



ANNUAL REPORT 2013

INSPIRED BY EFFICIENCY



HIGHLIGHTS 2013

SOLID **SALES GROWTH** IN THE **AMERICAS** BY **20.4%**
AND **ASIA-PACIFIC** BY **27.8%**

RISE IN **EBITDA MARGIN** TO **14.3%**

US ACQUISITION PORTEC SUCCESSFULLY INTEGRATED
INTERROLL **SUBSIDIARY IN ITALY** ESTABLISHED



CONTENTS

Annual review	2
Interroll on the capital market	4
Report by the Board of Directors and Group Management	6
Group Management	10
Our business	12
Overview of financial position, earnings and cash flows	14
Overview by product groups	16
Overview by region	18
Non-financial performance indicators	20
Interview: “Seizing our opportunities worldwide”	24
Momentum for our growth	29
Corporate Governance	55
Financial statements of Interroll Group	75
Financial statements of Interroll Holding Ltd.	143

KEY FIGURES

in CHF million, if not stated differently

	2013	2012	2011	2010	2009
Incoming orders/net sales					
Total incoming orders	318.8	302.6	288.7	285.2	238.9
Drives	109.4	99.3	95.1	97.9	82.9
Rollers	75.4	80.4	83.2	79.2	73.3
Conveyors & Sorters	71.2	69.3	42.8	52.1	33.6
Pallet & Carton Flow	60.3	58.1	50.8	53.9	44.3
Total net sales	316.3	307.2	271.9	283.1	234.0
Profitability					
EBITDA	45.4	41.1	36.2	35.8	18.8
in % of net sales	14.3	13.4	13.3	12.6	8.0
EBITA	34.0	30.3	25.7	24.8	8.0
in % of net sales	10.7	9.9	9.5	8.8	3.4
EBIT	27.2	24.8	20.4	20.4	3.1
in % of net sales	8.6	8.1	7.5	7.2	1.3
Net profit	20.5	19.4	18.2	14.4	5.7
in % of net sales	6.5	6.3	6.7	5.1	2.4
Cash flow					
Operating cash flow	44.5	38.2	14.5	18.7	20.4
in % of net sales	14.1	12.4	5.3	6.6	8.7
Free cash flow	5.0	30.2	-5.6	-8.5	-6.0
in % of net sales	1.6	9.8	-2.1	-3.0	-2.6
Total investments/capital expenditure	39.8	10.6	19.6	26.4	22.9
Balance sheet (31.12.)					
Total assets	258.2	227.6	239.2	211.3	215.7
Goodwill	16.0	9.0	9.0	9.3	11.0
Net financial assets (debts)	20.2	8.7	-17.6	-12.9	-4.2
Gearing (net debt/equity)	-	-	0.12	0.10	0.03
Indebtedness factor (net debt/cash flow)	-	-	1.21	0.69	0.20
Equity	187.2	157.6	143.3	127.5	133.0
Equity ratio (equity in % of assets)	72.5	69.3	59.9	60.3	61.7
Return on equity (in %)	11.9	12.8	13.4	11.1	4.3
Other key figures					
RONA (Return on Net Assets, in %)	12.2	12.6	9.9	10.4	1.6
Average number of employees	1 488	1 420	1 340	1 255	1 206
Net sales per employee (in thousands CHF)	213	216	203	226	194
Productivity (Added value/total personnel expenses)	1.95	1.92	1.77	1.98	1.66

ABOUT INTERROLL

Interroll Group is a worldwide leading provider of high-quality key products and services for internal logistics. The company offers a broad product range in the four product groups “Rollers”, “Drives”, “Conveyors & Sorters” and “Pallet & Carton Flow” to around 23,000 customers around the world.

Core industries are courier, parcel, express and postal services, airports, food processing as well as distribution centres. Customers are amongst others well-known global brands such as Amazon, Bosch, Coca-Cola, Coop, DHL, FedEx, Peugeot, PepsiCo, Procter & Gamble, Siemens, Walmart or Yamaha.

