INTERROLL ANNUAL REPORT 2017

ANNUAL REPORT 2017

ENABLE
EXPAND
EVOLVE

450.7 MILLION
NET SALES

47.4 MILLION
EBIT

46.2 MILLION
CASH FLOW

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KEY FIGURES

in CHF million, unless stated differently	2017	2016	2015	2014	2013
Order intake / net sales					
Total order intake	458.1	405.2	385.1	350.7	318.8
Drives	146.7	123.6	110.3	114.9	109.4
Rollers	105.8	93.5	93.4	81.2	75.4
Conveyors & Sorters	142.6	120.9	107.2	79.8	71.2
Pallet & Carton Flow	55.6	63.5	49.8	59.4	60.3
Total net sales	**450.7**	**401.5**	**360.7**	**335.3**	**316.3**
Profitability					
EBITDA	66.3	65.7	58.2	44.1	45.4
in % of net sales	14.7	16.4	16.1	13.2	14.3
EBITA	54.1	54.7	47.6	33.2	34.0
in % of net sales	12.0	13.6	13.2	9.9	10.7
EBIT	47.4	47.9	39.8	25.4	27.2
in % of net sales	10.5	11.9	11.0	7.6	8.6
Result	**39.1**	**36.2**	**29.3**	**19.1**	**20.5**
in % of net sales	8.7	9.0	8.1	5.7	6.5
Cash flow					
Operating cash flow	46.2	36.8	40.2	27.8	44.5
in % of net sales	10.3	9.2	11.1	8.3	14.1
Free cash flow	**20.1**	**18.0**	**17.3**	**12.0**	**5.0**
in % of net sales	4.5	4.5	4.8	3.6	1.6
Total capital expenditures	**25.4**	**19.5**	**24.3**	**16.8**	**39.8**
Balance sheet (31.12.)					
Total assets	355.3	324.8	293.0	278.2	258.2
Goodwill	17.6	17.3	16.7	17.6	16.0
Net financial assets	37.1	38.0	31.3	23.9	20.2
Equity	**261.7**	**233.1**	**207.6**	**200.3**	**187.2**
Equity ratio (equity in % of assets)	73.6	71.8	70.9	72.0	72.5
Return on equity (in %)	15.8	16.4	14.4	9.9	11.9
Other key figures					
RONA (Return on Net Assets, in %)	16.5	17.1	15.3	9.8	12.2
Average number of employees	2,067	1,892	1,820	1,675	1,488
Net sales per employee (in thousands CHF)	218	212	198	200	213
Productivity (added value / total personnel expenses)	2.02	2.11	2.04	1.86	1.95

ABOUT INTERROLL

The Interroll Group is a leading global provider of material handling solutions. The company was founded in 1959 and has been listed on the SIX Swiss Exchange since 1997. Interroll provides system integrators and OEMs with a wide range of platform-based products and services in these categories: Rollers (conveyor rollers), Drives (motors and drives for conveyor systems), Conveyors & Sorters as well as Pallet & Carton Flow (flow storage systems). Interroll solutions are used in express and postal services, e-commerce, airports, the food and beverage industry, fashion, and automotive sectors, and many other manufacturing industries. Among the end users are leading brands such as Amazon, Bosch, Coca-Cola, DHL, Nestlé, Procter & Gamble, Siemens, Walmart and Zalando. Headquartered in Switzerland, Interroll has a global network of 32 companies with sales of CHF 450.7 million and around 2,100 employees (2017).

www.interroll.com

28,000 CUSTOMERS AROUND THE WORLD

32 COMPANIES AROUND THE WORLD

2,100 EMPLOYEES AROUND THE WORLD

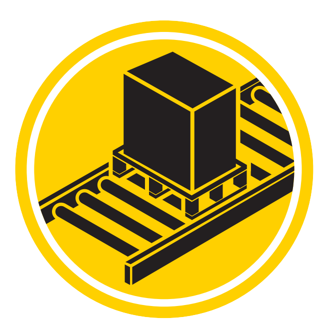
INTERROLL PRODUCT GROUPS

DRIVES

ROLLERS

CONVEYORS & SORTERS

PALLET & CARTON FLOW



HIGHLIGHTS OF THE 2017 FINANCIAL YEAR

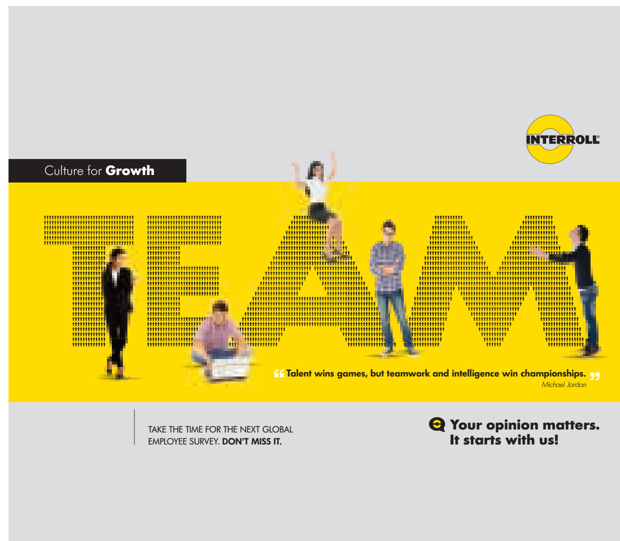
THE NEW GENERATION OF DRUM MOTORS PRESENTED AT THE LOGIMAT

NEW DRUM MOTOR PLATFORM
The innovative, modularly designed motor platform presented at the LogiMAT trade fair is ideal for use in modern conveyor belt systems and encompasses both synchronous and asynchronous drive solutions.

EXPANSION IN AMERICAS
Interroll opens a branch in Mexico. With a population in excess of 120 million people, Mexico is one of the world's 15 largest economies and has a growing manufacturing industry.

INTERROLL AND SAUBER F1 TEAM RENEW THEIR PARTNERSHIP
Interroll will continue to be a close partner of the Sauber F1 team going forward and is renewing the partnership.

Q1



INTERROLL BOOSTS EMPLOYEE SATISFACTION

GLOBAL EMPLOYEE SURVEY
The 2017 global employee survey yielded impressive results: Interroll provides its employees and executives with an attractive work environment that is greatly appreciated by its staff.

INTERROLL PRESENTS THE MOST POWERFUL SYNCHRONOUS DRUM MOTOR
The new drive adds greater flexibility to belt conveyors, offering an output of up to 1.1 kilowatts while also permitting high torques of up to 100 Nm.

MAJOR ORDER FROM THE US
Interroll has been contracted by a leading express and parcel delivery service in North America to deliver sorter systems; the total value of the project will be in the low double-digit million range (in USD).

Q2

THE WENKO DISTRIBUTION CENTER IN BAAL, GERMANY GOES ONLINE

LOGISTICS SYSTEM FOR YOUNGONE (SOUTH KOREA)

Outdoor specialist Youngone contracted Hyundai Elevator as a systems integrator and Interroll as a producer to set up a complete logistics system in its new distribution center. Interroll delivered three modular conveyor platforms and a horizontal crossbelt sorter.

VERSATILE SYSTEMATIC SOLUTIONS FROM INTERROLL FOR THE WENKO DISTRIBUTION CENTER

Interroll and REMA TEC provided their end user WENKO with a complete automation solution that handles the intermediate storage and order picking of the company's range of 6,000 products.

ROLLING ON INTERROLL IS GROWING

"Growing together" was the motto of the first Global Summit which was held in Barcelona in early September and attended by 130 participants as part of the Rolling On Interroll partner programme.

Q3

INTERROLL EXPANDS ITS CONTROL FAMILY

ZERO-PRESSURE-ACCUMULATION PALLET CONVEYANCE

The launch of the Pallet Control PC 6000 marks Interroll's expansion of its decentralised control and drive concept which had already been successfully implemented in the Interroll 24V DC RollerDrive and Interroll MultiControl to achieve zero pressure accumulation.

SUCCESSFUL PRESENCE AT CEMAT ASIA

Interroll rolled out its new generation of drum motors in Asia at the CeMAT Asia trade fair in Shanghai.

MAXIMUM FLEXIBILITY WITH OPTIMISED CARTON WHEEL FLOW

Interroll's new Carton Wheel Flow beds feature simple installation and dramatically reduced mounting time. The pick-to-light system can easily be placed above it.

Q4

DRIVING TECHNOLOGICAL TRANSFORMATION AHEAD AS AN “ENABLER”

Paul Zumbühl, Chief Executive Officer

Dear shareholders, customers,
employees and business partners,

Despite the strong financial year in 2016, the Interroll Group has now succeeded in accelerating its growth even further over the course of the past year. This performance was underscored by particularly strong order intake, net sales and cash flow.

Order intake rose by 13.0 % (12.0 % in local currencies) to a new record high of CHF 458.1 million (previous year: CHF 405.2 million). Consolidated net sales grew by 12.3 % (11.3 % in local currencies), thus also setting a new all-time high of CHF 450.7 million (previous year: CHF 401.5 million). Organic growth contributed 12.0 %.

This positive momentum was driven by increases in global market share which were attributable to our innovation strength, our proximity to customers and our clear strategic alignment. We were right about global trends like the focus on cost efficiency in logistics, strong growth in several industries including fashion, tyres and e-commerce, as well as heavy demand for efficient materials handling solutions by the providers of postal and logistics services. In addition, Interroll continues to generate a large number of orders in the food and beverage industry as well as airport construction.

The Group is making an ongoing effort to simultaneously expand the expertise of its sales team, its application engineers and its R&D team. We are investing in training and new technologies and are in the process of setting up a team of industry managers. These experts are closely interconnected with their industries, speak our customers’ lingo and develop industry-specific solutions. Particularly in new growth areas like fashion or the tyre and automotive industry, Interroll is increasingly impressing its very demanding customers and being perceived and appreciated as an “enabler” with the right solutions that generate added value.

Interroll has once again been able to successfully position itself in terms of trends related to Industry 4.0. Processes are being digitalised in the area of materials handling technology, as well, with the goal of optimising throughput times in the transport chain and solutions for decentralised conveyors. Interroll intends to play a leading role here, too, and planned to invest up to an additional CHF 5 million per year in research and development, both in the reporting year and the following year.

Nevertheless, EBITDA rose by 1.0 % to CHF 66.3 million (previous year: CHF 65.7 million). Favoured by tax effects, net profit rose by 7.8 % to CHF 39.1 million (previous year: CHF 36.2 million). Operating cash flow climbed significantly by 25.5 % to CHF 46.2 million (previous year: CHF 36.8 million). At CHF 25.4 million, gross investments increased substantially year-on-year (CHF 19.5 million). Our shareholders participate in the positive business development, as a dividend of CHF 16.50 (previous year: CHF 16.00) is applied for at the Annual General Meeting on 4 May 2018.

“Efficiency, culture and innovation form the perfect prerequisites for this.”

Urs Tanner, Chairman of the Board of Directors

A DRIVING FORCE IN THE EVOLUTION OF MATERIAL FLOW SOLUTIONS

New solutions document Interroll’s enormous innovation strength. Starting off with the new DM 0080 drum motor model, Interroll introduced a new generation of motor platforms at LogiMAT in March. In May, Interroll underscored its claim to technological leadership by launching the market’s most powerful synchronous drum motor with an output of up to 1.1 kilowatt. The family of controls also grew: the new Softstart Control solution for checkout counters, presented by Interroll at EuroShop in March, is a brand new, multifunctional system that is very easy to install. The November launch of the Pallet Control 6000, a decentralised control unit solution for zero-pressure-accumulation handling, marked the market rollout of an all-in-one solution that also comprises the rollers, the MultiControl and the Interroll Pallet Drive as the drive module.

Interroll not only offers innovative products but also stimulates the market with its new partner programme Rolling On Interroll (ROI). The first ROI Global Summit, a unique platform for the ROI community composed of 65 partner companies from 31 different countries, was held in Barcelona in September. 80 % of the ROI partners accepted the invitation to share experiences, jointly identify opportunities on the market and cooperate closely to promote forward-looking material flow solutions.

“CULTURE FOR GROWTH” PROGRAMME AND COMPLIANCE MANAGEMENT STRENGTHENED FURTHER

Interroll’s global success is based on the conduct of our employees within their teams and our close attention to the needs of our customers. In order to achieve the strong growth that we are targeting, it is very important to have a corporate culture with a clear focus and strong identity. This is why Interroll is intensifying its “Culture for Growth” programme this year. To this end, leadership training courses were held once again for our managing directors, department directors and specialists and a second employee survey was conducted.

We also underlined our commitment to responsible corporate governance and sustainability in February 2018 with the submission of our first Communication on Progress to the UN Global Compact. We have realigned several of our compliance management processes and courses to more strongly support this Compact. This way, we will further improve the Group’s competitive position.

Together with our most valuable resource – the employees of Interroll – we wish to lay a solid foundation for long-term excellence and create added value for our customers and shareholders. Our efficiency, culture and innovation form the perfect prerequisites for this.

Sant’Antonino, 6 March 2018

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 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 to 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 at 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 University of Applied Sciences and Arts Northwestern Switzerland 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 US. 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 GARLICHS
(born 1962, German)

Dr Ralf Garlichs 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 the Interroll Group in 2006 as Executive Vice President Drives & Rollers. Since 2011, Ralf Garlichs 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 the 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 serving as 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 the Interroll Group as Executive Vice President Global Sales & Service and is a member of Interroll Group Management.

DR BEN XIA
(born 1966, Chinese)

Dr Ben Xia graduated with a bachelor of science 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 the Interroll Group as Executive Vice President Asia and is a member of Interroll Group Management.

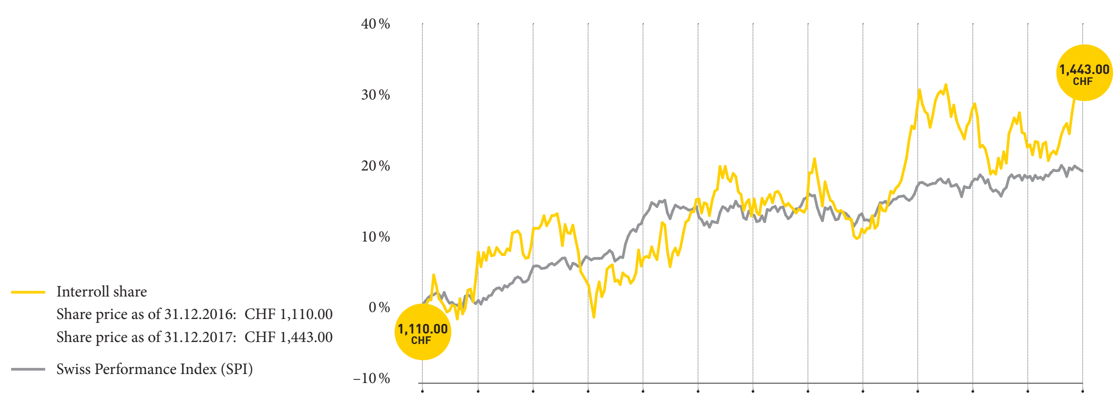
INTERROLL ON THE CAPITAL MARKET

INVESTOR INFORMATION

Interroll share information		2017	2016	2015	2014	2013
Number of registered shares		854,000	854,000	854,000	854,000	854,000
Number of average shares outstanding		849,934	850,634	849,155	849,170	826,920
Number of shares outstanding as of 31.12.		847,099	851,559	851,015	849,830	850,151
Share price high	CHF	1,475.00	1,172.00	858.00	582.50	490.00
Share price low	CHF	1,097.00	707.00	429.00	490.00	333.00
Year-end share price as of 31.12.	CHF	1,443.00	1,110.00	856.50	525.50	490.00
Market capitalisation as of 31.12.	CHF million	1,222.36	945.01	731.45	448.78	416.57
Par value as of 31.12.	CHF	1.00	1.00	1.00	10.00	10.00
Dividend	CHF	16.50	16.00	12.00		
Reduction of par value	CHF				9.00	
Distribution out of reserves from capital contributions	CHF					8.80
Earnings per average share outstanding	CHF	45.95	42.57	34.51	22.45	24.84
Payout ratio		35.91	37.59	34.78	40.09	35.43
P/E ratio		31.40	26.07	24.82	23.41	19.73
Cash flow per average share outstanding	CHF	54.39	43.30	47.33	32.69	53.79
Equity per share outstanding as of 31.12.	CHF	308.91	273.72	244.00	235.73	220.25

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 2017



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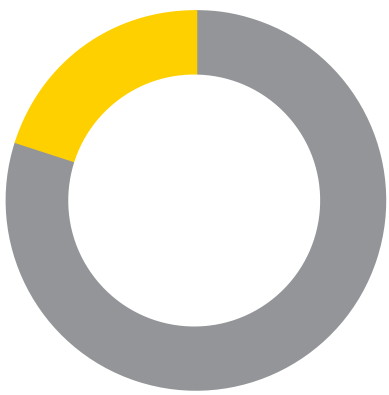
SWISS STOCK MARKETS CHARACTERISED BY GAINS IN 2017

The stock markets in Switzerland performed very positively in the year under review: the blue-chip barometer, the Swiss Market Index (SMI), reached 9,382 points, a plus of 14 %. The broader Swiss Performance Index (SPI) achieved 10,752 points and increased by as much as 20 % on year-end 2016.

Shareholder structure as at 31 December 2017



- Free float: 80 %
- Fixed shareholding: 20 %

Geographical distribution of the identified shareholder base acc. to the share register as at 31 December 2017

- Switzerland: 54 %
- EMEA region (excluding Switzerland): 43 %
- Rest of the world: 3 %

INTERROLL SHARE OUTPERFORMED SWISS INDICES ONCE AGAIN IN ITS ANNIVERSARY YEAR

The Interroll share once again improved on the previous year's performance: at a closing price of CHF 1,443.00 on 31 December 2017, the Interroll share was up 30 % on the closing price at the end of 2016 (CHF 1,110.00). As such, the Interroll share once again outperformed the Swiss indices.

Interroll celebrated its 20-year stock exchange anniversary during the year under review. The registered shares were issued at CHF 235.00 per share on 5 June 1997, the company was valued at some CHF 200 million.

On 31 December 2017, market capitalisation of Interroll Holding AG reached more than CHF 1.2 billion (as at 31 December 2016: around CHF 0.9 billion).

HIGHER FREE FLOAT

Around 20 % (2016: 22 %) of Interroll shares are held by the remaining founder families. As of 31 December 2017, the shareholding of Group Management and their relatives reached 3.1 % (2016: 2.9 %).

