INTERROLL ANNUAL REPORT 2018

INTERROLL

ANNUAL REPORT 2018

EVOLVE EXPAND ENABLE

60 YEARS INTERROLL

559.9 MILLION
NET SALES
69.4 MILLION
EBIT
67.4 MILLION
CASH FLOW

KEY FIGURES

in CHF million, unless stated differently	2018	2017	2016	2015	2014
Order intake / net sales					
Total order intake	592.6	458.1	405.2	385.1	350.7
Drives	170.9	146.7	123.6	110.3	114.9
Rollers	108.0	105.8	93.5	93.4	81.2
Conveyors & Sorters	220.5	142.6	120.9	107.2	79.8
Pallet & Carton Flow	60.5	55.6	63.5	49.8	59.4
Total net sales	**559.9**	**450.7**	**401.5**	**360.7**	**335.3**
Profitability					
EBITDA	93.2	66.3	65.7	58.2	44.1
in % of net sales	16.6	14.7	16.4	16.1	13.2
EBITA	78.6	54.1	54.7	47.6	33.2
in % of net sales	14.0	12.0	13.6	13.2	9.9
EBIT	69.4	47.4	47.9	39.8	25.4
in % of net sales	12.4	10.5	11.9	11.0	7.6
Result: Net profit	**51.8**	**39.1**	**36.2**	**29.3**	**19.1**
in % of net sales	9.3	8.7	9.0	8.1	5.7
Cash flow					
Operating cash flow	67.4	46.2	36.8	40.2	27.8
in % of net sales	12.0	10.3	9.2	11.1	8.3
Free cash flow	**40.9**	**20.1**	**18.0**	**17.3**	**12.0**
in % of net sales	7.3	4.5	4.5	4.8	3.6
Total capital expenditures	**28.6**	**25.4**	**19.5**	**24.3**	**16.8**
Balance sheet (31.12.)					
Total assets	417.6	355.3	324.8	293.0	278.2
Goodwill	17.3	17.6	17.3	16.7	17.6
Net financial assets	52.0	37.1	38.0	31.3	23.9
Equity	**284.8**	**261.7**	**233.1**	**207.6**	**200.3**
Equity ratio (equity in % of assets)	68.2	73.6	71.8	70.9	72.0
Return on equity (in %)	19.0	15.8	16.4	14.4	9.9
Other key figures					
RONA (Return on Net Assets, in %)	20.9	16.5	17.1	15.3	9.8
Average number of employees	2,198	2,067	1,892	1,820	1,675
Net sales per employee (in thousands CHF)	255	218	212	198	200
Productivity (added value / total personnel expenses)	2.17	2.02	2.11	2.04	1.86

ABOUT INTERROLL

The Interroll Group is the 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 products and 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 559.9 million and around 2,300 employees (end of 2018).

www.interroll.com

28,000 CUSTOMERS AROUND THE WORLD

32 COMPANIES AROUND THE WORLD

2,300 EMPLOYEES AROUND THE WORLD

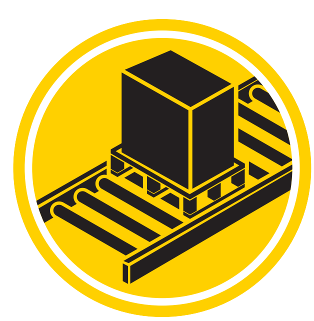
INTERROLL PRODUCT GROUPS

DRIVES

ROLLERS

CONVEYORS & SORTERS

PALLET & CARTON FLOW



HIGHLIGHTS OF THE 2018 FINANCIAL YEAR

EXPANSION AND NEW BUILDING IN SOUTH-EAST ASIA

EXPANSION IN THAILAND

Against the backdrop of promising market opportunities in South-East Asia, Interroll has announced its plan to move into a new site in Bangkok with greater production and office capacities by April 2019.

CHANGE IN GROUP MANAGEMENT

Richard Keely, who had previously served Interroll as Vice President Manufacturing in Wilmington since 2006 and as Senior Vice President Operations Americas since 2011, takes over as Executive Vice President of the Americas region in March 2018.

COMPLETE INTEGRATION

The introduction of the Technopolymer Center of Excellence in Switzerland into SAP marks the integration of the final component of the international production network, which means that now all product areas are in the SAP ERP system.

Q1

INTERROLL CELEBRATES 20TH ANNIVERSARY IN SOUTH AFRICA

20 YEARS OF SUCCESS IN THE MARKET

Interroll South Africa has been growing strongly since it was first founded in 1998. The local manufacturing facility in Johannesburg is scheduled for yet another expansion in this, its 20th anniversary year. The company marked this occasion together with more than 100 guests at Johannesburg's famous Turbine Hall.

FOLLOW-UP ORDERS FROM NORTH AMERICA

Interroll has announced the receipt of large follow-up orders for equipping a leading express and parcel delivery service in North America. The orders related to the delivery of sorters and have a total price tag in USD in the double-digit millions.

MAJOR RECORD-BREAKING ORDER FROM KOREA

As part of a major order for a Korean e-commerce company, Interroll will supply a record number of Modular Conveyor Platforms (MCP) with a total length of 12 km. Interroll received the order based on a previous delivery for another new distribution center of that same customer in 2017.

Q2

AUTOMATIC SMALL PARTS WAREHOUSE FOR UNIVERSITY HOSPITAL ZURICH

SUCCESSFUL COOPERATION WITH ROI PARTNERS

Ansorix, a systems integrator and Rolling On Interroll partner, set up an automatic small parts warehouse for University Hospital Zurich. The installed zero pressure accumulation conveyors were based on Interroll's Modular Conveyor Platform.

CONTROL WITH EXPANDED FUNCTIONALITIES

Interroll has optimised MultiControl, its four-zone control system: Simple installation and process mappers, which help strike the perfect balance between data diversity and PLC capacity, now offer even greater flexibility for Industry 4.0-compatible applications.

NEW EXECUTIVE VP PRODUCTS & TECHNOLOGY COMES ON BOARD

Interroll announced in August that Jens Strüwing would be taking over as the new Executive Vice President Products & Technology and become a member of Group Management. Strüwing, previously Director Global Operations Aftermarket at the Mahle Group, joined the company in his new role on 1 November 2018.

Q3

CAPACITY EXPANSION ANNOUNCED

INDUSTRY 4.0-COMPATIBLE SOLUTIONS

In December 2018, Interroll presented the Industry 4.0-compatible DC platform to selected media representatives at Sauber Motorsport. Sauber and Interroll took the opportunity at this event to extend their partnership, which has been in place since 2012.

READY TO MEET GROWING DEMAND

Interroll is equipping itself to handle growing demand for conveyors and sorters and has announced additional capacities in this context. A new factory is being built in Kronau (Southern Germany), which will feature a production area of approximately 15,000 square metres and is due to be completed by the end of 2020. A total of around EUR 40 million will be invested in this project.

FAST INFEED CONVEYORS

Interroll is expanding its modular platform solutions for extremely high-performance material flows with the addition of a new infeed conveyor which is perfectly designed to work with Interroll crossbelt sorters.

Q4

60 YEARS IN INTRALOGISTICS – NOW BETTER THAN EVER

Paul Zumbühl, Chief Executive Officer

Dear Shareholders,
Customers, Employees and Business Partners,

First founded in 1959, the Interroll Group is now celebrating its 60th anniversary with yet another record-breaking to report. The Group once again succeeded in taking the already high momentum of past years and surpassing it at every level in 2018.

Order intake rose by 29.4 % to the new record high of CHF 592.6 million (previous year: CHF 458.1 million). Expressed in local currency, growth came to 27.9 %. Order intake includes follow-up orders for vertical sorters for a provider of parcel and logistics solutions in the US as well as a major order for modular conveyor platforms from a South Korean customer from the e-commerce sector. The order volume in each case is in the low double-digit millions.

Net sales grew by 24.2 %, reaching a consolidated new company record of CHF 559.9 million (previous year: CHF 450.7 million). Sales growth came to 22.9 % in local currency.

HIGH INVESTMENT AND COST DISCIPLINE

As in the previous year, we invested around CHF 5 million in research and development in order to solidify our standing as a technology leader. Continuous increases in productivity and cost cuts enabled us to increase our earnings even further, with EBITDA up 40.6 % to CHF 93.2 million (previous year: CHF 66.3 million). The EBITDA margin was 16.6 % (previous year: 14.7 %). Net profit rose 32.6 % to CHF 51.8 million (previous year: CHF 39.1 million), with the net profit margin at 9.3 % (previous year: 8.7 %).

Operating cash flow rose by 45.9 % to CHF 67.4 million (previous year: CHF 46.2 million), At CHF 28.6 million, gross investments saw another significant year-on-year increase (CHF 25.4 million). Free cash flow more than doubled to CHF 40.9 million (previous year: CHF 20.1 million).

Our shareholders are participating in the Group's positive performance. The Annual General Meeting on 3 May 2019 will propose a 33.3 % increase in the dividend to CHF 22.00 per share (previous year: CHF 16.50 per share). Dr Elena Cortona will also be nominated for election to the Board of Directors of Interroll Holding AG on the same occasion.

INNOVATION AND DIGITALISATION

Interroll's enormous innovative strength is the biggest factor behind its successful growth, a fact which was illustrated once again by the numerous innovations introduced over the course of the year: our solution portfolio grew with a new addition to our drum motor family, the Spiral Lift and new infeed modules. We are also a trailblazer in our field when it comes to smart conveyor technology. Our new Modular Pallet Conveyor Platform (MPP), which was launched in February 2019, expanded our pallet conveyor solutions port-

"Our business growth is based on successfully launched innovations."

Urs Tanner, Chairman of the Board of Directors

folio. With the new DC (direct current) drive platform, which had already been introduced to selected media representatives at a pre-launch event in December 2018, Interroll underscored again its claim to technological leadership in the conveyor industry while also presenting an Industry 4.0-compatible solution.

We seize the opportunities opened up by digitalization to improve our business and production processes and, in doing so, boost our productivity even further. These efforts hinge on SAP and stronger global networking between our sites, increased automation and the use of robotics in manufacturing.

NECESSARY CAPACITY EXPANSION

Prosperous times are the best times to reposition ourselves and better address both global megatrends (like e-commerce) and the huge demand for efficient conveyor technology solutions that these trends generate among providers of postal and logistics services, and also to systematically leverage them to promote our continued growth. Our efforts to generate new business also bore fruit in the form of many orders from the food and beverage industry and airports.

Since our market expansion goes hand in hand with a need for additional capacities, we made the necessary arrangements and are now about to start up operations at our new factory in Thailand. With it, we will be able to serve the high-growth markets of South-East Asia even better than before with local production and distribution structures. Last December, we announced that we would be investing around EUR 40 million in Southern Germany to double our capacities in Europe with the goal of better leveraging our medium- to long-term growth opportunities for "Conveyors & Sorters".

PROMOTING THE EXPERTISE OF PARTNERS AND EMPLOYEES

Our "Rolling on Interroll" (ROI) platform gives us an opportunity to collaborate with selected external partners and contribute our broad-based expertise and project experience. The partner programme currently has 82 members from 38 countries. With their support, we are continuing to develop a common material flow vision for the future and stepping up our efforts to increase added value for users. The first projects under this programme were completed in 2018 in collaboration with several ROI partners.

Our Interroll Academy offers customer training sessions to ensure our joint success. It also provides intensive product training for our employees. An executive training programme entitled "Culture for Growth" gives our management staff an opportunity to develop a more in-depth understanding of our brand and strategic alignment and to implement this as a team in the daily operations.

Sant'Antonino, 6 March 2019

Urs Tanner
Chairman of the
Board of Directors

Paul Zumbühl
CEO

GROUP MANAGEMENT

From left to right

Daniel Bättig
Chief Financial Officer (CFO)

Dr Christoph Reinkemeier
Executive Vice President Global Sales & Service

Jens Karolyi
Senior Vice President
Corporate Marketing & Culture

Richard Keely
Executive Vice President Americas

Paul Zumbühl
Chief Executive Officer (CEO)

Jens Strüwing
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 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 Interroll Group as Chief Executive Officer (CEO). Paul Zumbühl is a Board member of the Schlatter Industries AG as well as of Mikron Holding AG (both Swiss companies). Since 2014 he is member of the Industry Executive Advisory Board of the «Executive MBA Supply Chain Management» ETH Zürich, 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 Ltd and a member of Interroll Group Management.

JENS STRÜWING
(born 1969, German)

Jens Strüwing graduated in production technology (production systems and materials handling) from Karlsruhe University, Germany (master's degree, Dipl. Ing). In his role as Director Global Operations at Mahle Aftermarket GmbH, he was responsible for Operations of 18 production and logistics sites globally as well as for Mahle Consulting. Previous to this, Strüwing was responsible for the planning of logistical processes as well as standardization and automation of production processes at Mahle GmbH's pistons and engine components product line. The engagement followed various senior management positions with focus on logistics and production at the Daimler Group and at Fairchild Dornier GmbH. In 2018, he joined Interroll Group as Executive Vice President Products & Technology and member of 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 Interroll Group Management. In February 2015, he took over additional responsibilities as Senior Vice President Corporate Marketing & Culture.

RICHARD KEELY
(born 1972, American)

Richard Keely majored in Industrial Engineering at North Carolina State University and completed the AMP programme at Harvard Business School. He has more than 20 years of manufacturing experience in operations and consulting. He began his career in the automotive industry and later transitioned to strategic consulting. He joined the Interroll team in 2006 as Vice President of Manufacturing/General Manager for Interroll Wilmington. In 2011, he was promoted to Senior Vice President of Operations for the Americas. In 2018, he joined Interroll Group 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.

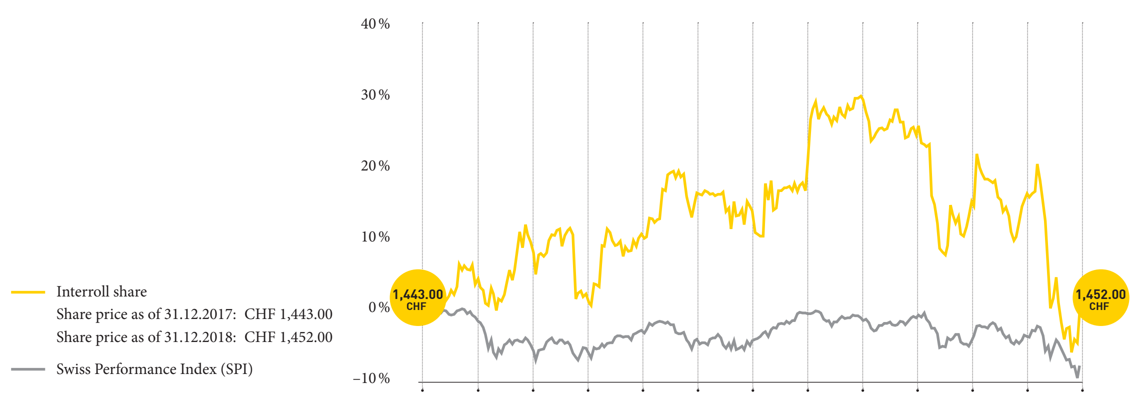
INTERROLL ON THE CAPITAL MARKET

INVESTOR INFORMATION

Interroll share information		2018	2017	2016	2015	2014
Number of registered shares		854,000	854,000	854,000	854,000	854,000
Number of average shares outstanding		844,801	849,934	850,634	849,155	849,170
Number of shares outstanding as of 31.12.		842,152	847,099	851,559	851,015	849,830
Share price high	CHF	2,020.00	1,475.00	1,172.00	858.00	582.50
Share price low	CHF	1,340.00	1,097.00	707.00	429.00	490.00
Year-end share price as of 31.12.	CHF	1,452.00	1,443.00	1,110.00	856.50	525.50
Market capitalisation as of 31.12.	CHF million	1,222.58	1,222.36	945.01	731.45	448.78
Par value as of 31.12.	CHF	1.00	1.00	1.00	1.00	10.00
Dividend	CHF	22.00	16.50	16.00	12.00	
Reduction of par value	CHF					9.00
Earnings per average share outstanding	CHF	61.32	45.95	42.57	34.51	22.45
Payout ratio		35.88	35.91	37.59	34.78	40.09
P/E ratio		23.68	31.40	26.07	24.82	23.41
Cash flow per average share outstanding	CHF	79.79	54.39	43.30	47.33	32.69
Equity per share outstanding as of 31.12.	CHF	338.23	308.91	273.72	244.00	235.73

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 2018



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SWISS EQUITY MARKETS WELL IN THE RED

After an optimistic start to 2018 on the stock market, rising interest rates, weakening economic indicators and, above all, the trade conflict between the US and China increasingly unsettled investors in the second half of the year.

Swiss equity markets lost significant ground: the Swiss Market Index (SMI) blue-chip barometer stood at 8,429 points at the end of December. This resulted in an annual minus of 10.2 %.

The broad Swiss Performance Index (SPI) fell to 9,830 points, down 8.8% on the end of 2017.

INTERROLL SHARE IN POSITIVE TERRITORY

In 2018, the Interroll Group's company-specific growth drivers were numerous project orders, innovative products and services, rigorous cost and investment management and productivity gains.

At the closing price of CHF 1,452.00 on 28 December 2018, the Interroll share was 0.6 % higher than at the end of 2017 (CHF 1,443.00).

