b>	<b>100.0</b>

**Transfer limitations on cash and cash equivalents**

Cash and cash equivalents of CHF 1.1 million (2015: CHF 0.6 million) of Interroll South Africa as well as of Interroll Brazil are subject to transfer limitations. These transfer limitations do not have any impact on their operating activities.

**6.8 Financial instruments****Reconciliation from balance sheet items to valuation categories as per IAS 39**

The table below shows an overview of financial instruments held by valuation category according to IAS 39:

in thousands CHF	31.12.2016	31.12.2015
Cash and cash equivalents	38,264	31,654
Trade and other accounts receivable w/o advances	96,637	75,877
Financial assets	655	626
<b>Total financial assets at amortised cost</b>	<b>135,556</b>	<b>108,157</b>
Foreign currency forward contracts*	74	-482
<b>Total financial instruments at fair value</b>	<b>74</b>	<b>-482</b>
Trade and other accounts payable	41,316	39,767
Financial liabilities	283	304
<b>Total financial liabilities at carrying value</b>	<b>41,599</b>	<b>40,071</b>

\*see note 6.9

Book values of cash and cash equivalents, trade and other accounts receivable and payable as well as financial assets closely correspond to fair value due to their short-term maturity. Advance payments for inventory are excluded from the valuation categories as per IAS 39 because the subsequent transaction is not of a monetary nature. Financial assets and liabilities are predominantly due within approximately 2 years and their net present values correspond very closely to their book values.



## 6.9 Financial risks

### Currency risk exposure

Due to its international focus, Interroll Group is exposed to foreign currency risks. Risk exposures result from transactions in currencies deviating from the entity's functional currency.

The following table shows the major currency risks at the respective balance sheet date:

in thousands CHF	31.12.2016					31.12.2015				
	EUR	CHF	USD	SGD	JPY	EUR	CHF	USD	SGD	JPY
Financial assets	3	67		3,552		3	75		4,038	
Trade and other accounts receivable	7,346	1,338	4,574	1,727	1,529	5,227	1,030	5,342	1,870	2,730
Cash and cash equivalents incl. intercompany loans	1,536	20,982	762	1,481	14	2,495	11,747	2,751	1,476	
Financial liabilities			3,412					4,998		
Trade and other accounts payable	9,835	6,544	2,337	1,278	1	9,330	5,711	2,744	1,267	3
Current liabilities	2,696	32,544	481			314	28,361	158		
<b>Currency risks on the balance sheet (gross)</b>	<b>21,416</b>	<b>61,475</b>	<b>11,566</b>	<b>8,038</b>	<b>1,544</b>	<b>17,369</b>	<b>46,924</b>	<b>15,993</b>	<b>8,651</b>	<b>2,733</b>
Elimination same currency	-9,986	-44,774	-6,779			-8,389	-25,704	-6,373		
<b>Currency risks on the balance sheet (net)</b>	<b>11,430</b>	<b>16,701</b>	<b>4,787</b>	<b>8,038</b>	<b>1,544</b>	<b>8,980</b>	<b>21,220</b>	<b>9,620</b>	<b>8,651</b>	<b>2,733</b>
Natural hedges	-1,714	-371	-1,932			-311	-260	-478	-60	
FX forward contracts	-2,496	-7,643	-2,140	-3,965	-862	-1,423	-13,862	-6,042	-4,214	-743
<b>Net currency risk exposure</b>	<b>7,220</b>	<b>8,687</b>	<b>715</b>	<b>4,073</b>	<b>682</b>	<b>7,246</b>	<b>7,098</b>	<b>3,100</b>	<b>4,377</b>	<b>1,990</b>

The currency risk on the balance sheet (gross) is equal to the sum of the value of all positions in the balance sheet that are held in a different currency than the functional currency of a company. Such positions contain both group-internal as well as external amounts. In a first step, all of those risks are added up because a currency risk can arise on the debit as well as on the credit side of the balance sheet. The total is then disclosed as currency risk on the balance sheet (gross). The risk of each currency group is translated into CHF at the closing rate and added together for total Group values. "Elimination same currency" results from offsetting short positions and long positions of currency risks which exist in the same foreign currency, however different from the functional currency, and which are presented in the same group entity. Natural hedges result from netting out currency risks among all Group entities. The amount disclosed under "FX forward contracts" (foreign currency forward contracts) corresponds to the amount actually hedged and translated into CHF. Changes in the valuation of fair value hedges are recognised in the financing result (see note 7.5). The table only contains the material foreign currency risks. All others are regarded as immaterial in both years.

Net investments in foreign subsidiaries are long-term investments. Such investments are exposed to currency fluctuations, because they are held in a currency other than the Group's functional currency. From a macroeconomic and long-term perspective, the currency exchange effects should be neutralised by the inflation rate at the subsidiaries' domiciles. For this reason, and also due to the costs incurred in connection with the respective derivative instruments, the Group does not hedge such risks.

**Foreign currency forward contracts**

The Group regularly prepares a rolling forecast of foreign currency cash flows. 0–50% of such budgeted, future foreign currency flows may be hedged through forward contracts. At the end of the year under review, there were no open cash flow hedges held by the Group.

The notional amount corresponds to the hedged balance sheet risk, translated into CHF. With derivative financial instruments, the Group normally hedges 50–100% of its net currency risks on the balance sheet.

The following table shows the contractual and fair values of the foreign currency forward contracts held by the Group:

in thousands CHF		31.12.2016			31.12.2015		
Hedged currency	Sell/buy	Maturity	Notional amount in CHF	Fair value	Sell/buy	Notional amount in CHF	Fair value
USD	CHF/USD	Feb.17	747	-25	USD/CAD	980	-63
USD	EUR/USD	Feb.17	573	25	USD/CHF	632	-30
USD		Feb.17			EUR/USD	1,764	73
SGD	SGD/EUR	Feb.17	748	1	SGD/EUR	879	-19
SGD	SGD/CHF	Feb.17	2,574	34	SGD/CHF	2,717	-76
EUR	USD/EUR	Feb.17			USD/EUR	2,665	-87
EUR	GBP/EUR	Feb.17	1,235	-54			
EUR	EUR/BRL	Feb.17	520	-24	BRL/EUR	631	-33
JPY	JPY/EUR	Feb.17	862	68	JPY/EUR	743	-25
JPY	JPY/SGD	Feb.17	643	50	JPY/SGD	617	-9
CNY	CNY/EUR	Feb.17	1,414	-8	CNY/EUR	1,433	-26
CNY	CNY/CHF	Feb.17			CNY/CHF	905	-24
CHF	EUR/CHF	Feb.17	7,081	78	EUR/CHF	12,957	-91
CHF	CNY/CHF	Feb.17	562	3			
GBP					GBP/EUR	1,888	8
CZK					EUR/CZK	325	
BRL					USD/BRL	468	-80
ZAR	EUR/ZAR	Feb.17	741	-53			
CAD	USD/CAD	Feb.17	820	-21			
<b>Total FX forward contracts</b>				<b>74</b>			<b>-482</b>