Based on the SIX definition, the company's free float is around 80 % (2016: 78 %).
Information about significant shareholders can be found on page 120.

SWISS SHAREHOLDERS ARE INCREASING

In 2017, an increasing percentage of shareholders based in Switzerland purchased shares of Interroll. On 31 December 2017, about 54 % of shareholders were registered in Switzerland, compared with 50 % on 31 December 2016.

At the same time, shareholders with pending registration increased to 34 %. In the previous year, around 31 % of shareholders were not registered with the company.

FURTHER INFORMATION FOR INVESTORS

We publish information relating to the Interroll share on our website www.interroll.com/en/investors.
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.

CONSISTENT ORIENTATION OF THE BUSINESS MODEL TOWARDS SUSTAINABLE AND GLOBAL GROWTH

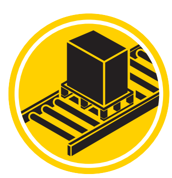
PRODUCT PLATFORMS, KEY MARKETS AND MARKET TRENDS

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


DRIVES


ROLLERS


CONVEYORS & SORTERS


PALLET & CARTON FLOW

The company supplies more than 28,000 customers worldwide. In the key markets, these mainly include regionally oriented plant manufacturers, OEMs and global systems integrators:


COURIER, EXPRESS, PARCEL


AIRPORT


FOOD, BEVERAGE


DISTRIBUTION, WAREHOUSE

Further global growth of the Interroll Group focuses on clearly identifiable market trends that will continue to show 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.
- Liberalisation and regionalisation in the courier, express and parcel markets.
- More stringent hygiene regulations and standards in the food industry, which require solutions of a correspondingly high quality.
- The decentralisation of distribution centers in order to shorten delivery times.
- Increasing product variety and shortened production life cycles require increased flexibility and individualisation when commissioning goods in the flow of materials.
- Demand for material flow plants with a 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 2018. The Interroll Research Center (IRC) develops new products, processes and technologies. The production plants concentrate as global competence centers (Centers of Excellence) on the development and manufacture of specific product groups. In order to quickly meet customer needs in all parts of the world, regional production centers (Regional Centers of Excellence) have been built which are under the direction of the global competence centers. 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. The technological makeup is as follows:

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 the 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:

	AMERICAS	EMEA	ASIA-PACIFIC
		Interroll Academy (D) **Interroll Research Center (D)**	
7 Global Centers of Excellence	• Belt Curves (USA)	• Rollers / RollerDrive (D) • Drum Motors (D) • Conveyors and Sorters (D) • Dynamic Storage (F) • Supermarket Solutions (DK) • Technopolymers (CH)	
Know-how			
5 Regional Centers of Excellence	• Atlanta (USA) • Wilmington (USA)	• Kronau (D)	• Suzhou (China) • Shenzhen (China)
Know-how			
5 Local Assemblies	• Canada • Brazil	• South Africa	• Thailand • Australia

ENABLING CUSTOMERS TO GENERATE ADDED VALUE

An interview with Paul Zumbühl, CEO of the global Interroll Group, about the financial year just ended and Interroll's prospects.

Paul Zumbühl, CEO of the worldwide Interroll Group.

Interroll concluded the 2017 financial year with new record highs. Is sustaining such a high rate of growth even possible?
Paul Zumbühl: Nobody knows what the future has in store for us, but we're working on reinforcing our strengths even further. We look at our growth from two different perspectives, both as the result of the groundwork we have laid over the past few years and also in terms of how it relates to positive market trends. We have invested heavily in our market position over the past few years and gained market share in every country. Our innovative new developments have become well established in the market.

What comes next?
We're standing on extremely solid ground and enjoy an outstanding reputation in the market. There's no doubt about it: we want to keep growing and are capable of doing so. Yet success always hinges on having the right market environment. Estimates put growth in the intralogistics market at around 4 to 7 percent per year. What's important to us is that our long-term growth is strong and that it exceeds the industry average by about 50 percent. We experienced extremely strong growth in 2017, but that doesn't mean this kind of growth will happen automatically every year. How we develop over the course of any given year certainly hinges on our specific product mix and project portfolio as well.

Interroll is now operating in relatively new customer segments, like the tyre industry, for instance. How does Interroll create added value there?
New technologies are our main means of creating added value. Take our 24V RollerDrives in combination with our new smart controls, for example. Together they are capable of significantly reducing energy consumption, particularly in that industry. Plus tyre manufacturers can boost their flexibility enormously by using one of our modular conveyor solutions. That means: users can recoup the cost of their investment much more quickly, quite often in less than two years, and we also offer users the solutions they need to greatly enhance their material flows in order to achieve greater productivity and shorter lead times. The fashion industry is another perfect example of this. There, we offer solutions capable of transporting an extremely diverse range of goods and coping with highly fluctuating quantities. We recognised the growth trend in returns management years ago. There, the goal is to implement conveyor technology to efficiently manage the wide variety of goods returned. With a reasonable financial investment, Interroll enables its customers to create a high level of added value.

"Continuous improvement, in other words a consolidation of our existing products, is extremely important, however we also want to offer innovative solutions to expand our product range at key points."

"At Interroll, top management spends more time in the market and with customers than in the office. It allows us to not only talk as equals, but also to actively promote technological developments in the area of material flows and speed them up."

Customers' added value has already risen significantly in the past. Going forward, how much upward potential is still left?
We still have enormous potential, in terms of speed, for instance, that we can exploit to help our customers solve problems. The "time" element offers great added value. In addition, requirements regarding workplace safety and good working environments are on the rise. Noise levels need to be reduced even further. We need to simplify, to reduce complexity. We aim to improve our customers' lives and make them as easy as possible while also striving to boost the performance, availability and throughput times of the systems.

"Industry 4.0" pops up frequently as a catchphrase in this context. How can Interroll succeed in transforming it into a viable business model?
We've been promoting the key elements of digitalisation, with respect to the "Internet of Things", for instance, since even before the "Industry 4.0" trend was identified. In that sense, we were the ones to set the trend in motion in our industry. For us, however, digitalisation isn't an end in itself, rather we want to use it to help our customers achieve specific strategic objectives, with one example being the use of decentralised control units in conveyors. The new generation of the MultiControl is an excellent example of how state-of-the-art technology can be implemented to boost customer value. This unit now lets customers eliminate the PLC in certain applications and considerably simplifies the control architecture in the process. We can now leverage this technology to expand our business model by offering data analytics services to interested customers; these services would use a set of algorithms to analyse data collected to gain insights into the flow of goods. In other words, there are many different ways of leveraging data profitably. Internally, we are on our way to having a paperless factory and administration. That means we have long since left the planning phase and are currently working on implementation. That gives us an edge over the competition. Over the past seven years, we have been busy implementing a global ERP system which is now supplying us with useful data. I, myself, have been promoting digitalisation efforts within the company for years now.

Does this have any impact on the service business?
Over the long term, predictive maintenance and other services will allow us to boost the already high availability level of customers' systems even further. At present, Interroll generates nearly 10 percent of its total sales through its service business. We want to expand this share to 20 percent. After all: our global presence is growing stronger. On the other hand, the installed base of our products at our customers' facilities is rising steadily as well. Our clear goal is to greatly expand our service offering over the course of the next three years.

In 2017, further steps were taken to hone the global focus of the Group's activities. Will this trend continue?
One thing is clear: there is currently no comparable rival on the market with the same systematic global focus. And that global focus offers enormous advantages for customers with global operations. Even local customers receive solutions that have been tested the world over and are at the cutting edge. We invest much more than our competitors because our global presence allows us to achieve advantageous economies of scale. These then benefit our customers since we can offer top-notch quality at a competitive price. We currently have 28,000 customers around the world who see the huge impact that Interroll's solutions have on the value added of their material flows. In 2017, we built up a sales and service company in Mexico and also decided to expand our capacities in a new factory in Thailand. There are still white spots on our map, however, that we could cover in the medium to long term. Here, I'm thinking of India, Vietnam, Russia and Chile. We will have to continue to expand specific

capacities even further in order to pursue our continued growth strategy.

2017 brought the launch of a large number of new solutions on the market. Has Interroll picked up the pace on innovations?
It hasn't just picked up the pace, it has overhauled the entire discipline. We have made systematic improvements to the quality of our innovation process, and also improved the fine-tuning of our solutions' launches. At Interroll, top management spends more time in the market and with customers than in the office. That allows us to identify key trends and needs with our own eyes, through personal observations and detailed discussions. The result is an entirely different level of quality as well as a greater awareness of innovation-related matters. It allows us to not only talk to customers as equals, but also to actively promote technological developments in the area of material flows and speed them up. We analyse customers' current and future pain points and find solutions for them. We get to the heart of our customers' needs, especially in terms of what they will need going forward. In other words, things that will simplify their lives today plus things they haven't even thought of yet.

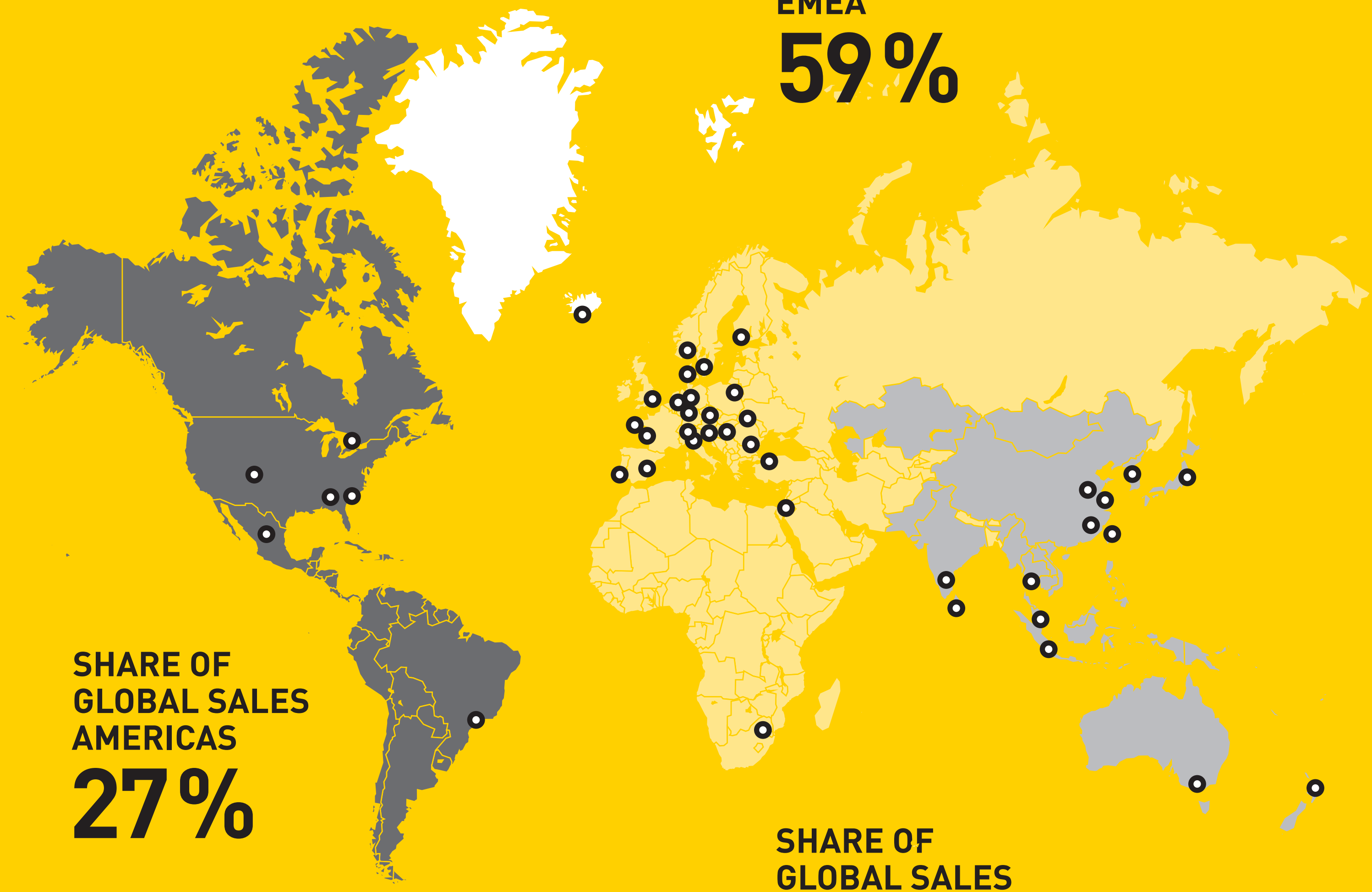
To Paul Zumbühl, trust and partnership are essential values determining market success (here: at Rolling On Interroll Summit in Barcelona).

With this approach, is Interroll broadening or consolidating its base?
Continuous improvement, in other words a consolidation of our existing products, is extremely important, however we also want to offer innovative solutions to expand our base at key points.

How do you bring employees on board?
Our successful "Culture for Growth" programme will be continued. As a medium-sized group, we can offer opportunities and a working environment otherwise only found in large corporations. At Interroll, the difference is that talented employees have a much greater impact on our day-to-day business and they can participate in important decision-making processes. That is a big motivator. The strength of our corporate culture was also evident in our employee survey. The results confirm our concerted efforts. Already at a high level, employee motivation has improved even further, as has the general working environment, particularly with regard to young, highly qualified individuals.

And how do you bring your partners and medium-sized customers on board?
With our partner programme Rolling On Interroll we have created a platform, the first of its kind in our industry, that allows smaller, local market leaders to contact comparable companies in other markets around the world. They can engage in in-depth discussions about technical advances and, in doing so, strengthen their individual market positions. Over the long term, we expect this to culminate in a strong network and a pooling of expertise which we also want to make accessible. We demonstrate state-of-the-art solutions, for instance, and work with our customers and partners to take advantage of extremely interesting new opportunities. Together.

REGIONS



SHARE OF GLOBAL SALES EMEA
59%

SHARE OF GLOBAL SALES AMERICAS
27%

SHARE OF GLOBAL SALES ASIA-PACIFIC
14%

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

SUSTAINABLE GROWTH IN ALL REGIONS

We continued our globalisation strategy during the 2017 financial year by tapping into new markets and reaching new customers. Interroll posted growth in both order intake and net sales to hit new record highs in the company's history. Large-scale projects in the Americas brought disproportionately large growth to this region and overall growth in the Asia-Pacific region was above average. A focused Industry Management team is providing support to an increasingly large number of customers in Europe and overseas while exploiting new markets at the same time. Europe, the Middle East and Africa (EMEA) accounted for 59 % of total revenue (previous year: 61 %), the Americas for 27 % and Asia-Pacific for 14 %.

+9.9 %
ORDER INTAKE

+8.6 %
NET SALES

EMEA

EUROPE, MIDDLE EAST AND AFRICA (EMEA) REGION POSTS SOLID PERFORMANCE

In the EMEA region, the growth of the past few years continued during the 2017 financial year. Order intake in 2017 amounted to CHF 268.3 million, up 9.9 % on the previous year's figure (CHF 244.0 million). Sales totalled CHF 266.5 million, up 8.6 % on the same period of the previous year (CHF 245.4 million).

This performance was driven by a huge demand for drum motors and sorters. While central Europe, eastern Europe and northern Europe beat their prior-year results yet again, growth in western Europe declined in the wake of a strong previous year. Middle East-Africa reported encouragingly strong sales growth, albeit starting from a lower level.

At 59 % of total sales, EMEA is still the most important economic region for the Interroll Group. The technical requirements for internal logistics suppliers are high and demand flexible customer relationships, industry knowledge, the technical expertise to solve problems, innovative answers to growing complexity, and new developments. The fact that Interroll meets these requirements with its well-coordinated platform solutions is something that the Group underscored in its joint project with system integrator REMA TEC, one that incorporated nearly every solution in the Interroll portfolio, to equip the new distribution center of Wenko-Wenselaar GmbH & Co. KG.

At the international LogiMAT trade fair in Stuttgart in Germany in March 2017, Interroll's newly designed stand presented technical innovations and showcased the company's broad industry knowledge.

In June, Interroll made an impressive showing at the FISPAL trade fair in São Paulo, Brazil where it presented all its product groups to the local food industry.

+20.4%
ORDER INTAKE

+20.0%
NET SALES

AMERICAS

AMERICAS ACTIVE PROJECT REGION

Sales for the Americas region amounted to CHF 119.8 million, up 20.0% on the previous year (CHF 99.9 million). The North American market spearheaded by the US accounted for the lion's share of this performance. Interroll continued to grow significantly in this region as well thanks to sustained strong demand from the distribution center business. Interroll further strengthened its sales footprint in the US in the reporting period by establishing a new sales company in the Atlanta metropolitan area.

Order intake, which grew by 20.4%, from CHF 105.9 million to CHF 127.5 million, added substantial sustained impetus to the success of this region. In May, Interroll received a large contract for the production and delivery of vertical sorters in the low tens of millions for a leading provider of packaging and logistics solutions in the US.

An office was opened in Mexico City to expand Interroll's presence in the important South-American growth market. Interroll intends to use this location as a hub for tapping into the markets in Mexico and its neighbouring countries, which are growing dynamically on the back of e-commerce and the automobile industry and offer much business potential. This was successfully demonstrated by the Interroll product portfolio at the Intralogistics Latin America trade fair held in Mexico City at the end of June.

Delivery of sorters to the Brazilian Post continued in the reporting year. Interroll has a very successful local team to look after its long-standing customer relationships in the challenging but still very promising Brazilian market.

+12.6 %
ORDER INTAKE

+14.7 %
NET SALES

ASIA-PACIFIC

ASIA-PACIFIC WITH EXCELLENT GROWTH PROSPECTS

Interroll's sales in the Asia-Pacific region grew by 14.7 % during the 2017 financial year. Overall in that region, Interroll generated sales revenue of CHF 64.4 million (previous year: CHF 56.1 million). Order intake rose by 12.6 % to CHF 62.3 million (previous year: CHF 55.3 million). Demand for Interroll "Rollers" and "Drives" technologies, in particular, improved in this region.

As in the past years, China was Interroll's most important market in the region and posted further growth as well as good order intake. Strong growth impetus came from Thailand. A high order volume in Korea helped support the positive outlook. Sales trended encouragingly in South-East Asia and some growth potential could be realised. This growth trend also continued with strong order intake.

This region is increasingly benefiting from the globalisation of the Interroll Group and the establishment of local production facilities. The successful integration of the Regional Centers of Excellence in Suzhou and Shenzhen into the global production network continued to generate consistently positive synergy effects during the 2017 financial year as well thanks to improved local technical expertise and greater proximity to customers.