The Interroll share once again outperformed the Swiss indices. The Group's market capitalisation significantly exceeded CHF 1.2 billion.

Shareholder structure as at 31 December 2018

- Free float: 81 %
- Fixed shareholding: 19 %

FREE FLOAT INCREASES

Around 19 % of Interroll shares (31 December 2017: 20 %) are held by the remaining founding families. As of 31 December 2018, members of Group Management and their relatives held a total of 2.7 % (2017: 3.1 %) of shares.

The free float as defined by the SIX Swiss Exchange thus stood at 81 % as of 31 December 2018 (2017: 80 %).

Information on significant shareholders can be found on page 120.

SHAREHOLDER BASE BECOMING MORE INTERNATIONAL

An increasing number of foreign-based shareholders purchased Interroll shares in 2018. 51 % of registered shareholders resided in Switzerland as of 31 December 2018 compared with 54 % as of 31 December 2017.

Meanwhile, the number of non-registered shareholders increased to 36 %. 34 % of shareholders were not registered with the company in the previous year.

Geographical distribution of the identified shareholder base acc. to the share register as at 31 December 2018

- Switzerland: 51 %
- EMEA region (excluding Switzerland): 47 %
- Rest of the world: 2 %

MORE INFORMATION FOR INVESTORS

We publish information about the Interroll share on our website www.interroll.com/en/investor-relations/. Financial reports, presentations and other documents are available for download.

Anyone interested can register for our mailing list or request our regular publications. All important financial market dates can be found there as well.

CONSISTENT ORIENTATION OF THE BUSINESS MODEL TOWARDS SUSTAINABLE AND GLOBAL GROWTH

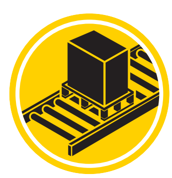
PRODUCT PLATFORMS, KEY MARKETS AND MARKET TRENDS

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 producing, warehousing and commissioning goods in the flow of materials.
- 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 Projects and Development Center (IPDC) 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 markets.

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 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 Projects and Development 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

PROMOTING THE OPTIMISATION OF MATERIAL FLOWS

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.

Mr Zumbühl, you already delivered some impressive figures in 2017 and now managed to surpass them again in 2018. Has the overall market grown or is it just Interroll that's growing?
Paul Zumbühl: At Interroll, we can now reap the fruit of our labours of the past few years. We have an excellent platform of seamlessly integratable solutions that are available across the entire world. Because we have a reliable, high-performance portfolio that helps customers and users boost their growth, they trust us and invest in our products. The positive trends on the market help, too. We've grown much more strongly this year than the industry as a whole.

Is there a fear that Interroll might not be able to sustain this growth trend?
We definitely draw a distinction between the product and the project business. Large-scale projects like the Modular Conveyor Platform project in South Korea and sorter projects in North America – which also make outstanding reference projects – can't be expected to come in every year. We still have our sights set on growing at least 50% faster than the material handling market, and we think we're meeting the requirements needed to meet that goal. We kicked 2019 off with full order books.

Interroll boosted its order intake by 29.4 % in 2018. Does this positive performance surprise you?
While the strength of this growth might appear surprising at first glance, It is the result of a combination of encouraging developments that came together at the same time, including several large-scale projects that were being carried out simultaneously in 2018. However, we won these orders mainly because we did our homework and that, in turn, put us in a position to win over customers. Plus the lion's share of our growth still comes from our product business where we achieved robust growth.

You're occasionally asked about the success formula behind your strong net profit. Do you have one?
Net profit is the result of our market performance. Since the "passion" we're able to arouse among our employees has a direct impact on our customers, it also impacts our results. We have more to offer our customers than our competitors and our customers reward that accordingly. But this isn't a one-time deal – we have to prove ourselves over and over again. That also calls for good cost management and taking the right strategic investment decisions. Enhanced productivity and economies of scale help, but you also need the right quality management system that ensures added

"We have more to offer our customers than our competitors and our customers reward that accordingly. But this isn't a one-time deal – we have to prove ourselves over and over again."

"We're also seeing a general cross-industry trend toward heightened cost awareness and performance orientation in logistics as well as a correspondingly greater willingness to automate in-house logistics."

value for customers. Even in times of prosperity, we're still working on cutting our fixed costs even further so we can respond swiftly and appropriately in the event of an unexpected downturn.

So you see the global economic situation as positive?
The material handling industry has trends that impact us positively but which are relatively independent of the overall economic cycle. We're seeing sustained global population growth with a corresponding increase in demand for food and further expansions of airport infrastructures. E-commerce is on a long-term growth trajectory. We're also seeing a general cross-industry trend toward heightened cost awareness and performance orientation in logistics as well as a correspondingly greater willingness to automate in-house logistics. We see a need to do some catching up in this area, particularly in Asia and the Americas.

Can Interroll even handle this high order intake?
We're expanding capacities on every continent. Production at our new factory in Thailand will start in April 2019. We're investing significant amounts in Southern Germany. Not only that, but we're taking advantage of the potential offered by automation across all our locations so that we can further optimise the use of our existing capacities to improve how we operate within our network and increase our flexibility.

Mr Zumbühl, the topic of "digitalisation" is at the very top of your agenda. Which challenges is Interroll finding itself confronted with on this front?
First of all, there's the need to adapt to changes, although that's nothing new for a successful company. Technologies and customer wishes are changing all the time. Boosting the company's own performance through enhanced agility and more streamlined processes is a part of the day-to-day activities of any good corporate management team. If transformation accelerates, the main thing is that you don't freeze up like a scared rabbit facing a snake, rather that you see the situation as an opportunity for your own company. What does a strategic assessment of the many potential future scenarios show us? It shows us, for example, that digitalisation is well on its way to transforming the traditional material flow industry into a high-tech crossover industry. That means most branches of industry won't be able to get by without having efficient material flow solutions in the future. This is a fascinating outlook for anybody who sets clear goals and uses digitalisation as a way of systematically and flexibly enhancing their own strengths.

Which prospects do you see for Interroll's service area?
Service currently only accounts for around 8–10 % of our sales. We're aiming to double that in the medium term. The installed base has grown enormously, especially for solutions with an extremely long-term planning horizon like our Modular Conveyor Platform and a rising number of sorter projects. We'd like to play a more active role in our customers' operations and offer them service packages. Some of those packages include new types of value creation models: data generated by the DC platform opens up the possibility for customers and end users to have predictive maintenance performed. We foresee huge development potential in different combinations of these approaches.

How would you rate the solutions launched in 2018?
We rounded out and expanded our global platform even further so that we now cover even more of our customers' needs, with one good example of this being our Deep Freeze MCP (a conveyor platform for freezer environments). This allows us to give our customers even better, more comprehensive support than ever with their growing intralogistics systems.

But since existing infrastructures can't always be expanded outward, they need to be utilised more efficiently. And in that case, the only direction for intralogistics to go is up. We developed our Spiral Lift and are currently working on the further development of other products to this end.
That means our toolbox has expanded. We've taken a major step toward being able to offer our customers even greater added value to help them grow even more quickly. Without the MCP, which was launched in 2014, we never would have been able to achieve this leap in sales. The expanded platform also lets us reach new customers since we can facilitate new applications from one source. For customers that means: less time wasted since they only have to coordinate with one provider.

What do global activities mean for Interroll?
We receive feedback from our customers all around the globe and communicate with them 24 hours a day. That gives us a very broad perspective and early insights into not only market trends but also what our mostly local competitors are up to. And we're fine-tuned to be competitive all around the globe. For us, that's both a challenge and an opportunity. This global outlook gives us a clear overview of technology trends. We're exposed to global competition – and that keeps us in shape.

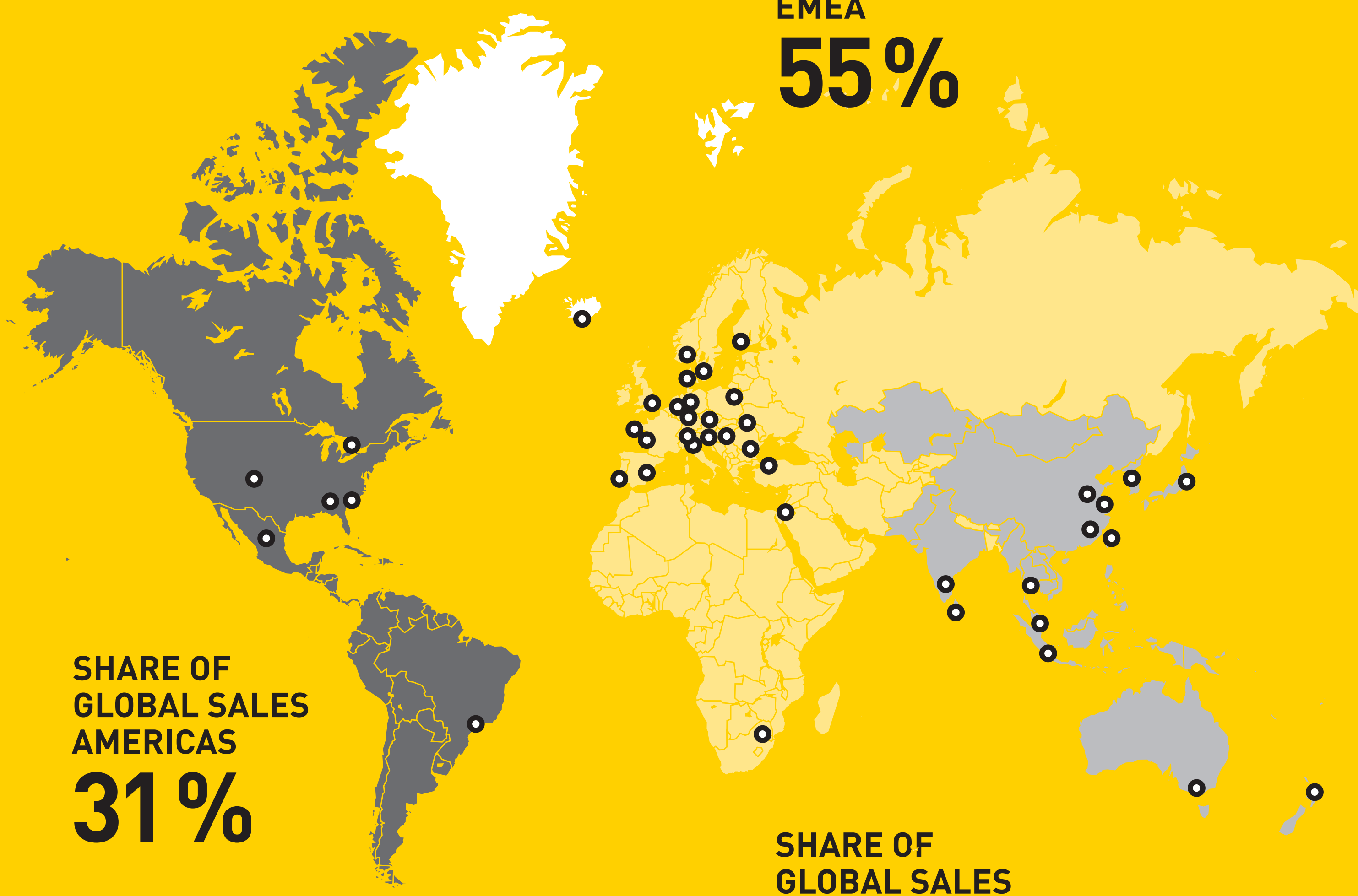
The DC platform was presented to selected journalists at a pre-launch event at the end of the year. Is this a new development?
We consider it to be more evolutionary, a logical continuation of our improvements. Building on the huge success of our predecessor models, we simply took it to the next stage. We asserted our claim to technological leadership in this area at an early stage and offer an extremely versatile solution that will create added value for a wide range of customers. We expect this approach to be successful on all three continents.

The importance of the Rolling On Interroll partner programme is growing. What kind of business potential do these activities offer Interroll?
Since it was first launched in 2015, the Rolling on Interroll (ROI) strategic programme for customers has evolved into a global network of excellence in which around 80 systems integrators and plant engineers from 38 countries participate. These partners are all small to medium-sized companies that frequently serve niche markets where they are generally positioned as leaders and rely on the outstanding product expertise, delivery reliability and innovation of Interroll as a strong, global partner. The programme is strategically important for Interroll and we want to promote all aspects of it. We're learning from each other, to a certain extent through the sparring we engage in with our partners.

Paul Zumbühl at the Munich Management Colloquium.

REGIONS

SHARE OF
GLOBAL SALES
EMEA
55 %



SHARE OF
GLOBAL SALES
AMERICAS
31 %

SHARE OF
GLOBAL SALES
ASIA-PACIFIC
14 %

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

SUSTAINABLE GROWTH IN ALL REGIONS

We successfully continued our globalisation strategy during the 2018 financial year by tapping into new markets and reaching new customers. Interroll posted growth in both order intake and net sales in every single one of its regions.
Strong trends are becoming apparent in order intake: Orders were up by 49.5 % in the Asia-Pacific region, by 32.9 % in America and by 23.0 % in Europe-Middle East-Africa (EMEA).
At the end of 2018, EMEA accounted for 55 % of total sales, America for 31 % and Asia-Pacific for 14 %. Even the Group's own expectations for the Courier, Express and Parcel distribution industry (CEP) were exceeded on every continent, also within the context of with persistently high growth in the e-commerce business.

+23.0 %
ORDER INTAKE

+15.9 %
NET SALES

EMEA

EUROPE-MIDDLE EAST-AFRICA REGION POSTS STRONG PERFORMANCE

In the EMEA region, the strong growth of the past few years continued throughout the 2018 financial year. Incoming orders increased by 23.0% to end the year at CHF 330.0 million (previous year: CHF 268.3 million). Sales amounted to CHF 307.6 million, up 15.9 % on the prior-year period (previous year: CHF 265.5 million).

This performance was driven by a huge demand for rollers, drives and conveyor belts. All sub regions succeeded yet again in posting year-on-year increases to both orders and sales. Demand was showing particularly encouraging momentum in Central and Southern Europe. Extremely strong order intake, albeit at a lower level, was reported in Africa and the Middle East as well.

At 55 % 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 call for flexible customer relationships, industry knowledge, the technical expertise to solve problems, innovative answers to growing complexity, and new developments.

Interroll presented technical innovations and showcased the company's broad industry expertise at the international LogiMAT trade fair in Stuttgart in Germany in March 2018.

Interroll impressed visitors to the ProMat in Chicago (USA) with inclined belt conveyor modules that save space, particularly in retrofit projects.

+32.9 %
ORDER INTAKE

+43.4 %
NET SALES

AMERICAS

AMERICAS
ACTIVE PROJECT REGION

Sales for the America region amounted to CHF 172.8 million, up 43.4 % on the previous year (CHF 120.5 million). The North American market spearheaded by the US accounted for the lion's share of this performance. Interroll continued to grow robustly in this region thanks to continued strong demand from e-commerce, the food industry and the distribution centre business. In the US, Interroll completed its capacity expansion at the Hiram location near Atlanta, Georgia, during the first half of 2018.

Order intake, which grew by 32.9 % to CHF 169.5 million (previous year: CHF 127.5 million), contributed substantially to the success of this region. Interroll received large follow-up contracts in the low tens of millions for a leading provider of parcel and logistics solutions in the US. These new orders comprised the delivery of sorting systems, which were mainly installed in new facilities, including the customer's distribution centres in two of its largest US hubs.

Delivery of sorters to the Brazilian Post Office 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.

+49.5%
ORDER INTAKE

+22.8%
NET SALES

ASIA-PACIFIC

ASIA-PACIFIC WITH EXCELLENT GROWTH PROSPECTS

In the 2018 financial year, Interroll posted strong sales growth of 22.8% in the Asia-Pacific region where it closed the year at CHF 79.4 million (prior-year period: CHF 64.7 million).
Order intake, on the other hand, rose significantly from CHF 62.3 million in the previous year to a new record high of CHF 93.1 million, an increase of 93.1%.

This was largely due to the receipt of a large order for Modular Conveyor Platforms (MCP) and Spiral Lifts in the low double-digit million range (in CHF) in South Africa. The order was placed by a leading e-commerce company.
Interroll installed a record number of conveyor modules with a total length of 12 km as well as eight Spiral Lifts for the customer's distribution centre in South Korea. This increase in the customer's intralogistics capacities should help it better cope with peak volumes during Korea's autumn festival and the Christmas season, in particular. This order was awarded to Interroll following a previous project from 2017 to install a new system at a distribution centre belonging to this same customer.

Demand for Interroll "Rollers" and "Drives" technologies improved particularly well 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. Business in South Korea was boosted by the large order mentioned above. Additional positive impetus came from Thailand and justified the creation there of a new Regional Centre of Excellence.

This region is increasingly benefiting from the globalisation of the Interroll Group and the establishment of local production facilities. The successful integration of the Chinese Regional Centres of Excellence in Suzhou and Shenzhen into the Group's production network continued to generate consistently positive synergy effects during the 2018 financial year, as well, thanks to improved local technical expertise and greater proximity to customers.

A Modular Conveyor Platform connected to a Spiral Lift attracts attention at the CeMAT Asia.

Richard Keely, Executive Vice President Americas at Interroll.

"WE'VE ONLY JUST BEGUN"

A conversation with Richard Keely, Executive Vice President Americas at Interroll on the road to success ahead.