**Sensitivity analysis of currency risk exposure**

As per year-end, a sensitivity analysis was carried out with respect to financial instruments. The sensitivity analysis calculates the effect of FOREX-changes on the major currency pairs within the Group. These risks particularly result from differences between the currency used at the production site and the currency used for invoicing the customer. Assumed currency fluctuations would have the following effects on the foreign currency positions in the balance sheet:

in thousands CHF	31.12.2016			31.12.2015		
	Currency pair	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD
Financial assets	67			75		
Trade and other receivables			509		525	1,673
Cash and cash equiv. incl. IC-loans	20,844	4	646	11,511	2	752
Financial liabilities						
Trade and other payables	2,981		814	1,901		606
Current liabilities	32,544			28,362		
<b>Gross exposure per currency pair</b>	<b>56,436</b>	<b>513</b>	<b>2,908</b>	<b>41,849</b>	<b>527</b>	<b>3,031</b>
Offsetting risks	-40,822	345	-1,627	-22,335	573	-1,213
FX forward contracts	-7,081	-747	-820	-12,957	-632	-980
<b>Net FX exposure per currency pair</b>	<b>8,533</b>	<b>111</b>	<b>461</b>	<b>6,557</b>	<b>468</b>	<b>838</b>
Currency change in %	3	3	3	12	5	14
<b>Effect on the result (+/-)</b>	<b>256</b>	<b>3</b>	<b>14</b>	<b>787</b>	<b>23</b>	<b>117</b>
Income tax expense at 20.73 %	-53	-1	-3	-163	-5	-24
<b>Net FX exposure after income taxes</b>	<b>203</b>	<b>2</b>	<b>11</b>	<b>624</b>	<b>18</b>	<b>93</b>

As in the current risk analysis, the net risks for currency pairs are summed up. The amount disclosed under the line item "Offsetting of risks" is the result obtained after netting any contradictory risks. The amount disclosed in the line item "FX forward contracts" is equal to the total hedged currency risks of a currency pair. It is also deducted from the gross risk since its deviation is linear with respect to currency fluctuations. Income taxes are calculated in line with the rate levied for companies taxed at the standard rate in Switzerland (see note 7.6).

**Interest rate risks**

As per balance sheet date, the Group had net financial assets of CHF 2.9 million (2015: CHF 1.7 million, see also note 6.12). Financial assets amount to CHF 3.1 million (2015: CHF 1.9 million), CHF 0.6 million (2015: CHF 0.7 million) of which are not interest-bearing. There are financial liabilities of CHF 0.2 million (2015: CHF 0.2 million). The portion of not interest-bearing financial liabilities was immaterial in both years under review.

The following table divides interest-bearing assets and liabilities into fixed and variable components. Furthermore, it shows non-interest-bearing positions within financial assets and liabilities. A change in the interest rate would have had no effect on equity because the Group currently does not hold any cash flow hedges to hedge currency risks and because there are no assets held for sale at a fixed interest rate. The Group regularly monitors its interest rate risks and reserves the right to hedge such risks in future.

in thousands CHF	31.12.2016				31.12.2015			
	Nom. int. rate in %	Book values	Basis points		Nom. int. rate in %	Book values	Basis points	
			+100	-100			0	0
<b>FINANCIAL ASSETS</b>								
Fixed interest rate	0.00–12.00	<b>1,883</b>			0–0.73	<b>195</b>		
Variable interest rate	0–6.50	627	6	-6	0–5.75	1,055	11	-11
Non-interest bearing	–	604			–	690		
<b>Total deposits</b>		<b>3,114</b>	<b>6</b>	<b>-6</b>		<b>1,940</b>	<b>11</b>	<b>-11</b>
<b>Total loans</b>								
Cash on hand, bank and postal accounts		35,754				30,289		
Trade and other receivables		98,923				76,359		
<b>Total other financial assets</b>		<b>134,677</b>				<b>106,648</b>		
<b>Total financial assets</b>		<b>137,791</b>	<b>6</b>	<b>-6</b>		<b>108,588</b>	<b>11</b>	<b>-11</b>
<b>FINANCIAL LIABILITIES</b>								
<b>Total bank loans</b>								
Fixed interest rate					3.6	8		
Non-interest bearing		176				183		
<b>Total other loans</b>		<b>176</b>				<b>191</b>		
Bank overdrafts		1				1		
Trade and other accounts payable		41,316				39,767		
<b>Total trade and other accounts payable</b>		<b>41,317</b>				<b>39,768</b>		
<b>Total financial liabilities</b>		<b>41,493</b>				<b>39,959</b>		
<b>Net financial liabilities</b>		<b>96,298</b>	<b>6</b>	<b>-6</b>		<b>68,629</b>	<b>11</b>	<b>-11</b>

**Sensitivity analysis of interest risks**

Interest sensitivity is only calculated on interest-bearing items of the balance sheet. No effect is calculated on items bearing interest at a fixed rate. As per the above analysis, the Group's annual result would have changed slightly by CHF 0.01 million in the event of a one percentage point increase or decrease in the interest rate. In the previous year, an increase in the interest rate of one percentage point would have changed the Group's result slightly by CHF 0.01 million. For certain interest-bearing positions, the interest rate is already lower than one percent. In these cases, calculations were only performed for interest rate reductions of no more than the interest rates concerned.

**Liquidity risk**

The Group performs comprehensive liquidity planning on a quarterly basis. The Group holds liquidity reserves in the form of committed and uncommitted credit lines in order to satisfy unexpected and extraordinary liquidity requirements.

**Credit facilities and debt covenants**

The amount of unused credit facilities as per end of the reporting year amounted to CHF 78.6 million (2015: CHF 78.5 million).

In the year under review, the committed credit lines in the amount of CHF 40.0 million which were agreed upon in 2015 were extended with the same conditions for another three-year period. They safeguard funding of the future investment programme and generally serve to finance the business. The Group has always complied with the agreed debt covenants, which are as follows:

EBITDA	Net interest costs = min. 4.0
Net debt	EBITDA = max. 3.0
Equity	total assets = min. 35 %

The maturity structure of the financial liabilities is disclosed in note 6.12 (see "Maturities of financial liabilities").

**6.10 Information on shareholders' equity****Reconciliation from total shares issued to outstanding shares**

	2016	2015
<b>Shares issued at a par value CHF 10.00 each (previous year: CHF 10.00)</b>	<b>854,000</b>	<b>854,000</b>
<b>Own shares held by the Group as per 1.1.</b>	<b>2,985</b>	<b>4,170</b>
Purchase of own shares	2,212	1,360
Sale of own shares	-1,167	-502
Granting of shares related to bonus plan	-1,589	-2,043
<b>Own shares held by the Group as per 31.12.</b>	<b>2,441</b>	<b>2,985</b>
thereof unreserved	2,441	2,985
<b>Shares outstanding at 31.12.</b>	<b>851,559</b>	<b>851,015</b>

\* The sales of own shares comprises 202 shares, which were ceased in the context of the acquisition of the business segment of Ortner GmbH.

## 6.11 Earnings per share

### Non-diluted earnings per share

The non-diluted earnings per share in 2016 amount to CHF 42.57 (2015: CHF 34.51). The calculation is based on the profit attributable to the shareholders of the parent company, divided by the weighted average of shares outstanding.