Interroll is consistently implementing its product strategy in Asia, too. This was very visible in April at KoreaMAT, one of the leading intralogistics trade fairs in the region, as well as at the CeMAT ASIA, which was held in Shanghai in late October, where Interroll launched its new generation of drum motors on the Asian market. Global market opportunities are thus strengthened by innovative and globally available technologies and services.

Dr Ben Xia (Executive Vice President Asia) and Dietmar Hager (Head of Global Product Management) during the market launch of the new drum motor generation in Asia at the CeMAT Asia.

Asia's flow of goods continues to generate demand for material handling solutions.

LAND OF UNLIMITED OPPORTUNITIES

For many years, numerous industries have been turning their attention to the Middle Kingdom. And material handling companies are no exception. Which trends shape the Chinese market? What are the features of competition in the Far East? A conversation with Dr Ben Xia, Executive Vice President of Interroll in Asia.

Dr Xia, how is the economic development in China at present?
Dr Ben Xia: Extremely dynamic. The growth forecasts for the Chinese gross domestic product in 2018 predict a range of 6.5 to 7 percent, alongside a percentage increase in industrial production. The medium and long-term perspectives for this national economy, which includes almost 1.4 billion people, are extremely favorable. China is even expected to replace the US as the largest economic powerhouse on the planet within around ten years. This growth market – particularly in combination with the development of other densely populated Asian countries such as Indonesia, Malaysia, Thailand and South Korea – continues to provide great opportunities for powerful companies.

Does this also apply to the logistics industry?
Absolutely. An impressive example is our own company in China. Since we decided fifteen years ago to start working in Suzhou, China, we have been able to continually increase the contribution China that and Asia (remark: Interroll has been operational in Asia

since 1988) make to Interroll's business success. We can thus reap the benefits of our long-term investments in local know-how and on-site production. Over the past four years, we have grown by almost 23 percent in China – much faster than the market.

What is the key driver of the Chinese materials handling industry?
Like in many other countries, it is the flourishing area of e-commerce. However, in China this has taken on immense dimensions, both in terms of scope and dynamism. In 2016, earnings in this sector totaled the equivalent of 366 billion US dollars – as much as in the US and Great Britain combined. The Chinese love online shopping, especially using their smartphones. In the major cities, around 80 percent of adults have already made a purchase online. So it is no wonder that the Chinese online retail platform Alibaba alone is likely to invest around 15 billion US dollars in its logistics within the next five years.

Will this boom continue?
Yes, we can assume it will. The dynamism is simply unbelievably high. For example, in 2017, in the course of the "Alibaba-Double-11-Festival" – a 24-hour, country-wide discount campaign – the order revenues from the previous year's campaign had already been exceeded by shortly after 1 p.m. A total of almost 1.4 billion parcels were sent in China as a result of this campaign. And the logistic processing speed was astonishing: orders received shortly after midnight were dispatched at 5:30 a.m. and had already reached the consumer at 4 p.m.

And what is competition like in the industry?
The fact that groups like Toyota and Honeywell have become involved in the flow of materials business demonstrates above all that intralogistics has become a key market, which companies outside the industry are now discovering. In China, all the key providers are represented, and the competition for major projects is correspondingly fierce. This provides excellent opportunities for globally active partners like Interroll who produce quality products on a platform basis and can network with their customers via SAP. At the same time, we should not overlook the fact that around 80 percent of the market volume is served by small or medium-sized system integrators. These customers are vital for Interroll, and it is important that we support them with expertise and competent support. This is why we are strengthening our service and support activities.


Dr Ben Xia, Executive Vice President Asia

How are users responding to the increasing significance of internal logistics for their business?
They are doing the same thing as with other business-critical infrastructures, that is to say increasing internal expertise in order to be able to communicate at eye level with external providers. This is a very exciting development that places new demands on the system integrators as well as manufacturers. As we all know, anything is possible on the Chinese market (laughs). It really is the land of unlimited opportunities. Encouraging news for all pessimists. However, in China nothing is really easy, which can of course quickly bring those who are too optimistic back down to Earth with a bump.

PRODUCT GROUPS

Sales by product group

32 %	Drives
24 %	Rollers
32 %	Conveyors & Sorters
12 %	Pallet & Carton Flow

SALES (CHF MILLION) DRIVES

146.7

References
Itab
Smiths Detection
Triumph International
Villeroy & Boch
Walmart

SALES (CHF MILLION) ROLLERS

105.8

References
Dematic
Knapp
SSI Schäfer
TGW
Vanderlande

SALES (CHF MILLION) CONVEYORS & SORTERS

142.6

References
Amazon
China Post
FedEx
Hugo Boss
Smiths Detection

SALES (CHF MILLION) PALLET & CARTON FLOW

55.6

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

GROWING PRODUCT BUSINESS, PROMISING PROJECT DEMAND

Interroll's service portfolio comprises four product groups: "Rollers", "Drives", "Conveyors & Sorters" and "Pallet & Carton Flow". The "Drives" and "Conveyors & Sorters" product groups performed particularly well during the 2017 reporting year.

DRIVES PRODUCT GROUP

The portfolio of the "Drives" product group includes driven conveyor rollers (24-volt RollerDrive), control systems and drum motors. The global Centers of Excellence in Baal, Germany, and in Hvidovre, Denmark, bear global responsibility for drum motors at the Interroll Group.

Sales amounted to CHF 146.7 million, up 18.6 % on the previous year (CHF 123.6 million). Consolidated order intake rose by 16.6 % to CHF 149.6 million (2016: CHF 128.3 million). The Asia-Pacific region posted encouraging growth with sales of drum motors up 19.7 %.

Interroll, with its flexible, easy-to-install solutions, is a global leader in this field. In addition to being energy efficient, the 24-volt RollerDrive produces much less noise than comparable products.

The drum motors and RollerDrive family comply with the very highest efficiency requirements.

In March 2017, Interroll introduced a new generation of drum motors to the European market. The innovative motor platform, which is predominantly used for modern conveyor belt systems in distribution centers, in production areas or in the food industry, has a completely modular design and encompasses both synchronous and asynchronous drive solutions.

In May, Interroll also launched the world's most powerful synchronous drum motor for conveyor belt systems with a proven output of 1.1 kilowatts. With this new drum motor, Interroll customers can flexibly and efficiently implement new application scenarios in the internal flow of materials.

At the EuroShop trade fair in Düsseldorf, Interroll presented a new, smart controlling system for checkout counters. The new Softstart Control solution assumes numerous control functions and is easy to install. It guarantees smooth running and gentle braking of the belt, even when it is heavily laden. Worldwide, more than 60 % of all checkout counters are now fitted with key components from Interroll, with customers including Walmart, Tesco, Coop, Metro, Lidl, Aldi and Edeka.

In November, Interroll expanded its decentralised control and drive concept which, for years, had already been successfully implemented in the Interroll 24V DC RollerDrive and Interroll MultiControl to achieve zero pressure accumulation. The portfolio now also contains a special solution for conveying pallets that permits the use of 400V AC drive technology.

ROLLERS PRODUCT GROUP

The “Rollers” product group serves as the foundation of the Interroll portfolio. Interroll has been producing rollers at Wermelskirchen in Germany since 1959, and now also produces rollers at five other sites. As such, Interroll is the world leader in this field.

Rollers are used in many applications for internal logistics. Growth in the 2017 financial year was also supported by very short delivery times, highly efficient production processes, proximity to customers and the excellent quality of Interroll’s products.

Interroll anticipated and harnessed global trends like the focus on increased productivity in logistics, strong growth in several industries including fashion, tyres and e-commerce, as well as heavy demand for efficient materials handling solutions by the providers of postal and logistics services.

Interroll also continues to generate a large number of orders in the food and beverage industry as well as luggage handling. Interroll acquired new business for rollers in all regions in 2017.

Interroll rollers stand for top quality in 60,000 variants.

Major update: Interroll published a brand new roller catalog at the end of 2017.

This strong demand is reflected in the production figures. Demand was also boosted by the further expansion of the customer base through Interroll's intensive sales efforts. The growing use of rollers in the MCP conveyor platform further strengthened synergies between Interroll's individual product groups. A fully updated roller catalogue featuring a clear and comprehensive overview of the diverse range of rollers, all 60,000 different variants, was published at the end of 2017 (Link: www.interroll.com/company/new-conveyor-roller-catalog/).

The good performance of this product group is confirmed by the sales and order intake figures for the 2017 financial year. At CHF 105.8 million, consolidated sales were up 13.2 % on the prior-year period (CHF 93.5 million). Consolidated order intake of CHF 105.6 million was 17.7 % higher than in the prior-year period (CHF 89.8 million).

All regions contributed to this result. Growing demand in Asia and Europe was particularly encouraging. The regional Center of Excellence in Suzhou in China was equipped with a new production line and the related know-how by the global Center of Excellence in Wermelskirchen in Germany.

The innovative magnetic speed controller MSC 50 has been welcomed by the markets. This device smartly controls the speed of items carried on gravity roller conveyors, thus preventing damage to these goods.

Strong demand for this product group allowed the expansion of the global Center of Excellence for rollers in Wermelskirchen, Germany. Interroll already invested EUR 5 million in a building expansion in 2016, followed by another EUR 3 million to increase its office capacities in 2017.

CONVEYORS & SORTERS PRODUCT GROUP

The “Conveyors & Sorters” product group comprises sorter and conveyor solutions that were developed at the global Centers of Excellence in Sinsheim (Germany) and Cañon City (USA). These include crossbelt sorters, belt curves and modular conveyor platforms (MCP).

Interroll has a strong position in this segment with its products and solutions, in particular in the equipping of airports and of postal/logistics distribution centers and in e-commerce. Projects for the tyre industry are also on the rise.

This product group generated consolidated sales of CHF 142.6 million in the 2017 financial year, up by 18.0 % over the previous year (CHF 120.9 million). Order intake increased by 20.6 % to CHF 152.0 million compared to CHF 126.0 million in the previous year.

In the 2017 financial year, Interroll received new orders for equipping the distribution centers of a leading courier company in North America. In Europe, too, many orders were received from the postal and logistics services sector and from the food and beverage industry.

Modern materials flow facilities can be quickly and efficiently planned using Interroll’s modular concept. Changes can be made at any time and can even be implemented during the installation phase.

Facilities designed to take advantage of Interroll’s drive concepts are notable for their maximised availability, energy efficiency and very low operating and maintenance costs. This applies to new facilities as well as to modernised equipment.

The regional Center of Excellence for belt curves in Kronau, Germany, was commissioned in the first quarter of 2017. It was built from the company divisions acquired from Ortner GmbH in the fourth quarter of 2016. Additional land reserves were purchased for this regional Center of Excellence in Kronau, Germany, during the reporting period.

Interroll’s modular conveyor platform opens up a wide range of flexible application options.

PALLET & CARTON FLOW PRODUCT GROUP

The “Pallet & Carton Flow” product group offers flow storage solutions for pallets and parcel packaging based on the first in, first out (FIFO) or last in, first out (LIFO) principles.

This product group is the responsibility of Interroll’s global Center of Excellence in La Roche-sur-Yon in France. At the end of 2017, consolidated sales in this product group were down 12.4 % to CHF 55.6 million (previous year: CHF 63.5 million).

Some projects in South Africa could be invoiced in the current year. The big mineral water project in Asia that was invoiced last year could not be compensated, however. Consolidated order intake dropped by 16.7 % to CHF 50.9 million (previous year: CHF 61.1 million).

In 2017, strong growth in demand was reported in Asia, in particular, where demand in the beverage and food industry remains high. Interesting orders were received from Indonesia and the Philippines in the reporting period. The operation of flow storage solutions has proven to be particularly cost-effective for warehouses with high stock turnover.

Interroll’s flow storage systems are checked at the Interroll test center in La Roche-sur-Yon in France. After 50,000 test cycles under extreme conditions, Interroll can guarantee a long service life and maximum safety. Interroll sees great market potential in expanding this area with semi-automatic and fully automatic solutions and is preparing for new developments in this field.

December saw Interroll launch a modernised carton wheel flow solution featuring optimised beds, simple installation and dramatically reduced mounting time. A pick-to-light system can easily be placed above it.

For 2018 we have a number of promising projects.

Flow storage solutions from Interroll are robust and safe.

WE ARE SYSTEMATICALLY PURSUING OUR INNOVATION TRAJECTORY

More, quicker, and repeat: the international flow of goods has long since become one of the economy's main arteries while the development of new technologies and products in the area of material flow solutions plays a central role in efforts to boost its performance. In an interview, Dr Ralf Garlichs, Executive Vice President Products & Technology of the Interroll Group, talks about how the company plans to expand its position as an innovation leader in this age of e-commerce and ongoing digitalisation.

Dr Garlichs, intralogistics has already been a fast-growing sector of the economy for several years now. Isn't it about time for that to end?
Dr Ralf Garlichs: Of course nobody knows precisely what the future has in store for us. It's common knowledge that economic trends always depend on external factors, some of which are political in nature. Yet if you take a look at the general market environment, you see strong growth drivers in the intralogistics sector which have not yet taken full effect. These include not only the forecast increase in global air traffic and the ongoing integration of modern material flow solutions in production, but the e-commerce boom in industrial countries and emerging markets, in particular. Despite the fact that we have already been reporting rapid growth rates for some years now, experts say that we are still at the onset of the e-commerce trend and predict that global e-commerce sales will more than double between 2016 and 2020. Not only is the volume of goods ordered online growing, but expectations with respect to the speed and reliability of deliveries are rising as well, with this trend visible in terms of both business with end consumers and the increasingly common just-in-time production method. We play a pivotal role in this scenario. Because without ongoing enhancements in the efficiency of technical equipment in the distribution centers and a higher degree of automation in the material flow, it will be impossible to cope with this trend.

Some might think that, at some point in the near future, there should be enough new infrastructure already in place …
Don't make the mistake of mixing up material flow with transportation or telecommunication infrastructures. Those types of connections can convey both lorries and passenger cars, or voice and data, through one and the same conduit. Conveyors for in-house logistics are designed to meet much more specific requirements. Factors like weight, size, quantity and the type of packaging used on the goods being transported are decisive. Companies that change these parameters, possibly because of new offers to customers, usually cannot simply continue using their existing infrastructure for this. I'm not even talking about the difference between multi-tonne pallets or lightweight boxes here,

Dr Ralf Garlichs, Executive Vice President Products and Technology.

"Our customers can now implement a complete, zero pressure accumulation pallet conveyor while simultaneously profiting from the advantages of components that have proven themselves hundreds of thousands of times."

or even about the special hygienic requirements of the food or pharmaceutical industries. If demographic shifts cause a rise in the number of small households, for example, or if businesses' marketing strategies prompt changes to either the size or type of packaging used for a product, the corresponding material flow solution needs to be adapted accordingly or even redesigned from scratch. Poly bags are an excellent example of this. This type of packaging calls for adaptations to be made to the existing conveyor technology. In other words, there is still a lot of work awaiting high-performance suppliers like Interroll over the next few years.

Does that mean you need to develop new products for each application, just because of this trend?

No. That would be financially infeasible for us, for our customers, in other words, the system integrators and plant engineers, as well as for the users of our solutions. For years now, our technology development work has followed a platform-based strategy, precisely for that reason. Like the ever-popular LEGO system, customers around the world can assemble user-spe-

Dr Ralf Garlichs,
Executive Vice President
Products & Technology.

"Our partners and customers can also look forward to more exciting new products and solutions from Interroll in the future."

cific solutions based on proven, high-quality components. The advantage of this strategy is not only that we considerably reduce the complexity of our production processes, but also that we can push ahead with our product development and expansion work in a gradual, targeted manner by taking existing components and adapting them, combining them in new ways or adding individual elements to achieve specific results. This approach helps us continuously enhance the value added of our product portfolio, to expand the product portfolio itself and, in doing so, tap new sectors and areas of application.

What exactly does that mean?
Take our modular MCP conveyor platform, for instance. This plug-and-play solution for a highly efficient, zero-pressure-accumulation material flow was initially designed for use in applications that offer the operators of distribution centers, our traditional target markets in other words, true added value. We then evaluated the corresponding material flow requirements in the manufacturing industry and also positioned our solution in the tyre industry where it was equally successful. We are now moving forward and assessing the solution with regard to its suitability for the fashion and frozen food industries. Our ability to expand the fields of application and our sales markets isn't the only advantage offered by this approach: our platform strategy's charm also lies in the fact that we can make more profitable use of our existing expertise by transferring this technology relatively easily to other applications. One example of this is how we took the principle behind our decentralised drives and controls, which had previously been used for 24V RollerDrives, and applied it for use in 400V pallet conveyance solutions. Our customers can now implement a complete, zero-pressure-accumulation pallet conveyor while simultaneously profiting from the advantages of components that have proven themselves hundreds of thousands of times. We plan to systematically follow this path of targeted innovation in order to help our customers effectively reach their business objectives.

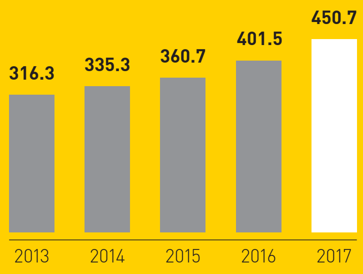
Industry is becoming increasingly digitalised. How are you coping with developments related to "Industry 4.0"?
Digitalisation has already reached the intralogistics sector. We were prepared for it and not only did we use a Kaizen-based corporate culture to continuously improve our production workflows and expand our locations in Wermelskirchen, Kronau and soon in Thailand, but the past few years also saw us invest around 13 million EUR in our Group's central innovation campus in Baal, near Düsseldorf. These efforts have sustainably strengthened our innovativeness, particularly with an eye to what might be termed "Intralogistics 4.0". For instance, we made sure that our plug-and-play products are based on open, standardised data interfaces to enable system integrators to easily feed data from networked sensors or controls into higher-level processing systems. At the same time, our developers are working on increasing our solutions' already extremely high availability even further by offering additional maintenance features. These features would allow products to automatically indicate to users that their ideal replacement date is coming up soon. We also wanted to make sure that our controls automatically configure themselves via plug-and-play – yet another feature that offers our customers added value and simplifies their jobs.