What was your favourite development or highlight at Interroll Americas in 2018?
Richard Keely: I am very proud to say that all companies in the Americas grew and improved their result. It shows what an excellent team of people we have in the region. The Sorter business more than doubled in 2018. We supply a high-quality solution that is very reliable, cost effective, and easy to maintain. This provides the end users with an uptime that is second to none. Performance-wise we have been able to consistently reduce the number of mis-sorts, enabling our customers to improve their results. Last but not least, our Sales and Production teams worked together as one team that is focused on the challenge.

What is the outlook for the Americas region?
We go into 2019 with a strong order backlog. We continue to see an increase in automation. In the US for example, low unemployment figures are accelerating

"We continue to see an increase in automation. In the US for example, low unemployment figures are accelerating this development, at the same time consumer confidence remains high."

this development, at the same time consumer confidence remains high. New business models are adding to this trend: Amazon Prime sets a benchmark by offering a nationwide two-day delivery guarantee. Now all competitors of Amazon are working to automate in order to meet this standard. With the Modular Conveyor Platform (MCP), Interroll has the perfect solution to meet these needs. We also look forward to the DC Platform introduction in late 2019. We've only just begun. At the same time, we see a consolidation in the material handling industry, and as a global player we are well positioned for these challenges in the market.

Are you worried about trade wars?
No. It always takes time for new policies to have an impact and with change always comes new opportunities. Furthermore, Interroll pursues a decentralised production strategy, therefore our local sourcing helps to minimise the impact of a trade war.

Is the impact of E-commerce not coming to a halt at some point?
On the contrary, the impact on our market continues to grow. The increasing presence and use of mobile devices are driving this trend. The number of products available online as well as decreasing delivery times are making this even more attractive to consumers. This convenience adds efficiency to consumer transactions and continues to transform the way people shop. Groceries and pharmaceuticals are likely to be the next big growth drivers within the E-commerce sector.

What role does South America play in your future plans?
Business conditions in Brazil are improving significantly at the moment, we are confident that the economy there is coming out of recession. We expect to see growth in Chile, but also in the Colombian market. In Central America, Panama and Costa Rica show positive developments.

What steps do you undertake to address market potential in the region?
Ongoing developments to further improve our Interroll Production System will add to improving our productivity and providing consistent on-time delivery. We are also pursuing our Zero Defect Strategy to further provide top-level quality.
We are boosting our sales efforts and therefore continue to train our employees, both in terms of product expertise as well as our culture and brand values. Service will become more of a focus for us in 2019. We are in the process of hiring and building a team that is working proactively with customers to meet their service and spare part requirements.
We see this as the next logical step in strengthening our relationships with our customers.

PRODUCT GROUPS

Sales by product group

31 %	Drives
19 %	Rollers
11 %	Pallet & Carton Flow
39 %	Conveyors & Sorters

SALES (CHF MILLION) DRIVES

170.9

References
Itab
Smiths Detection
Triumph International
Villeroy & Boch
Walmart

SALES (CHF MILLION) ROLLERS

108.0

References
Dematic
Knapp
SSI Schäfer
TGW
Vanderlande

SALES (CHF MILLION) PALLET & CARTON FLOW

60.5

References
Coca-Cola
Danone
Procter & Gamble
Red Bull
Yamaha

SALES (CHF MILLION) CONVEYORS & SORTERS

220.5

References
Amazon
Aokang
China Post
DHL
FedEx

GROWING PRODUCT BUSINESS, HIGH PROJECT DEMAND

Interroll's service portfolio comprises four product groups: "Rollers", "Drives", "Pallet & Carton Flow" and "Conveyors & Carton Sorters". In the 2018 financial year, all product groups surpassed the previous year in terms of both order intake and net sales. Year-on-year sales growth was particularly strong in the "Conveyors & Sorters" and "Drives" groups, which posted 54.6 % and 16.5 %, respectively.

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 170.9 million, up 16.5 % on the previous year (CHF 146.7 million). Consolidated order intake rose by 17.6 % to CHF 175.9 million (2017: CHF 149.6 million). Encouraging increases were seen on sales of RollerDrives in the Asia-Pacific region (51.5 %) and in the Europe, Middle East, Africa region (36.7 %)

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

The new DC platform satisfies the very highest efficiency requirements.

In March 2018, Interroll was at the LogiMAT where it presented more of the latest generation of drum motors, which Interroll is now gradually expanding to include additional diameters. The DM0113 and DM0138 drum motors, for instance, feature stronger shafts and improved ball bearings for an especially long service life. Additionally, an extremely robust planetary gear design makes it possible to transfer high torques with very little operating noise. Interroll further optimised its MultiControl, a four-zone control system, in late August. Simple installation and process mappers, which help optimise the solution in terms of data diversity and PLC capacity, now offer even greater flexibility for Industry 4.0-compatible applications.

Interroll first presented its new DC (direct current) platform to the media in December 2018 and launched it in February 2019. With this new DC platform, Interroll offers system integrators and plant engineers an innovative, well-coordinated range of high-tech products which has undergone extensive R&D and testing, all from a single source. It lets them respond more individually to users' wishes. This new platform can be used to create a uniquely wide range of conveyor solutions including autonomous plug-and-play conveyors that can be put into operation without a PLC or even customised high-performance systems that can be integrated seamlessly and transparently integrated into the data environment of modern Industry 4.0 applications to facilitate a variety of different features including monitoring functions in control stations, preventive maintenance, etc.

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.

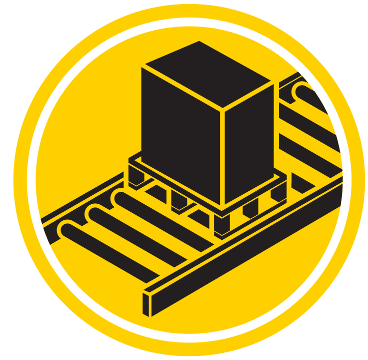
Very short delivery times, highly efficient production processes, proximity to customers and the high quality of Interroll’s products contributed to the Group’s growth in the 2018 financial year. It was also supported in part by increases made to the degree of automation employed at appropriate stages of the production process.

In addition, the company anticipated and exploited the potential offered by the latest market trends such as the persistently strong growth of e-commerce, investments in modernisation and outsourcing.

One particularly encouraging trend was the increase in orders received by the “Rollers” group in Thailand (+13.3 % over the previous year). There, Interroll is building its third local Center of Excellence in the Asia-Pacific region, which is due to be completed in spring 2019.

Consolidated net sales came to CHF 108.0 million, up another 2.1 % over last year’s record high of CHF 105.8 million. Consolidated order intake rose by 3.2 % to CHF 109.0 million (previous year: CHF 105.6 million).

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



PALLET & CARTON FLOW PRODUCT GROUP

The "Pallet & Carton Flow" product group offers flow storage solutions for pallets and parcel packaging based on the FIFO (first in, first out) or LIFO (last in, first out) 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 the 2018 financial year, Interroll posted an increase in consolidated sales for this product group of 8.8 % to CHF 60.5 million (previous year: CHF 55.6 million).

Consolidated order intake also rose by a strong 26.4 % to CHF 64.3 million (previous year: CHF 50.9 million). While the Americas region reported strong growth of 45.0 %, demand from the EMEA region recovered substantially and increased by 25.6 % during the 2018 financial year.

Flow storage solutions have proven to be particularly cost-effective for warehouses with high stock turnover. Interroll's flow storage systems are inspected at Interroll's 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 enormous market potential in adding semi-automatic and fully automatic solutions to this area and is preparing for new developments in this field.

Flow storage solutions from Interroll are robust and safe.

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). The products and solutions offered by Interroll in this segment lend it a strong market position, particularly when it comes to equipping airports and postal/logistics distribution centers and in the area of e-commerce. Projects for the tyre industry are also on the rise. In December, Interroll announced the expansion of its Kronau site in response to the sustained growth of demand in this segment.

Numerous innovations became market-ready during the 2018 financial year: in March, Interroll launched a new version of its MCP for use in chilled and deep-freeze environments. Interroll's Spiral Lift solution for vertical conveyors has been on the market since July. In November, the company introduced a new infeed conveyor to supplement modular platform solutions, which is perfectly designed to work with Interroll crossbelt sorters.

In light of the strong growth figures, Interroll announced in December 2018 that it plans to double the production capacities for Conveyors & Sorters in the EMEA region by the end of 2020 through the addition of another factory in Kronau, Germany.

High infeed speed, compact and modular – the new infeed modules from Interroll.

This product group generated consolidated sales of CHF 220.5 million during the year under review, up by 54.6 % over the previous year (CHF 142.6 million). Order intake jumped by 60.1% to CHF 243.3 million compared to CHF 152.0 million in the previous year.

In the 2018 financial year, Interroll received follow-up 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. In Asia, Interroll completed a record-breaking follow-up order for a customer in South Korea, where it delivered and installed a record number of conveyor modules covering a total length of 12 km as well as eight Spiral Lifts for the customer's distribution center.

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.

"SYSTEMATICALLY SEIZE OUR OPPORTUNITIES FOR GROWTH"

Interroll's long-term growth has accelerated once again – in all regions of the world. Yet this success also presents a challenge to the Group's global production capacities and distribution network. In an interview, Jens Strüwing, Executive Vice President Products & Technology of the Interroll Group, outlines Interroll's approach to handling increased demand and its plans for further boosting productivity and leveraging innovations to expand its global market leadership.

Mr Strüwing, Interroll continues to grow strongly. What does this development mean for the company?
Jens Strüwing: This success shows that Interroll's long-term globalization, product and innovation strategy, which has been harnessed to new sectors in recent years through targeted offerings, is bearing the desired fruit. Now we have to use this momentum so that we can continue to consistently pursue our growth opportunities. For the production, it is about further adequately boosting performance.

How will Interrol tackle this challenge?
We have adopted a two-pronged approach that allows us to offer both our customers and end users quick delivery times. Targeted, comprehensive efforts to expand our production capacities are already underway. We also just recently announced plans to this effect for North America, Asia and Europe. Within the scope of these efforts, we're investing around EUR 40 million in a new, high-tech factory in Kronau, Germany, with a production area of around 15,000 square meters that should go into operation as early as the end of 2020. This will be the site of our new global Center of Excellence for conveyors, which will be responsible for manufacturing our extremely successful Modular Conveyor Platform (MCP), among other things. In the past, these products have been produced in the nearby factory in Sinsheim, Germany. We'll use the newly freed-up capacities to expand our sorter production line. That way, we can kill two birds with one stone and double our production area in Europe for both conveyors and sorters.

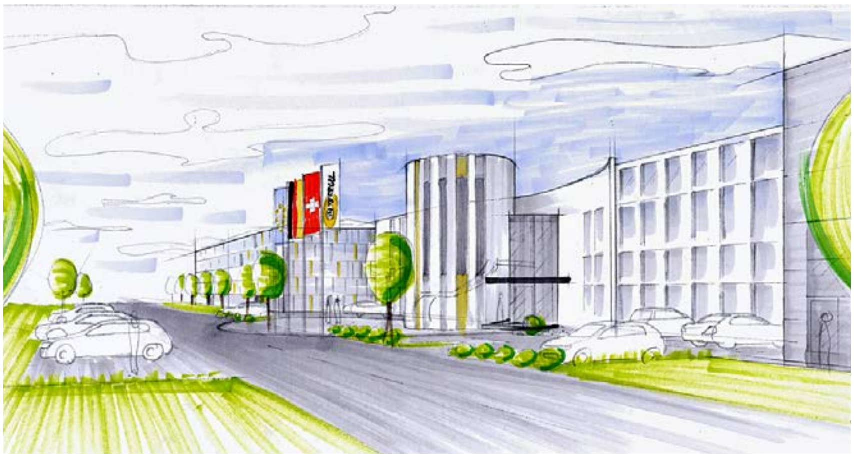
... and otherwise?
Anybody familiar with Interroll knows that our investments in capacity-boosting expansions are never standalone measures. We also make an ongoing effort to improve quality, which means that we're equally focused on continuously improving our efficiency as well. To that end, we'll also be making gradual improvements to our manufacturing productivity by increasing the level of automation employed, but not just in the new factories. This change will impact repetitive tasks, in particular, which take a toll on our employees and are consistently perceived as too simple and tedious. With it, we'll be able to deploy people in a more targeted way

On board since 1 November 2018: Jens Strüwing, the new Executive Vice President Products & Technology of Interroll.

"The modular DC platform, our new RollerDrive solution for zero pressure accumulation conveyor applications, represents a huge leap forward in terms of the technology used but still offers backward compatibility with existing equipment."

in the areas where they can make a clear contribution toward achieving a high degree of flexibility in our production processes. A factory building devoid of people will not be a reality at Interroll any time in the foreseeable future – even Tesla just recently gave up on that aspiration.

You, yourself, spent many years working in the auto industry. Can Interroll learn anything from that sector?
Of course. No improvements can be made if there's no willingness to learn. Many manufacturing companies are right to look toward this branch of industry, which is consistently setting new standards in terms of production technologies and process innovations. Even the Kaizen-based production system we use at Interroll, the one that ensures us a consistently high level of quality around the world, can trace its origins back to Japanese car manufacturer Toyota. We can also learn from the new methods of boosting efficiency that are opened up by a global production network like the one Interroll currently has in place. One example of this is the quick, flexible use of free pro-



A sketch of the future Interroll factory in the "A5 Quarter" in Kronau.

duction capacities in a global production network as practised by the auto industry with its elaborate supply networks. These make it possible to intelligently smooth out order peaks in a way that best meets the group's needs. Another example is offered by modern tools for preparing comprehensive, systematic value stream maps, which are capable of tapping significant improvement potential in internal processes. Both these and flexible working time models are key parameters for making the adjustments needed to synchronise our capacity with volatile demand while simultaneously increasing productivity.

But efficient production isn't the only mainstay when it comes to seizing future opportunities. After all, it's the products the customers really want that always have to be rolling off the production lines ...
You're absolutely right. And that's precisely why we're speeding up the launch of radically new products that offer our customers even greater added value in terms of simplicity, speed and quality. For instance, we just recently introduced our new Modular Pallet Conveyor Platform (MPP) and our new DC drive platform. The modular DC platform, our new RollerDrive solution for zero pressure accumulation conveyor applications, represents a huge leap forward in terms of the technology used but still offers backward compatibility with existing equipment. That means our customers can employ different, application-specific drive outputs, a design using 48-volt technology, digital bus interfaces plus expanded controls and more cost-efficient power supply units. The DC platform opens up entirely new possibilities for our customers to adapt our conveyor technology and use it in a way that best suits their respective business models.

How so?
Because our customers can now make all the customised changes they want using one single platform – from simple plug-and-play conveyor applications all the way to solutions in an automated Industry 4.0 environment. If clients want, using bus technology with RollerDrive units and corresponding controls lends our conveyor technology full data transparency. That means: The system can output, process and visualise a wide range of data relating to its current operating state and its historic operating load. Not only that, but this technology also makes it possible to more precisely influence the flow of products in the conveyor system and position individual products along the conveyor line with with millimetre precision– a vital prerequisite for the seamless, automated interaction of conveyors and robotics applications.

How does Interroll plan to ensure that the stream of innovations doesn't dry up?
By making targeted efforts to foster our innovative strength, which is a central condition for our market leadership. With that in mind, we just recently upgraded our research and development expertise with the Innovation Projects and Development Center in Baal. This facility sets the pace for how we manage our innovations across the entire Group. It's where we develop and implement ideas that create added value

for customers. In the process, we consciously focus on intensive, interdisciplinary partnerships with world-leading universities, organisations and companies. At this facility, which incidentally is unrivalled in our industry, our engineers manage and coordinate worldwide innovation projects that also go beyond the scope of the concepts employed in existing solutions. They also work on engineering tasks and support the product development work done by our global Centers of Excellence. Plus we have a high-tech test environment where the performance of our technical solutions is evaluated – not just in terms of hardware, but also the software, which is becoming increasingly important.

Speaking of software: Does that mean "digitalisation" will remain on the agenda for the next few years as well?

Yes, indeed. However not just with respect to how our we design our product solutions, but our internal processes and future services too. There are treasures ready for the taking by any company that positions itself correctly using the new technical possibilities opened up by digitalisation. One example of this is the bundling of worldwide sales volumes by intelligently networking the know-how of our purchasing experts. Yet digitalisation not only offers cost-cutting potential, over the long term it also gives us an opportunity to tap attractive sources of income. One example of this is the service business. Simplicity, speed and quality are not just key objectives with respect to our range of products. The services we offer – including the predictive maintenance made possible by our systems' data transparency and the use of Big Data – will simplify our customers' work considerably in the future.

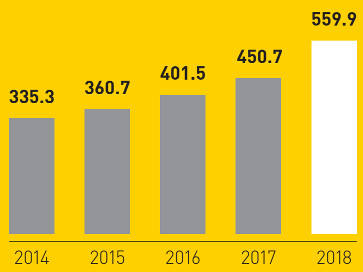
This trend is certain to place new demands on employees ...

That's true. Anybody who believes that digitalisation is mainly a technical issue is doomed to fail. That's why we consider it so important to actively guide our staff along this path and encourage them to seize any personal opportunities that happen to arise in connection with the transformation of their work environment. Incidentally, in this new world, it's not only about building up new areas of expertise, rather about keeping an open mind, adopting a cross-departmental mentality and the pleasure derived from successfully completing tasks and projects independently. That's why, for years now, we've been making systematic investments in dedicated further education programmes and regular workshops that bring colleagues from all around the world and from every level of management together to the Interroll Academy in Baal.