	2016	2015
<b>Result attributable to the shareholders (in thousands CHF)</b>	<b>36,215</b>	<b>29,303</b>
<b>Shares outstanding as per of 1.1.</b>	<b>851,015</b>	<b>849,830</b>
Effect of the purchase of own shares	-17	-63
Effect of the sale/granting of own shares	-364	-612
Effect of the issue of shares under option plans		
<b>Weighted average of shares outstanding</b>	<b>850,634</b>	<b>849,155</b>
<b>Non-diluted earnings per share (in CHF)</b>	<b>42.57</b>	<b>34.51</b>

### Diluted earnings per share

The diluted earnings per share in 2016 amount to CHF 42.57 (2015: CHF 34.51). They are calculated by adjusting the weighted average number of ordinary shares outstanding to include all dilutive potential ordinary shares.

There were no dilutive effects in 2016 or 2015.

	2016	2015
<b>Result attributable to the shareholders (in thousands CHF)</b>	<b>36,215</b>	<b>29,303</b>
<b>Weighted average of shares outstanding (diluted)</b>	<b>850,634</b>	<b>849,155</b>
<b>Diluted earnings per share (in CHF)</b>	<b>42.57</b>	<b>34.51</b>

## 6.12 Financial liabilities

### Details of current and non-current financial liabilities

in thousands CHF	31.12.2016	31.12.2015
Bank overdrafts	1	1
Other loans	176	182
Finance leases	106	113
<b>Total current financial liabilities</b>	<b>283</b>	<b>296</b>
Other loans		8
<b>Total non-current financial liabilities</b>		<b>8</b>
<b>Total financial liabilities</b>	<b>283</b>	<b>304</b>

**Ratio of net financial liabilities to equity**

in thousands CHF	31.12.2016	31.12.2015
Total financial liabilities	283	304
./. Cash and cash equivalents	-38,264	-31,654
<b>Net financial liabilities (-net cash)</b>	<b>-37,981</b>	<b>-31,350</b>
<b>Equity</b>	<b>233,085</b>	<b>207,646</b>
<b>Net financial debt in % of the equity</b>	<b>n/a</b>	<b>n/a</b>

**Loan structure**

in thousands CHF					31.12.2016		31.12.2015	
	Currency	Weighted av. interest rate	Interest due fixed/variable	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Other loans	DKK	0%	F	2017	176	176	190	190
<b>Total loans</b>					<b>176</b>	<b>176</b>	<b>190</b>	<b>190</b>

**Maturities of financial liabilities**

The financial liabilities as per 31 December 2016 are due as follows:

in thousands CHF	Book value	Face value (undiscounted)	within 6 months	within 6-12 months	within 1-2 years	within 2-5 years
Other loans	176	176		176		
Bank overdrafts	1	1	1			
Trade/other accounts payable*	41,316	41,316	41,316			
<b>Total financial liabilities</b>	<b>41,493</b>	<b>41,493</b>	<b>41,317</b>	<b>176</b>		

\* A maturity analysis is not readily available. Based on past experience, it can be reliably assumed that the full amount is due within less than 6 months.

The financial liabilities as per 31 December 2015 were due as follows:

in thousands CHF	Book value	Face value (undiscounted)	within 6 months	within 6-12 months	within 1-2 years	within 2-5 years
Other loans	190	190		182	8	
Bank overdrafts	1	1	1			
Trade/other accounts payable*	39,767	41,970	41,970			
<b>Total financial liabilities</b>	<b>39,958</b>	<b>42,161</b>	<b>41,971</b>	<b>182</b>	<b>8</b>	

\* A maturity analysis is not readily available. Based on past experience, it can be reliably assumed that the full amount is due within less than 6 months.



### 6.13 Leasing liabilities

#### Finance leases

In the year under review, there were CHF 0.2 million in finance leases (2015: CHF 0.1 million), of which CHF 0.0 million (2015: CHF 0.1 million), will become due in one to five years.

#### Operating leases

Liabilities from operating leases mainly relate to building rentals and will become due as follows:

in thousands CHF	31.12.2016	31.12.2015
within 1 year	2,348	2,149
between 1 and 5 years	5,124	4,154
over 5 years	529	618
<b>Total operating leases</b>	<b>8,001</b>	<b>6,921</b>

In both years under review, operating lease expenses do not include material amounts for contingent rent.

### 6.14 Provisions

#### Movements in provisions

in thousands CHF	Warranties		Other provisions		Total	
	2016	2015	2016	2015	2016	2015
<b>At 1.1.</b>	<b>5,831</b>	<b>5,955</b>	<b>62</b>	<b>45</b>	<b>5,893</b>	<b>6,000</b>
Currency translation adjustments	-8	-450	-3	-4	-11	-454
Provisions created	3,902	3,013	63	30	3,965	3,043
Provisions used	-2,269	-1,595	-21		-2,290	-1,595
Provisions reversed	-690	-1,092		-9	-690	-1,101
Acquired provisions						
<b>At 31.12.</b>	<b>6,766</b>	<b>5,831</b>	<b>101</b>	<b>62</b>	<b>6,867</b>	<b>5,893</b>

#### Warranty provisions

The Group companies normally grant a 24-month warranty. The warranty provision is recognised based on past experience as well as on specific projects. The warranty provision in 2016 corresponds to roughly 1.7% (2015: 1.6%) of net sales.

#### Other provisions

The other provisions mainly include provisions for litigation. In connection with the restatement related to IAS 19, pension liabilities were reclassified from other provisions to a separate balance sheet line.

## 6.15 Pension costs

### General information on the pension plans of the Group

The pension costs for 2016 amounted to CHF 3.1 million (2015: CHF 1.8 million). Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are regarded as defined benefits plans in line with IAS 19. 224 employees participated in the defined benefit plans in 2016 and 216 participated in 2015. The Swiss plan is outsourced to a collective foundation whereas the plan in France is outsourced to an insurance company. For the defined benefit plans the pension costs in each period are calculated on the basis of an actuarial valuation. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognised as a liability or an asset in the balance sheet. Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and actual developments. They are recognised in the statement of comprehensive income. It can be assumed that the assets of both plans do not include Interroll shares.

### Composition of pension costs

in thousands CHF	2016	2015
<b>Costs of the defined contribution plans</b>	<b>1,973</b>	<b>1,389</b>
Current service costs, net	1,028	253
Administrative expenses	54	54
Interest costs	64	70
<b>Costs of the defined benefit plans</b>	<b>1,146</b>	<b>377</b>
Effects of changes in demographic assumptions	216	
Effects of changes in financial assumptions	759	523
Experience-based adjustments	522	137
(Return) on plan assets (excl. interest income)	-165	180
<b>Remeasurements included in other income</b>	<b>1,332</b>	<b>840</b>
<b>Pension plan costs</b>	<b>4,451</b>	<b>2,606</b>

The expected contributions of the employer will not change materially in future years provided the number of insured employees remains stable.