Interroll is engaged in global research projects on logistics efficiency and actively supports industry associations in developing standards. Headquartered in Sant’Antonino, Switzerland, Interroll operates a worldwide network of 31 companies with around 1,600 employees. The company was founded 1959. Since 1997, Interroll Group has been listed on the SIX Swiss Exchange and included in the SPI index.

www.interroll.com

Interroll product groups

Rollers



Drives



Conveyors & Sorters



Pallet & Carton Flow



ANNUAL REVIEW

Q1 | 2013

Thailand

Major order for a modern dynamic storage system by Red Bull

Innovation

Magnetic speed controller introduced to the market



Switzerland

Coop benefits from space and energy-saving dynamic storage system in Pearlwater Mineralquellen bottling centre

Q2 | 2013

Italy

Opening of new Interroll subsidiary

Russia

Daifuku placed major order for a modern sorter

Germany

International in-house exhibition attended by Ex-Formula-1 driver Heinz-Harald Frentzen in Wermelskirchen was highly successful



Q3 | 2013

Asia

Dr. Ben Xia appointed as Executive Vice President Asia and Member of Group Management



USA

Acquisition of Portec Inc., the leading US supplier of belt curves

Innovation

Synchronous drum motor received EHEDG certificate

Germany

White paper by the Karlsruhe Institute for Technology (KIT) analysed efficiency gains of 24 volt drive technology

Q4 | 2013

USA

New regional Centre of Excellence in Atlanta completed



Spain

Interroll recognised in the category “Mejor Empresa Logística Internacional” at the Salon Internacional de la Logística y de la Manutención (SIL)

China

MM Energy Savings Award from the Chinese edition of the trade magazine Maschinen-Markt received

INTERROLL ON THE CAPITAL MARKET

Volatility a major feature of international equity markets

Taken overall, the European financial markets experienced positive growth from the beginning of the year, even though there were occasional reversals. On the one hand, equity markets were bolstered by the monetary policy of the US Federal Reserve (FED). On the other, occasionally weak economic data from some European countries depressed the mood.

But while some European stock markets were only moving sideways, there were significant gains on the Swiss equity market in 2013. From the beginning of the year, the SMI Index rose by around 20%.

Forward momentum for Interroll stock

Interroll shares experienced a very strong upward trend in 2013. They opened in January at CHF 333.00 and rose significantly over the course of the year. The closing price on

30 December 2013 was CHF 490.00. The stock was therefore 47.1% up on the 2012 year-end price. This excellent performance reflects the company's fundamentally sound position.

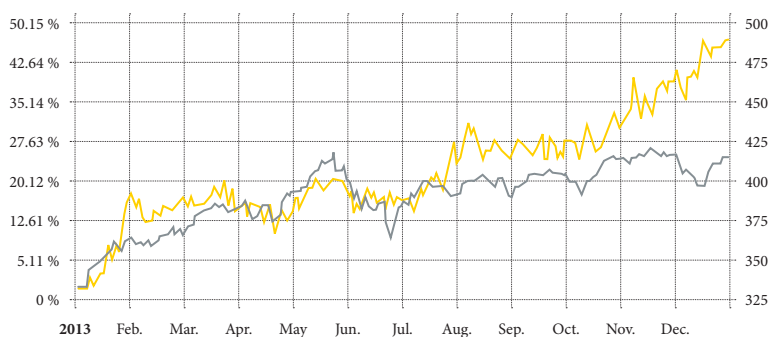
Based on these figures, Interroll shares clearly outperformed the SPI Index, which on 30 December 2013 stood at 7,838 points, just 24.6% above the 2012 year-end figure of 6,290 points.

Stable shareholder structure

Around 26% of Interroll shares are held by the founding family Specht and another main shareholder. As at 31 December 2013, members of the Group management held a total of 2.3% of the shares. Information about the significant shareholders can be found on page 148. Based on the SIX definition, the company's free-float is around 56%.