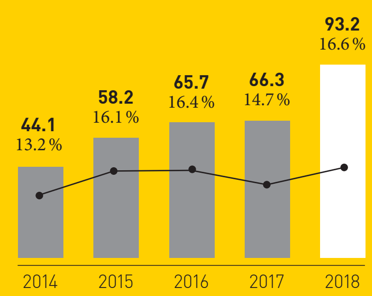
The Innovation Projects and Development Center (IPDC) in Baal is one of the most important facilities leveraged by Interroll in its effort to steadily expand the Group's position as an innovation leader.

FINANCIAL POSITION, EARNINGS AND CASH FLOWS

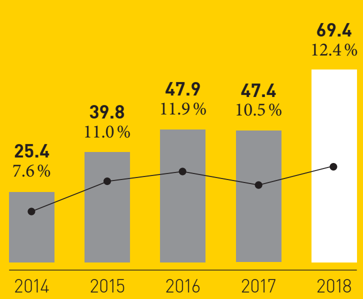
NET SALES



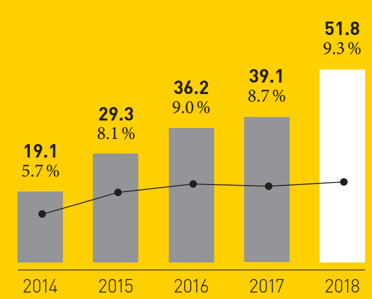
EBITDA AND EBITDA MARGIN



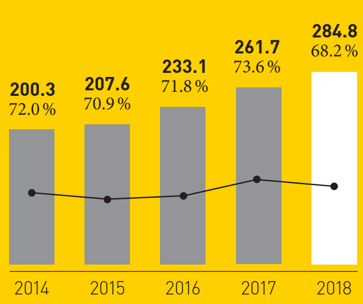
EBIT AND EBIT MARGIN



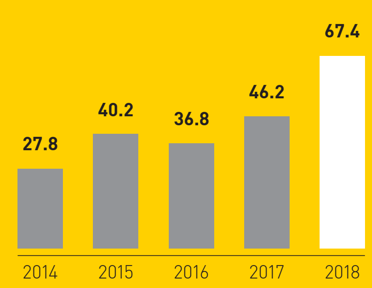
NET PROFIT



EQUITY AND EQUITY RATIO



OPERATIONAL CASH FLOW



All amounts in million Swiss francs.

SIGNIFICANT INCREASES ONCE AGAIN ON ALL LEVELS

As announced at the financial press conferences in March 2017 and 2018, the Interroll Group exploited its financial strength to invest an additional CHF 5 million in research and development in the previous and current years. This underpins the Group's technological and innovation leadership in materials handling and advances developments in the "Logistics 4.0" trend.

ORDER INTAKE AND NET SALES REACH NEW RECORD HIGHS

During the 2018 financial year, the Interroll Group received record new orders valued at CHF 592.6 million (previous year: CHF 458.1 million). Growth in the reporting currency reached 29.4 %, while the Group grew by 27.9 % in local currencies. Supported by major orders, the Asia-Pacific (by 49.5 %) and Americas (by 32.9 %) regions posted above-average growth, while the Europe, Middle East, Africa (EMEA) region grew by 23.0 %.

At CHF 559.9 million (previous year: CHF 450.7 million), consolidated net sales also reached a new record and rose by 24.2 % in the reporting currency. In local currencies, the Group posted 22.9 % growth. The largest growth driver was the Conveyors & Sorters product group (+54.6 % year-on-year), which benefited from consistent strong demand from e-commerce and the postal and logistics sectors.

DISPROPORTIONATE GROWTH IN RESULTS

Despite the increase in research and development expenses mentioned above, Interroll increased earnings before interest, taxes, depreciation and amortisation (EBITDA) by 40.6 % to CHF 93.2 million (previous year: CHF 66.3 million). The EBITDA margin was 16.6 % (previous year: 14.7 %).

Earnings before interest and taxes (EBIT) grew by 46.4 % to CHF 69.4 million (previous year: CHF 47.4 million). The EBIT margin stood at 12.4 % (previous year: 10.5 %).

Net profit rose by 32.6 % to CHF 51.8 million (previous year: CHF 39.1 million). The net profit margin was 9.3 % (previous year: 8.7 %). The operating increase was offset by higher tax expenses. In the previous year, the tax result had benefited from a positive one-off effect.

STRONG CASH FLOW

Total assets increased to CHF 417.6 million as of 31 December 2018, up 17.5 % from the end of 2017 (CHF 355.3 million). The primary increases were in the finished products and work in progress included in inventories as well as the receivables from customers. Interroll also received more payments on deposit from customers. This development reflects the intensive project work done by the Interroll Group in the reporting period.

Net financial assets rose by 40.2 % to CHF 52.0 million as of 31 December 2018 (previous year: CHF 37.1 million).

Equity reached CHF 284.8 million (previous year: CHF 261.7 million), while the equity ratio fell to 68.2 % (previous year: 73.6 %). Some burdens resulted from the increase in currency translation differences and the purchase of treasury shares.

Operating cash flow rose by 45.8 % to CHF 67.4 million (previous year: CHF 46.2 million). Gross investments reached CHF 28.6 million, an increase on the previous year (CHF 25.4 million). In particular, the Hiram/Atlanta site in the US was expanded and a new building started in Phantong/Bangkok, Thailand.

As a result of the strong cash flow and only slightly higher investments, free cash flow more than doubled to CHF 40.9 million (previous year: CHF 20.1 million).

THE 10 PRINCIPLES OF THE UN GLOBAL COMPACT

2018 COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT
Network Switzerland
WE SUPPORT

1. DECLARATION OF SUPPORT FROM GROUP MANAGEMENT

Interroll sets new standards worldwide with its material flow solutions. We play a responsible role in creating new links between the physical and digital worlds. Our principles make it easier for our customers and employees to act responsibly in a complex environment on a daily basis. We combine economic success with sustainable, ecological awareness and social responsibility – both in the short and long term.

Principles towards sustainability

- We act sustainably and focus on long-term business success. We strive to achieve an appropriate balance between ecological action, social responsibility and economic success.
- We oblige business partners and suppliers to adhere to minimum principles.
- We commit our managers and employees to our Code of Conduct.

Our strategies and activities are based on universal principles in the areas of human rights, labour standards, environmental protection and anti-corruption. We also strive to advance social objectives.

By joining the UN Global Compact in November 2016, we underscored our global commitment for the first time and also committed ourselves to documenting our progress in these areas transparently.

Our second progress report for financial year 2018 now highlights the key actions and achievements of our ongoing commitment to the ten principles of the UN Global Compact. This underscores the relevance of social responsibility for our corporate activities.

At the same time, we are renewing our commitment as a member of the UN Global Compact for another year.

28 February 2019

Interroll Holding Ltd

Paul Zumbühl
CEO

Daniel Bättig
CFO

2. PRESENTATION OF PRACTICAL MEASURES AND MEASUREMENT OF RESULTS IN 2018

HUMAN RIGHTS	
Principle 1 Support and respect international human rights in your own sphere of influence.	**Principle 2** Ensure that your company does not participate in human rights abuses.

Self-commitment

"Interroll does not tolerate discrimination, harassment or unfair treatment based on gender, race, disability, ethnic or cultural origin, religion, belief, age or sexual orientation." With this sentence from the Interroll Code of Conduct, the company commits itself and its employees to respect human rights and the relevant laws. Interroll's good reputation and the trust placed in it by customers, suppliers, business partners, shareholders and the general public depend to a large extent on the responsible conduct of all employees.

Interroll expects all suppliers and subcontractors to adhere to these principles, which are in line with Interroll's corporate values. They are an important part of supplier selection and evaluation. In addition, we expect our suppliers to comply with these standards throughout their supply chain.

The guidelines explained in the Supplier Code of Conduct are intended to ensure compliance with all applicable laws, regulations and ordinances and to ensure that processes along the Interroll supply chain meet social, ecological and economic requirements.

Measures in 2018

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and the local officers

Measurement of the results

Re 1: When selecting new suppliers, the obligation to adhere to our principles is a mandatory prerequisite for a business relationship. The aim is also to oblige our most important current suppliers to comply with the Supplier Code of Conduct. By the end of 2018, 90 % of all suppliers to European companies had already been covered. For 2019, we aim to achieve this goal for all companies worldwide.

Re 2: In order to ensure that our Code of Conduct continues to be lived, the managers of the Chinese, Danish and French companies were trained on the Code of Conduct and compliance rules in 2018. This is planned for the companies in the USA in 2019.

Re 3: The Interroll Group's Compliance Management System (CMS) is based on the recommendations of the international standard ISO 19600 Compliance Management System. The risk-based approach is designed to weight the severity of any possible breaches of laws and obligations in terms of the achievement of corporate objectives and the negative impact on the Group's reputation, and to define appropriate priorities for action. The Compliance Management System was further implemented and expanded in 2018. This included the definition of responsibilities and the preparation of a compliance manual.

Re 4: Every employee has the right to report violations of the rules of the Code of Conduct, a law or an obligation to his or her superior. If necessary, an anonymous whistleblower report can be made to the Chief Compliance Officer of the Interroll Group (in an initial phase this is the CFO of the Interroll Group). Cooperation between the Chief Compliance Officer and the local officers was expanded in 2018. Coordination meetings were held on a regular basis. Internal training of compliance managers, including an examination, is planned for 2019. This is intended to ensure the quality and further targeted optimisation of the Compliance Management System.

WORK STANDARDS

Principle 3	Principle 4	Principle 5	Principle 6
Respect freedom of association and the effective recognition of the right to collective bargaining.	Strive to eliminate all forms of forced labour.	Promote the abolition of child labour.	Promote the elimination of discrimination in respect of employment and occupation.

Self-commitment

Interroll's worldwide Codes of Conduct contain fundamental internationally recognised labour standards such as freedom of association, the exclusion of forced and child labour and a non-discriminatory working environment. Interroll and its suppliers do not tolerate discrimination against employees on the grounds of gender, race, disability, ethnic or cultural origin, religion, belief, age or sexual orientation.

Measures in 2018

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and the local officers
5. Measurement of Key Performance Indicators (KPI)
6. Employee involvement
7. Employee training
8. Working conditions

Measurement of the results

Re 1 to 4: See section on human rights.

Re 5: There were no reported cases of forced or child labour at Interroll or in the supply chain during the year under review.

Re 6: A Group-wide Employee Engagement Survey conducted in 2017 showed very positive results. Interroll has a committed workforce that is ready to go the extra mile for the company at any time. The employees also clearly confirmed the quality and customer orientation within the Group. For this reason, the next Global Employee Survey will be conducted in 2019 to check this consistency.

Re 7: The Interroll Academy is the driving force behind the transfer of knowledge relating to the flow of materials. With our strong commitment to the training and further education of our employees and the exchange of know-how with customers and partners, we make an important contribution to the success of the company and the further development of our industry.

We are convinced that good training is a prerequisite for motivated employees. That is why we train them with the aim of providing them with the specialist knowledge with which they can offer our customers valuable support. Our participants, who come from all areas of the company, therefore familiarise themselves not only with Interroll products, but also with the applications and problems of our customers.

The successful graduates of Interroll's leadership training programme.

Our many training and development opportunities enable all employees to develop and use their talents in the best possible way. With a blended learning combination of classical instruction and new, Internet-based training methods (e-learning offerings), internal hurdles are overcome and inquisitive employees who are not on-site are reached. New content (e.g. for new product developments) was added to the training programme in 2018. The Culture for Growth Leadership training courses, including individual coaching, will be continued in 2019.

Re 8: Interroll and its suppliers comply with all applicable laws and regulations relating to working hours and rest periods. Overtime must always be worked voluntarily. It must be ensured that all employees receive appropriate remuneration and the applicable national statutory minimum wage.

Interroll and its suppliers ensure the safety of all employees at the workplace and ensure a healthy working environment that supports accident prevention and exposes employees to as few health risks as possible.

Interroll has an appropriate system for health and safety at work. Workers should be adequately trained in their mother tongue on health and safety issues in the workplace. Health- and safety-relevant information must be clearly displayed in the facilities. Interroll also expects this from its suppliers.

For 2018, the reduction of sick days and accident-free days was pursued through health and safety management at Interroll. To this end, an internal competition was launched with prizes for the most creative ideas.

ENVIRONMENT AND CLIMATE

Principle 7	Principle 8	Principle 9
Support a precautionary approach in dealing with environmental problems.	Take initiatives to create a greater sense of responsibility for the environment.	Encourage the development and diffusion of environmentally friendly technologies.

Self-commitment

The responsible use of resources and the protection of the environment and climate are core issues of social responsibility and therefore also a central area of Interroll's strategy.

Our basic principle "Inspired by Efficiency" does not just refer to the benefits that our customers can expect from Interroll solutions. With Interroll products and solutions, companies can increase their profits. They reduce their ecological footprint and ensure sustainable growth. Interroll also attaches great importance to its own resource efficiency. For Interroll, the proper use of resources is the most important prerequisite for maintaining our technological and innovative market leadership position. This also benefits our customers.

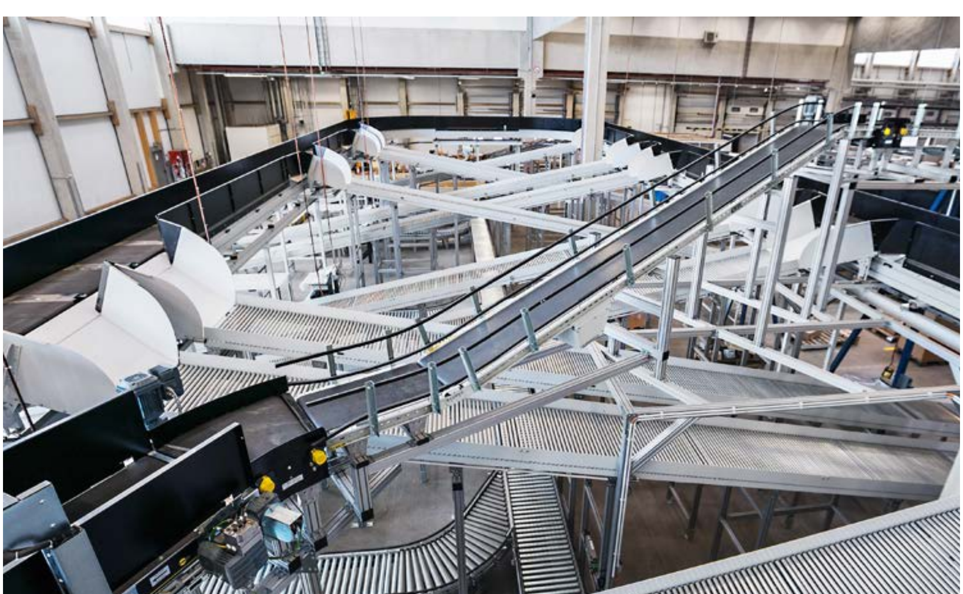
Measures in 2018

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and the local officers
5. Measurement of Key Performance Indicators (KPI)

Measurement of the results

Re 1 to 4: See section on human rights.

Re 5: Target values for 2018 were set after the KPIs were first recorded in 2017. A reduction of 10 % in Group-wide paper consumption was targeted and achieved. A further reduction by 10 % is planned for 2019.



Customers can increase their profits with Interroll products and solutions. They reduce their ecological footprint and ensure sustainable growth.

PREVENTION OF CORRUPTION

Principle 10
To work against all forms of corruption, including extortion and bribery.

Self-commitment

By preventing and sensitising our employees, we want to actively counter potential breaches of the rules in advance. Our employees receive extensive face-to-face and e-learning training on topics such as "antitrust law" or "gifts and invitations, conflicts of interest".

The anti-bribery guidelines introduced in 2016 are intended to establish control mechanisms to ensure compliance with all applicable anti-bribery and anti-corruption regulations and to ensure that the company conducts its business in a socially responsible manner. Bribery is defined as offering, promising, granting, accepting or promoting an advantage in return for an unlawful act or breach of trust. This includes accepting benefits of material value in exchange for a commercial, contractual, governmental or personal benefit. In accordance with our Code of Conduct, we conduct our business honestly and ethically.

We pursue a zero tolerance policy with regard to bribery and corruption. We are committed to acting professionally, fairly and with integrity in all our business relationships and to introducing, applying and enforcing effective mechanisms to combat bribery.

Interroll contributes positively to industry associations in which it is a member. In 2018, the general meeting of the Association of German Airport Technology & Equipment (GATE) took place at the Interroll Academy.

Measures in 2018

1. Global roll-out of a Supplier Code of Conduct
2. Prevention through training
3. Continued implementation and expansion of the Compliance Management System
4. Enhanced cooperation between the Chief Compliance Officer and the local officers
5. Controlling of the anti-bribery guidelines

Measurement of the results

Re 1 to 4: See section on human rights.

Re 5: There were no reported forms of corruption, extortion or bribery at Interroll or in the supply chain in the year under review.

AROUSING CUSTOMER ENTHUSIASM THROUGH THE BRAND


The partnership with Sauber Motorsport was extended in December.


Selected journalists from all over Europe attended the pre-launch event of Interroll's DC Platform in Hinwil.