### Amounts recognised in the statement of financial position

in thousands CHF, as per 31.12.	2016	2015
Present value of defined benefit obligation	-26,237	-22,477
Fair value of plan assets	18,083	16,153
<b>Pension liability</b>	<b>-8,154</b>	<b>-6,324</b>

**Roll forward of the defined benefit obligation**

in thousands CHF	2016	2015
<b>Benefit obligation as per 1.1.</b>	<b>-22,477</b>	<b>-19,907</b>
Current service costs, net	-1,028	-253
Interest costs	-235	-264
Contributions from employees	-440	-409
Benefits (funded)/paid, net	-579	-1,061
Benefits (funded)/paid, net from employer	12	1
Translation difference	7	76
Remeasurements		
- Effects of changes in demographic assumptions	-216	
- Effects of changes in financial assumptions	-759	-523
- Effects of experience assumptions	-522	-137
<b>Benefit obligation as per 31.12.</b>	<b>-26,237</b>	<b>-22,477</b>

**Roll forward of the present value of plan assets**

in thousands CHF	2016	2015
<b>Fair value of plan assets as per 1.1.</b>	<b>16,153</b>	<b>14,141</b>
Administrative expenses	-54	-54
Interest income	171	194
Employer contributions	630	591
Employee contributions	440	409
Benefits funded/(paid), net	579	1,061
Translation difference	-1	-9
Income of plan assets	165	-180
<b>Fair value of plan assets as per 31.12.</b>	<b>18,083</b>	<b>16,153</b>

**Investment categories**

in thousands CHF	2016	2015
Qualified insurance policies*	18,083	16,153

\* These assets are fully invested in qualified insurance policies offered by the AXA collective foundation.

**Reconciliation of net defined benefit liability (asset)**

in thousands CHF	2016	2015
<b>Net defined benefit liability as per 1.1.</b>	<b>-6,324</b>	<b>-5,766</b>
Defined benefit costs included in P/L	-1,146	-377
Total remeasurements included in OCI	-1,332	-840
Employer contributions	642	591
Translation difference	6	68
<b>Net defined benefit liability as per 31.12.</b>	<b>-8,154</b>	<b>-6,324</b>

**Actuarial assumptions**

in %	2016	2015
Discount rate	0.7	1.0
Future salary increases	1.5	1.5
Expected benefit increases	0.0	0.0
Fluctuation rate	10.0	10.0
Mortality table	BVG 2015	BVG 2010

**Sensitivities**

Discount rates and future salary increases are considered essential actuarial assumptions. The following effects are expected:

Discount rate	0.73 %	+0.25 %	-0.25 %
Benefit obligation	-26,237	-24,838	-27,530
Rate of salary increase	1.50 %	+0.25 %	-0.25 %
Benefit obligation	-26,237	-26,369	-26,106

Sensitivities are based on likely possible changes as per end of 2016.

**6.16 Trade and other accounts payable**

in thousands CHF	31.12.2016	31.12.2015
Trade accounts payable to third parties	11,365	10,896
<b>Total trade accounts payable</b>	<b>11,365</b>	<b>10,896</b>
Other liabilities	18,566	14,342
Advances received from customers	11,385	14,529
<b>Total other accounts payable</b>	<b>29,951</b>	<b>28,871</b>
Accrued personnel expenses	9,602	8,835
Accrued interest	5	3
Other accrued expenses	8,494	7,894
<b>Total accrued expenses</b>	<b>18,101</b>	<b>16,732</b>
<b>Total trade and other accounts payable</b>	<b>59,417</b>	<b>56,499</b>

Advances received from customers mainly relate to larger projects within the product groups Conveyors & Sorters and Pallet & Carton Flow. Other liabilities include VAT and social security-related liabilities. Accrued personnel expenses relate to accrued paid time off and bonuses.

## 7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 7.1 Personnel expenses

#### Details on personnel expenses and number of employees

in thousands CHF	2016	2015
Wages and salaries	93,635	87,575
Social security costs	13,680	13,560
Pension costs (see note 6.15)	3,119	1,766
Other personnel-related costs	2,434	1,226
Equity-based personnel expenses for management personnel	1,238	972
<b>Total personnel expenses</b>	<b>114,106</b>	<b>105,099</b>
Thereof production-related personnel expenses	54,581	47,923
<b>Average number of employees</b>	<b>1,892</b>	<b>1,820</b>

In the period under review, 2,289 own shares (2015: 2,043) were granted to management members as part of their bonus scheme. In the year under review, 2,289 shares (2015: 2,043) have been blocked from sale for a period of four to eight years as of the grant date. The shares were measured at market value on the date granted.

### 7.2 Research and development expenditures

These expenses are mostly incurred to further develop and complete the product ranges of the segments. They are included in personnel and other operational expenses as well as in depreciation on fixed tangible assets. No expenses have been capitalised as the preconditions stated in IAS 38 are not met cumulatively.

The Group incurred the following expenses for research and development during the years under review:

in thousands CHF	2016	2015
Research and development (R&D) expenditures	7,480	8,465
R&D in % of net sales	1.86	2.35

**7.3 Other operating expenses**

in thousands CHF	2016	2015
Production-related expenses	9,321	9,302
Freight	10,158	9,132
Office, administration and IT services	7,358	6,196
Building costs	5,451	4,937
Travelling and transportation	5,740	5,809
Marketing	4,551	3,786
Consultancy, auditing and insurance	5,362	3,778
Provisions and allowances, net	3,315	2,790
Variable sales costs	5,063	2,618
Non-income taxes	2,048	2,065
Other expenses and services	4,813	3,644
Realised effects on cash flow hedges	67	
<b>Total other operating expenses</b>	<b>63,247</b>	<b>54,057</b>

**7.4 Other operating income**

in thousands CHF	2016	2015
Income from freight and packing	1,851	1,603
Income from services	261	263
Government grants received	88	14
Loss/(gain) on disposal of tangible and intangible assets	28	453
Realised gains on cash flow hedges		25
<b>Total other operating income</b>	<b>2,228</b>	<b>2,358</b>

**7.5 Financial result**

in thousands CHF	2016	2015
Fair value changes of foreign currency forward contracts		567
Realised translation loss	-249	236
Realised translation expenses	-644	-908
Interest expenses	-20	-33
<b>Financial expenses</b>	<b>-913</b>	<b>-138</b>
Fair value changes of foreign currency forward contracts	511	
Interest income	93	74
<b>Financial income</b>	<b>604</b>	<b>74</b>
<b>Financial result, net</b>	<b>-309</b>	<b>-64</b>



## 7.6 Income tax expense

### Components of income tax expense

in thousands CHF	2016	2015
Income taxes relating to the current period	11,341	10,844
Income taxes relating to past periods, net	677	59
<b>Current income tax expense</b>	<b>12,018</b>	<b>10,903</b>
Due to temporary differences	-1,181	-1,503
Due to tax rate changes	-38	-34
Due to (recognition)/use of tax loss carryforwards	558	1,093
Adjustments to deferred tax assets		-40
Other effects (including acquisition)	-4	21
<b>Deferred income tax expense/(income)</b>	<b>-665</b>	<b>-463</b>
<b>Total income tax expense</b>	<b>11,353</b>	<b>10,440</b>

Taxes on capital are included in other operating expenses (see note 7.3).

Deferred tax liabilities of CHF 0.1 million (2015: CHF 0.2 million) have not been recognised for withholding and other taxes on the unremitted earnings. Such distributable earnings which are subject to withholding tax are normally left in the respective companies.

### Reconciliation of effective tax rate

in thousands CHF	2016	2015
<b>Result before income taxes</b>	<b>47,568</b>	<b>39,743</b>
Income tax expenses at the expected tax rate of 20.7% (2015: 20.7%)	9,861	8,239
(Tax credits)/tax charges on prior-year results, net	677	59
Effect of different tax rates applied to Group companies	2,339	2,273
Tax rate changes, net	-38	-34
(Non-taxable income)/non-tax deductible expenses, net	-249	710
(Use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	-1,237	-774
(Reversal)/write-offs of deferred tax assets, net		-32
Other effects		-1
<b>Effective (total) income tax expense</b>	<b>11,353</b>	<b>10,440</b>

The income tax expense analysis is based on the expected tax rate levied for companies taxed at the standard rate in Switzerland.