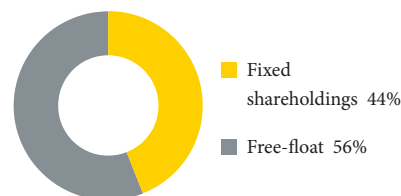
Share price performance Interroll

© Swissquote

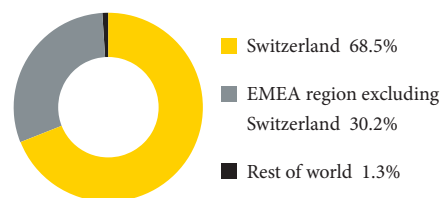


— Interroll share — SPI/SXGE Share price on 28.12.2012: CHF 333,— Share price on 30.12.2013: CHF 490,—

Shareholder structure in % as at 31 December 2013



Geographical distribution of the identified shareholder base as per stock register in % as at 31 December 2013



Active investor relations work

In 2013, we continued to pursue our goal of raising the profile of Interroll globally and consolidating and developing the perception of Interroll as an attractive growth stock. Through continuous and reliable communication with institutional and private investors as well as analysts, we are committed to supporting Interroll's strategic orientation, which is geared to sustainable growth and sustainable margins. Our aim is to increase confidence in our stock and to achieve a realistic and fair valuation.

Those interested in our company's performance can register on our website www.interroll.com (Investor Relations section) for our mailing list or request our standard publications. We also publish information about Interroll's share performance. Financial reports and presentations are available for download and all key financial market dates and details of contact persons can also be found here.

Investor Information

		2013	2012	2011	2010	2009
Information on the Interroll share						
Number of registered shares		854 000	854 000	854 000	854 000	854 000
Number of average outstanding shares		826 920	799 090	791 452	775 724	771 475
Number of outstanding shares as at 31.12.		850 151	802 282	793 901	779 600	771 775
Share price: highest	CHF	490	360	450	371	320
Share price: lowest	CHF	333	270	271	267	173
Share price: per 31.12.	CHF	490	333	279	368	307
Market capitalization as at 31.12.	Mio. CHF	416.57	267.16	221.50	286.89	236.55
Par value as at 31.12.	CHF	10.00	10.00	10.00	10.00	15.00
Reduction of par value	CHF	-	-	-	-	5.00
Distribution out of reserves from capital contributions*	CHF	8.80	8.00	7.00	5.00	-
Pay out ratio		35.43	32.98	30.45	26.89	67.48
Earnings per average share outstanding	CHF	24.84	24.25	22.99	18.59	7.41
P/E Ratio		19.73	13.72	12.14	19.79	41.37
Cash flow per average share outstanding	CHF	53.79	47.78	18.34	24.09	26.43
Equity per share outstanding as at 31.12.	CHF	220.25	198.64	180.48	163.49	172.36

* The distribution out of reserves from capital contributions in the year under review is proposed by the Board of Directors to the annual general assembly on 9 May 2014.

Stock market launch: 1997 | Stock exchange: SIX Swiss Exchange | Market segment: Main Standard | Indices: SPI
 ISIN: CH0006372897 | Security symbol: INRN | Security number: 637289

REPORT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT



Kurt Rudolf
Chairman of the Board of Directors



Paul Zumbühl
CEO

Dear Shareholders and Business Partners,

An exciting year 2013 lies behind us. The global market for internal logistics solutions has developed quite differently in economic terms and shown a completely different level of growth momentum in parts of South America and Asia as in Europe or the USA. The markets are influenced by megatrends, such as demographic development, increasing individualisation of customer needs, more distinct networking due to technological advances and growing environmental awareness.