Interroll continued to strengthen both its customers' awareness of their role as partners for growth as well as user's awareness of the high-quality brand during the 2018 reporting year. One central component of our marketing strategy is our appearance at specialist and industrial trade fairs. In 2018, we attended more than 33 trade fairs around the world, which allowed us to showcase our products and solutions.

In addition to presenting highlights like the market launch of the expanded generation of drum motors at the LogiMAT trade fair in Stuttgart, Interroll uses industry-specific trade fairs like the PackExpo in Las Vegas and Anuga Foodtec in Cologne to target and tap new customer segments for the Group as well as to be closer to its so-called end users. Leads generated at trade fairs are pursued systematically.

The Interroll website and its corresponding Youtube and LinkedIn channels are now the main tools used for Interroll's marketing activities. Contact and interaction with customers through these channels was strengthened and investments in new tools were increased. 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.

Corporate Marketing organised 33 trade fair appearances around the world to give customers ample opportunity for personal contact.

Interroll's global marketing team provides targeted support for the activities of the Interroll Global Sales & Service Team. During the year under review, it initiated key campaigns for new product launches and to support industry-specific activities such as those in Food, in Tire & Automotive and in Courier, Express & Parcel (CEP). The "DC Platform", for example, was introduced to selected media representatives from all over Europe at a pre-launch event at Sauber Motorsport. On this occasion, the Group extended its partnership with the Alfa Romeo (formerly Sauber) F1 team once again.

Interroll intensified its video production activities even further over the year under review with the publication of numerous customer references from the Group's different regions to demonstrate the added value of Interroll solutions to customers on the basis of specific case studies. The product launches were also accompanied by animated product videos. Besides already being perceived in the intralogistics industry as a provider of platform solutions, Interroll is now increasingly being seen as a global partner and associated with smart conveyor technology.

Interroll has raised its profile in key media on a global level. Here: Ben Xia, Executive VP Asia, in an interview with Chinese Media.

ROLLING ON INTERROLL

Rolling On Interroll: our global quality label

Since it was first launched in 2015, the Rolling on Interroll (ROI) strategic programme for customers has evolved into a global network of excellence in which more than 80 systems integrators and plant engineers from 38 countries participate. These partners are all medium-sized companies that are positioned as leaders in their respective niche markets who rely on the outstanding product expertise, delivery reliability and innovation of Interroll as a strong, global partner.

An exclusive four-day product training course, attended by a group of international ROI partners from Spain, Portugal, Argentina, Chile and Uruguay, was held at the Interroll Academy in Baal (near Düsseldorf) in March 2018 under the motto of "Growing Together". There, participants not only acquired new expertise but also had a unique opportunity to talk about their experiences and share information about joint business opportunities.

This cooperative approach is now bearing fruit: specific projects were launched within the global ROI Community in 2018 as partnerships between two or more ROI partners; these partnerships also opened up potential for additional sales and new projects. Interroll's role within these joint projects was that of a "matchmaker" and strong project partner.

To promote this strategic programme's further development, the ROI Customer Council was founded in September 2018, in which selected ROI partners work together with Interroll to make plans for the programme's future.

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

Exclusive product training for international ROI partners at the Interroll Academy

CORPORATE GOVERNANCE

1 INTRODUCTION

Basis of the corporate governance report

The corporate governance report 2018 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 listed on the main board 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 with 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 Innovation Projects and Development Center (IPDC), 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 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
Paolo Bottini

AUDIT COMMITTEE
Philippe Dubois
Paolo Bottini

COMPENSATION COMMITTEE
Urs Tanner
Stefano Mercorio

OTHER MEMBERS
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
Jens Strüwing

REGIONS	
Executive Vice President Americas	Richard Keely
Executive Vice President Asia	Dr Ben Xia

Innovation Projects and Development Center (IPDC), Global Industry Management

The Innovation Projects and Development Center (IPDC) develops new products and platform concepts in close cooperation with the Centers of Excellence and Industry Management.

FUNCTIONAL UNIT	MANAGED BY	COMPANY
Research & Development	Dietmar Hager a.i.	Interroll Holding GmbH, Wermelskirchen (DE)
Global Industry Management	Maurizio Catino	Interroll Management AG (CH)

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:

COUNTRY	FUNCTIONAL UNIT	MANAGED BY	COMPANY
CH	Technopolymers	Ingo Specht	Interroll AG, Sant'Antonino
D	Conveyors and Sorters	Jens Strüwing	Interroll Automation GmbH, Sinsheim
D	Rollers, RollerDrive	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen
D	Industrial Drum Motors	Dr Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal
DK	Supermarket Products	Dr Anders-Staf Hansen	Interroll Joki A/S, Hvidovre
F	Dynamic Storage Products	Bertrand Reymond	Interroll SAS, La Roche-sur-Yon
USA	Belt Curves	Shane Belcher	Interroll Engineering West Inc., Cañon City

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 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.

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. McCombs	Interroll Corporation, Wilmington/NC (US)
RCoE, sales, service	USA	R. Wright	Interroll Atlanta LLC, Hiram/GA (US)
Sales, service	USA	S. Leavengood	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	J. Fang	Interroll Holding Management (Shanghai) Co. Ltd. (CN)
Sales, service	South Korea	S. Jeong	Interroll Korea Corp. Seoul (KR)
Sales, service	Japan	T. Nakayama	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, Philippe Dubois

Front row: Urs Tanner, Paolo Bottini

Election principles and terms of office

The Board of Directors is composed of five to seven 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)

Holds an Executive MBA University of St. Gallen, AMP Harvard and 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 co-owner of Halcyon Associates Inc. in the USA as well as a 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 Ltd 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 Ltd 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 Ltd while working for UBS Warburg. He also held senior investment banking positions at 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 Ltd 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 Ltd 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.

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 and prepares a report for 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 the resulting 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 2018 financial year, the Board of Directors met on five occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings. All required members were present for all meetings in the reporting year.

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 on-going 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

Group Management of the Interroll Group consisted of the following members as of the end of 2018:

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
Jens Strüwing (1969)	German	Executive Vice President Products & Technology	November 2018
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
Richard Keely (1972)	American	Executive Vice President Operations Americas	March 2018
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 4 May 2018, 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 2018 amounted to CHF 0.4 million. The audit fees charged by PwC in 2017 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

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 Art. 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, Art. 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 Ltd on 3 May 2019, the Board of Directors will propose the maximum possible total remuneration of the Board of Directors for the period up to the 2020 Annual General Meeting and the maximum possible total remuneration for Group Management for financial year 2019 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 (Art. 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/en/investoren/corporate-governance.

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 Ltd by Interroll Holding Ltd 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 Ltd for the period until the next Annual General Meeting of Interroll Holding Ltd on the basis of the approved Articles of Incorporation of 8 May 2015 (Art. 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 2018 (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								
2018	P, CC	210		26		**236**		0.00
2017	VP	210		26		**236**		0.00
Paolo Bottini								
2018	VP**, AC	105		17		**122**	20	0.00
2017	AC	80		13		**93**	20	0.00
Philippe Dubois								
2018	AC	80		8		**88**	100	0.01
2017	AC	80		8		**88**	100	0.01
Horst Wildemann								
2018	***							0.00
2017	CC	105		12		**117**	633	0.08
Stefano Mercorio								
2018	CC**	80		16		**96**		0.00
2017		70		14		**84**		0.00
Ingo Specht								
2018		70		12		**82**	63,745	8.09
2017		70		12		**82**	69,745	8.55
Total Board of Directors								
2018		**545**		**79**		**624**	**63,865**	**8.11**
2017		**615**		**85**		**700**	**70,498**	**8.64**

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 function since 4 May 2018
*** Left the BoD as per 4 May 2018

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

Valuation of total remuneration for the 2018 term

The remuneration of the Board of Directors of CHF 624,000 (previous year: CHF 700,000) from AGM 2018 to AGM 2019 contains no significant special effects and is within the CHF 800,000 approved at the Annual General Meeting 2018. One Board member did not stand for re-election and was not replaced by the AGM 2018.

Outlook for total remuneration for the 2019 term

At the Annual General Meeting on 3 May 2019, the Board of Directors will propose a maximum remuneration of CHF 1,200,000 for the term until the next Annual General Meeting 2020 (previous year: CHF 800,000). The increase shall cover the remuneration of an additional board member and further adjustments in remuneration. It shall provide a reserve as well.

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 Art. 22bis (Total Remuneration of the Board of Directors and the Management). Interroll Holding Ltd and its subsidiaries granted no loans, advances or credits to members of the Board of Directors in the 2018 and 2017 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*. 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 2017 and 2018.

In determining the annual total remuneration, all remuneration paid to members of Group Management by Interroll Holding Ltd 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 (Art. 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 Ltd on 3 May 2019, the Board of Directors will propose the maximum possible total remuneration for Group Management for financial year 2019 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:** vested 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 Art. 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 page 59 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:

Role in Group Management	Variable remuneration (STI) in relation to total remuneration: 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 Art. 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 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 vest over 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 vested 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 vest over 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 2018 (audited)

Remuneration of the members of Group Management complies with the requirements of Art. 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)		Share-based compens.				
in thousands CHF	Fixed	Variable[1]	Shares[2]	Options	Social security[3]	Other benefits	**Total compensation**
CEO (highest)							
2018	715	897	497	0	572	44	**2,725**
2017	711	854	499	0	572	43	**2,679**
Other members							
2018	1,530	281	487	0	291	122	**2,711**
2017	1,452	227	525	0	327	116	**2,647**
Total Group Management							
2018	**2,245**	**1,178**	**984**	**0**	**863**	**166**	**5,436**
2017	**2,163**	**1,081**	**1,024**	**0**	**899**	**159**	**5,326**

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 1,053 treasury shares were granted to senior executives as part of bonus plans (2017: 2010 [of which 700 for 2016]): 1,048 shares (2017: 2010) with a four to eight year sales restriction (from the date of the allotment) and 5 shares (previous year: 0) without sales restrictions. The share-based compensation corresponds to the tax value.
3) Social security costs consist of employer and employee contributions to the state-run Swiss social security system.

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 the 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 0.45 million (previous year: CHF 0.484 million) related to company cars – CHF 0.03 million (previous year: CHF 0.05 million) – and share-based remuneration – CHF 0.42 million (previous year: CHF 0.434 million).

Valuation of total remuneration for the 2018 financial year

At CHF 5.4 million, total remuneration paid to Group Management in the year just ended was slightly higher than in the previous year (CHF 5.3 million) and significantly lower than the maximum total remuneration of CHF 5.9 million approved at the Annual General Meeting 2018.
Due to the target achievement calculated in accordance with the calculation method described, the total remuneration of Group Management in 2018 amounted to 110 % of *projected total remuneration* (previous year: 109 %). Variable remuneration for Group Management was equal to 63 % (previous year: 64 %) of fixed remuneration with a projected value of 49 %, and accounted for 35 % (previous year: 35 %) of total remuneration at a projected value of 30 %.

Outlook for total remuneration for the 2019 financial year

The effective amount of the variable remuneration 2019 to Group Management is based on the targets actually achieved in 2019. The fixed remuneration 2019 was not changed for anybody. The maximum possible total remuneration for the financial year 2019 of CHF 5.9 million (previous year: CHF 5.9 million) submitted for approval at the Annual General Meeting on 3 May 2019 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 Art. 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 component” 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 nine months, and 12 months for the CEO. These are thus in compliance with Art. 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 Art. 22bis (Total Remuneration of the Board of Directors and the Management). Interroll Holding Ltd and its Group companies granted no loans, advances or credits to members of Group Management in the 2018 and 2017 reporting years.

pwc

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF INTERROLL HOLDING LTD, SANT'ANTONINO

We have audited the remuneration report of Interroll Holding Ltd for the year ended 31 December 2018. The audit was limited to the information according to Art. 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 Art. 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 Art. 14–16 of the Ordinance. The procedures selected depend on the auditor's judgement, 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 Ltd for the year ended 31 December 2018 complies with Swiss law and Art. 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Patrick Balkanyi Audit expert Auditor in charge	Regina Spälti Audit expert

Zurich, 6 March 2019

FINANCIAL REPORT OF THE INTERROLL GROUP

1 CONSOLIDATED FINANCIAL STATEMENTS OF THE INTERROLL GROUP

1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2018	in %	31.12.2017	in %
ASSETS					
Property, plant and equipment	6.1	117,107		109,770	
Intangible assets	6.3	30,423		36,852	
Financial assets		714		1,864	
Deferred tax assets	7.6	9,455		3,758	
Total non-current assets		**157,699**	**37.8**	**152,244**	**42.8**
Inventories	6.5	77,360		60,957	
Current tax assets		1,135		1,595	
Trade and other accounts receivable	6.6	129,481		103,236	
Cash and cash equivalents	6.7	51,967		37,307	
Total current assets		**259,943**	**62.2**	**203,095**	**57.2**
Total assets		**417,642**	**100.0**	**355,339**	**100.0**
EQUITY AND LIABILITIES					
Share capital		854		854	
Share premium		8,172		7,902	
Reserve for own shares		–17,639		–8,695	
Translation reserve		–52,944		–46,221	
Retained earnings		346,397		307,840	
Total equity	6.10	**284,840**	**68.2**	**261,680**	**73.6**
Financial liabilities	6.12	2		19	
Deferred tax liabilities	7.6	3,723		99	
Pension liabilities	6.15	7,816		8,149	
Provisions	6.14	8,491		8,107	
Total non-current liabilities		**20,032**	**4.8**	**16,374**	**4.6**
Financial liabilities	6.12	12		193	
Current tax liabilities	7.6	23,289		15,952	
Advances received from customers	6.16	25,512		13,319	
Trade and other accoutns payable, accrued expenses	6.16	63,957		47,821	
Total current liabilities		**112,770**	**27.0**	**77,285**	**21.8**
Total liabilities		**132,802**	**31.8**	**93,659**	**26.4**
Total liabilities and shareholder's equity		**417,642**	**100.0**	**355,339**	**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*	2018	in %	2017	in %
Sales	5	**559,851**	**100.0**	**450,682**	**100.0**
Material expenses		–252,447	–45.1	–190,893	–42.4
Personnel expenses	6.15 & 7.1	–145,390	–26.0	–129,665	–28.8
Increase / (decrease) in work in progress, finished products and own goods capitalised		8,604	1.5	2,738	0.6
Other operating expenses	7.3	–80,698	–14.4	–69,339	–15.4
Other operating income	7.4	3,324	0.6	2,809	0.6
Operating result before depreciation and amortisation (EBITDA)		**93,244**	**16.6**	**66,332**	**14.7**
Depreciation	6.1	–14,666	–2.6	–12,209	–2.7
Amortisation	6.3	–9,175	–1.6	–6,712	–1.5
Operating result (EBIT)		**69,403**	**12.4**	**47,411**	**10.5**
Finance expenses		–1,663	–0.3	–769	–0.2
Finance income		665	0.1	172	0.0
Finance result, net	7.5	**–998**	**–0.2**	**–597**	**–0.1**
Result before income taxes		**68,405**	**12.2**	**46,814**	**10.4**
Income tax expense	7.6	–16,605	–2.9	–7,760	–1.7
Result		**51,800**	**9.3**	**39,054**	**8.7**
Result attributable to:					
– non-controlling interests					
– owners of Interroll Holding Ltd		**51,800**	9.3	**39,054**	8.7
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	61.32		45.95	
Diluted earnings (result) per share	6.11	61.32		45.95	
Dividend payment		16.50		16.00	

* 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*	2018	in %	2017	in %
Result		**51,800**		**39,054**	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pension liabilities	6.15	911		456	
Income tax		–178		–96	
Total items that will not be reclassified to income statement		**733**		**360**	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		–6,723		8,862	
Income taxes					
Total items that in the future may be reclassified subsequently to income statement		**–6,723**		**8,862**	
Other income		**–5,990**		**9,222**	
Comprehensive income		**45,810**		**48,276**	
Result attributable to:					
– non-controlling interests					
– owners of Interroll Holding Ltd		45,810	8.2	48,276	10.7

* 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*	2018	2017
Result		**51,800**	**39,054**
Depreciation, amortisation and impairment	6.1 & 6.3	23,841	18,921
Loss/(gain) on disposal of tangible and intangible assets	7.4	–41	–11
Financial result, net	7.5	998	597
Income tax expense	7.6	16,605	7,760
Changes in inventories		–19,630	–11,175
Changes in trade and other accounts receivable		–28,931	–473
Changes in trade and other accounts payable		30,381	–742
Changes in provisions, net	6.14	321	814
Income tax paid		–11,032	–10,226
Personnel expenses on share-based payments	7.1	1,617	2,313
Other non-cash expenses/(income)		1,479	–604
Cash flow from operating activities		**67,408**	**46,228**
Acquisition of property, plant and equipment	6.1	–25,542	–20,975
Acquisition of intangible assets	6.3	–3,074	–4,384
Acquisition of financial assets		–47	–1,157
Proceeds from disposal of property, plant and equipment	6.1 & 6.2 & 6.3	545	219
Settlement of loans receivable		1,197	13
Interest received		427	171
Cash flow from investing activities		**–26,494**	**–26,113**
Dividends paid	1.5	–13,977	–13,619
Purchase of treasury shares		–10,290	–8,376
Proceeds from financial liabilities			18
Repayment of financial liabilities		–195	–101
Interest paid		–76	–26
Cash flow from financing activities		**–24,538**	**–22,104**
Translation adjustments on cash and cash equivalents		–1,716	1,032
Change in cash and cash equivalents		**14,660**	**–957**
Cash and cash equivalents at 1 January		37,307	38,264
Cash and cash equivalents at 31 December	6.7	**51,967**	**37,307**

* 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	**Total equity**
Balance at 1 January 2017		**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**
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**
Result						**51,800**	**51,800**
Other comprehensive income, net of taxes					**–6,723**	**733**	**–5,990**
Total comprehensive income					**–6,723**	**52,533**	**45,810**
Dividend payment, net						–13,977	**–13,977**
Share-based payments	7.1		270	1,347			**1,617**
Purchase of treasury shares incl. tax effects	6.10			–10,290			**–10,290**
Balance at 31 December 2018		**854**	**8,172**	**–17,638**	**–52,944**	**346,396**	**284,840**

* 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

General notes on the convention of preparation
The 2018 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 2018, 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 in note 2.2 (Critical accounting estimates and judgements).