**Tax effects on and expiry dates of losses carried forward**

in thousands CHF	31.12.2016		31.12.2015	
	Not capitalised	Capitalised	Not capitalised	Capitalised
<b>Expiry:</b>				
2017	31		29	34
2018	696		661	
2019	536		509	
2020	141			
2021	857			
2022 and later	9,232	591	8,292	1,693
unlimited	10,090		10,920	
<b>Total</b>	<b>21,583</b>	<b>591</b>	<b>20,413</b>	<b>1,727</b>
Tax benefit	6,449	230	6,191	787
Thereof unrecognisable	-6,449		-6,191	
<b>Deferred tax assets from losses carried forward</b>		<b>230</b>		<b>787</b>

A tax effect of CHF 0.1 million resulted from new tax losses carried forward of CHF 0.7 million in 2016 (2015: new tax losses of CHF 4.0 million with a tax effect of CHF 1.2 million, none of which was capitalised). During the year under review no tax assets were capitalised.

Deferred tax assets on unused tax losses carried forward and based on temporary differences are capitalised in case it is probable that such assets can be offset against future taxable profits. Due to the probability of offsetting current tax losses carried forward against future profits in various subsidiaries, an amount of CHF 0.2 million has been capitalised in 2016 (2015: CHF 0.8 million). Based on approved business plans, Interroll considers offsetting probable in future. The majority of non-capitalised deferred tax assets on losses carried forward concern US-based subsidiaries. The applicable tax rate for both years under review is 39%.

**Allocation of deferred tax assets/liabilities to balance sheet items**

in thousands CHF	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	661	1,491	799	1,644
Property, plant and equipment	1,115	2,811	1,117	2,482
Financial assets		800		649
Inventory	1,909	192	1,291	394
Benefits of loss carryforwards	230		787	
Receivables	1,214	2,525	181	1,404
<b>Total assets</b>	<b>5,129</b>	<b>7,819</b>	<b>4,175</b>	<b>6,573</b>
Long-term debt	150		139	
Provisions	3,494	1,842	2,371	2,506
Short-term debt	2,047	1,141	1,213	65
Other liabilities	139		700	
<b>Total liabilities</b>	<b>5,830</b>	<b>2,983</b>	<b>4,423</b>	<b>2,571</b>
Offsetting	-7,752	-7,752	-4,639	-4,639
<b>Total net</b>	<b>3,207</b>	<b>3,050</b>	<b>3,959</b>	<b>4,505</b>

Deferred tax assets and deferred tax liabilities are offset within and between companies belonging to the same taxable unit.

## 8 OTHER DISCLOSURES ON THE FINANCIAL STATEMENTS

### 8.1 Contingent liabilities and other commitments

In 2016, the Interroll Group has committed to guarantees to third parties in the amount of CHF 0.2 million (2015: CHF 0.1 million). These guarantees relate to customer orders. There are no further contingent liabilities in either of the years under review.

### 8.2 Related party transactions

#### Transactions with related parties

in thousands CHF	Category	Volume		Outstanding liabilities	
		2016	2015	31.12.2016	31.12.2015
Purchase of materials	a	251	310	30	22
IT Investments/IT Services	a	154	234		1
Other purchases	a	2	28		
<b>Total purchases</b>		<b>407</b>	<b>572</b>	<b>30</b>	<b>23</b>

in thousands CHF	Category	Volume		Outstanding receivables	
		2016	2015	31.12.2016	31.12.2015
Sale of materials	a	137	188	33	15
<b>Total services</b>		<b>137</b>	<b>188</b>	<b>33</b>	<b>15</b>

#### Definition of related parties

Interroll Group defines and categorises its related parties as follows:

- a) Shareholders of Interroll Holding Ltd. holding more than 3% of the shareholder capital.
- b) Members of the Board of Directors and Group Management of Interroll Holding Ltd. This definition also applies to transactions with companies controlled by a member of the Board of Directors.

**Total remuneration of Board of Directors**

Total remuneration of the Board of Directors of Interroll Holding Ltd. amounted to CHF 0.53 million (2015: 0.58 million) in 2016. The detailed disclosures regarding the remuneration of and shares owned by the Board of Directors and Group Management as required by Swiss law are included in the Remuneration Report.

**Total remuneration of Group Management**

in thousands CHF	2016	2015
Salaries incl. bonus	3,779	3,708
Post-employment benefits	612	566
Equity based remuneration	2,017	1,052
<b>Total remuneration of Group Management</b>	<b>6,408</b>	<b>5,326</b>

Loans were granted neither in the period under review nor in the previous year.

Detailed disclosures regarding the remuneration of and equities held by the Group Management in accordance with Swiss law (OR) can be found in the Remuneration Report.

**8.3 Subsequent events**

The consolidated financial statements for the year 2016 were approved by the Board of Directors on 10 March 2017 and are subject to further approval by the Annual General Meeting of Shareholders on 12 May 2017.

No event has occurred between 31 December 2016 and 10 March 2017 which would require adjustment to the carrying amount of the Group's assets and liabilities as per 31 December 2016, or would require disclosure in accordance with IAS 10.

## 8.4 Scope of consolidation

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %	
<b>Switzerland</b>						
Interroll Holding AG	Sant'Antonino (CH)	F	0	CHF	854.0	
Interroll SA	Sant'Antonino (CH)	P	HD	CHF	100.0	100 %
Interroll (Schweiz) AG	Sant'Antonino (CH)	F	HD	CHF	5,000.0	100 %
Interroll Management AG	Sant'Antonino (CH)	F	HD	CHF	100.0	100 %
<b>EMEA (without Switzerland)</b>						
Interroll Fördertechnik GmbH	Wermelskirchen (DE)	S	DP	EUR	25.6	100 %
Interroll Engineering GmbH	Wermelskirchen (DE)	P	DHO	EUR	1,662.2	100 %
Interroll Automation GmbH	Sinsheim (DE)	P	DHO	EUR	2,000.0	100 %
Interroll Holding GmbH	Wermelskirchen (DE)	F	HD	EUR	500.0	100 %
Interroll Kronau GmbH	Kronau (DE)	P	DHO	EUR	25.0	100 %
Interroll Trommelmotoren GmbH	Baal/Hückelhoven (DE)	P	DHO	EUR	77.0	100 %
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR	2,808.0	100 %
Interroll SAS	La Roche sur Yon (FR)	P	F	EUR	2,660.0	100 %
Interroll SAS	Saint-Pol-de-Léon (FR)	S	F	EUR	61.0	100 %
Interroll Nordic AS	Hvidovre (DK)	S	DKP	EUR	67.1	100 %
Interroll Joki AS	Hvidovre (DK)	P	HD	EUR	2,013.8	100 %
Interroll Ltd.	Kettering (GB)	S	HDE	GBP	0.0	100 %
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP	0.1	100 %
Interroll Italia S.r.l	Rho/Cornaredo (IT)	S	HDE	EUR	10.0	100 %
Interroll España SA	Cerdanyola del Vallès (ES)	S	HDE/TI	EUR	600.0	100 %
Interroll CZ sro.	Breclav (CZ)	S	HDE	CZK	1,000.0	100 %
Interroll Europe BV	Emmeloord (NL)	F	HD	EUR	18.2	100 %
Interroll Polska Sp.z.o.o.	Warsaw (PL)	S	HD	PLZ	100.0	100 %
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD/PR	TRY	1,000.0	100 %
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	S	HD	ZAR	0.3	100 %
<b>Americas</b>						
Interroll Corporation	Wilmington, NC (US)	P/S	IAU	USD	65.0	100 %
Interroll USA Holding, LLC	Wilmington, DE (US)	F	HD	USD	0.1	100 %
Interroll Engineering West, Inc.	Cañon City, CO (US)	P/S	IAU	USD	0.0	100 %
Interroll Atlanta, LLC	Hiram/Atlanta, GA (US)	P/S	IAU	USD	0.0	100 %
Interroll Real Estate, LLC	Wilmington, DE (US)	F	IAU	USD	0.0	100 %
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD	1,720.1	100 %
Interroll Logística Ltda	Jaguariuna/S. Paulo (BR)	P/S	HD/E	BRL	9,049.7	100 %
Interroll Mexico S. de R.L. de C.V.	Mexico City (MX)	S	HD/PR	MXN	1,720.1	100 %