Solid and strong

We, the Interroll Group, intend to play a more influential part in these developments. We are investing. We are engaging in change. At the same time, however, we also place a great deal of importance on retaining things that have proven themselves. And, we do all of this from a position of economic strength. We have a solid balance sheet and are profitable. Here, we benefit from our strategic global position as a full-scale, neutral supplier of key products for use in internal logistics. Today, our products can be found in 6 out of 10 supermarkets, and 80% of the world's airports. Customers like Red Bull, Coop, Amazon, Pepsi-Cola, Zalando, UPS, Hugo Boss and many others use our products on a daily basis.

“In 2013, Interroll increased sales by 3.0% to CHF 316.3 million and the order intake by 5.4% to CHF 318.8 million. EBITDA rose by 10.4% to CHF 45.4 million and thus exceeded last year's high level. We increased our operating profit (EBIT) by 9.6% to CHF 27.2 million.”

Growing profitably

We concluded financial year 2013 with solid earnings, increasing our sales by 3.0% to CHF 316.3 million and our order intake by 5.4% to CHF 318.8 million. EBITDA rose by 10.4% to CHF 45.4 million and thus exceeded last year's high level. Furthermore, we managed to significantly increase our EBITDA margin of 13.4% to 14.3%. We increased our operating profit (EBIT) by 9.6% to CHF 27.2 million.

Due to our strong net earnings, we will be proposing an increased distribution of reserves from capital contributions of CHF 8.80 (2012: CHF 8.00) to you, dear shareholders, at our Annual General Meeting on 9 May 2014 for financial year 2013. We would thus like you to have a share in the company's success without sacrificing the funds that will be needed to fuel our future growth.

We will continue to pay close attention to maintaining a strong balance sheet and a solid financial condition. Our goal is a high level of equity with sufficient liquidity. Here, we would like to point to our net financial assets of CHF 20.2 million despite having paid for the Portec acquisition, ongoing investments and the dividend.

Strengthening our international presence

The year 2013 has shown that we are able to partially compensate for negative developments in individual markets thanks to our broad diversification into various customer segments and regional markets. In addition, we have taken advantage of the opportunity to further improve our market position through the Portec acquisition in the USA and by setting up a new subsidiary in Italy. We also now cover Portugal on our own.

Last year, we made a good deal of progress in pursuing many of the areas that we had referred to in our Annual Report 2012.

“Today, our products can be found in 6 out of 10 supermarkets, and 80% of the world's airports. Customers like Red Bull, Coop, Amazon, Pepsi-Cola, Zalando, UPS, Hugo Boss and many others use our products on a daily basis.”

Acquisition of Portec gives us access to a new group of customers

For example, we put our second regional US Centre of Excellence in Atlanta into operation as planned. This has allowed us to further complement our dynamic storage solution and other conveyor technology product lines that we manufacture locally. Moreover, we have taken yet another strategic step in this important market with the acquisition of Portec. Portec not only extends our offerings with respect to highly efficient belt curves and other conveyor solutions, but also provides us with access to new groups of customers, particularly in the USA.

Harmonizing processes worldwide

We also implemented our new, global SAP process platform at our site in China as planned. As in 2012, continued implementation of SAP also ranked among our most important strategic projects in 2013. By harmonising processes and data, we are able to serve our customers even more efficiently and roll out new products on a global basis. By doing so, we increased our productivity and strengthened our market position relative to our competition.



“Our strong growth in America and the Asia-Pacific region lowers our dependence on the European market. We see excellent chances of generating more than half of our business outside Europe only a few years from now.”

The fact that we have received six orders from Red Bull in Thailand, three of which in 2013 alone, also deserves special mention. We signed our largest pallet flow order with this customer that is worth around CHF 6.5 million at the beginning of 2013 and this distribution centre had already been put into operation at the end of the year. The repeat orders from Red Bull show how satisfied they are with our solutions.