2.1 New accounting principles

In 2018, the Interroll Group changed the accounting principles due to the introduction of new IFRS standards. The new accounting policies applicable from 2018 and their effects are set out under "2.1 New accounting policies". Chapters 2.3, 2.4 and 2.5 contain retained accounting principles, which the Group will continue to apply in the future. Accounting principles that will no longer be applied in the future, but were applicable to the previous year's period 2017, are listed under "2.6 Previous Accounting Policies".

New and amended standards (IAS/IFRS) and interpretations that became effective in 2018
The adoption of new or revised standards and interpretations effective for annual periods beginning on or after 1 January 2018 did not have a material impact on the consolidated financial statements. The new standards are explained below.

IFRS 15 – Proceeds from contracts with customers
The Group is applying IFRS 15 using the modified retrospective approach from 1 January 2018, which is why the comparative information has not been restated and is disclosed in accordance with IAS 18 and IAS 11. The details of the accounting policies under IAS 18 and IAS 11 are disclosed separately if they differ from IFRS 15. The impact of the changes is not material. A description of the main activities from which the Group generates its sales can be found in the "Product groups" section. The newly required disclosures can be found in note 6.16 (Trade and other payables, advance payments from customers).

Identification of contracts and service obligations
Revenue is recognised based on the services specified in the customer contract when the customer acts as a principal and excludes amounts charged on behalf of third parties. The contracts predominantly have only one single performance obligation, which is why no allocation of the transaction price to several performance obligations is required. Likewise, multiple contracts with the same customer are rarely concluded within a short period of time, which is why contracts are treated individually. Guarantees granted are limited to the assurance guarantee, which covers the conformity of a product with agreed specifications. The company does not provide service warranties.

Transaction price
Contracts with customers rarely include variable consideration. Customers who exceed certain purchase amounts are entitled to refunds. Variable consideration will only be recorded if it is highly probable that the revenue will not be reversed. Any refunds are not yet recorded as revenue at revenue recognition. Contracts with variable consideration are assessed regularly.
Contracts also do not contain any significant financing components, as the agreements are generally fulfilled within one year. Interroll therefore makes use of the excemption according to paragraphs 63 and 122.

Revenue recognition date
The Group recognises revenue when control of a product or service is passed on to the customer. Performance obligations from the product groups Drives and Rollers are typically fulfilled upon shipment or delivery and the transfer of control depends on the agreed Inco conditions. Performance obligations from the Conveyors & Sorters or Pallet & Carton Flow product groups are generally fulfilled after installation on site upon final approval by the customer in accordance with the contract specifications.

Obligations to perform services are typically fulfilled when the service is provided. Maintenance contracts or support level agreements for a specific period of time are the exception up to then. Such maintenance contracts are registered over time.

Trade accounts receivable, contractual assets and liabilities
The unconditional right to receive consideration is disclosed separately as a claim by the Group. If the Group first has a legal right to consideration for goods or services transferred, but that right is not linked to the passage of time alone as in a receivable, it is presented as a contractual asset. The Group currently has no significant contractual assets.
If the Group has entered into a contractual obligation with customers to transfer goods or services and has invoiced or received advance payment for this, this is reported as a contractual liability. This resulted in a reclassification of "Trade and other accounts payable" to "Advances received from third parties" in the consolidated balance sheet.

Previous financial reporting
In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was generally recognised upon delivery to the customer (transfer of risk and use), the realisation of the consideration was probable, there was no ongoing management involvement in the goods and the amount of revenue could be reliably determined. Revenues from project sales were generally recognised after installation on site after final acceptance by the customer (according to contract specifications). Revenues from the provision of services in connection with the core products sold were recognised upon delivery.

IFRS 9 – Financial instruments
The adoption/amendment of IFRS 9 has no material impact on the Group's consolidated financial statements. With the exception of the application of the expected credit loss model, the valuation is unchanged. In the past, this valuation was based on historical credit losses. There were no substantial effects from the conversion to expected credit losses. Further explanations of the new classifications have been omitted, as all material financial instruments are measured without change at amortised cost.
Financial assets are measured at amortised cost unless they are equity instruments and it is intended to collect the contractual cash flows, which are exclusively principal and interest payments on the outstanding amount. These include cash and cash equivalents, customer receivables and other receivables without prepayments. The Group applies the simplified approach under IFRS 9 to measure expected credit losses. Value adjustments on trade receivables and contract assets are now calculated on the basis of expected credit losses. Trade receivables are derecognised if a loss of receivables is probable. An indication of default is when the debtor fails to comply with a repayment plan and is more than 90 days in arrears.
Financial investments in equity instruments and derivatives are measured at fair value through profit or loss, but are currently of minor significance. If the market value of the derivative financial instruments is negative, the instrument is shown under liabilities. Hedge accounting is still not applied, but the Group continues to use derivative financial instruments to economically hedge transactions and cash flows ("economic hedging").
Financial liabilities are initially recognised at fair value less transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Apart from trade payables and other current liabilities, the Group has no significant financial obligations.
An overview of financial instruments can be found in note 6.8 (Financial instruments).

Future amendments and changes to IFRS standards and interpretations
The IASB has issued new and revised standards and interpretations which will not be applied until 1 January 2019 or later and were not applied early in these consolidated financial statements. With the exception of the following standard, their effects are classified as immaterial.

IFRS 16 "Leases" means that lessees recognise almost all leases in the financial statements. The Group did not have any leases to be accounted for and disclosed obligations from operating leases under 6.13. The Group does not act as a lessor.

As a result of the new standard, a right of use and a financial liability for lease instalments still to be paid is set. The Group will present the right of use as part of the corresponding balance sheet item such as property, plant and equipment. The Group does not capitalise short-term leases and leases of minor value. The right of use is measured by the amount of the lease liability. The impact of the introduction is quantified by the management as insignificant. The Group did not have any significant finance leasing under the previous standard. The previous expenses are replaced by depreciation of the right of use and interest on the lease liability. Previously, lease payments were included in cash flows from operating activities. The Group will show repayments of lease liabilities and interest paid thereon in cash flows from financing activities. This improves the cash flow from operating activities to the detriment of the cash flow from financing activities, although this is only a change in presentation.

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 Retained general accounting principles

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-controlling 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-controlling interests there are options per transaction. Either the non-controlling interests are valued at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlling 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-controlling 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)		
	2018	**2017**	Change in %	**31.12.2018**	**31.12.2017**	Change in %
1 EUR	1.152	1.116	3.2	1.127	1.170	–3.7
1 USD	0.977	0.982	–0.5	0.984	0.976	0.9
1 CNY	0.147	0.146	1.1	0.143	0.150	–4.5

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 & 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 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 group does not apply hedge accounting as defined by IFRS, but uses derivative financial instruments to hedge transactions and cash flows ("economic hedging").

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 Retained accounting principles: Balance sheet

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 at 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 the costs incurred as at 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 five to ten 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 six 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.

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.

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 treasury 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.

Provisions
Provisions relate to product warranties and impending losses whose amount and timing are 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.

2.5 Retained accounting principles: Profit & Loss

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 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.

2.6 Previous accounting principles: applicable until the end of 2017

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.

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.

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.

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

Trade accounts payable and advanced payments from customers (advances received from customers)
Trade accounts payable are stated at amortised cost, generally equalling nominal value.

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.

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 fall in 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 note 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 note 2.3 – Principles of consolidation and valuation, section on 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 fulfil 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 fulfil 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 note 6.9, Financial risks – credit facilities and debt covenants)

in million CHF, if not noted otherwise	2018	2017
Total assets	417.6	355.3
Net financial assets	52.0	37.1
– Bank over drafts	0.0	–0.2
– Cash and cash equivalents	52.0	37.3
Operating cash flow	67.4	46.2
Equity	284.8	261.7
Equity ratio (equity in % of assets)	**68.2**	**73.6**
Result	51.8	39.1
Return on equity (in %)	**19.0**	**15.8**
Non-diluted earnings per share (in CHF)	61.32	45.95
Distribution per share (in CHF)	22.00	16.50
Payout ratio (in %)	**35.9**	**35.9**

4 CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in business year 2018

New companies
No new start-ups were registered during the reporting year. In the previous year Interroll USA, LLC in Wilmington, NC was opened as the sales office in the USA.

Acquisitions / divestitures
No acquisitions or divestitures were carried out during the year under review and the previous year.

5 OPERATING SEGMENTS

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

	Sales				Non-current assets			
in thousands CHF	2018	in %	2017	in %	2018	in %	2017	in %
Germany	82,164	14.7	64,922	14.4	70,213	47.6	73,015	49.8
Rest of EMEA *	225,453	40.2	200,585	44.6	37,034	25.1	39,343	26.8
Total EMEA *	**307,617**	**54.9**	**265,507**	**59.0**	**107,247**	**72.7**	**112,358**	**76.6**
USA	149,774	26.8	97,932	21.7	28,695	19.5	27,667	18.9
Other Americas	23,064	4.1	22,586	5.0	1,362	0.9	1,488	1.0
Total Americas	**172,838**	**30.9**	**120,518**	**26.7**	**30,057**	**20.4**	**29,155**	**19.9**
Total Asia-Pacific	**79,396**	**14.2**	**64,657**	**14.3**	**10,227**	**6.9**	**5,110**	**3.5**
Total Group	**559,851**	**100.0**	**450,682**	**100.0**	**147,531**	**100.0**	**146,623**	**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 14,000 active customers. No customer accounts for more than 10 % of Group sales.

Sales by product group
Sales broken down by product group:

in thousands CHF	2018	in %	2017	in %
Drives	170,845	30.5	146,644	32.6
Rollers	108,034	19.3	105,801	23.5
Conveyors & Sorters	220,457	39.4	142,629	31.6
Pallet & Carton Flow	60,515	10.8	55,608	12.3
Total Group	**559,851**	**100.0**	**450,682**	**100.0**

Timing of revenue recognition
Orders are recognised at a point in time with one exception. At one location a couple of orders are recognised over time. This concerns two maintenance contracts. Most of the service business is ad hoc orders, for instance overhauling of drum motors. Such services are charged to the customer based on an hourly rate and are invoiced at a point in time.

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Property, plant and equipment

Movements of property, plant and equipment

	Land & building		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		Total	
in thousands CHF	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
COSTS										
At 1.1.	**111,471**	**96,083**	**108,806**	**98,321**	**11,052**	**9,394**	**6,398**	**5,429**	**237,727**	**209,226**
Currency translation adj.	–3,043	5,821	–2,642	4,182	–346	523	–93	274	**–6,124**	**10,800**
Additions	6,167	5,722	10,518	6,164	1,922	2,158	6,935	6,931	**25,542**	**20,975**
Disposals	–125	–16	–3,675	–2,147	–1,217	–929			**–5,017**	**–3,092**
Reclassifications	3,008	3,862	4,171	2,286	32	–94	–7,832	–6,236	**–621**	**–182**
At 31.12.	**117,478**	**111,471**	**117,178**	**108,806**	**11,443**	**11,052**	**5,408**	**6,398**	**251,507**	**237,727**
ACCUMULATED DEPRECIATION & IMPAIRMENTS										
At 1.1.	**–41,013**	**–35,243**	**–79,592**	**–71,582**	**–7,352**	**–6,542**			**–127,957**	**–113,367**
Currency translation adj.	1,113	–1,983	1,831	–3,025	214	–319			**3,158**	**–5,327**
Depreciation	–5,008	–3,797	–8,037	–7,000	–1,622	–1,412			**–14,667**	**–12,209**
Disposals	100	3	3,462	2,015	960	866			**4,522**	**2,884**
Reclassifications	–23	7	543		24	55			**544**	**62**
At 31.12.	**–44,831**	**–41,013**	**–81,793**	**–79,592**	**–7,776**	**–7,352**			**–134,400**	**–127,957**
Property, plant and equipment at 31.12.	**72,647**	**70,458**	**35,385**	**29,214**	**3,667**	**3,700**	**5,408**	**6,398**	**117,107**	**109,770**
Capital commitments	139	408	3,889	2,975					**4,028**	**3,383**
Insurance value*	129,076	121,913	130,664	130,079					**259,740**	**251,992**

* 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	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
COSTS										
At 1.1.	**20,753**	**20,382**	**40,829**	**37,110**	**20,745**	**18,323**	**25,230**	**23,849**	**107,557**	**99,664**
Currency translation adj.	–317	371	–125	168	–745	1,631	–788	1,351	**–1,975**	**3,521**
Additions			3,051	3,563	22	791		30	**3,073**	**4,384**
Disposals			–144	–14	–782				**–926**	**–14**
Reclassifications			90	2	34				**124**	**2**
At 31.12.	**20,436**	**20,753**	**43,701**	**40,829**	**19,274**	**20,745**	**24,442**	**25,230**	**107,853**	**107,557**
ACCUMULATED AMORTISATION & IMPAIRMENTS										
At 1.1.	**–3,126**	**–3,126**	**–27,396**	**–22,467**	**–18,058**	**–15,411**	**–22,125**	**–20,031**	**–70,705**	**–61,035**
Currency translation adj.	36		78	–115	687	–1,393	777	–1,464	**1,578**	**–2,972**
Amortisation			–6,589	–4,828	–1,982	–1,254	–603	–630	**–9,174**	**–6,712**
Disposals			136	14	782				**918**	**14**
Reclassifications			–47						**–47**	
At 31.12.	**–3,090**	**–3,126**	**–33,818**	**–27,396**	**–18,571**	**–18,058**	**–21,951**	**–22,125**	**–77,430**	**–70,705**
Total intangible assets, net at 31.12.	**17,346**	**17,627**	**9,883**	**13,433**	**703**	**2,687**	**2,491**	**3,105**	**30,423**	**36,852**

Goodwill: impairment test

The impairment tests are generally based on a three-year plan. The current medium-term planning assumes more expansion investments. The present value of future (pre-tax) cash flows (value in use) is determined using a pre-tax discount rate of 11.5 % (2017: 10.9 %), which reflects an increased market risk premium. 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 35.1 million (2017: CHF 32.3 million) relate to the setup and introduction of SAP. In the year under review, the additions to this process management system amounted to CHF 2.8 million (2017: CHF 0.3 million). No tranfers from other applications to SAP were made (2017: CHF 0.4 million). Amortisation starts with the go live date and ends after 8 years.

In the reporting year, the management applied immediate write-offs for various software assets totalling CHF 1.7 million (2017: 0).

In 2018, SAP was launched for the Center of Excellence Technopolymers in Switzerland and an e-commerce solution in Hybris was developed. In the previous year SAP was linked with CAD to enhance the Group's product life cycle management, and SAP Cloud for Customers was implemented to improve the efficiency of the service business.

Patents and licences

Patents and licences are normally amortised on a straight-line basis over six 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 at the end of 2018, an amortisation term of an additional year remains on the majority of patents and licences. A review was done for indications of impairment in patents and licences. In the year under review, impairments in the total amount of CHF 0.5 million (previous year: 0) were identified on two individual positions of patents and licenses and amortised immediately.

Customer relationships

Customer relationships are amortised on a straight-line basis over ten years unless the life cycle is shorter. At the end of 2018, an amortisation term of an additional four 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	31.12.2018	31.12.2017
Trade receivables		360
Total assets pledged or assigned	**–**	**360**

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

6.5 Inventories

Detailed overview of the positions belonging to the inventory

in thousands CHF	31.12.2018	31.12.2017
Raw materials	54,651	44,641
Work in progress	17,316	12,853
Finished products	10,104	6,380
Valuation allowance	–4,711	–2,917
Total inventory, net	**77,360**	**60,957**

No inventory was pledged in either year under review.