Speaking of "simplicity", that is one of the central promises of digitalisation...
Absolutely – and we keep that promise, but not just at the product level. We also help our customers with project layout and design work by providing easy-to-use software, like our Layouter. With this programme, assembling sophisticated solutions that integrate our products takes just a few clicks of a mouse. This virtual configuration platform is extremely popular among customers because it greatly simplifies their work processes. Plus the HANA-based global SAP infrastructure lets us significantly simplify and accelerate our own internal and external processes. Yet despite all the opportunities digitalisation offers us, our employees are and will always be our most valuable foundation. That is why we invest in Group-wide training and further education programmes – and our in-house Interroll Academy in Baal is one of the central pillars of our innovation strategy.

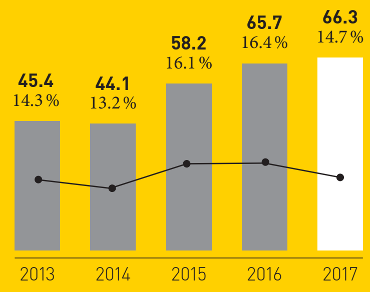
The Interroll Research Center (IRC) in Baal is one of Interroll's key facilities for further growing the leadership in innovation.

FINANCIAL POSITION, EARNINGS AND CASH FLOWS

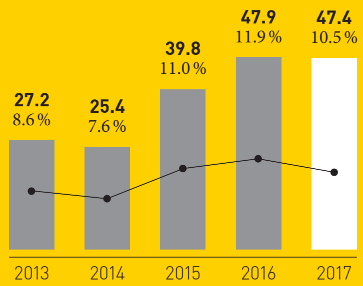
NET SALES



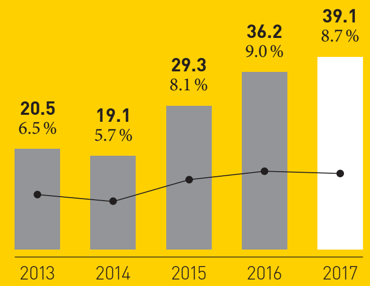
EBITDA AND EBITDA MARGIN



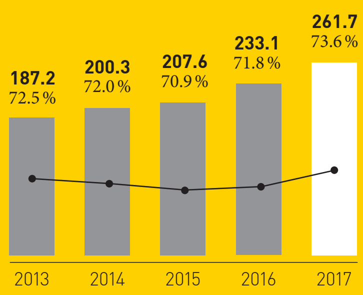
EBIT AND EBIT MARGIN



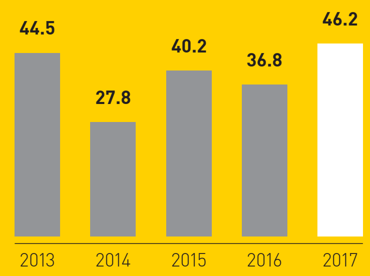
NET PROFIT



EQUITY AND EQUITY RATIO



OPERATIONAL CASH FLOW



All amounts in million Swiss francs.

STRONG ORDER INTAKE, NET SALES AND CASH FLOW

As announced at the financial press conference in March 2017, Interroll is exploiting its financial strength to invest up to an additional CHF 5 million per year in research and development in the 2017 reporting year and the 2018 financial year. The Group also wants to strengthen its position as a technology and innovation leader in materials handling to accommodate the "Industry 4.0" trend.

ORDER INTAKE AND NET SALES REACH NEW RECORD HIGHS

During the 2017 financial year, the Interroll Group received record new orders for CHF 458.1 million (previous year: CHF 405.2 million). In local currencies, the Group posted 12.0 % growth. Growth in the reporting currency reached 13.0 % (organically 12.7 %) and was supported by the regular product business as well as by projects for the food and beverage industry, e-commerce and airports. New orders received from the Americas region were up by more than 20 %.

At CHF 450.7 million (previous year: CHF 401.5 million), consolidated net sales also reached a new record and grew by 12.3 % in the reporting currency (organically: 12.0 %). In local currencies, the Group posted 11.3 % growth. Particularly strong sales growth was reported in the "Drives" and "Conveyors & Sorters" product groups, at 18.6 % and 18.0 %, respectively.

SOLID OPERATING RESULTS, TAX EFFECTS BOOST NET PROFIT

Despite the increase in research and development costs mentioned above, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 1.0 % in the 2017 financial year to CHF 66.3 million (previous year: CHF 65.7 million).
The EBITDA margin was 14.7 % (previous year: 16.3 %).
Earnings before interest and taxes (EBIT) amounted to CHF 47.4 million (previous year: CHF 47.9 million), while the EBIT margin stood at 10.5 % (previous year: 11.9 %).
Net profit rose by 7.8 % to CHF 39.1 million (previous year: CHF 36.2 million), in part due to tax effects.
The net profit margin was 8.7 % (previous year: 9.0 %).

GOOD BALANCE SHEET PERFORMANCE

Total assets increased to CHF 355.3 million on 31 December 2017, up 9.4 % from the end of 2016 (CHF 324.8 million). An increase was seen in the share of finished products and work in progress included in inventory, in particular. Interroll also received more payments on deposit. This development reflects the intensive project work done by the Interroll Group in the reporting period.

Following the payment of a dividend and the purchase of treasury shares, net financial assets dropped to CHF 37.1 million as at 31 December 2017 (31 December 2016: CHF 38.0 million).

Equity rose by 12.3 % to CHF 261.7 million (31 December 2016: CHF 233.1 million).

The equity ratio was 73.6 %, compared to 71.8 % at the end of 2016.

STRONG CASH FLOW

Thanks to prudent management of net working capital on the balance sheet, operating cash flow increased substantially on the prior-year period (CHF 36.8 million) by 25.5 % to CHF 46.2 million.

At CHF 25.4 million, gross investments rose considerably over the previous year (CHF 19.5 million). Specifically, these include the further expansion of capacity at the Center for Excellence for rollers in Wermelskirchen, Germany, the purchase of an additional building by the global Center for Excellence for drives in Baal, Germany, and the purchase of land reserves for the regional Center of Excellence for belt curves in Kronau, Germany.

Because of the higher cash flow, the free cash flow also improved significantly to CHF 20.1 million (previous year: CHF 18.0 million).

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 sets new global standards with its material flow solutions. We are committed to responsibly devising new connections between the physical and the digital world. Our principles make it easier for our customers and employees to work responsibly every day in a complex environment. We bring economic success in line with sustainable, ecological awareness and social responsibility, both in the short term and over the long term.

PRINCIPLES WITH RESPECT TO OUR CUSTOMERS

- Our high-quality 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 consider the commitment and the innovative strength of employees to be 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 (www.interroll.com/investor-relations/corporate-governance/)
- Anti-Bribery & Anti-Corruption Guidelines (www.interroll.com/investor-relations/corporate-governance/)
- Supplier Code of Conduct (www.interroll.com/investor-relations/corporate-governance/)

ENGAGE
INTERROLL'S WORLDWIDE EMPLOYEE SURVEY

In May 2017, Interroll conducted its second worldwide engagement survey among nearly 1,900 employees from more than 30 Group companies and in 16 different languages. This survey generated an extremely high response rate of 89 % (2016: 80 %).
An independent survey institute used a measurement model with around 50 multiple choice and open-ended questions. The overall results of this employee survey were quite satisfying: scores from 60 to 74 points are considered "positive", while scores between 75 and 84 points are viewed as "extremely positive".

INTERROLL PROVIDES ITS EMPLOYEES AND EXECUTIVES WITH A PRODUCTIVE ENVIRONMENT

The 2017 Global Employee Survey confirmed the gratifying results of the very first worldwide survey in 2016. Coming in at 71 points (2016: 70 points), the results revealed a good, even higher overall level of enablement within the Group.
At 82 points, the employees strongly confirmed Interroll's quality and customer focus, in particular, as well as the clear and promising orientation of the Group. However, the respondents also saw some potential for improvement in terms of the development of work structures and processes. Together with the employees, this topic will be promoted more strongly in the future.

INTERROLL EMPLOYEES ARE COMMITTED AND READY TO EXCEL

Employee engagement earned 71 points (2016: 69 points). Moreover, employees are proud to work for Interroll (80 points): they feel motivated to go that extra mile, beyond their official tasks and responsibilities.
Various factors are relevant for rating the work situation, including working conditions, involvement and personal responsibilities.
Interroll employees are dedicated and indicate more frequently that they understand the relationship between their job and the Group's strategies and goals. Yet despite the higher score, there is still potential for improvement: the employees feel that more could be done in terms of training opportunities as well as their individual development within the Group.

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 reinforce the strengths identified and to work on the weaknesses.

The results and findings of the survey as well as the measures identified for each company were presented to Group Management and were discussed as part of the 2018 budget process.

RELATED DOCUMENTS

Press release dated 11 September 2017 on the results of the second Global Employee Survey conducted by the Interroll Group: (www.interroll.com/press/detail-page/article/employees-strongly-confirm-interrolls-quality-and-customer-focus/).

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.

CEO Paul Zumbühl (second from the right) with the participants who successfully completed the leadership training programme in Baal.

Through our numerous training and further educational 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 material 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 and then provide them with professional maintenance and care over the course of their customer relationships.

LEADERSHIP TRAINING

As part of the “Culture for Growth” programme launched at Interroll, not only was a systematic survey conducted to assess the commitment of employees from around the world, but a total of nearly 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

SUSTAIN
INTERROLL AND THE UN GLOBAL COMPACT

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

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 that are ready to commit to responsible and sustainable business management.

COMMUNICATION ON PROGRESS (COP) 2017

Interroll drafted its first progress report, referred to as Communication on Progress, for the UN Global Compact on 28 February 2018. In this report, the Group renewed its commitment to upholding the network's basic principles for another year.

Also refer to the press release dated 28 February 2018 on the Communication on Progress submitted to the UN Global Compact: (www.interroll.com/en/press/detail-page/article/interroll-is-putting-the-un-global-compact-principles-into-practice/) and the Communication on Progress (COP) 2017: (www.interroll.com/fileadmin/user_upload/Downloads__PDF_/Company/UN_Global_Impact/INT_Communication_on_Progress_2017_EN.pdf)

RELATED DOCUMENTS

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

ROLLING ON INTERROLL

Rolling On Interroll (ROI), the exclusive customer loyalty programme called into life by the Interroll Group in March 2015, has now evolved into a globally respected quality label. This programme targets decision-makers and users across all industries in an effort to raise their awareness of the pivotal importance of using high-quality key products for machine and plant engineering.

FROM E-COMMERCE TO THE FOOD INDUSTRY: INTERROLL AS A STRONG PARTNER FOR MEDIUM-SIZED OEMS AND SYSTEM INTEGRATORS

They come from over 30 coutries: around 65 selected material handling companies, with whom Interroll has long-standing business relationships based on mutual trust, are currently exclusive ROI partners. These partners are all medium-sized OEMs and system integrators, often leaders in their respective niche markets who rely on the outstanding product expertise, delivery reliability and innovation of Interroll as a strong, global partner. Not only that, but the ROI partner programme has become a veritable forum for the industry, one that promotes an active exchange of experience and best practices while also opening up opportunities for partners to generate new business and grow together. Many of the partners are now collaborating across international borders and work together with Interroll to offer customers first-class

The ROI community at the first Global Summit in Barcelona

"Long-standing partners join Interroll to form what just could be the industry's strongest global alliance."

Rolling On Interroll: our global quality label

solutions. This alliance opens up new opportunities, allows partners to complement their respective areas of expertise and accept more complex projects by pooling their resources and know-how.

"GROWING TOGETHER": THE MOTTO OF THE ROI COMMUNITY

This motto's double meaning, which conveys both the concepts of joint growth and growing closer to one another, plays a central role in the ROI programme. The very first ROI Global Summit was held in Barcelona in September. This event offered ROI partners in the international ROI Community a unique platform where they finally had an opportunity to meet other partners in person and exchange ideas. This networking platform was attended by more than 80 % of ROI partners, namely 130 participants from 28 countries and five continents, coming from as far away as Australia, China, Thailand, South Africa and Egypt, from throughout all of Europe or even the US, Argentina, Chile and Uruguay.

Podium discussions, workshops, individual talks and lectures held by renowned experts, such as Professor Howard H. Yu and futurologist and trend expert Magnus Lindkvist, provided for a lively exchange of experiences during the two-day meeting of the Rolling On Interroll Community in Catalonia's capital city. Under the motto "Growing together", participants hailing from all corners of the world discussed the topics of interaction, innovation and inspiration. Common topics of discussion included not only current user and market trends, but especially the business opportunities that could arise through Industry 4.0, for instance, as well as the rising levels of digitalisation and automation in the material handling sector. More than 90 % of those in attendance indicated that having business partners they can trust is extremely important to their growth strategy.

"The Global Summit in Barcelona, which was extremely well received by our international partners, represents yet another important step for us toward firmly establishing our Rolling On Interroll programme as an exclusive forum within the industry. The intense, candid sharing of experiences, which extended far beyond the use of concrete solutions, illustrated just how beneficial close business partnerships can be in our industry," explained ROI Programme Director Franz Schöpf.

"1+1=3" – THE ROI SUCCESS FORMULA

With its sights set on the ultimate goal of working together to achieve profitable growth, Rolling On Interroll offers its programme partners a concrete opportunity to enter into meaningful, reliable partnerships. Banding together not only allows them to realise larger projects but also to minimise their risk. Interroll customers view this as a real opportunity and are grateful. The continued, systematic expansion of this customer programme is firmly anchored as a strategic activity in the Interroll Group and is implemented by a dedicated team.

For additional information, go to:
www.rollingoninterroll.com

IN TOUCH WITH THE MARKET – ON ALL CHANNELS

Innovative booth design attracted an exceptionally high number of visitors at the LogiMAT 2017 in Stuttgart.

Visitors are impressed by Interroll's leading material flow solutions at the KoreaMAT trade fair in Seoul.

Interroll continued to strengthen its customers' awareness of their role as partners for growth during the 2017 reporting year. One central component of its marketing strategy is the appearance at specialist and industrial trade fairs. In 2017, Interroll attended some 20 international trade fairs as well as a number of local events to showcase our products and solutions. In addition to presenting highlights like the market launch of the new generation of drum motors at the LogiMAT trade fair in Stuttgart, Interroll uses industry-specific trade fairs like the Tiretec in Hanover and Shanghai, Euroshop in Düsseldorf, PackExpo in Las Vegas and interairport in Munich, to target and tap new customer segments for the Group as well as to be closer to its end users.

Scoring points not only for the fresh, innovative designs of its booths, Interroll boasted a modular trade fair booth design based on flexible, scalable models which dramatically cut both transport costs and assembly times yet still provided a booth size of between 50 and 100 square meters. Unlike with standard, conventional booth constructions, the same hardware has been in use for nearly seven years now. Not only is that extremely efficient, but sustainable as well.

During the reporting year, the global Interroll marketing team introduced some important marketing automation tools that focus on key performance indicators (KPIs). These are used to more systematically pursue leads generated at trade fairs and follow up on online visits by providing visitors with a customised package of relevant information. Online tools like 3D CAD downloads and the Belt Drive Matchmaker help customers simplify their planning processes and customise Interroll's solutions to precisely fit their needs. Both tools have become well-established among our customers during the reporting year.

Alfa Romeo as new Sauber F1 Team Partner also brings new momentum to Interroll's sponsoring activities.

THE PARTNERSHIP WITH THE SAUBER F1 TEAM WAS RENEWED

Sauber and Interroll both share a passion for team spirit, technology and precision as well as an absolute desire for success. In 2017, a number of factory tours were conducted for customers in Hinwil, Switzerland, presentations were organised for customers and joint videos were released. In addition, the partnership was presented at trade fairs and other customer events. Sauber's addition of Alfa Romeo as a new team partner at the end of 2017 also opens up attractive new opportunities in terms of Interroll's positioning.

In 2017, Interroll succeeded in scoring points by substantially strengthening its presence in trade publications, both in the areas of logistics media and industry-specific media. Here, a special focus is placed on public relations work in growth segments and emerging markets.

Interroll also increased its presence at trade and industry events and in associations. At the Munich Management Colloquium, CEO Paul Zumbühl spoke on the topic "With Individualisation and Speed to Global Market Success". At the Logimat, Interroll was on the panel discussion "Value Added through Industry 4.0? Roadmap for the SME!" of the the EffizienzCluster LogistikRuhr.

In Asia, Executive VP Dr Ben Xia represented Interroll as a spokesman at the Asia Food Manufacturing Forum in Huai'An, China. In addition, the Corporate Marketing Team is involved in the steering committee and as sponsor of the Robotics4Retail Initiative of the EHI Retail Institute in Germany, which deals with the automation of material flow in the warehouse and in the retail sector.

At the end of 2017, Interroll released its new catalog of rolling stock which covers 282 pages of the complete range of rollers, conveyor elements, RollerDrive, controls and accessories. Compared to the edition 5 years ago, 80 % of the printed edition has already been replaced by the digital version.

Interroll's presence in key trade media was strengthened. Picture: Senior VP Marketing Jens Karolyi at the expert roundtable of the German magazine "materialfluss".
© materialfluss / Thilo Härdtlein

CORPORATE GOVERNANCE

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1 INTRODUCTION

Basis of the corporate governance report

The corporate governance report 2017 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.

Parent 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 the 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 Center (IRC), which is centrally located, researches new application technologies and develops new products. Global Centers 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, Marketing and 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

CHAIRMAN
Urs Tanner

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

Group Management

CHIEF EXECUTIVE OFFICER
Paul Zumbühl

CHIEF FINANCIAL OFFICER
Daniel Bättig

EXECUTIVE VICE PRESIDENT GLOBAL SALES & SERVICE
Dr Christoph Reinkemeier

SENIOR VICE PRESIDENT CORPORATE MARKETING & CULTURE
Jens Karolyi

EXECUTIVE VICE PRESIDENT PRODUCTS & TECHNOLOGY
Dr Ralf Garlichs

REGIONS	
Executive Vice President Americas	Tim McGill
Executive Vice President Asia	Dr Ben Xia

Interroll Research Center (IRC), Global Product Management

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

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

Global Centers of Excellence (CoE)

The seven Interroll Centers 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 Centers of Excellence of the Interroll Group are managed by the following persons:

FUNCTIONAL UNIT	MANAGED BY	COMPANY
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	Shane Belcher	Interroll Engineering West Inc., Cañon City (US)
Technopolymers	Ingo Specht	Interroll AG, Sant'Antonino (CH)

Worldwide sales and production companies

Regional Centers of Excellence (RCoE)

Regional Centers of Excellence produce for the EMEA, Americas and Asia-Pacific regions. These centers handle the full product range of the global Centers 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 as from then formed the Regional Competence Center 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 Centers 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. As per 1 January 2017, Interroll USA, LLC in Wilmington, NC started as a sales unit for the United States of America.