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %
<b>Asia-Pacific</b>					
Interroll (Asia) Pte. Ltd.	Singapore (SG)	S	HDE	SGD 18,625.0	100 %
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P/S	SGP	CNY 42,490.2	100 %
Interroll Holding Management (Shanghai) Co. Ltd.	Shanghai (CN)	S	SGP	CNY 3,066.5	100 %
Interroll Shenzhen Co. Ltd.	Shenzhen (CN)	P	SGP	CNY 5,770.0	100 %
Portec Asia Limited	Hong Kong (CN)	S	SGP	HKD 700.0	100 %
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD 51.2	100 %
Interroll (Thailand) Co. Ltd.	Panthong (TH)	P/S	SGP/HD	THB 100,000.0	100 %
Interroll Japan Co. Ltd.	Tokyo (JP)	S	HD	JPY 10,000.0	100 %
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP/HD	KRW 1,500,000.0	100 %

Function: P = Production, S = Sales, F = Finance, D = Dormant

Owner: HD = Interroll Holding Ltd., HDE = Interroll Europe BV, TI = Interroll SA, DHO = Interroll Holding GmbH, DKP = Interroll Joki AS, F = Interroll SAS, Saint-Pol-de-Léon, E = Interroll España SA, SGP = Interroll (Asia) Pte. Ltd., Singapore, IAU = Interroll USA Holding LLC, PR = Interroll (Schweiz) AG

#### Movements within the scope of consolidation in 2016

During the year under review Interroll Mexico S. de R.L. de C.V. (MX) was founded in Mexico City. Interroll GmbH (DE) in Wermelskirchen moved its registered office to Kronau and now operates under the name of Interroll Kronau GmbH (DE).

#### Movements within the scope of consolidation in 2015

During the previous year, the share capital of Interroll Holding AG was reduced from CHF 8.5 million to CHF 0.854 million. Portec International Ltd. in Leicester (UK) was liquidated. Portec Group International, Inc. in Cañon City (US) was merged with into Interroll Engineering West, Inc. Furthermore, Interroll Dynamic, Inc. (US) changed its name to Interroll Real Estate, Inc. and moved its registered office to Wilmington, DE (US).





## REPORT OF THE STATUTORY AUDITOR TO THE BOARD OF DIRECTORS OF INTERROLL HOLDING AG, SANT'ANTONINO

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Interroll Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 64 to 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

Overall materiality: CHF 2,378,000

We concluded full scope audit work at ten reporting units in seven countries.

In addition, specified audit procedures were performed on a further nine group companies in six countries.

Our audit scope addressed 71 % of the sales revenue and 80 % of the assets of the Group.

As a key audit matter, the following area of focus was identified: Impairment testing of goodwill

**Audit scope**

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our instructions ensured an appropriate and a consistent audit was performed by the component auditors. In addition, we were involved in the audits of the component auditors by means of various telephone calls, written correspondence and the inspection of reports.

Further, as the Group auditor, we performed on site at the Company's headquarters the audits of the consolidation, of the disclosures in the consolidated financial statements and of the more complex elements. This included, among others, the annual impairment testing of goodwill.

**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	CHF 2,378,000
<b>How we determined it</b>	5% of the result before income taxes
<b>Rationale for the materiality benchmark applied</b>	We chose the result before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured,

We agreed with the Audit Committee that we would report to them misstatements above CHF 118,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment testing of goodwill****Key audit matter****How our audit addressed the key audit matter**

Intangible assets included goodwill in the amount of CHF 17.3 million as at 31 December 2016, representing around 5% of total assets. We consider goodwill to be a key audit matter because of the significant scope for judgement involved in determining the parameters of the impairment test in the following areas:

- Assumptions concerning expected revenue growth and EBITDA during the forecast period.
- Assumptions used in deriving the weighted cost of capital (discount rate).

Management's assumptions used in impairment testing are disclosed in note 6.3 to the consolidated statement of financial position.

Group Management performs impairment tests and submits them to the Audit Committee for approval. The budget approved by the Board of Directors forms the basis for this. Revenues for the forecast period are estimated on the basis of historical experience and expectations of market growth. The weighted cost of capital is derived from observable market data inputs and specific factors pertaining to the Group.

We checked the forecasted revenues and the weighted cost of capital applied as follows.

We compared the revenues of the year under review with the forecasts prepared in the prior year in order to verify the accuracy of the forecasts.

We reconciled the forecasted revenues used for the impairment test with the budget approved by the Board of Directors.

We compared the assumptions for the weighted cost of capital with independent market data, where possible. To this end, we involved our own valuation experts from PwC's Corporate Finance unit.

Further, we tested the sensitivity analyses of the key assumptions mentioned above. These analyses allowed us to assess any potential impairment of goodwill.

We obtained adequate assurance through our audit procedures and we were able to corroborate the assumptions used by Group Management.

**Other information in the annual report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements and the remuneration report of Interroll Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.