Development of valuation allowance on inventory

in thousands CHF	2018	2017
Balance as at 1.1.	**–2,917**	**–2,287**
Currency translation adjustment	124	–73
Additions	–1,994	–824
Reductions	76	267
Total valuation allowance on inventory as at 31.12.	**–4,711**	**–2,917**

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 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	31.12.2018	31.12.2017
Trade accounts receivable from goods and services	113,053	91,990
Valuation allowance	–6,906	–6,679
Total trade accounts receivable, net	**106,147**	**85,311**
Prepaid expenses and accrued income	7,974	5,345
Prepayments for inventories	3,574	2,811
Other accounts receivable	11,650	9,870
Forward exchange dealing	136	–101
Total other accounts receivable	**23,334**	**17,925**
Total trade and other accounts receivable, net	**129,481**	**103,236**

Ageing and valuation allowances of trade accounts receivable

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

in thousands CHF	31.12.2018				31.12.2017			
	Gross	Valuation allowance		Net	Gross	Valuation allowance		Net
		individual	collective			individual	collective	
Not past due	57,659	–12		**57,647**	54,219	–7		**54,212**
Past due 1–30 days	15,334	–1		**15,333**	16,352			**16,352**
Past due 31–60 days	5,812	–20		**5,792**	6,102	1		**6,103**
Past due 61–90 days	2,801	–36		**2,765**	1,440			**1,440**
Past due › 90 days	31,447	–6,375	–462	**24,610**	13,877	–6,193	–480	**7,204**
Total trade accounts receivable	**113,053**	**–6,444**	**–462**	**106,147**	**91,990**	**–6,199**	**–480**	**85,311**

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	2018			2017		
		Valuation allowance			Valuation allowance	
	Total	individual	collective	Total	individual	collective
At 1.1.	**–6,679**	**–6,199**	**–480**	**–4,927**	–4,487	**–440**
Currency translation adjustment	179	161	18	–1,060	–1,020	–40
Additions	–1,351	–1,351		–1,676	–1,676	
Allowance used	227	227		235	235	
Allowance reversed	718	718		749	749	
At 31.12.	**–6,906**	**–6,444**	**–462**	**–6,679**	**–6,199**	**–480**

During the year under review, an amount of CHF 0.2 million (2017: CHF 0.2 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	31.12.2018	in %	31.12.2017	in %
EUR	43,728	38.7	39,419	42.9
USD	37,006	32.7	24,493	26.6
CNY	12,472	11.0	11,298	12.3
THB	2,362	2.1	2,313	2.5
DKK	2,069	1.8	2,265	2.5
all other currencies	15,416	13.7	12,202	13.2
Total trade accounts receivable, gross	**113,053**	**100.0**	**91,990**	**100.0**

Regional breakdown of trade accounts receivable
Trade accounts receivable can be broken down into the following geographical areas:

in thousands CHF	31.12.2018	in %	31.12.2017	in %
Europe, Middle East, Africa	51,233	45.3	46,816	50.8
Americas	39,302	34.8	27,649	30.1
Asia-Pacific	22,518	19.9	17,525	19.1
Total trade accounts receivable, gross	**113,053**	**100.0**	**91,990**	**100.0**

On average, trade accounts receivable are 58 days outstanding (DSO). The respective value is for Europe 46, for Americas 95 and for Asia 45. In the previous year, the DSO was 58 for the Group, for Europe 48, for Americas 78 and for Asia 53.

6.7 Cash and cash equivalents

Positions included in cash and cash equivalents

in thousands CHF	31.12.2018	31.12.2017
Cash on hand, bank and postal accounts	47,701	35,383
Current deposits	4,266	1,924
Total cash and cash equivalents	**51,967**	**37,307**

Interest rates of cash and cash equivalents
The interest rates on cash and cash equivalents vary between 0 % (CHF) and 14 % (BRL). The respective rates for 2017 were 0 % (CHF) and 6.25% (ZAR).

Currencies held on cash and cash equivalents

in %	31.12.2018	31.12.2017
EUR	22.0	20.0
CHF	4.0	2.0
CNY	18.0	23.0
USD	29.0	27.0
THB	2.0	2.0
JPY	1.0	2.0
KRW	15.0	8.0
ZAR	2.0	3.0
Other currencies	7.0	13.0
Total cash and cash equivalents	**100.0**	**100.0**

Transfer limitations on cash and cash equivalents
Cash and cash equivalents of CHF 1.5 million (2017: CHF 1.2 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	31.12.2018	31.12.2017
Cash and cash equivalents	51,967	37,307
Trade and other accounts receivable w/o advances	125,771	100,526
Financial assets	714	1,864
Total financial assets at amortised cost	**178,452**	**139,697**
Foreign currency forward contracts*	136	–101
Total financial instruments at fair value	**136**	**–101**
Trade and other accounts payable	61,863	40,296
Financial liabilities	15	212
Total financial liabilities at carrying value	**61,878**	**40,508**

*see note 6.9

Carrying amounts of cash and cash equivalents, trade and other accounts receivable and payable as well as financial assets amount closely 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 monetary nature. Financial assets and liabilities are predominantly due within approximately two years and their net present values correspond very closely to their carrying amounts.

Interroll has only financial assets consisting of foreign exchange contracts which are classified in the fair value hierarchy at level 2. Level 2 consists of inputs that are observable for assets or liabilities either directly (as prices) or indirectly (derived from prices).

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					**31.12.2018**					**31.12.2017**
	EUR	CHF	USD	SGD	CNY	EUR	CHF	USD	SGD	JPY
Financial assets	3	75		5,174		3	75		5,227	
Trade and other accounts receivable	7,806	2,673	6,873	42	2,169	5,913	1,995	5,845	1,076	1,521
Cash and cash equivalents incl. intercompany loans	2,463	16,401	5,079	434	226	1,960	13,774	1,549	366	294
Trade and other accounts payable	11,576	10,506	3,635		3,605	11,260	8,762	3,157	589	17
Current liabilities	1,328	29,165	35		19	248	21,164	3,615		
Currency risks on the balance sheet (gross)	**23,176**	**58,820**	**15,622**	**5,650**	**6,019**	**19,384**	**45,770**	**14,166**	**7,258**	**1,832**
Elimination same currency	–13,042	–38,298	–6,654		–854	–8,255	–31,688	–7,621	–62	
Currency risks on the balance sheet (net)	**10,134**	**20,522**	**8,968**	**5,650**	**5,165**	**11,129**	**14,082**	**6,545**	**7,196**	**1,832**
Natural hedges	–299	–286			–110	–332	–397		–5	
FX forward contracts	–4,954	–7,210	–5,800	–2,651		–3,288	–8,739	–2,318	–4,513	–802
Net currency risk exposure	**4,881**	**13,026**	**3,168**	**2,999**	**5,055**	**7,509**	**4,946**	**4,227**	**2,678**	**1,030**

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				31.12.2018			31.12.2017
Hedged currency	Sell/Buy	Maturity	Notional amount in CHF	Fair value	Sell/Buy	Notional amount in CHF	Fair value
USD	USD/CHF	Feb 19	1,616	11	USD/CHF	711	1
USD	EUR/USD	Feb 19	4,185	–23	USD/EUR	1,670	20
USD					USD/CAD	1,001	–8
USD					SGD/USD	1,316	–19
SGD					SGD/EUR	931	–3
SGD	SGD/CHF	Feb 19	2,651	–9	SGD/CHF	2,938	–41
EUR	EUR/GBP	Feb 19	3,148	59	GBP/EUR	816	–9
EUR	EUR/TRY	Feb 19	632	75	EUR/BRL	884	35
JPY	JPY/EUR	Feb 19	877	–2	JPY/EUR	802	11
JPY					JPY/SGD	644	11
CNY	EUR/CNY	Feb 19	1,174	–34	CNY/EUR	1,293	–15
CNY					CNY/CHF	814	–19
CHF	CHF/EUR	Feb 19	7,211	89	EUR/CHF	7,213	–80
CZK					EUR/CZK	733	2
PLN	PLN/CHF	Jan 19	686	–4	CHF/PLN	537	7
THB	THB/CHF	Feb 19	594				
THB	THB/EUR	Feb 19	885	–11			
CAD	CAD/CHF	Jan 19	626	–15			
Total FX forward contracts				**136**			**–101**

Sensitivity analysis of currency risk exposure

As at 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			31.12.2018			31.12.2017
Currency pair	EUR vs CHF	CHF vs USD	CAD vs USD	EUR vs CHF	CHF vs USD	CAD vs USD
Financial assets	75			75		
Trade and other receivables	440	1,318	1,479	336	180	1,541
Cash and cash equiv. incl. IC loans	16,370	775	841	13,593	882	267
Trade and other payables	5,327		960	3,780		322
Current liabilities	29,165			21,164		556
Gross exposure per currency pair	**51,377**	**2,093**	**3,280**	**38,948**	**1,062**	**2,686**
Risks opposing each other	–33,770	880	–1,920	–28,007	806	–1,756
FX forward contracts	–7,211	–1,616		–7,213	711	–1,001
Net FX exposure per currency pair	**10,396**	**1,357**	**1,360**	**3,728**	**2,579**	**–71**
Currency change in %	3	1	0	2	1	2
Effect on the result (+/-)	**333**	**7**	**5**	**75**	**26**	**1**
Income tax expense at 20.73 %	–69	–1	–1	–15	–5	
Net FX exposure after income taxes	**264**	**6**	**4**	**60**	**21**	**1**

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 at the balance sheet date, the Group had net financial assets of CHF 4.9 million (2017: CHF 3.6 million, see also note 6.12). Financial assets amount to CHF 4.9 million (2017: CHF 3.7 million), CHF 0.7 million (2017: CHF 1.8 million) of which are not interest-bearing. There are no financial liabilities (2017: 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				31.12.2018				31.12.2017
	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	0.01–4.0	**1,222**			0.05–1.40	**977**		
Variable interest rate	2.20–7.56	3,044	30	–30	0.00–6.25	947	9	–9
Non-interest-bearing	–	661			–	1,805		
Total deposits		**4,927**	**30**	**–30**		**3,729**	**9**	**–9**
Total loans								
Cash on hand, bank and postal accounts		47,701				35,383		
Trade and other receivables		125,635				100,627		
Total other financial assets		**173,336**				**136,010**		
Total financial assets		**178,263**	**30**	**–30**		**139,739**	**9**	**–9**
FINANCIAL LIABILITIES								
Total bank loans								
Non-interest-bearing						190		
Total other loans						**190**		
Bank overdrafts		2				1		
Trade and other accounts payable		61,863				40,296		
Total trade and other accounts payable		**61,865**				**40,297**		
Total financial liabilities		**61,865**				**40,487**		
Net financial liabilities		**116,398**	**30**	**–30**		**99,252**	**9**	**–9**

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 0.03 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 at the end of the reporting year amounted to CHF 68.4 million (2017: CHF 78.4 million).

Committed credit limits amounted to CHF 40 million, of which CHF 20 million were extended for a further three years in 2018 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 (Maturities of financial liabilities).

6.10 Information on shareholders' equity

Reconciliation from total shares issued to outstanding shares

	2018	2017
Issued shares par value CHF 10.00 each (previous year: CHF 10.00)	**854,000**	**854,000**
Treasury shares held by the Group as at 1.1.	**6,901**	**2,441**
Purchase of treasury shares	6,000	6,470
Attribution of shares relating to bonus plan	–1,053	–2,010
Treasury shares held by the Group as at 31.12.	**11,848**	**6,901**
thereof unreserved	11,848	6,901
Shares outstanding as at 31.12.	**842,152**	**847,099**

6.11 Earnings per share

Non-diluted earnings per share

The non-diluted earnings per share in 2018 amount to CHF 61.32 (2017: CHF 45.95). The calculation is based on the profit attributable to the shareholders of the parent company, divided by the weighted average of shares outstanding.

	2018	2017
Result attributable to the equity holders (in thousands CHF)	**51,800**	**39,054**
Shares outstanding as at of 1.1.	**847,099**	**851,559**
Effect of the purchase of treasury shares	–3,216	–852
Effect of the sale/attribution of treasury shares	918	–773
Weighted average of shares outstanding	**844,801**	**849,934**
Non-diluted earnings per share (in CHF)	**61.32**	**45.95**

Diluted earnings per share

The diluted earnings per share in 2018 amount to CHF 61.32 (2017: CHF 45.95). 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 2018 or 2017.

	2018	2017
Result attributable to the equity holders (in thousands CHF)	**51,800**	**39,054**
Weighted average of shares outstanding (diluted)	**844,801**	**849,934**
Diluted earnings per share (in CHF)	**61.32**	**45.95**

6.12 Financial liabilities

Details of current and non-current financial liabilities

in thousands CHF	31.12.2018	31.12.2017
Bank overdrafts	2	1
Other loans		190
Finance lease	10	2
Total current financial liabilities	**12**	**193**
Finance lease	3	19
Total non-current financial liabilities	**3**	**19**
Total financial liabilities	**15**	**212**

Ratio of net financial liabilities to equity

in thousands CHF	31.12.2018	31.12.2017
Total financial liabilities	15	212
./. Cash and cash equivalents	–51,967	–37,307
Net financial liabilities (-net cash)	**–51,952**	**–37,095**
Equity	**284,840**	**261,680**
Net financial debt in % of the equity	**n/a**	**n/a**

Loan structure

in thousands CHF					31.12.2018		31.12.2017	
	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	13	13	209	209
Total loans					**13**	**13**	**209**	**209**

Maturities of financial liabilities

The financial liabilities as at 31 December 2018 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	13	13	5	5	2	1
Bank overdrafts	2	2	2			
Trade/other accounts payable*	61,863	61,863	61,863			
Total financial liabilities	**61,878**	**61,878**	**61,870**	**5**	**2**	**1**

*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 six months.

The financial liabilities as at 31 December 2017 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	209	209		209		
Bank overdrafts	1	1	1			
Trade/other accounts payable*	40,296	40,296	40,296			
Total financial liabilities	**40,506**	**40,506**	**40,297**	**209**		

*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 six months.

6.13 Lease liabilities

Finance leases
As in the previous year, there were no finance leases in the year under review.

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

in thousands CHF	31.12.2018	31.12.2017
within 1 year	2,614	2,464
between 1 and 5 years	3,607	4,215
over 5 years	78	503
Total operating leases	**6,299**	**7,182**

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	2018	2017	2018	2017	2018	2017
At 1.1.	**7,931**	**6,766**	**176**	**101**	**8,107**	**6,867**
Currency translation adjustments	−229	356	−16	10	−245	**366**
Provisions made	4,700	4,268	400	76	5,100	**4,344**
Provisions used	−3,034	−2,587	−250		−3,284	**−2,587**
Provisions reversed	−1,181	−872	−6	−11	−1,187	**−883**
At 31.12.	**8,187**	**7,931**	**304**	**176**	**8,491**	**8,107**

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 2018 corresponds to roughly 1.5 % (2017: 1.8 %) 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 2018 amounted to CHF 3.0 million (2017: CHF 2.8 million). Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are regarded as defined benefit plans in line with IAS 19. 212 employees participated in the defined benefit plans in 2018 and 217 participated in 2017. 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	2018	2017
Costs of the defined contribution plans	**1,716**	**1,642**
Current service costs, net	1,168	996
Administrative expenses	57	58
Interest costs	65	60
Costs of the defined benefit plans	**1,290**	**1,114**
Effects of changes in financial assumptions	–855	–499
Effects of experience assumptions	–415	692
Return on plan assets (excl. interest income)	359	–649
Remeasurements included in other income	**–911**	**–456**
Defined benefit costs	**2,095**	**2,300**

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 at 31.12.	2018	2017
Present value of defined benefit obligation	–28,627	–28,473
Fair value of plan assets	20,811	20,323
Pension liability	**–7,816**	**–8,149**

Roll forward of the defined benefit obligation

in thousands CHF	2018	2017
Benefit obligation as at 1.1.	**–28,473**	**–26,237**
Current service costs, net	–1,168	–996
Interest costs	–231	–191
Contributions from employees	–485	–481
Benefits (funded)/paid, net	431	–349
Benefits (funded)/paid, net from employer	0	37
Translation difference	29	–63
Remeasurements		
– Effects of changes in financial assumptions	855	499
– Effects of experience assumptions	415	–692
Benefit obligation as at 31.12.	**–28,627**	**–28,473**

Roll forward of the present value of plan assets

in thousands CHF	2018	2017
Fair value of plan assets as at 1.1.	**20,323**	**18,083**
Administrative expenses	–57	–58
Interest income	166	131
Employer contributions	686	680
Employee contributions	485	481
Benefits funded/(paid), net	–431	349
Translation difference	–2	8
Income of plan assets	–359	649
Fair value of plan assets as at 31.12.	**20,811**	**20,323**

Investment categories

in %	2018	2017
Qualified insurance policies*	20,746	20,315
Cash	65	8
Total investments in %	**20,811**	**20,323**

* 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	2018	2017
Net defined benefit liability as at 1.1.	**–8,149**	**–8,154**
Defined benefit costs included in P/L	–1,290	–1,114
Total remeasurements included in OCI	911	456
Employer contributions	686	717
Translation difference	26	–54
Net defined benefit liability as at 31.12.	**–7,816**	**–8,149**

Actuarial assumptions

in %	2018	2017
Discount rate	1.0	0.8
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
Weighted modified duration in years	20.7	20.1

Sensitivities

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

Discount rate	0.98%	+0.25%	-0.25%
Benefit obligation	–28,627	–27,302	–30,064

Rate of salary increase	1.50%	+0.25%	-0.25%
Benefit obligation	–28,627	–28,763	–28,496

Sensitivities are based on possible changes that are likely as at the end of 2018.

6.16 Trade and other accounts payable, accrued expenses

in thousands CHF	31.12.2018	31.12.2017
Trade accounts payable to third parties	20,905	14,143
Total trade accounts payable	**20,905**	**14,143**
Other liabilities	15,446	12,834
Advances received from customers	25,512	13,319
Total other accounts payable	**40,958**	**26,153**
Accrued personnel expenses	9,743	9,657
Accrued interest	4	5
Other accrued expenses	17,859	11,182
Total accrued expenses	**27,606**	**20,844**
Total trade and other accounts payable, accrued expenses	**89,469**	**61,140**

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.