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	USA	A. Robinson	Interroll Corporation, Wilmington/NC (US)
RCoE, sales, service	USA	R. Wright	Interroll Atlanta LLC, Hiram/GA (US)
Sales, service	USA	R. Keely	Interroll USA LLC, Wilmington/NC (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., Mexico City (MX)

ASIA-PACIFIC

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE	China	T. Zhang	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
RCoE	Asia-Pacific	M.K. Lo	Interroll Shenzhen Co. Ltd., Shenzhen (CN)
Sales, service	China	L. Zhi	Interroll Holding Management (Shanghai) Co. 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 Annual General Meeting for a one-year term. The shareholders Dieter Specht and Bruna Ghisalberti 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 of 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 Board member of the Board of Directors of Neutrik AG. Mr. Tanner, a member since 2008, was appointed Vice Chairman in 2009, has served as Chairman of the Board of Directors of Interroll Holding AG since 13 May 2016 and is also a 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 of Cologne, Germany. He was owner and Managing Director of Luxis, Locarno, and has held various senior positions in IT, marketing and business development with 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, and as head of the research institute for management, production and logistics at the Technical University of Munich. He has honorary doctorates from 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 Industriewerke 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 of 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 of Interroll Holding since May 2016.

6 INTERNAL ORGANISATION

Constitution and committees of the Board of Directors

The Board of Directors consists of the Chairman, the Vice Chairman and the other members. The Board of Directors is assisted by two permanent committees focusing on 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 reviews 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 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. If votes are tied, the Chairman has the casting 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 2017 financial year, 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 governing bodies are set out in the Articles of Incorporation of Interroll Holding Ltd. Responsibilities and duties that cannot be delegated 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

Under 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 Incorporation 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 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 2017:

NAME/ YEAR OF BIRTH	NATIONALITY	FUNCTION	MEMBER SINCE
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)	British	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 in 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 Annual General Meeting is quorate irrespective of the number of shareholders present and the shares represented by proxy.

Convocation of the Annual General Meeting

The invitation to the Annual General Meeting is issued at least twenty days prior to the AGM 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 Annual General Meeting has to 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 General Meeting or the execution of a special audit. No entries are made into the share register less than ten days prior to an Annual General Meeting up to the day subsequent to the AGM.

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 Annual General Meeting of 12 May 2017, 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 the Interroll Group in the business year 2017 amounted to CHF 0.4 million. The audit fees charged by PwC in 2016 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

The 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, 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

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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 Articles 14 to 16 of the Ordinance Against Excessive Compensation in Swiss Listed Companies dated 20 November 2013 (VegüV), the Directive on Information relating to Corporate Governance of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse, which entered into force on 28 August 2014. Further improvements were made to this remuneration report for 2017 to make it more transparent and understandable. The aim is to ensure the best possible transparency for the reader.

BASIC REMUNERATION PRINCIPLES

A fair, transparent remuneration system is designed to contribute to the long-term development of the Interroll Group and secure its business success. The Interroll Group's remuneration system is in line with its corporate strategy and is geared toward appropriately rewarding the achievement of both short-term and long-term targets. 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 is based on the following principles:

- 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 intended as a solid, prudent framework for preventing excessive fluctuations in the respective elements. Specifically, it has been devised to safeguard the Group's sustained business success and to prevent an individual's willingness to take risks from negatively impacting the Group's medium- and long-term interests.
- Remuneration must be commensurate with the level of responsibility, the individual's concrete contribution toward the Group's success and the individual workload of the relevant role.
- In addition, remuneration is to ensure appropriate and competitive compensation based on 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 both the Board of Directors and 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 regarding the remuneration of the Board of Directors and Group Management pursuant to the Articles of Incorporation, Article 23bis (Compensation Committee). 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 and make proposals regarding other strategic HR decisions.

At the Annual General Meeting of Interroll Holding AG on 4 May 2018, the Board of Directors will propose the maximum possible total remuneration of the Board of Directors for the period up to the 2019 Annual General Meeting and the maximum possible total remuneration for Group Management for financial year 2018 for approval. The voting rules governing the authorisation of the Board of Directors and Group Management are included in the Articles of Incorporation dated 8 May 2015 (Article 12bis Remuneration of the Board of Directors and Group Management). The Articles of Incorporation can be found on the website www.interroll.com at www.interroll.com/de/investoren/corporate-governance/statuten.

Overview of the areas of responsibility of the Compensation Committee, Board of Directors and General Meeting

Stages of authorisation	Recommendation	Review	Authorisation
Principles of remuneration (Articles of Incorporation)	Compensation Committee	Board of Directors	Annual General Meeting (mandatory vote)
Detailed remuneration model (remuneration regulations)	Compensation Committee	Board of Directors	Board of Directors
Maximum total remuneration of the Board of Directors	Compensation Committee	Board of Directors	Annual General Meeting (mandatory vote)
Individual remuneration for members of the Board of Directors	Compensation Committee	Board of Directors	Board of Directors
Maximum total remuneration of Group Management	Compensation Committee	Board of Directors	Annual General Meeting (mandatory vote)
Remuneration of the CEO	Compensation Committee	Board of Directors	Board of Directors
Individual remuneration for all other members of Group Management	CEO	Compensation Committee	Board of Directors

REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration model 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 benchmarks 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 until the next Annual General Meeting of Interroll Holding AG on the basis of the approved Articles of Incorporation of 8 May 2015 (Article 22bis, Total Remuneration of the Board of Directors and the Management), 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 2017 (audited)

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

in thousands CHF		Cash	Shares / options	Social Security*	Other benefits	Total compensation	Shares held as of 31.12.	Voting rights in %
Urs Tanner								
2017	P, CC **	210		26		**236**		0.00
2016	VP	150		17		**167**		0.00
Paolo Bottini								
2017	AC	80		13		**93**	20	0.00
2016	AC	60		10		**70**	20	0.00
Philippe Dubois								
2017	AC	80		8		**88**	100	0.01
2016	AC	60		6		**66**	100	0.01
Horst Wildemann								
2017	VP,CC **	105		12		**117**	633	0.08
2016	CC	75		7		**82**	820	0.10
Stefano Mercorio								
2017		70		14		**84**		0.00
2016		60		12		**72**		0.00
Ingo Specht								
2017		70		12		**82**	69,745	8.55
2016		60		10		**70**	76,135	9.55
Total Board of Directors								
2017		**615**		**85**		**700**	**70,498**	**8.64**
2016		**465**		**62**		**527**	**77,075**	**9.67**

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 2017 term

The remuneration of the Board of Directors of CHF 700,000 (previous year: CHF 527,000) from AGM 2017 to AGM 2018 contains no significant special effects and is within the CHF 800,000 approved at the Annual General Meeting 2017.

Outlook for total remuneration for the 2018 term

At the Annual General Meeting on 4 May 2018, the Board of Directors will propose a maximum remuneration of CHF 800,000 for the term until the next Annual General Meeting 2019 (previous year: CHF 800,000).

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.

Members of the Board of Directors do not receive any flat-rate compensation for business expenses apart from the reimbursement of travel expenses actually incurred.

Loans and credits (audited)

The terms and conditions governing any loans or credits granted to members of the Board of Directors are defined in the Articles of Incorporation under Article 22bis (Total Remuneration of the Board of Directors and the Management). Interroll Holding AG and its subsidiaries granted no loans, advances or credits to members of the Board of Directors in the 2017 and 2016 reporting years.

REMUNERATION OF GROUP MANAGEMENT

Remuneration model and the determination 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 short-term remuneration component (Short Term Incentive, STI) as well as a long-term remuneration component paid out in shares with a vesting period of at least four years (Long Term Incentive, LTI). Depending on performance and the course of business, actual total remuneration can be either higher or lower than *the projected total remuneration*. 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 the following key criteria:
- global responsibility of the relevant role
- actual individual performance contributing to the Group's long-term strategic development
- professional and market-related experience
- complexity of the area of responsibility
- personal results achieved on behalf of the Group.

External consultants may additionally be involved in determining the structure and level of remuneration. 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 Forecast and a Willis Towers Watson Salary Survey. These comparisons were updated based on both studies in 2016 and 2017.

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 authorised Articles of Incorporation of 8 May 2015 (Article 22bis, Total Remuneration of the Board of Directors and the Management), 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 4 May 2018, the Board of Directors will propose the maximum possible total remuneration for Group Management for financial year 2018 for approval.

Overview of the remuneration model for Group Management: composition of total remuneration

Definition	Instrument	Purpose
Fixed remuneration	Monthly cash payments	Remuneration for performance of the function and all qualifications required to perform the role
Variable remuneration (Short Term Incentive, STI)	Annual cash payment	Remuneration for financial and individual target achievement during the reporting year
Share ownership (Long Term Incentive, LTI)	Annual share allocation with multi-year vesting period	Promotion of sustainable results and long-term focus on the interests of shareholders
Social security contributions and fringe benefits	Pension scheme, insurance and non-cash benefits	Protection against risks and coverage of business expenses (car)

Short-term: fixed and variable cash components **Long-term:** blocked shares

Fixed remuneration
The fixed remuneration portion 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.

Short-term remuneration component: variable remuneration (Short Term Incentive, STI)
In accordance with Article 22bis of the Articles of Incorporation, the variable remuneration component for Group Management generally should not exceed 60 % of total remuneration (or 150 % of fixed remuneration).
The ratio of variable remuneration (STI) to fixed remuneration for the CEO is 75 % if all targets are reached (with a maximum of 150 % and a minimum of 0 %). For members of Group Management in an operational management role, the targeted amount is 50 % (with a maximum of 100 % and a minimum of 0 %). Finally, for members with centralised roles within the holding company, the targeted amount of the variable remuneration component is 25 % of fixed remuneration (with a maximum of 50 % and a minimum of 0 %). The maximum specified is a theoretical cap and not intended to be an achievable target. For more information, please refer to the table at the bottom of this page (Overview of weighting of the variable part [STI] of total remuneration).

The calculation basis for variable remuneration (STI) 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.

"Financial success" component of variable remuneration (STI):
The company's financial success used to calculate *the financial success* component of variable remuneration is measured in terms of financial key performance indicators as compared against a predefined benchmark that is set for a three-year period.

The financial key performance indicators are:
– operating profit (EBITDA)
– operating profit margin (EBITDA as a % of sales)
– sales growth (growth compared to the previous year, in %)
– gross margin (as a % of sales)
– return on invested capital (ROIC)

Specific performance indicators may be weighted differently or disregarded, depending on the company's strategic position or the role of each member of Group Management. The benchmark is based on both a group of five comparable, extremely well-positioned companies from within our industry (material handling) as well as the ambitious, medium-term financial performance goals we set for our company. The overview provided on the next page of how *the "financial success"* component of variable remuneration (STI) was calculated is intended to illustrate how performance is measured.

As a rule, the weighting of *the financial success* component in variable remuneration (STI) amounts to 100 % for the CEO, at least 75 % for members of Group Management in an operational management role and at least 50 % for members of Group Management with a centralised role within the holding company.

Overview of weighting of the variable part (STI) of total remuneration:

	Variable remuneration (STI) in relation to total remuneration				
Role in Group Management	Min.	Projected	Max.[3]	Share of "financial success" component in variable remuneration (STI)	Share of "individual targets" component in variable remuneration (STI)
Group CEO	0 %	Approx. 75 %	150 %	100 %	0 %
Excecutive VP[1]	0 %	Approx. 50 %	100 %	75 %	25 %
Corporate VP[2]	0 %	Approx. 25 %	50 %	50 %	50 %

[1] Executive Vice President (EVP): operational management role
[2] Corporate Vice President (CVP): centralised role within the holding company (Corp. Finance, Corp. Marketing)
[3] Max. theoretical value for cap, not intended to be an achievable target

Overview of the calculation of the "financial success" component in variable remuneration (STI)

Performance indicators	Meaning	Var. remuneration [3] ("financial success" portion)
Operating profit (EBITDA)	Earnings power	In x % of EBITDA [1]
Operating profit margin (% of EBITDA)	Profitability	Performance factor [2]
Sales growth (% compared to PY)	Market position, innovation	Performance factor [2]
Gross margin (as a % of sales)	Pricing power, procurement power	Performance factor [2]
Return on invested capital (ROIC)	Management, current and non-current assets	Performance factor [2]

[1] in x % of EBITDA: the x in the percentage is determined based on the *projected remuneration* and *projected EBITDA*
[2] Performance factor: 1 corresponds to the benchmark (as described on page 58)
< 1 below the benchmark (min. 0)
> 1 above the benchmark (max. 1.25)
[3] Variable remuneration: the *"financial success"* portion is calculated by multiplying the percentage x by the EBITDA generated during the financial year and then adjusting that amount upward/downward based on the performance factors.

"Individual targets" component of variable remuneration (STI):

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.

The individual targets relate to, for example:
– developing and launching new products
– gaining market share
– tapping new markets and customer segments
– successfully integrating an acquired company
– successful strategic projects
– achieving inventory reduction targets, etc.

Basing variable remuneration on a multi-year plan (rather than the annual budget) motivates members of Group Management to think long-term. It means that relative continuous improvement is measured against the prior-year periods and the three-year fixed benchmark, and short-term cost-cutting is prevented in the areas of market development and innovation, etc.

The Compensation Committee may, as an exception, 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. There was no deviation from the agreement during the reporting year.

Long-term remuneration component: allotment of shares (Long Term Incentive, LTI)

Pursuant to Article 22bis (Total Remuneration of the Board of Directors and the Management) of the Articles of Incorporation, shares with multi-year vesting periods may be allotted to members of Group Management as part of total remuneration.

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.

CEO share plan:
As a result of this objective, a long-term share plan (LTI) 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 target thresholds of earnings per share, operating profit margin (EBITDA in %) and return on invested capital (ROIC). If one or more of these three financial key performance indicators fall short of the target threshold, the agreed number of shares to be allotted will be reduced in accordance with a predefined formula. If all three financial key performance indicators exceed the target thresholds, the predefined number of shares will be allotted, however only up to a maximum cash value of CHF 500,000 after any applicable tax deduction. These shares are blocked for 6 to 8 years. The share plan as described above is agreed for a period of three years and shall remain unchanged over this period of time. The value of the defined and blocked shares corresponds to approximately 20 % of the *projected total remuneration* at the time the three-year cycle is contractually agreed.

Share plan for the rest of Group Management:
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. Under the plan, these members of Group Management receive a number of shares as a long-term component of the variable remuneration. The shares received as part of this component must account for at least 20 % and no more than 100 % of variable remuneration. Each member of the rest of Group Management must reach a decision regarding the individual share to be received and report this by no later than 15 December of the current financial year, otherwise 20 % will be allotted. These shares are blocked for 4 years.

Allotment arrangement:
The conversion rate for variable remuneration applicable to the number of Interroll shares allotted to the CEO and the rest of Group Management 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 vesting period. Shares are allotted during the first quarter of each new financial year after the results of the past financial year have been made available.

Total remuneration for 2017 (audited)

Remuneration of the members of Group Management complies with the requirements of Articles 14 to 16 of the Ordinance Against Excessive Compensation in Swiss Listed Companies dated 20 November 2013 (VegüV), the Directive on Information relating to Corporate Governance of SIX Swiss Exchange and the principles of the "Swiss Code of Best Practice for Corporate Governance" of economiesuisse, which entered into force on 28 August 2014, and is as follows:

	Remuneration (net)		Equity-based compens.					
	Fixed	Variable[1]	Shares[2]	Options	Social security[3]	Other benefits	Special compensation[4]	**Total compensation**
CEO (highest)								
2017	711	854	499	0	572	43		**2,679**
2016	656	881	497	0	560	44	627	**3,265**
Other members								
2017	1,452	227	525	0	327	116		**2,647**
2016	1,377	419	311	0	277	118		**2,502**
Total Group Management								
2017	**2,163**	**1,081**	**1,024**	**0**	**899**	**159**	**0**	**5,326**
2016	**2,033**	**1,301**	**807**	**0**	**838**	**161**	**627**	**5,767**

1) The difference between provisions made in the previous year and the actually paid-out bonuses is netted with the variable compensation planned for the year under review.
2) In the year under review a total of 2,010 treasury shares (of which 700 shares for remuneration 2016) were given to senior management for bonuses (2016: 1,589), of which 2,010 shares (2016: 1,589 shares) may not be sold for a period of four to eight years as of grant date. Share-based payments correspond to tax values.
3) Social security costs consist of employer and employee contributions to the state-run Swiss social security system.
4) 700 Interoll shares, may not be sold for a period of five years as of grant date (tax value). Please find the explanation under "Valuation of total remuneration for 2016" (page 59) in the Annual Report 2016.

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 Swiss Code of Obligations (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 vesting period, the taxable value decreases compared with the market value according to the vesting period defined.
- The difference of CHF 0.484 million (previous year: CHF 0.641 million) related to company cars – CHF 0.049 million (previous year: CHF 0.058 million) – and share-based remuneration – CHF 0.434 million (previous year: CHF 0.583 million).

Valuation of total remuneration for the 2017 financial year

At CHF 5.3 million, total remuneration paid to Group Management in the year just ended was considerably lower than the previous year (CHF 5.8 million) and thus also significantly lower than the maximum total remuneration of CHF 5.9 million approved at the Annual General Meeting 2017.
Due to the target achievement calculated in accordance with the calculation method described, the total remuneration of Group Management in 2017 amounted to 109 % of *projected total remuneration* (previous year: 130 %). Variable remuneration for Group Management was equal to 64 % (previous year: 66 %) of fixed remuneration with a projected value of 51 %, and accounted for 35 % (previous year: 31 %) of total remuneration at a projected value of 31 %.

Outlook for total remuneration for the 2018 financial year

The effective amount of the variable remuneration 2018 to the Group Executive Board is based on the targets actually achieved in 2018. The fixed remuneration 2018 was adjusted for two members of Group Management. The maximum possible total remuneration for the financial year 2018 of CHF 5.9 million (previous year: CHF 5.9 million) submitted for approval at the Annual General Meeting on 4 May 2018 assumes that plan targets will be exceeded considerably and contains a reserve for currency fluctuations. The total remuneration actually paid out is calculated based on the method described in this report and is generally lower than the maximum authorised at the Annual General Meeting.

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, and are compliant with the details contained in Article 22bis (Total Remuneration of the Board of Directors and the Management) of the Articles of Incorporation. Apart from the total Group Management remuneration presented in the table, members of Group Management only receive compensation for travel costs actually incurred, upon presentation of the receipts and in accordance with the expense policy. Any flat rate expenses paid form part of the remuneration and are thus contained in the total remuneration table.