A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

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



Patrick Balkanyi  
Audit expert  
Auditor in charge



Nicole Bertschinger  
Audit expert

Zürich, 13 March 2017

# FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

<b>1</b>	<b>FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.</b>	116
<b>2</b>	<b>GENERAL INFORMATION ON THE FINANCIAL STATEMENTS</b>	118
<b>3</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	119
<b>4</b>	<b>OTHER DISCLOSURES ACCORDING TO SWISS LAW</b>	121
<b>5</b>	<b>PROPOSED APPROPRIATION OF AVAILABLE EARNINGS</b>	121
<b>6</b>	<b>REPORT OF THE STATUTORY AUDITOR</b>	122

# 1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

## 1.1 Balance sheet

in thousands CHF	see notes*	31.12.2016	31.12.2015
<b>ASSETS</b>			
Cash and cash equivalents		1,772	592
Accounts receivable from subsidiaries		1,543	1,144
Other receivables from third parties		785	126
Loans to subsidiaries		39,232	0.0
<b>Total current assets</b>		<b>43,332</b>	<b>1,862</b>
Investments		106,916	106,957
Loans to subsidiaries	3.3	5,335	39,757
<b>Total non-current assets</b>		<b>112,251</b>	<b>146,714</b>
<b>Total assets</b>		<b>155,583</b>	<b>148,576</b>
<b>EQUITY AND LIABILITIES</b>			
Trade and other accounts payable from subsidiaries		258	337
Trade and other accounts payable from third parties		25	43
Loans from subsidiaries	3.4	547	
Accrued expenses		1,948	1,887
<b>Total current liabilities</b>		<b>2,778</b>	<b>2,267</b>
<b>Total non-current liabilities</b>			
Share capital	3.5	854	854
Legal reserve			
- Share premium		8	8
- Other legal reserve		5,209	5,209
- Available earnings		148,648	141,861
Own shares	3.1	-1,914	-1,623
<b>Total shareholder's equity</b>		<b>152,805</b>	<b>146,309</b>
<b>Total liabilities and equity</b>		<b>155,583</b>	<b>148,576</b>

\* See notes to the financial statements.

## 1.2 Income statement

in thousands CHF	2016	2015
Investment income	14,882	37,534
Royalty income	3,944	3,524
Other operating income	2,434	1,333
Financial income	2,256	1,431
<b>Total income</b>	<b>23,516</b>	<b>43,822</b>
Administration expenses	-466	-468
Personnel expenses*	-3,031	-1,886
Other operating expenses	-1,701	-1,510
Financial expenses	-1,279	-2,468
<b>Total expenses</b>	<b>-6,477</b>	<b>-6,332</b>
<b>Result before income taxes</b>	<b>17,039</b>	<b>37,490</b>
Direct taxes	-21	
<b>Result</b>	<b>17,018</b>	<b>37,490</b>

\* CHF 0.7 million for bonuses were accrued with Interroll Holding AG in the reporting year. In the previous year, bonuses were accrued with Interroll Management AG.

## 1.3 Statement of changes in equity

in thousands CHF	Share capital	Reserves from capital contrib.	Legal reserve	Available earnings	Own shares	Total
<b>As of 1.1.2015</b>	<b>8,540</b>	<b>8</b>	<b>5,209</b>	<b>104,371</b>	<b>-2,008</b>	<b>116,120</b>
Result 2015				37,490		<b>37,490</b>
Distribution from face value reduction	-7,686					<b>-7,686</b>
Change of balance for own shares					385	<b>385</b>
<b>Per 31.12.2015</b>	<b>854</b>	<b>8</b>	<b>5,209</b>	<b>141,861</b>	<b>-1,623</b>	<b>146,309</b>
Result 2016				17,018		<b>17,018</b>
Dividend payment, net				-10,231		<b>-10,231</b>
Change of balance for own shares					-291	<b>-291</b>
<b>Per 31.12.2016</b>	<b>854</b>	<b>8</b>	<b>5,209</b>	<b>148,648</b>	<b>-1,914</b>	<b>152,805</b>



## 2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

### 2.1 Accounting policies

#### Accounting law

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations).

#### Current / non-current distinction

Current assets are assets expected to be realised or consumed in the normal course of the Company's operating cycle or assets held for trading purposes. All other assets are classified as non-current assets.

Current liabilities are liabilities expected to be settled by use of cash generated in the normal course of the Company's operating cycle or liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

#### Foreign currency translation

Transactions in foreign currencies are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising on settlement of these transactions are included in the current year's income under financial income and financial expenses respectively. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the balance sheet date. Any gains or losses resulting from this translation are also included in the current year's income, except for realised gains which are deferred.

#### Foregoing a cash flow statement and additional disclosures in the notes

As Holding Ltd has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

### 2.2 Principles of valuation

#### Cash and cash equivalents, accounts receivable and payable

Cash and cash equivalents are stated at nominal value. Accounts receivable are stated at nominal value less any valuation adjustment for credit risks. Accounts payable are stated at nominal value. Accounts receivable from Group companies arise from services provided by Interroll Holding Ltd. and related interest and royalties billed. These services are recognised on an accrual basis.

#### Own shares

Own shares are stated at the lower of cost and fair value.

#### Loans

Non-current loans receivable are stated at nominal value less any valuation adjustments deemed necessary to reflect the credit risk. Non-current loans payable are stated at nominal value.

#### Investments

Investments are stated at cost less any valuation adjustments deemed necessary to recognise a decline other than temporary in value (impairment). Additional provisions are recognised for general investment risks.

#### Accrued expenses

Accrued expenses primarily relate to interest due on loans payable stated at nominal value and to accruals for the remuneration of the Board of Directors.

### 3 NOTES TO THE FINANCIAL STATEMENTS

#### 3.1 Own shares

##### Shares sold, acquired and held in the periods under review

In the year under review, the Company sold 1,167 own shares at an average price of CHF 1,058.68 (2015: the Company sold 502 own shares at an average price of CHF 800.44). In the year under review, the Company acquired 2,212 shares (2015: 1,360 shares). At year-end 2016, the Company held 2,441 own shares at a book value of CHF 1.9 million (2015: 2,985 own shares at a book value of CHF 1.6 million).

##### Allocation of own shares to employees

2,289 shares (2015: 2,043 shares) at a carrying value of CHF 2.1 million (2015: CHF 1.0 million) were allocated to employees.

#### 3.2 Investments

An overview of the material investments either directly or indirectly held by Interroll Holding Ltd. can be found in the notes to the consolidated statements of the Interroll Group (see 8.4 "Scope of consolidation").

#### 3.3 Loans to subsidiaries

The interest rates used were the following:	lowest	highest
In 2016	0.00%	3.25%
In 2015	0.00%	3.50%

The loans to subsidiaries are normally redeemable with a notification period of three months. As of year-end, the total outstanding group loans amounted to CHF 44.6 million (2015: CHF 39.8 million). An impairment has been recognised for loans amounting to CHF 2.8 million (2015: CHF 2.8 million).

In 2016, CHF 39.2 million were reported as short-term loans. In 2015 no short-term loans were reported.

#### 3.4 Loans from subsidiaries

The following interest rates were used:	lowest	highest
In 2016	1.00%	2.75%
In 2015	0.25%	0.25%

The loans due from subsidiaries are normally redeemable with a notification period of three months. As of year-end 2015 no Group loans were outstanding.

### 3.5 Shareholders' equity

#### Composition of the share capital

As in the previous year, the share capital consists of 854,000 fully paid-in registered shares with a par value of CHF 1 per share. Each share entitles the holder to equal dividend and voting rights.

#### Significant shareholders (at least 3% of the share capital)

The following table shows the number of shares held by the most significant shareholders as well as their participation in percent.

Shareholder/Shareholder group	31.12.2016		31.12.2015	
	Number of shares	Participation in %	Number of shares	Participation in %
B. Ghisalberti, E. Moreschi and Family	109,213	12.79	109,213	12.79
D. Specht and Family	76,135	8.92	82,340	9.64
Allianz Group	50,084	5.86	50,084	5.86
Schroders PLC	43,833	5.13	43,833	5.13
Kempen Oranje Participaties N.V.	43,554	5.10	43,554	5.10
Sarasin Investmentfonds AG	*	*	40,150	4.70
N. Axmann and Family (new Stiftung Erlebnispark)	0	0.00	39,017	4.57
Stiftung Erlebnispark Fördertechnik GmbH	36,475	4.27	0	0.00
Swisscanto Fondsleitung AG	34,371	4.02	34,371	4.02
Various other shareholders	460,335	53.91	411,438	48.19
<b>Total</b>	<b>854,000</b>	<b>100.00</b>	<b>854,000</b>	<b>100.00</b>

\*As per 31 December 2016 this shareholding was below 3%.