Advances received from customers correspond to contract liabilities according to IFRS 15.116(a) and are recognised as revenue on final approval of the project.
All advances received from customers existing by beginning of 2018 were recognised as revenue during 2018.

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details on personnel expenses and number of employees

in thousands CHF	2018	2017
Wages and salaries	120,217	106,991
Social security costs	17,551	15,607
Pension costs (see note 6.15)	3,006	2,756
Other personnel-related costs	2,999	1,998
Equity-based personnel expenses to management personnel	1,617	2,313
Total personnel expenses	**145,390**	**129,665**
Thereof production-related personnel expenses	70,652	63,320
Average number of employees	**2,198**	**2,067**

In the period under review, 1,053 treasury shares (2017: 2,010) were granted to management members as part of their bonus scheme. In the year under review, 1,048 shares (2017: 2,010) have been blocked from sale for a period of four to eight years as of the grant date. Five treasury shares (2017: 0) were granted without vesting period. The shares were measured at market value on the grant date.

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	2018	2017
Research and development (R&D) expenditures	11,297	10,706
R&D in % of net sales	2.02	2.38

7.3 Other operating expenses

in thousands CHF	2018	2017
Production-related expenses	10,927	10,053
Freight	13,849	11,295
Office, administration and IT services	9,368	8,212
Building costs	6,784	5,479
Travelling and transportation	6,370	6,408
Marketing	5,096	4,960
Consultancy, auditing and insurance	6,281	5,296
Provisions and allowances, net	3,656	3,597
Variable sales costs	3,679	5,151
Non-income taxes	2,483	2,342
Other expenses and services	12,113	6,546
Realised effects on exchange losses	92	
Total other operating expenses	**80,698**	**69,339**

7.4 Other operating income

in thousands CHF	2018	2017
Income from freight and packing	2,722	2,290
Income from services	286	217
Government grants received	275	291
Loss/(gain) on disposal of tangible and intangible assets	41	11
Total other operating income	**3,324**	**2,809**

7.5 Financial result

in thousands CHF	2018	2017
Fair value changes of foreign currency forward contracts		131
Realised translation losses	–1,209	–491
Realised translation expenses	–124	–376
Interest expenses	–330	–33
Financial expenses	**–1,663**	**–769**
Fair value changes of foreign currency forward contracts	237	
Interest income	428	172
Financial income	**665**	**172**
Financial result, net	**–998**	**–597**

7.6 Income tax expense

Components of income tax expense

in thousands CHF	2018	2017
Income taxes relating to the current period	18,475	11,888
Income taxes relating to past periods, net	473	–684
Current income tax expense	**18,948**	**11,204**
Due to temporary differences	–2,336	–2,815
Due to tax rate changes	–7	–777
Due to (recognition)/use of tax loss carryforwards		148
Other effects (including acquisition)		
Deferred income tax expense/(income)	**–2,343**	**–3,444**
Total income tax expense	**16,605**	**7,760**

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

Deferred tax liabilities of CHF 0.3 million (2017: CHF 0.1 million) were not 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	2018	2017
Result before income taxes	**68,405**	**46,814**
Income tax expense at the expected tax rate of 20.7 % (2017: 20.7 %)	14,180	9,705
(Tax credits)/tax charges on prior years' results, net	473	–684
Effect from deviation to tax rates in Group companies	597	–1,522
Tax rate changes, net	–10	–355
(Non-taxable income)/non-tax deductible expenses, net	1,371	655
(Use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	–5	–40
(Reversal of)/write offs on deferred tax assets, net	–1	1
Effective (total) income tax expense	**16,605**	**7,760**

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 loss carryforwards

in thousands CHF	31.12.2018		31.12.2017	
	not activated	activated	not activated	activated
Expiry:				
2018			693	
2019			534	
2020				
2021	117		819	
2022				
2023	350		339	
2024 and later	13,852		12,734	
unlimited	11,976		11,449	
Total	**26,295**		**26,568**	
Tax benefit	6,578		6,706	
Thereof unrecognisable	–6,578		–6,706	
Deferred tax assets from loss carryforwards				

A tax effect of CHF 1.2 million resulted from new tax loss carryforwards of CHF 4.4 million in 2017 (2017: new tax losses of CHF 4.4 million with a tax effect of CHF 1.2 million, none of which was capitalised). During the year under review no tax assets were capitalised.

Deferred tax assets on unused tax losses carried forward and based on temporary differences are capitalised in case it is probable that such assets can be offset against future taxable profits. Included in loss carry forwards are items whose effective tax usage is currently uncertain, as various restructurings have been performed. It is legally clarified whether these loss positions continue to be usable for the group. No deferred tax assets are reported on the balance sheet for the other loss carry forwards in 2018 due to the foreseeable potential for offsetting in 2018 (2017: CHF 0.0 million). The majority of unrecognized deferred taxes on loss carry forwards are loss carry forwards of US companies. Applicable tax rate for the reporting year 2018 is 26 % (2017: 26 %).

Allocation of deferred tax assets / liabilities to balance sheet items

in thousands CHF	31.12.2018		31.12.2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	367	719	539	926
Property, plant and equipment	1,663	3,162	1,460	2,169
Financial assets	253	8		9
Inventory	6,361	639	988	218
Receivables	579	981	494	1,013
Total assets	**9,223**	**5,509**	**3,481**	**4,335**
Non-current debts		893		
Provisions	1,406	955	4,995	893
Current debts	890	193	124	199
Other liabilities	1,788	25	486	
Total liabilities	**4,084**	**2,066**	**5,605**	**1,092**
Set-off	–3,852	–3,852	–5,328	–5,328
Total net	**9,455**	**3,723**	**3,758**	**99**

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 2018, the Interroll Group has committed to guarantees to third parties in the amount of CHF 0.4 million (2017: 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	**2018**	**2017**	**31.12.2018**	**31.12.2017**
Purchase of materials	a	242	222	31	12
Consulting services	b	56	1,548		142
IT investments/IT services	a	76	140		
Other purchases	a	144	142		
Total purchases		**518**	**2,052**	**31**	**154**

		Volume		Open receivables	
in thousands CHF	Category	**2018**	**2017**	**31.12.2018**	**31.12.2017**
Sale of material	a	104	129	7	
Total services		**104**	**129**	**7**	

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 share 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 0.6 million in 2018 (2017: 0.7 million). 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	2018	2017
Salaries incl. bonus	3,818	3,693
Post-employment benefits	663	658
Equity-based compensation	1,407	1,458
Total compensation to Group Management	**5,888**	**5,809**

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 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 2018 were approved by the Board of Directors on 6 March 2019 and are subject to further approval by the Annual General Meeting of Shareholders on 3 May 2019.

No event has occurred between 31 December 2018 and 6 March 2019 which would require adjustment to the carrying amount of the Group's assets and liabilities as at 31 December 2018, 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 Ltd	Sant'Antonino (CH)	F	O	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 Ltd	Sant'Antonino (CH)	F	HD	CHF	100.0	100%

Name	Location (country)	Function	Owner	Share capital in 1,000		Ownership in %
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.	Warsaw (PL)	S	HD	PLZ	100.0	100%
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD/PR	TRY	1,000.0	100%
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	S	HD	ZAR	0.3	100%
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.	Canyon City, CO (US)	P	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. Paulo (BR)	P/S	HD/E	BRL	9,049.7	100%
Interroll Mexico S. de R.L. de C.V.	Mexico City (MX)	S	HD/PR	MXN	1,720.1	100%
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	1,000.0	100%
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP/HD	KRW	1,500,000.0	100%

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

Changes to the scope of consolidation in 2018
During the year under review, Interroll Conveyor GmbH in Kronau, Germany was founded.

Changes to the scope of consolidation in 2017
In the previous year, Interroll USA, LLC in Wilmington, NC (US) opened 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.

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Interroll Holding Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the 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 3,400,000

We concluded full scope work at 10 Group companies in 7 countries.

In addition, specified audit procedures were performed on further 9 reporting units in 5 countries.

Our audit scope addressed 75% of the sales revenue and 73% of the assets of the Group.

As key audit matter the following area of focus has been identified: Valuation of accounts receivable

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 Group 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 3,400,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax 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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 170,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope
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.

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.

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.

Valuation of accounts receivable

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2018, trade receivables amount to CHF 129.5 million which represent a significant balance of the Group's total assets. Due to the significant sales growth of the Group with new customers, the resulting high balance of trade receivables and the significant influence of assumptions made by management in assessing impairment, the valuation of trade receivables is a focus area of our audit. Trade receivables are stated at amortised cost less valuation adjustments. The amount of the adjustment is calculated based on expected credit losses. It consists of individual allowances for specifically identified items and collective allowances for losses incurred but not reported. The expected future credit losses were estimated by management based on the customer's aging profile, historical payment pattern and the past record of default of the customer. For the purpose of impairment assessment, significant management judgements and assumptions are required for the identification of impairment events and the determination of the impairment charge. We refer to the section "Customer and other receivables" in the accounting policies and to note x in the notes to the financial statements.	We have performed the following audit procedures with regard to the recoverability of the accounts receivable: – Tested the accuracy and existence of the customer receivables outstanding at the end of the year on a sample basis; – Obtained a list of outstanding receivables and identified any debtors with potential payment difficulties through discussion with management and review of ageing structure; – Assessed the recoverability of unsettled receivables on a sample basis through our evaluation of management's assessment with reference to the credit profile of the customers, historical payment pattern, publicly available information and latest correspondence with customers to consider if any additional allowances should be made; – Tested subsequent settlement of trade receivables after balance sheet date on a sample basis. Our audit results support the Board of Directors' assessment of trade receivables as at 31 December 2018.

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 stand-alone financial statements and the remuneration report of Interroll Holding Ltd 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 Art. 728a paragraph 1 item 3 Code of Obligations 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

Regina Spälti
Audit expert

Zurich, 6 March 2019

FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD

1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD

1.1 Balance sheet

in thousands CHF	see notes*	31.12.2018	31.12.2017
ASSETS			
Cash and cash equivalents		1,040	1,305
Accounts receivable from subsidiaries		2,828	1,721
Other receivables from third parties		330	140
Loans to subsidiaries		36,248	26,797
Total current assets		**40,446**	**29,963**
Investments		105,354	106,916
Loans to subsidiaries	3.3	5,541	6,305
Total non-current assets		**110,895**	**113,221**
Total assets		**151,341**	**143,184**
EQUITY AND LIABILITIES			
Trade and other accounts payable to subsidiaries		13	282
Trade and other accounts payable to third parties		37	80
Loans from subsidiaries	3.4	1,295	1,637
Accrued expenses		1,882	2,052
Total current liabilities		**3,227**	**4,051**
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		159,681	141,757
Treasury shares	3.1	–17,638	–8,695
Total shareholder's equity		**148,114**	**139,133**
Total liabilities and equity		**151,341**	**143,184**

* See notes to the financial statements.

1.2 Income statement

in thousands CHF	2018	2017
Investment income	30,846	4,276
Royalty income	4,886	4,872
Other operating income	2,059	2,563
Financial income	2,689	3,249
Total income	**40,480**	**14,960**
Administration expenses	–2,119	–453
Personnel expenses	–2,760	–3,481
Other operating expenses	–1,612	–2,000
Financial expenses	–2,088	–2,298
Total expenses	**–8,579**	**–8,232**
Result before income taxes	**31,901**	**6,728**
Direct taxes		
Result	**31,901**	**6,728**

1.3 Statement of changes in equity

in thousands CHF	Share capital	Reserves from capital contrib.	Legal reserve	Available earnings	Treasury shares	**Total**
As at 1.1.2017	**854**	**8**	**5,209**	**148,648**	**–1,914**	**152,805**
Result 2017				6,728		**6,728**
Distribution from face value reduction				–13,619		**–13,619**
Change of balance for treasury shares					–6,781	**–6,781**
As at 31.12.2017	**854**	**8**	**5,209**	**141,757**	**–8,695**	**139,133**
Result 2018				31,901		**31,901**
Dividend payment, net				–13,977		**–13,977**
Change of balance for treasury shares					–8,943	**–8,943**
As at 31.12.2018	**854**	**8**	**5,209**	**159,681**	**–17,638**	**148,114**

2 GENERAL INFORMATION ON THE FINANCIAL STATEMENTS

2.1 Accounting policies

Accounting law
The financial statements 2018 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 raised 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 years 2018 and 2017, the company did not sell any treasury shares as reported in note 6.10 of the financial report of the Interroll Group. In the year under review, the company acquired 6,000 shares (2017: 6,470 shares). At year-end 2018, the company held 11,848 treasury shares at a carrying amount of CHF 17.6 million (2017: 6,901 treasury shares at a carrying amount of CHF 8.7 million).

Allocation of treasury shares to employees
1,053 shares at a carrying amount of CHF 1.6 million were allocated to employees (2017: 2,010 shares [of which 700 shares for remuneration 2016] at a carrying amount of CHF 2.4 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 2018	0.00 %	3.89 %
In the year 2017	0.00 %	2.89 %

Loans to subsidiaries are normally redeemable with a notice period of three months. As at year-end, the total outstanding Group loans amounted to CHF 44.6 million (2017: CHF 33.1 million). An impairment has been recognised for loans amounting to CHF 2.8 million (2017: CHF 2.8 million).

In 2018, of the total loans in the amount of CHF 44.6 million (2017: CHF 33.1 million), CHF 36.2 million (2017: CHF 26.8 million) were reported as short-term loans.

3.4 Loans from subsidiaries

The following interest rates were used:	lowest	highest
In the year 2018	1.00 %	2.75 %
In the year 2017	1.00 %	2.50 %

Loans due from subsidiaries are normally redeemable with a notice period of three months. As at year-end 2018, 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.

	31.12.2018		31.12.2017	
Shareholder/shareholder group	Number of shares	Interest in %	Number of shares	Interest in %
B. Ghisalberti, E. Moreschi and Family	98,852	11.58	102,682	12.02
D. Specht and Family	63,745	7.46	69,745	8.17
Groupama Asset Management	43,726	5.12	43,726	5.12
Allianz Group	42,697	5.00	50,084	5.86
Kempen Oranje Participaties N.V.	42,481	4.97	42,481	4.97
Stiftung Erlebnispark Fördertechnik GmbH	36,275	4.25	0	0.00
Swisscanto Fondsleitung AG	*	*	25,635	3.00
Massachusetts Mutual Life Insurance Company	26,355	3.09	*	*
Various other shareholders	499,869	58.53	483,172	56.59
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 (2017: CHF 42 million) in favour of Interroll (Schweiz) AG. The credit facility was not utilised on 31 December 2018.

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 and the previous year there were no retention guarantees in favour of customers of Interroll Holding Ltd. 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 Group Management

The remuneration of the members of the Board of Directors and 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, Art. 663c (see remuneration report, pages 53 to 61).

4.3 Shares held by Group Management

	Shares as at 31.12.	
	2018	**2017**
Paul Zumbühl	21,532	21,012
Tim McGill *		3,432
Richard Keely **	40	
Dr Christoph Reinkemeier	719	699
Daniel Bättig	523	570
Dr Ralf Garlichs *		474
Jens Strüwing **		
Dr Ben Xia	482	372
Jens Karolyi	133	182
Total	**23,429**	**26,741**

*Left Group Management during financial year 2018.

**Joined Group Management during financial year 2018.

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the Annual General Meeting of 3 May 2019 to appropriate the available earnings as at the end of the year under review as follows:

in thousands CHF	**2018**	**2017**
Result	31,901	6,728
Available earnings carried forward from previous year	127,781	135,029
	159,682	**141,757**
Distribution of a dividend of	18,788	13,976
to be carried forward	140,894	127,781
	159,682	**141,757**

Proposed dividend payment

The Board of Directors proposes to the Annual General Meeting to pay a dividend in the amount of CHF 22.00 per share or a maximum of CHF 18.8 million in total. In the previous year, a dividend in the amount of CHF 16.50 per share or a maximum of CHF 14.1 million was approved. If this year's dividend proposal is approved, the respective payment will be processed in the second quarter of 2019.

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 Ltd which comprise the balance sheet as at 31 December 2018, 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 2018 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 750,000

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 750,000
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 32,500 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 105.3 million (70% of total assets) and short- and long-term loans granted to subsidiaries amount to CHF 41.8 million (28% 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 Ltd.	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 re-performed 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 re-performed 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. http://www.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 Art. 728a paragraph 1 item 3 Code of Obligations 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	Regina Spälti Audit expert

Zurich, 6 March 2019

FINANCIAL CALENDAR 2019

Preliminary financial figures 2018 (unaudited)	21 January
Publication Annual Report 2018 and balance sheet press conference	22 March
Annual General Meeting	3 May
Publication Half-Year Report 2019 and web conference (English)	5 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:

investor.relations@interroll.com

Martin Regnet
Global PR Manager
Tel: +41 91 850 25 21
E-mail: investor.relations@interroll.com

Editor
Interroll Holding Ltd
Via Gorelle 3
6592 Sant'Antonino, Switzerland
Tel: +41 91 8502525
Fax: +41 91 8502505
www.interroll.com

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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.

Interroll Holding Ltd.
Via Gorelle 3 | 6592 Sant’Antonino | Switzerland
www.interroll.com