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. The company car is included in total remuneration under “Other benefits”.

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 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 six months, and 12 months for the CEO. These are thus in compliance with Article 23bis (Compensation Committee) of the Articles of Incorporation.

Loans and credits (audited)

The terms and conditions governing any loans or credits granted to members of Group Management are defined in the Articles of Incorporation under Article 22bis (Total Remuneration of the Board of Directors and the Management). Interroll Holding AG and its Group companies granted no loans, advances or credits to members of Group Management in the 2017 and 2016 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 2017. 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 and sections labelled "audited" on pages 56, 60 and 61 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 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Patrick Balkanyi Audit expert Auditor in charge	Nicole Bertschinger Audit expert

Zurich, 6 March 2018

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1 CONSOLIDATED FINANCIAL STATEMENTS OF THE INTERROLL GROUP

1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2017	in %	31.12.2016	in %
ASSETS					
Property, plant and equipment	6.1	109,770		95,859	
Intangible assets	6.3	36,852		38,629	
Financial assets		1,864		655	
Deferred tax assets	7.6	3,758		3,207	
Total non-current assets		**152,244**	**42.8**	**138,350**	**42.6**
Inventories	6.5	60,957		48,274	
Current tax assets		1,595		1,203	
Trade and other accounts receivable	6.6	103,236		98,725	
Cash and cash equivalents	6.7	37,307		38,264	
Total current assets		**203,095**	**57.2**	**186,465**	**57.4**
Total assets		**355,339**	**100.0**	**324,815**	**100.0**
EQUITY AND LIABILITIES					
Share capital		854		854	
Share premium		7,902		7,184	
Reserve for treasury shares		–8,695		–1,914	
Translation reserve		–46,221		–55,083	
Retained earnings		307,840		282,044	
Non-controlling interests					
Total equity	6.10	**261,680**	**73.6**	**233,085**	**71.8**
Non-current financial liabilities	6.12	19			
Deferred tax liabilities	7.6	99		3,050	
Pension liabilities	6.15	8,149		8,154	
Provisions	6.14	8,107		6,867	
Total non-current liabilities		**16,374**	**4.6**	**18,071**	**5.6**
Current financial liabilities	6.12	193		283	
Current tax liabilities	7.6	15,952		13,959	
Trade and other accounts payable	6.16	61,140		59,417	
Total current liabilities		**77,285**	**21.8**	**73,659**	**22.6**
Total liabilities		**93,659**	**26.4**	**91,730**	**28.2**
Total liability and shareholder's equity		**355,339**	**100.0**	**324,815**	**100.0**

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

1.2 Consolidated income statement

in thousands CHF	see notes*	2017	in %	2016	in %
Sales	5	**450,682**	**100.0**	**401,460**	**100.0**
Material expenses		–190,893	–42.4	–162,848	–40.6
Personnel expenses	6.15 & 7.1	–129,665	–28.8	–114,106	–28.4
Increase/decrease in work in progress, finished products and own goods capitalised		2,738	0.6	2,197	0.5
Other operating expenses	7.3	–69,339	–15.4	–63,247	–15.8
Other operating income	7.4	2,809	0.6	2,228	0.6
Operating result before depreciation and amortisation (EBITDA)		**66,332**	**14.7**	**65,684**	**16.4**
Depreciation	6.1	–12,209	–2.7	–10,997	–2.7
Amortisation	6.3	–6,712	–1.5	–6,810	–1.7
Operating result (EBIT)		**47,411**	**10.5**	**47,877**	**11.9**
Finance expenses		–769	–0.2	–913	–0.2
Finance income		172	0.0	604	0.2
Finance result, net	7.5	**–597**	**–0.1**	**–309**	**–0.1**
Result before income taxes		**46,814**	**10.4**	**47,568**	**11.8**
Income tax expense	7.6	–7,760	–1.7	–11,353	–2.8
Result		**39,054**	**8.7**	**36,215**	**9.0**
Result attributable to:					
– non-controlling interests					
– owners of Interroll Holding AG		39,054	8.7	36,215	9.0
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	45.95		42.57	
Diluted earnings (result) per share	6.11	45.95		42.57	
Dividend payment		16.00		12.00	

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

1.3 Consolidated statement of comprehensive income

in thousands CHF	see notes*	2017	in %	2016	in %
Result		**39,054**		**36,215**	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pension liabilities	6.15	456		–1,332	
Income tax		–96		270	
Total items that will not be reclassified to income statement		**360**		**–1,062**	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		8,862		144	
Income taxes					
Total items that in the future may be reclassified subsequently to income statement		**8,862**		**144**	
Other income		**9,222**		**–918**	
Comprehensive income		**48,276**		**35,297**	
Result attributable to:					
– non-controlling interests					
– owners of Interroll Holding AG		48,276	10.7	35,297	8.8

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

1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2017	2016
Result		**39,054**	**36,215**
Depreciation, amortisation and impairment	6.1 & 6.3	18,921	17,807
Loss/(gain) on disposal of tangible and intangible assets	7.4	–11	–28
Financial result, net	7.5	597	309
Income tax expense	7.6	7,760	11,353
Changes in inventories		–11,175	–3,503
Changes in trade and other accounts receivable		–473	–21,636
Changes in trade and other accounts payable		–742	3,646
Changes in provisions, net	6.14	814	2,822
Income tax paid		–10,226	–9,570
Personnel expenses on share-based payments	7.1	2,313	1,238
Other non-cash expenses/(income)		–604	–1,824
Cash flow from operating activities		**46,228**	**36,829**
Acquisition of property, plant and equipment	6.1	–20,975	–13,094
Acquisition of business segment	4		–4,778
Acquisition of intangible assets	6.3	–4,384	–1,635
Acquisition of financial assets		–1,157	–37
Proceeds from disposal of property, plant and equipment	6.2	219	815
Settlement of loans receivable		13	6
Interest received		171	123
Cash flow from investing activities		**–26,113**	**–18,600**
Dividends paid	1.5	–13,619	–10,231
Purchase of treasury shares		–8,375	–2,075
Sale of treasury shares			972
Proceeds from financial liabilities		18	
Repayment of financial liabilities		–101	–23
Interest paid		–27	–18
Cash flow from financing activities		**–22,104**	**–11,375**
Translation adjustments on cash and cash equivalents		1,032	–244
Change in cash and cash equivalents		**–957**	**6,610**
Cash and cash equivalents at 1 January		38,264	31,654
Cash and cash equivalents at 31 December	6.7	**37,307**	**38,264**

* See notes to the consolidated financial statements which are 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 treasury shares	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2016		**854**	**6,519**	**–1,623**	**–55,227**	**257,123**		**207,646**
Result						**36,215**		**36,215**
Other comprehensive income, net of taxes					**144**	**–1,062**		**–918**
Total comprehensive income					**144**	**35,153**		**35,297**
Face value reduction, net						–10,231		**–10,231**
Share-based payments	7.1		370	868				**1,238**
Sale of treasury shares incl. tax effects	6.10		295	915				**1,210**
Purchase of treasury shares incl. tax effects	6.10			–2,075				**–2,075**
Balance at 31 December 2016		**854**	**7,184**	**–1,915**	**–55,083**	**282,045**		**233,085**
Result						**39,054**		**39,054**
Other comprehensive income, net of taxes					**8,862**	**360**		**9,222**
Total comprehensive income					**8,862**	**39,414**		**48,276**
Dividend payment, net						–13,619		**–13,619**
Share-based payments	7.1		718	1,595				**2,313**
Sale of treasury shares incl. tax effects	6.10							
Purchase of treasury shares incl. tax effects	6.10			–8,375				**–8,375**
Balance at 31 December 2017		**854**	**7,902**	**–8,695**	**–46,221**	**307,840**		**261,680**

* See notes to the consolidated financial statements which are 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 2017 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 2017, 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 judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, 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 recognised 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.

Judgements 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 judgements."

New and amended standards (IAS/IFRS) and interpretations that have become effective in 2017
The Group prepares its Annual Report in accordance with IAS/IFRS. To that end, the Group regularly assesses the effects of adjustments and renewals communicated by the International Accounting Standards Board (IASB).

As of 1 January 2017, the Interroll Group has reapplied the standards and interpretations of IAS 12 (Income Taxes), IAS 7 (Statement of Cash Flows) and IFRS 12 (Disclosure of Interests in Other Entities) as amended by the IASB. The application of these amended standards and interpretations has had no material effect on the consolidated financial statements of the Interroll Group.

Future changes and amendments to IAS/IFRS standards and interpretations
New and revised standards and interpretations have been adopted by the IASB. However, these will not be applied until 1 January 2018 or later and have not been applied early in these consolidated financial statements. The impact of the introduction/amendment of IFRS 16 cannot yet be determinded with sufficient certainty. The introduction/amendment of IFRS 9 has no significant impact on the consolidates financial statements.

The Interroll Group is therefore regularly following the discussions on the accounting standards (IAS/IFRS) and examining the potential effects on the consolidated financial statements or disclosure requirements of the Group.

The new standard for recognising the proceeds from contracts with customers (IFRS 15) is based on the principle that revenue is recognized when the control of a good or service is transferred to the customer. The standard contains a five-step model with the following five steps: 1.) Identification of the contract with the customer, 2.) Identification of individual performance obligations in the contract, 3.) Determination of the transaction price, 4.) Distribution of the transaction price to the individual performance obligations and 5 .) Sales recognition when fulfilling the performance obligations.

The standard allows either a full retrospective application or a modified retrospective application. The Group has opted for the modified retrospective application. This means that the cumulative effect of the application of IFRS 15 will be recorded in retained earnings as of 1 January 2018, and the comparative figures will not be adjusted.

Management has assessed the impact of the new standard. The introduction of the new standard has no significant impact on the consolidated financial statements of the Interroll Group.

Various amendments that will not have a material impact on the future financial reporting of the Interroll Group: IFRS 2 (Share-based Payment), IFRS 4 (Insurance Contracts), IFRS 10 (Consolidated Financial Statements), IAS 28 (Investments in Associates and Joint Ventures), IAS 40 (Investment Property), the 2014-16 Annual Improvements, IFRIC 22 (Foreign Currency Transactions and Advance Consideration) and IFRIC 23 (Uncertainty over Income Tax Treatments) will also take effect.

2.2 Critical accounting estimates and judgements

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 judgement 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 licences

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 include 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 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)		
	2017	**2016**	Change in %	**31.12.2017**	**31.12.2016**	Change in %
1 EUR	1.116	1.091	2.3	1.170	1.074	8.9
1 USD	0.982	0.989	–0.7	0.976	1.019	–4.2
1 CAD	0.758	0.748	1.4	0.778	0.757	2.8
1 GBP	1.275	1.330	–4.2	1.319	1.254	5.2
1 SGD	0.715	0.716	–0.1	0.730	0.705	3.6
1 CNY	0.146	0.149	–1.9	0.150	0.147	2.2
1 JPY	0.009	0.009	–3.3	0.009	0.009	0.0

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 Center, 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, Marketing and 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 exceeds 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 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 recognising 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.

Interest 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 relationships), licences 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 relationships	5–10	years
Patents, technology and licences	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 amortisation 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 adjustment 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 treasury shares
The acquisition price of treasury shares is disclosed as a reduction of shareholders’ equity. Realised gains and losses on transactions with treasury 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 Group’s 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 employee and employer 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 in 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 item, 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 if 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 the 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 the 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 the 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 longstanding 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 risk 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 the 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 convenants
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	2017	2016
Total assets	355.3	324.8
Net financial assets	37.1	38.0
Gearing (net debts/equity)	**n/a**	**n/a**
Operating cash flow	46.2	36.8
Indebtedness factor (net debts/cash flow)	**n/a**	**n/a**
Equity	261.7	233.1
Equity ratio (equity in % of assets)	**73.6**	**71.8**
Result	39.1	36.2
Return on equity (in %)	**15.8**	**16.4**
Non-diluted earnings per share (in CHF)	45.95	42.57
Distribution per share (in CHF)	16.50	16.00
Payout ratio (in %)	**35.9**	**37.6**

4 CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in business year 2017

New companies
As per 1 January 2017, Interroll USA, LLC in Wilmington, NC started as the dedicated sales office in the USA. In the previous year the Interroll Group launched Mexico S. de R.L. de C.V., its second subsidiary in Latin America. Both companies represent sales and service units.

Acquisitions / divestitures
No acquisitions or divestitures were carried out during the year under review.
On 1 December 2016, Interroll bought the sheet shaping business of Ortner GmbH in Kronau, Germany, through the purchase of selected assets. Since then around 40 employees are producing the Interroll belt curves for Europe, a product well established in the Americas and Asia-Pacific regions. The acquisition included the operational real estate. Subsequently, this business operated under the name of Interroll Kronau GmbH.

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	2017	2016
	Fair value	Fair value
Property, plant and equipment		4,276
Intangible assets		54
Deferred tax assets		554
Inventory		266
Total assets		
Deferred tax liabilities		158
Total liabilities		**158**
Total acquisition costs	**–**	**4,992**

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

in thousands CHF	2017	2016
Cash settlement of acquisition		4,992
./.Purchase price retention		–213
Net cash used in acquisition	**–**	**4,778**

5 OPERATING SEGMENTS

Sales and non-current assets by geographical market

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

	Sales				Non-current assets			
in thousands CHF	2017	in %	2016	in %	2017	in %	2016	in %
Germany	64,922	14.4	65,493	16.3	73,015	49.8	60,440	44.9
Rest of EMEA *	201,575	44.7	179,943	44.8	39,343	26.8	38,951	29.0
Total EMEA*	**266,497**	**59.1**	**245,436**	**61.1**	**112,358**	**76.6**	**99,391**	**73.9**
USA	97,932	21.7	70,215	17.5	27,660	18.9	28,537	21.2
Other Americas	21,892	4.9	29,675	7.4	1,488	1.0	1,540	1.1
Total Americas	**119,824**	**26.6**	**99,890**	**24.9**	**29,148**	**19.9**	**30,077**	**22.4**
Total Asia-Pacific	**64,361**	**14.3**	**56,134**	**14.0**	**5,110**	**3.5**	**5,020**	**3.7**
Total Group	**450,682**	**100.0**	**401,460**	**100.0**	**146,616**	**100.0**	**134,488**	**100.0**

* 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 % of Group sales.

Sales by product group

Sales broken down by product group:

in thousands CHF	2017	in %	2016	in %
Drives	146,644	32.6	123,645	30.8
Rollers	105,801	23.5	93,486	23.3
Conveyors & Sorters	142,629	31.6	120,864	30.1
Pallet & Carton Flow	55,608	12.3	63,465	15.8
Total Group	**450,682**	**100.0**	**401,460**	**100.0**

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	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
COSTS										
At 1.1.	**96,082**	**92,790**	**98,321**	**95,353**	**9,394**	**8,208**	**5,429**	**1,094**	**209,226**	**197,445**
Currency translation adj.	5,821	–165	4,182	–71	523	–34	274	–23	**10,800**	**–293**
Additions	5,722	419	6,164	5,475	2,158	1,872	6,931	5,328	**20,975**	**13,094**
Disposals	–16	–609	–2,147	–4,107	–929	–662		–6	**–3,092**	**–5,384**
Reclassifications	3,862	167	2,286	807	–94	10	–6,236	–964	**–182**	**20**
Acquisition		3,480		864						**4,344**
At 31.12.	**111,471**	**96,082**	**108,806**	**98,321**	**11,052**	**9,394**	**6,398**	**5,429**	**237,727**	**209,226**
ACCUMULATED DEPRECIATION & IMPAIRMENTS										
At 1.1.	**–35,243**	**–31,776**	**–71,582**	**–69,449**	**–6,542**	**–5,846**			**–113,367**	**–107,071**
Currency translation adj.	–1,983	20	–3,025	45	–319	6			**–5,327**	**71**
Depreciation	–3,797	–3,487	–7,000	–6,316	–1,412	–1,194			**–12,209**	**–10,997**
Disposals	3		2,015	4,104	866	492			**2,884**	**4,596**
Reclassifications	7			34	55				**62**	**34**
At 31.12.	**–41,013**	**–35,243**	**–79,592**	**–71,582**	**–7,352**	**–6,542**			**–127,957**	**–113,367**
Property, plant and equipment at 31.12.	**70,458**	**60,839**	**29,214**	**26,739**	**3,700**	**2,852**	**6,398**	**5,429**	**109,770**	**95,859**
Capital commitments	408	1,718	2,975	1,453		3			**3,383**	**3,174**
Insurance value*	121,913	110,199	130,079	117,456					**251,992**	**227,655**

* 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 there were no risks at the end of the period under review which negatively impacted the carrying 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

	Goodwill		Software		Patents, technology and licences		Customer relationships		Total	
in thousands CHF	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
COSTS										
At 1.1.	**20,382**	**19,809**	**37,110**	**35,517**	**18,323**	**18,562**	**23,849**	**23,992**	**99,664**	**97,880**
Currency translation adj.	371	11	168	8	1,631	–239	1,351	–198	**3,521**	**–418**
Additions			3,563	1,635	791		30		**4,384**	**1,635**
Disposals			–14	–50					**–14**	**–50**
Acquisition		562						55		**617**
Reclassifications			2						**2**	
At 31.12.	**20,753**	**20,382**	**40,829**	**37,110**	**20,745**	**18,323**	**25,230**	**23,849**	**107,557**	**99,664**
ACCUMULATED AMORTISATION & IMPAIRMENTS										
At 1.1.	**–3,126**	**–3,126**	**–22,467**	**–17,856**	**–15,411**	**–14,458**	**–20,031**	**–19,281**	**–61,035**	**–54,720**
Currency translation adj.			–115	–8	–1,393	221	–1,464	234	**–2,972**	**447**
Amortisation			–4,828	–4,652	–1,254	–1,174	–630	–984	**–6,712**	**–6,810**
Disposals			14	49					**14**	**49**
At 31.12.	**–3,126**	**–3,126**	**–27,396**	**–22,467**	**–18,058**	**–15,411**	**–22,125**	**–20,031**	**–70,705**	**–61,035**
Total intangible assets, net at 31.12.	**17,627**	**17,256**	**13,433**	**14,643**	**2,687**	**2,912**	**3,105**	**3,818**	**36,852**	**38,629**

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) which is determined using a pre-tax discount rate of 10.9 % (2016: 12.3 %). 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 the 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 32.3 million (2016: CHF 31.6 million) relate to the setup and introduction of SAP. In the year under review, the additions to this process management system amounted to CHF 0.3 million (2016: CHF 1.7 million). Furthermore, around CHF 0.4 million were transferred from other applications to SAP as per 1 January 2017. Amortisation starts with the go live date and ends after 8 years.