### 3.6 Contingent liabilities

Interroll Holding Ltd. has issued a guarantee for an existing shared credit facility in the amount of CHF 42 million (2015: CHF 42 million) in favour of Interroll (Schweiz) AG. The credit facility was not utilised on 31 December 2016.

In addition, Interroll Holding Ltd. issued letters of continuing financial support in favour of the following Group companies:

Country	Company
Germany	Interroll Automation GmbH, Sinsheim (DE)
France	Interroll S.A.S., La Roche sur Yon (FR)
Switzerland	Interroll (Schweiz) AG, Sant'Antonino (CH)

In favour of two customers in South Africa Interroll Holding AG granted retention guarantees in the total amount of CHF 0.3 million (2015: CHF 0.0 million).

Furthermore, Interroll Holding Ltd. carries joint liability with respect to the federal tax authorities for value added tax debts of all Swiss subsidiaries.

## 4 OTHER DISCLOSURES ACCORDING TO SWISS LAW

### 4.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year is zero.

### 4.2 Remuneration of and shares held by the Board of Directors and the Group Management

The remuneration of the members of the Board of Directors and the Group Management as well as the shares and options held by the members of the Board of Directors at year end are disclosed in the Compensation Report in accordance with VegüV and the Swiss Code of Obligations 663c (see Remuneration Report, pages 53 to 61).

### 4.3 Shares held by Group Management

Shares as of 31.12.

	2016	2015
Paul Zumbühl	19,598	18,598
Tim McGill	3,339	3,205
Dr Christoph Reinkemeier	550	516
Daniel Bättig	461	329
Dr Ralf Gartlichs	430	390
Dr Ben Xia	266	161
Jens Karolyi	120	104
<b>Total</b>	<b>24,764</b>	<b>23,303</b>

## 5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

### Appropriation of available earnings

The Board of Directors proposes to the General Assembly as of 12 May 2017 to appropriate the available earnings as per end of the year under review as follows:

in thousands CHF	2016	2015
Result	17,018	37,490
Available earnings carried over from previous year	131,630	104,371
	<b>148,648</b>	<b>141,861</b>
Distribution of a dividend of	13,664	10,248
to be carried forward	134,984	131,613
	<b>148,648</b>	<b>141,861</b>

### Proposed dividend payment

The Board of Directors proposes to the General Assembly to pay a dividend in the amount of CHF 16.00 per share or a maximum of CHF 13.7 million in total. In the previous year a dividend in the amount of CHF 12.00 per share or a maximum of CHF 10.2 million was approved. If this year's dividend proposal is approved, the respective payment will be processed in the second quarter of 2017.



## REPORT OF THE STATUTORY AUDITOR TO THE BOARD OF DIRECTORS OF INTERROLL HOLDING AG, SANT'ANTONINO

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Interroll Holding AG, which comprise the balance sheet as at 31 December 2015, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 116 to 121) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

Overall materiality: CHF 700,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

Impairment testing of Group assets (investments in subsidiaries and loans granted to subsidiaries)

#### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

**Materiality**

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 700,000
<b>How we determined it</b>	0.5 % of total assets
<b>Rationale for the materiality benchmark applied</b>	We chose total assets as the benchmark because the Company primarily holds equity investments in and grants loans to subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 35,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

**Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment testing of Group assets (investments in subsidiaries and accounts receivable from subsidiaries)

#### Key audit matter

We consider impairment testing of Group assets to be a key audit matter because of their significance on the balance sheet. Investments in subsidiaries amount to CHF 106.9 million (69% of total assets) and loans granted to subsidiaries amount to CHF 44.6 million (29% of total assets).

Please refer to note 3.3 (Loans to subsidiaries) and note 3.2 (Investments) in “General information on the financial statements” in the notes to the financial statements of Interroll Holding AG.

#### How our audit addressed the key audit matter

Management carried out impairment tests on all investments in subsidiaries. We performed the following audit procedures:

Firstly, we discussed with Management whether any indications of impairment were identified in relation to an investment.

Subsequently, for a sample of selected investments, we verified the factors used to calculate potential impairment and reperformed the calculation.

Management assessed individually the recoverability of accounts receivable from subsidiaries, except where the standalone financial statements prepared in accordance with IFRS or an impairment test showed that these were secured by positive equity. We discussed in detail with Management their assessment and reperformed it, and we checked for plausibility the outlook based on the budget approved by the Board of Directors.

On the basis of the audit procedures described above, we have addressed the risk of an incorrect valuation of the investments in subsidiaries and loans to subsidiaries. We have no findings to report.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

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



Patrick Balkanyi  
Audit expert  
Auditor in charge



Nicole Bertschinger  
Audit expert

Zurich, 13 March 2017



# FINANCIAL CALENDAR 2017

---

Preliminary Financial Figures 2016 (unaudited)	23 January
Publication Annual Report 2016 and Balance Sheet Press Conference	24 March
Annual General Assembly	12 May
Publication Half-Year Report 2017 and Web Conference (English)	4 August

---

## CONTACT AND IMPRINT

If you have any questions regarding the Interroll Group or would like to be included in our distribution list, please contact the Investor Relations Team:

[investor.relations@interroll.com](mailto:investor.relations@interroll.com)

### Jens Karolyi

Senior Vice President Marketing & Culture

Tel: +41 91 850 25 21

E-mail: [j.karolyi@interroll.com](mailto:j.karolyi@interroll.com)

### Editor

Interroll Holding AG

Via Gorelle 3

6592 Sant'Antonino, Switzerland

Tel: +41 91 8502525

Fax: +41 91 8502505

[www.interroll.com](http://www.interroll.com)

### Layout

Calydo, Steinhausen (Zug)

### Production

GateB, Steinhausen (Zug)

### Printing

Victor Hotz AG, Steinhausen (Zug)

**NOTE ON THE ANNUAL REPORT**

This annual report is also available in German. If there are differences between the two, the German version shall prevail.

**NOTE ON ROUNDING**

Please note that slight differences may arise as a result of the use of rounded amounts and percentages.

**FORWARD-LOOKING STATEMENTS**

This annual report contains certain forward-looking statements. forward-looking statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as “believe”, “estimate”, “assume”, “expect”, “forecast”, “intend”, “could” or “should” or expressions of a similar kind. Such forward-looking statements are subject to risks and uncertainties since they relate to future events and are based on the company’s current assumptions, which may not in the future take place or be fulfilled as expected. The company points out that such forward-looking statements provide no guarantee for the future and that the actual events, including the financial position and profitability of the Interroll Group and developments in the economic and regulatory fundamentals, may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for the Interroll Group, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such forward-looking statements in this annual report, no guarantee can be given that this will continue to be the case in the future.







**Interroll Holding Ltd.**

Via Gorelle 3 | 6592 Sant'Antonino | Switzerland

[www.interroll.com](http://www.interroll.com)