SAP was launched in 2011 for the two Centers 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 Center of Excellence for Supermarket Products in Denmark, in the Regional Center of Excellence for Rollers and Drum Motors in the USA as well as in several sales subsidiaries in the Asia-Pacific region. Subsequently as from 2013, further production and sales units in Germany, France, North America and China were launched. Particularely, in the year under review SAP was linked with CAD to enhance the Product Lifecycle Management of the Group, and SAP Cloud for Customers was implemented to offer the service business even more efficiently.

Patents and licences

Patents and licences 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 licences were bought. As per the end of 2017, an amortisation term of an additional two years remains on the majority of patents and licences. A review was donce for indications of impairment in patents and licences. 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 2017, an amortisation term of an additional five 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	31.12.2017	31.12.2016
Trade receivables	360	415
Total assets pledged or assigned	**360**	**415**

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	31.12.2017	31.12.2016
Raw materials	44,641	34,581
Work in progress	12,853	10,437
Finished products	6,380	5,543
Valuation allowance	–2,917	–2,287
Total inventory, net	**60,957**	**48,274**

No inventory was pledged in either year under review.

Development of valuation allowance on inventory

in thousands CHF	2017	2016
Balance as per 1.1.	**–2,287**	**–2,154**
Currency translation adjustment	–73	–28
Additions	–824	–317
Reductions	267	212
Total valuation allowance on inventory as per 31.12.	**–2,917**	**–2,287**

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	31.12.2017	31.12.2016
Trade accounts receivable from goods and services	91,990	82,049
Valuation allowance	–6,679	–4,927
Total trade accounts receivable, net	**85,311**	**77,122**
Prepaid expenses and accrued income	5,345	3,931
Prepayments for inventories	2,811	2,014
Other accounts receivable	9,870	15,584
Forward exchange dealing	–101	74
Total other accounts receivable	**17,925**	**21,603**
Total trade and other accounts receivable, net	**103,236**	**98,725**

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	31.12.2017				31.12.2016			
	Gross	Valuation allowance		**Net**	Gross	Valuation allowance		**Net**
		individual	collective			individual	collective	
Not past due	54,219	–7		**54,212**	48,355	–248		**48,107**
Past due 1-30 days	16,352			**16,352**	9,699			**9,699**
Past due 31-60 days	6,102	1		**6,103**	7,717			**7,717**
Past due 61-90 days	1,440			**1,440**	2,325	–1		**2,324**
Past due › 90 days	13,877	–6,193	–480	**7,204**	13,953	–4,238	–440	**9,275**
Total trade accounts receivable	**91,990**	**–6,199**	**–480**	**85,311**	**82,049**	**–4,487**	**–440**	**77,122**

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	2017			2016		
		Valuation allowance			Valuation allowance	
	Total	individual	collective	**Total**	individual	collective
At 1.1.	**–4,927**	**–4,487**	**–440**	**–2,784**	**–2,340**	**–444**
Currency translation adjustment	–1,060	–1,021	–39	48	44	4
Additions	–1,676	–1,676		–3,289	–3,289	
Alllowance used	235	235		758	758	
Allowance reversed	749	749		340	340	
At 31.12.	**–6,679**	**–6,199**	**–480**	**–4,927**	**–4,487**	**–440**

During the year under review, an amount of CHF 0.2 million (2016: CHF 0.8 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	31.12.2017	in %	31.12.2016	in %
EUR	39,419	42.9	32,473	39.6
USD	24,493	26.6	23,511	28.7
CNY	11,298	12.3	13,199	16.1
THB	2,313	2.5	2,117	2.6
DKK	2,265	2.5	1,489	1.8
all other currencies	12,202	13.2	9,260	11.2
Total trade accounts receivable, gross	**91,990**	**100.0**	**82,049**	**100.0**

Regional breakdown of trade accounts receivable

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

in thousands CHF	31.12.2017	in %	31.12.2016	in %
Europe, Middle East, Africa	46,816	50.8	37,931	46.2
Americas	27,649	30.1	26,085	31.8
Asia-Pacific	17,525	19.1	18,033	22.0
Total trade accounts receivable, gross	**91,990**	**100.0**	**82,049**	**100.0**

On average, trade accounts receivable are 58 days outstanding (DSO). The respective value is for Europe 48, for Americas 78 and for Asia 53. In the previous year, the DSO was 61 for the Group, for Europe 38, for Americas 89 and for Asia 82.

6.7 Cash and cash equivalents

Positions included in cash and cash equivalents

in thousands CHF	31.12.2017	31.12.2016
Cash on hand, bank and postal accounts	35,383	35,754
Current deposits	1,924	2,510
Total cash and cash equivalents	**37,307**	**38,264**

Interest rates of cash and cash equivalents

The interest rates on cash and cash equivalents vary between 0 % (CHF) and 6.25 % (ZAR). The respective rates for 2016 were 0 % (CHF) and 12 % (BRL).

Currencies held on cash and cash equivalents

in %	31.12.2017	31.12.2016
EUR	20.0	21.0
CHF	2.0	18.0
CNY	23.0	10.0
USD	27.0	20.0
THB	2.0	3.0
JPY	2.0	3.0
KRW	8.0	4.0
ZAR	3.0	2.0
other currencies	13.0	19.0
Total cash and cash equivalents	**100.0**	**100.0**

Transfer limitations on cash and cash equivalents

Cash and cash equivalents of CHF 1.2 million (2016: CHF 1.1 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	31.12.2017	31.12.2016
Cash and cash equivalents	37,307	38,264
Trade and other accounts receivable w/o advances	100,526	96,637
Financial assets	1,864	655
Total financial assets	**139,697**	**135,556**
Foreign currency forward contracts*	–101	74
Total financial instruments at fair value	**–101**	**74**
Trade and other accounts payable	40,296	41,316
Financial liabilities	212	283
Total financial liabilities at carrying value	**40,508**	**41,599**

* see notes 6.9

Carrying amounts 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 carrying amounts.

6.9 Financial risks

Currency risk exposure

Due to its international focus, the Interroll Group is exposed to foreign currency risks. Risk exposure results 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					31.12.2017					31.12.2016
	EUR	CHF	USD	SGD	JPY	EUR	CHF	USD	SGD	JPY
Financial assets	3	75		5,227		3	67		3,552	
Trade and other accounts receivable	5,913	1,995	5,845	1,076	1,521	7,346	1,338	4,574	1,727	1,529
Cash and cash equivalents incl. intercompany loans	1,960	13,774	1,549	366	294	1,536	20,982	762	1,481	14
Financial liabilities								3,412		
Trade and other accounts payable	11,260	8,762	3,157	589	17	9,835	6,544	2,337	1,278	1
Current liabilities	248	21,164	3,615			2,696	32,544	481		
Currency risks on the balance sheet (gross)	**19,384**	**45,770**	**14,166**	**7,258**	**1,832**	**21,416**	**61,475**	**11,566**	**8,038**	**1,544**
Elimination same currency	–8,255	–31,688	–7,621	–62		–9,986	–44,774	–6,779		
Currency risks on the balance sheet (net)	**11,129**	**14,082**	**6,545**	**7,196**	**1,832**	**11,430**	**16,701**	**4,787**	**8,038**	**1,544**
Natural hedges	–332	–397		–5		–1,714	–371	–1,932		
FX forward contracts	–3,288	–8,739	–2,318	–4,513	–802	–2,496	–7,643	–2,140	–3,965	–862
Net currency risk exposure	**7,509**	**4,946**	**4,227**	**2,678**	**1,030**	**7,220**	**8,687**	**715**	**4,073**	**682**

The currency risk on the balance sheet (gross) is equal to the sum 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 financial 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 non-current 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				31.12.2017			31.12.2016
Hedged currency	Sell/Buy	Maturity	notional amount in CHF	Fair value	Sell/Buy	notional amount in CHF	Fair value
USD	USD/CHF	Feb. 18	711	1	CHF/USD	747	–25
USD	USD/EUR	Feb. 18	1,670	20	EUR/USD	573	25
USD	USD/CAD	Feb. 18	1,001	–8			
USD	SGD/USD	Feb. 18	1,316	–19			
SGD	SGD/EUR	Feb. 18	931	–3	SGD/EUR	748	1
SGD	SGD/CHF	Feb. 18	2,938	–41	SGD/CHF	2,574	34
EUR	GBP/EUR	Feb. 18	816	–9	GBP/EUR	1,235	–54
EUR	EUR/BRL	Feb. 18	884	35	EUR/BRL	520	–24
JPY	JPY/EUR	Feb. 18	802	11	JPY/EUR	862	68
JPY	JPY/SGD	Feb. 18	644	11	JPY/SGD	643	50
CNY	CNY/EUR	Feb. 18	1,293	–15	CNY/EUR	1,414	–8
CNY	CNY/CHF	Feb. 18	814	–19			
CHF	EUR/CHF	Feb. 18	7,213	–80	EUR/CHF	7,081	78
CHF					CNY/CHF	562	3
CZK	EUR/CZK	Feb. 18	733	2			
PLN	CHF/PLN	Jan. 18	537	7			
ZAR					EUR/ZAR	741	–53
CAD	CHF/CAD	Jan. 18	1,084	6	USD/CAD	820	–21
Total FX forward contracts				**–101**			**74**

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 in particular 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		31.12.2017			31.12.2016	
Currency pair	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial assets	75			67		
Trade and other receivables	336	180	1,541		509	1,448
Cash and cash equiv. incl. IC-loans	13,593	882	267	20,844	4	646
Financial liabilities						
Trade and other payables	3,780		322	2,981		814
Current and current liabilities	21,164		556	32,544		
Gross exposure per currency pair	**38,948**	**1,062**	**2,686**	**56,436**	**513**	**2,908**
Risks opposing each other	–28,007	806	–1,756	–40,822	345	–1,627
FX forward contracts	–7,213	711	–1,001	–7,081	–747	–820
Net FX exposure per currency pair	**3,728**	**2,579**	**–71**	**8,533**	**111**	**461**
Currency change in %	2	1	2	3	3	3
Effect on the result (+/–)	**75**	**26**	**1**	**256**	**3**	**14**
Income tax expense at 20.73 %	–15	–5	–	–53	–1	–3
Net FX exposure after income taxes	**60**	**21**	**1**	**203**	**2**	**11**

As with the exchange rate risk analysis, the net risks of a currency pair are first added together. The item “Elimination of countervailing risks” results from offsetting of countervailing risks between the respective currency pair. The amount shown in the line “Currency forwards” corresponds to the hedged contract value converted into CHF. The amount shown is also deducted from the gross exchange rate risk of the currency pair as it changes linearly with a change in the currency. The assumed currency fluctuation of the reporting year corresponds to the effective change in the average exchange rate of the currency pair. Income taxes are based on the expected tax rate of a properly taxed company in Switzerland (see note 7.6).

Interest rate risks

As per the balance sheet date, the Group had net financial assets of CHF 3.6 million (2016: CHF 2.9 million, see also note 6.12). Financial assets amount to CHF 3.7 million (2016: CHF 3.1 million), CHF 1.8 million (2016: CHF 0.6 million) of which are not interest-bearing. There are financial liabilities of CHF 0.2 million (2016: CHF 0.2 million). The portion of 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	31.12.2017				31.12.2016			
	Nom. int. rate in %	Carrying amounts	Basis points		Nom. int. rate in %	Carrying amounts	Basis points	
			+ 100	–100			+ 100	–100
FINANCIAL ASSETS								
Fixed interest rate	0.05–1.40	**977**			0.00–12.00	**1,883**		
Variable interest rate	0.00–6.25	947	9	–9	0.00–6.50	627	6	–6
Non-interest-bearing	–	1,805			–	604		
Total deposits		**3,729**	**9**	**–9**		**3,114**	**6**	**–6**
Total loans								
Cash on hand, bank and postal accounts		35,383				35,754		
Trade and other receivables		100,627				98,923		
Total other financial assets		**136,010**				**134,677**		
Total financial assets		**139,739**	**9**	**–9**		**137,791**	**6**	**–6**
FINANCIAL LIABILITIES								
Total bank loans								
Fixed interest rate								
Non-interest-bearing		190				176		
Total other loans		**190**				**176**		
Bank overdrafts		1				1		
Trade and other accounts payable		40,296				41,316		
Total trade and other accounts payable		**40,297**				**41,317**		
Total financial liabilities		**40,487**				**41,493**		
Net financial liabilities		**99,252**	**9**	**–9**		**96,298**	**6**	**–6**

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 the end of the reporting year amounted to CHF 78.4 million (2016: CHF 78.6 million).

Committed credit limits amounted to CHF 40 million, of which CHF 20 million were extended for a further three years in 2017 under the same conditions. 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

	2017	2016
Issued shares par value CHF 10.00 each (previous year: CHF 10.00)	**854,000**	**854,000**
Treasury shares held by the Group as per 1.1.	**2,441**	**2,985**
Purchase of treasury shares	6,470	2,212
Sale of treasury shares		–1,167
Attribution of shares relating to bonus plan	–2,010	–1,589
Treasury shares held by the Group as per 31.12.	**6,901**	**2,441**
thereof unreserved	6,901	2,441
Shares outstanding at 31.12.	**847,099**	**851,559**

6.11 Earnings per share

Non-diluted earnings per share

The non-diluted earnings per share in 2017 amount to CHF 45.95 (2016: CHF 42.57). The calculation is based on the profit attributable to the shareholders of the parent company, divided by the weighted average of shares outstanding.

	2017	2016
Result attributable to the equity holders (in thousands CHF)	**39,054**	**36,215**
Shares outstanding as per of 1.1.	**851,559**	**851,015**
Effect of the purchase of treasury shares	–852	–17
Effect of the sale/attribution of treasury shares	–773	–364
Weighted average of shares outstanding	**849,934**	**850,634**
Non-diluted earnings per share (in CHF)	**45.95**	**42.57**

Diluted earnings per share

The diluted earnings per share in 2017 amount to CHF 45.95 (2016: CHF 42.57). 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 2017 or 2016.

	2017	2016
Result attributable to the equity holders (in thousands CHF)	**39,054**	**36,215**
Weighted average of shares outstanding (diluted)	**849,934**	**850,634**
Diluted earnings per share (in CHF)	**45.95**	**42.57**

6.12 Financial liabilities

Details of current and non-current financial liabilities

in thousands CHF	31.12.2017	31.12.2016
Bank overdrafts	1	1
Other loans	190	176
Finance lease	2	106
Total current financial liabilities	**193**	**283**
Other loans	19	
Total non-current financial liabilities	**19**	
Total financial liabilities	**212**	**283**

Ratio of net financial liabilities to equity

in thousands CHF	31.12.2017	31.12.2016
Total financial liabilities	212	283
./. Cash and cash equivalents	–37,307	–38,264
Net financial liabilities (-net cash)	**–37,095**	**–37,981**
Equity	**261,680**	**233,085**
Net financial debt in % of equity	**n/a**	**n/a**

Loan structure

in thousands CHF					31.12.2017		31.12.2016	
	Currency	Weighted av. interest rate	Interest due fixed/variable	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Other loans	DKK/USD	0 %	F	2018/2020	209	209	176	176
Total loans					**209**	**209**	**176**	**176**

Maturities of financial liabilities

The financial liabilities as per 31 December 2017 are due as follows:

in thousands CHF	**Carrying amount**	Face value (undiscounted)	within 6 months	within 6–12 months	within 1–2 years	within 2–5 years
Other loans	209	209		190	19	
Bank overdrafts	1	1	1			
Trade/other accounts payable*	40,296	40,296	40,296			
Total financial liabilities	**40,506**	**40,506**	**40,297**	**190**	**19**	

*An ageing 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 2016 were due as follows:

in thousands CHF	**Carrying amount**	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			
Total financial liabilities	**41,493**	**41,493**	**41,317**	**176**		

*An ageing 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 Lease liabilities

Finance leases
In the year under review, there were CHF 0.0 million in finance leases (2016: CHF 0.2 million), of which CHF 0.0 million (2016: CHF 0.0 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	31.12.2017	31.12.2016
within 1 year	2,464	2,348
between 1 and 5 years	4,215	5,124
over 5 years	503	529
Total operating leases	**7,182**	**8,001**

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

6.14 Provisions

Movements in provisions

	Warranties		Other provisions		**Total**	
in thousands CHF	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
At 1.1.	**6,766**	**5,831**	**101**	**62**	**6,867**	**5,893**
Currency translation adjustments	356	–8	10	–3	366	**–11**
Provisions made	4,268	3,902	76	63	4,344	**3,965**
Provisions used	–2,587	–2,269		–21	–2,587	**–2,290**
Provisions reversed	–872	–690	–11		–883	**–690**
Acquired provisions						
At 31.12.	**7,931**	**6,766**	**176**	**101**	**8,107**	**6,867**

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 2017 corresponds to roughly 1.8 % (2016: 1.7 %) 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 2017 amounted to CHF 2.8 million (2016: CHF 3.1 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 benefit plans in line with IAS 19. 217 employees participated in the defined benefit plans in 2017 and 224 participated in 2016. 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	2017	2016
Costs of the defined contribution plans	**1,642**	**1,973**
Current service costs, net	996	1,028
Administrative expenses	58	54
Interest costs	60	64
Costs of the defined benefit plans	**1,114**	**1,146**
Effects of changes in demographic assumptions		216
Effects of changes in financial assumptions	–499	759
Effects of experience assumptions	692	522
(Return) on plan assets (excl. interest income)	–649	–165
Remeasurements included in other income	**–456**	**1,332**
Total expenditure	**2,300**	**4,451**

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.	2017	2016
Present value of defined benefit obligation	–28,473	–26,237
Fair value of plan assets	20,323	18,083
Pension liability	**–8,149**	**–8,154**

Roll forward of the defined benefit obligation

in thousands CHF	2017	2016
Benefit obligation as per 1.1.	**–26,237**	**–22,477**
Current service costs, net	–996	–1,028
Interest costs	–191	–235
Contributions from employees	–481	–440
Benefits (funded)/paid, net	–349	–579
Benefits (funded)/paid, net from employer	37	12
Translation difference	–63	7
Remeasurements		
– Effects of changes in demographic assumptions		–216
– Effects of changes in financial assumptions	499	–759
– Effects of experience assumptions	–692	–522
Benefit obligation as per 31.12.	**–28,473**	**–26,237**

Roll forward of the present value of plan assets

in thousands CHF	2017	2016
Fair value of plan assets as per 1.1.	**18,083**	**16,153**
Administrative expenses	–58	–54
Interest income	131	171
Employer contributions	680	630
Employee contributions	481	440
Benefits funded/(paid), net	349	579
Translation difference	8	–1
Income of plan assets	649	165
Fair value of plan assets as per 31.12.	**20,323**	**18,083**

Investment categories

in %	2017	2016
Qualified insurance policies *	20,315	18,083
Cash	8	
Total investments in %	**20,323**	**18,083**

* These assets are fully invested by the collective foundation of AXA in qualified insurance policies with AXA

Reconciliation of net defined benefit liability

in thousands CHF	2017	2016
Net defined benefit liability as per 1.1.	**–8,154**	**–6,324**
Defined benefit costs included in P/L	–1,114	–1,146
Total remeasurements included in OCI	456	–1,332
Employer contributions	717	642
Translation difference	–54	6
Net defined benefit liability as per 31.12.	**–8,149**	**–8,154**

Actuarial assumptions

in %	2017	2016
Discount rate	0.8	0.7
Future salary increases	1.5	1.5
Expected benefit increases	0.0	0.0
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2015	BVG 2015

Sensitivities

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

Discount rate	0.82 %	+0.25 %	–0.25 %
Benefit obligation	–28,473	–27,102	–29,949

Rate of salary increase	1.50 %	+0.25 %	-0.25 %
Benefit obligation	–28,473	–28,609	–28,340

Sensitivities are based on possible changes that are likely as at the end of 2017.

6.16 Trade and other accounts payable

in thousands CHF	31.12.2017	31.12.2016
Trade accounts payable to third parties	14,143	11,365
Total trade accounts payable	**14,143**	**11,365**
Other liabilities	12,834	18,566
Advances received from customers	13,319	11,385
Total other accounts payable	**26,153**	**29,951**
Accrued personnel expenses	9,657	9,602
Accrued interest	5	5
Other accrued expenses	11,182	8,494
Total accrued expenses	**20,844**	**18,101**
Total trade and other accounts payable	**61,140**	**59,417**

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	2017	2016
Wages and salaries	106,991	93,635
Social security costs	15,607	13,680
Pension costs (see note 6.15)	2,756	3,119
Other personnel costs	1,998	2,434
Equity-based personnel expenses to management personnel	2,313	1,238
Total personnel expenses	**129,665**	**114,106**
Thereof production-related personnel expenses	63,320	54,581
Average number of employees	**2,067**	**1,892**

In the period under review, 2,010 treasury shares (2016: 1,589) were granted to management members as part of their bonus scheme. In the year under review, 2,010 shares (2016: 1,589) 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	2017	2016
Research and development (R&D) expenditures	10,706	7,480
R&D in % of net sales	2.38	1.86

7.3 Other operating expenses

in thousands CHF	2017	2016
Production-related expenses	10,053	9,321
Freight	11,295	10,158
Office,administration and IT services	8,212	7,358
Building costs	5,479	5,451
Travelling and transportation	6,408	5,740
Marketing	4,960	4,551
Consultancy, auditing and insurance	5,296	5,362
Provisions and allowances, net	3,597	3,315
Variable sales costs	5,151	5,063
Non-income taxes	2,342	2,048
Other expenses and services	6,546	4,813
Realised effects on cash flow hedges		67
Total other operating expenses	**69,339**	**63,247**

7.4 Other operating income

in thousands CHF	2017	2016
Income from freight and packing	2,290	1,851
Income from services	217	261
Government grants received	291	88
Loss/(gain) on disposal of tangible and intangible assets	11	28
Realised effects on cash flow hedges		
Total other operating income	**2,809**	**2,228**

7.5 Financial result

in thousands CHF	2017	2016
Fair value changes of foreign currency forward contracts	131	
Realised translation losses	–491	–249
Realised translation expenses	–376	–644
Interest expenses	–33	–20
Financial expenses	**–769**	**–913**
Fair value changes of foreign currency forward contracts		511
Interest income	172	93
Financial income	**172**	**604**
Financial result, net	**–597**	**–309**

7.6 Income tax expense

Components of income tax expense

in thousands CHF	2017	2016
Income taxes relating to the current period	11,888	11,341
Income taxes relating to past periods, net	–684	677
Current income tax expense	**11,204**	**12,018**
Due to temporary differences	–2,815	–1,181
Due to tax rate changes	–777	–38
Due to (recognition)/use of tax loss carryforwards	148	558
Adjustments to deferred tax assets		
Other effects (including acquisition)		–4
Deferred income tax expense/(income)	**–3,444**	**–665**
Total income tax expense	**7,760**	**11,353**

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

Deferred tax liabilities of CHF 0.1 million (2016: CHF 0.1 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	2017	2016
Result before income taxes	**46,814**	**47,568**
Income tax expense at the expected tax rate of 20.7% (2016: 20.7%)	9,705	9,861
(Tax credits)/tax charges on prior years' results, net	–684	677
Effect from deviation to tax rates in Group companies	–1,522	2,339
Tax rate changes, net	–355	–38
(Non-taxable income)/non-tax deductible expenses, net	655	–249
(use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	–40	–1,237
(Reversal of)/write offs on deferred tax assets, net	1	
Other effects		
Effective (total) income tax expense	**7,760**	**11,353**

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	31.12.2017		31.12.2016	
	not activated	activated	not activated	activated
Expiry:				
2017			31	
2018	693		696	
2019	534		536	
2020			141	
2021	819		857	
2022				
2022 and later	13,073		9,232	591
unlimited	11,449		10,090	
Total	**26,568**		**21,583**	**591**
Tax benefit	6,706		6,449	230
Thereof unrecognisable	–6,706		–6,449	
Deferred tax assets from losses carried forward				**230**

A tax effect of CHF 1.2 million resulted from new tax losses carried forward of CHF 4.4 million in 2017 (2016: new tax losses of CHF 0.7 million with a tax effect of CHF 0.1 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, no amount has been capitalised in 2017 (2016: CHF 0.2 million). The majority of non-capitalised deferred tax assets on losses carried forward concern US-based subsidiaries. The applicable tax rate for the year under review is 26 % (2016: 39 %).

Allocation of deferred tax assets / liabilities to balance sheet items

in thousands CHF	31.12.2017		31.12.2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	539	926	661	1,491
Property, plant and equipment	1,460	2,169	1,115	2,811
Financial assets		9		800
Inventory	988	218	1,909	192
Benefits of loss carryforwards			230	
Receivables	494	1,013	1,214	2,525
Total assets	**3,481**	**4,335**	**5,129**	**7,819**
Non-current debts			150	
Provisions	4,995	893	3,494	1,842
Current debts	124	199	2,047	1,141
Other liabilities	486		139	
Total liabilities	**5,605**	**1,092**	**5,830**	**2,983**
Set-off	–5,328	–5,328	–7,752	–7,752
Total net	**3,758**	**99**	**3,207**	**3,050**

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 2017, the Interroll Group has committed to guarantees to third parties in the amount of CHF 0.2 million (2016: CHF 0.2 million). These guarantees relate to customer orders. There are no other contingent liabilities in either of the years under review.

8.2 Related party transactions

Transactions with related parties

		Volume		Open payables	
in thousands CHF	Category	**2017**	**2016**	**31.12.2017**	**31.12.2016**
Purchase of materials	a	222	251	12	30
Consulting services	b	1,548		142	
IT investments/IT services	a	140	154		
Other purchases	a	142	2		
Total purchases		**2,052**	**407**	**154**	**30**

		Volume		Open receivables	
in thousands CHF	Category	**2017**	**2016**	**31.12.2017**	**31.12.2016**
Sale of material	a	129	137		33
Total services		**129**	**137**		**33**

Definition of related parties

The Interroll Group defines and categorises its related parties as follows:

a) Shareholders of Interroll Holding Ltd. owning 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 0.7 million (2016: 0.53 million) in 2017. 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	2017	2016
Salaries incl. bonus	3,693	3,779
Post-employment benefits	658	612
Equity-based compensation	1,458	2,017
Total compensation to the Group Management	**5,809**	**6,408**

No loans were granted either in the period under review or in the previous year.

Detailed disclosures regarding the remuneration of and shares 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 2017 were approved by the Board of Directors on 6 March 2018 and are subject to further approval by the Annual General Meeting of Shareholders on 4 May 2018.

No event has occurred between 31 December 2017 and 6 March 2018 which would require adjustment to the carrying amount of the Group's assets and liabilities as per 31 December 2017, 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 %
Switzerland						
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 %
EMEA (without Switzerland)						
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.	Warszaw (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 %
Americas						
Interroll Corporation	Wilmington, NC (US)	P	IAU	USD	65.0	100 %
Interroll USA, LLC	Wilmington, NC (US)	S	IAU	USD	0.0	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 Logistica Ltda	Jaguariuna/S. Paolo (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 %
Asia-Pacific						
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	13,373.0	100 %
Interroll Shenzhen Co. Ltd.	Shenzhen (CN)	P	SGP	CNY	5,770.0	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., Singapur, IAU = Interroll USA Holding LLC, PR = Interroll (Schweiz) AG

Changes to the scope of consolidation in 2017

During the year under review, Interroll USA, LLC in Wilmington, NC (US) started as a sales unit in the USA. Portec Asia Limited was liquidated. The share capital of Interroll Holding Management (Shanghai) Co. Ltd. (CN) was increased by CNY 10,306,500 from CNY 3,066,500 to CNY 13,373,000.

Changes to the scope of consolidation in 2016

In the previous year, 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 from then operated under the name of Interroll Kronau GmbH (DE).

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 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2017 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 2,300,000

We concluded full scope audit work at ten Group companies in seven countries.

In addition, specified audit procedures were performed on a further ten reporting units in six countries.

Our audit scope addressed 79 % of the sales revenue and 78 % of the assets of the Group.

As key audit matter the following area of focus has been identified: Impairment 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 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 audits of the consolidation, of the disclosures in the consolidated financial statements and of more complex elements. This included, among other matters, 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.

Overall Group materiality	CHF 2,300,000
How we determined it	5 % of the result before income taxes
Rationale for the materiality benchmark applied	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, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 115,000 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 comprised goodwill amounting to CHF 17.6 million as at 31 December 2017 (prior year: CHF 17.3 million), which represents about 5 % of total assets (prior year: 5 % of total assets). We considered 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.	We checked the forecast revenues and the weighted cost of capital that was 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 forecast 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 the potential for an impairment of goodwill. There was adequate headroom between the calculated value in use, which we used in testing the sensitivity analyses, and the book values in the consolidated financial statements. We obtained adequate assurance through our audit procedures and we are 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 either intends 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

Zurich, 6 March 2018

FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD

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1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD

1.1 Balance sheet

in thousands CHF	see notes*	31.12.2017	31.12.2016
ASSETS			
Cash and cash equivalents		1,305	1,772
Accounts receivable from subsidiaries		1,721	1,543
Other receivables from third parties		140	785
Loans to subsidiaries		26,797	39,232
Total current assets		**29,963**	**43,332**
Investments		106,916	106,916
Loans to subsidiaries	3.3	6,305	5,335
Total non-current assets		**113,221**	**112,251**
Total assets		**143,184**	**155,583**
EQUITY AND LIABILITIES			
Trade and other accounts payable from subsidiaries		282	258
Trade and other accounts payable from third parties		80	25
Loans from subsidiaries	3.4	1,637	547
Accrued expenses		2,052	1,948
Total current liabilities		**4,051**	**2,778**
Total non-current liabilities			
Share capital	3.5	854	854
Legal reserve			
– Share premium		8	8
– Other legal reserves		5,209	5,209
– Available earnings		141,757	148,648
Treasury shares	3.1	–8,695	–1,914
Total shareholder's equity		**139,133**	**152,805**
Total liabilities and equity		**143,184**	**155,583**

*See notes to the financial statements.

1.2 Income statement

in thousands CHF	2017	2016
Investment income	4,276	14,882
Royalty income	4,872	3,944
Other operating income	2,563	2,434
Financial income	3,249	2,256
Total income	**14,960**	**23,516**
Administration expenses	–453	–466
Personnel expenses	–3,481	–3,031
Other operating expenses	–2,000	–1,701
Financial expenses	–2,298	–1,279
Total expenses	**–8,232**	**–6,477**
Result before income taxes	**6,728**	**17,039**
Direct taxes		–21
Result	**6,728**	**17,018**

1.3 Statement of changes in equity

in thousands CHF	Share capital	Reserves from capital contrib.	Legal reserve	Available earnings	Own shares	Total
As of 1.1.2016	**854**	**8**	**5,209**	**141,861**	**–1,623**	**146,309**
Result 2016				17,018		**17,018**
Distribution from face value reduction				–10,231		**–10,231**
Change of balance for own shares					–291	**–291**
Per 31.12.2016	**854**	**8**	**5,209**	**148,648**	**–1,914**	**152,805**
Result 2017				6,728		**6,728**
Dividend payment, net				–13,619		**–13,619**
Change of balance for own shares					–6,781	**–6,781**
Per 31.12.2017	**854**	**8**	**5,209**	**141,757**	**–8,695**	**139,133**

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 chapter 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.

Forgoing a cash flow statement and additional disclosures in the notes
As Interroll Holding Ltd has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forgo 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.

Treasury shares
Treasury 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 Treasury shares

Shares sold, acquired and held in the periods under review
In the year 2017, the Company did not sell any treasury shares as reported under 6.10 of the financial reporting of the Interroll Group (2016: the Company sold 1,167 treasury shares at an average price of CHF 1,058.68). In the year under review, the Company acquired 6,470 shares (2016: 2,212 shares). At year-end 2017, the Company held 6,901 treasury shares at a carrying amount of CHF 8.7 million (2016: 2,441 treasury shares at a carrying amount of CHF 1.9 million).

Allocation of treasury shares to employees
2,010 shares (of which 700 shares for remuneration 2016) at a carrying amount of CHF 2.4 million were allocated to employees (2016: 1,589 shares at a carrying amount of CHF 1.3 million).

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 the year 2017	0.00%	2.89%
In the year 2016	0.00%	3.25%

The loans to subsidiaries are normally redeemable with a notice period of three months. As of year-end, the total outstanding Group loans amounted to CHF 33.1 million (2016: CHF 44.6 million). An impairment has been recognised for loans amounting to CHF 2.8 million (2016: CHF 2.8 million).

In 2017, of the total loans in the amount of CHF 33.1 million (2016: CHF 44.6 million), CHF 26.8 million (2016: CHF 39.2 million) were reported as short-term loans.

3.4 Loans from subsidiaries

The following interest rates were used:	lowest	highest
In the year 2017	1.00%	2.50%
In the year 2016	1.00%	2.75%

The loans due from subsidiaries are normally redeemable with a notice period of three months. As of year-end 2017, no Group loans were due.

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 interest in percent.

	31.12.2017		31.12.2016	
Shareholder/shareholder group	Number of shares	Interest in %	Number of shares	Interest in %
B. Ghisalberti, E. Moreschi and Family	102,682	12.02	109,213	12.79
D. Specht and Family	69,745	8.17	76,135	8.92
Allianz Group	50,084	5.86	50,084	5.86
Schroders PLC	*	*	43,833	5.13
Groupama Asset Managment	43,726	5.12	*	*
Kempen Oranje Participaties N.V.	42,481	4.97	43,554	5.10
Stiftung Erlebnispark Fördertechnik GmbH	36,475	4.27	36,475	4.27
Swisscanto Fondsleitung AG	25,661	3.00	34,371	4.02
Various other shareholders	483,146	56.59	460,335	53.91
Total	**854,000**	**100.00**	**854,000**	**100.00**

* No interest of at least 3% of the share capital

3.6 Contingent liabilities

Interroll Holding Ltd has issued a guarantee for an existing shared credit facility in the amount of CHF 42 million (2016: CHF 42 million) in favour of Interroll (Schweiz) AG. The credit facility was not utilised on 31 December 2017.

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 the year under review there were no retention guarantees in favour of customers of Interroll Holding Ltd (2016: Interroll Holding Ltd granted retention guarantees in the total amount of CHF 0.3 million to two customers in South Africa).
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 remuneration 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.	
	2017	**2016**
Paul Zumbühl	21,012	19,598
Tim McGill	3,432	3,339
Dr Christoph Reinkemeier	699	550
Daniel Bättig	570	461
Dr Ralf Garlichs	474	430
Dr Ben Xia	372	266
Jens Karolyi	182	120
Total	**26,741**	**24,764**

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of 4 May 2018 to appropriate the available earnings as per the end of the year under review as follows:

in thousands CHF	**2017**	**2016**
Result	6,728	17,018
Available earnings carried over from previous year	135,029	131,630
	141,757	**148,648**
Distribution of a dividend of	14,091	13,619
to be carried forward	127,666	135,029
	141,757	**148,648**

Proposed dividend payment

The Board of Directors proposes to the Annual General Meeting to pay a dividend in the amount of CHF 16.50 per share or a maximum of CHF 14.1 million in total. In the previous year, a dividend in the amount of CHF 16.00 per share or a maximum of CHF 13.7 million was approved. If this year's dividend proposal is approved, the respective payment will be processed in the second quarter of 2018.

REPORT OF THE STATUTORY AUDITOR TO THE BOARD OF DIRECTORS OF INTERROLL HOLDING LTD, 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 2017, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 116 to 121) as at 31 December 2017 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 key audit matter the following area of focus has been 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 misstatements. 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.

Overall materiality	CHF 700,000
How we determined it	0.5 % of total assets
Rationale for the materiality benchmark applied	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 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 short- and long-term loans granted to subsidiaries)

Key audit matter	How our audit addressed the 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 (75 % of total assets) and short- and long-term loans granted to subsidiaries amount to CHF 33.1 million (23 % of total assets). Please refer to note 3.2 (Investments) and note 3.3 (Loans to subsidiaries) in "General information on the financial statements" in the notes to the financial statements of Interroll Holding AG.	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 short- and long-term loans granted to subsidiaries and investments in subsidiaries, if these were not already considered secure on the basis of either an impairment test or positive equity as shown in standalone financial statements prepared in accordance with IFRS. We discussed in detail with Management its 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 addressed the risk of an incorrect valuation of the investments in subsidiaries and loans granted 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 either intends 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, 6 March 2018

FINANCIAL CALENDAR 2018

Preliminary financial figures 2017 (unaudited)	22 January
Publication Annual Report 2017 and balance sheet press conference	23 March
Annual General Meeting	4 May
Publication Half-Year Report 2018 and web conference (English)	3 August

CONTACT AND PUBLISHING DETAILS

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:

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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 downside) 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.

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