Dr. Ben Xia joined the Group management team in July 2013. With him, a distinguished expert on material handling has taken over management of our Asian business. We plan to continue expanding our business activities in Asia and benefit from the above-average development in these markets. Dr. Xia will concentrate primarily on expanding our market position in the core industries airports, distribution centres, postal and courier services and the consumer goods industry while leveraging the growth potential in China, North Asia, Thailand, Indonesia and the Philippines.

All in all, our Company continues to rest on a strong and solid foundation. And we want this to stay that way. With that in mind, let us now take a look to what the future has in store for us.

Outlook

The economic environment will remain challenging in 2014. We will need to prepare ourselves to face tougher global competition and rising demands from our customers. Nevertheless, our outlook for the future remains optimistic.

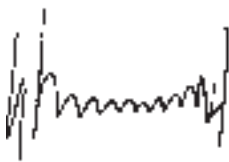
At the international level, our growth will continue to be fuelled by several sources. On the one hand, we will continue to benefit from the dynamics of economies above all in the Asia-Pacific region. Therefore, we are planning to continue expanding our sales activities in this region. Furthermore, our goal is to continue to grow organically, but also to strengthen our market position through acquisitions when occasions arise.

And, not to forget: our largest product introduction in the history of Interroll – our new, global module platform for conveyor technology – is scheduled for 2014.

“The global availability of our products, our proven quality and our short delivery times as well as our ever stronger presence in the important economic regions of the world and ultimately our leading market and technology position in the field of internal logistics will continue to form the basis of our success in the future as well.”

Basis of further growth

The global availability of our products, our proven quality and our short delivery times as well as our ever stronger presence in the important economic regions of the world and ultimately our leading market and technology position in the field of internal logistics will continue to form the basis of our success in the future as well. We intend to continue driving Interroll's growth on this basis in the future. Our successful cooperation with the ten largest system integrators in the world and our understanding of customer demands in the regional markets will generate additional revenue. Even if these orders are handled by our partners, they often result out of the fact that customers, such as Amazon, Red Bull and Walmart rely on proven Interroll products and specify them. We are internationally recognised as an expert in the field of internal logistics and our expertise is appreciated whenever new approaches to internal logistics need to be developed and customers must make decisions.



Kurt Rudolf
Chairman of the Board of Directors

Our strong growth in America and the Asia-Pacific region lowers our dependence on the European market. We see excellent chances of generating more than half of our business outside Europe only a few years from now.

Owing our thanks to our employees, customers and shareholders

Here, we continue to count on the know-how and dedication of our employees. We would like to thank all of our employees for contributing to Interroll's continued market success and growth. We also thank our customers, suppliers and investors for their trust in our company.

Our thanks also go out to you, dear shareholders, for your loyalty. We will continue to develop our strategy in a consistent manner and convince you of our performance.

Sant'Antonino, 21 March 2014



Paul Zumbühl
CEO
Chief Executive Officer



Dr. Christoph Reinkemeier
Executive Vice President
Global Sales & Service

Tim McGill
Executive Vice President
Americas

Paul Zumbühl
Chief Executive Officer
(CEO)



Daniel Bättig
Chief Financial Officer
(CFO)

Dr. Ralf Garlich
Executive Vice President
Products & Technology

Jens Karolyi
Vice President
Corporate Marketing

Dr. Ben Xia
Executive Vice President
Asia

OUR BUSINESS

Leading supplier of products to attractive end-markets

We are a global market leader and technological front runner in key products and services for internal logistics – from totes and cartons to pallets and loose goods. Within our four product groups – Rollers (conveyor rollers), Drives (motors and drives for conveyors), Conveyors & Sorters (conveyor and sorter systems) and Pallet & Carton Flow (dynamic storage) – we supply some 23,000 customers around the world with high-quality products and solutions that in many cases are critical to efficient operations.

The Interroll Group has a market reputation centred around decades of expertise, high added value for customers, global availability of consistently high-quality products and fast delivery times. This combination forms the basis for strong customer satisfaction and provides the foundation for success in our business over the long term.

Our “Global Sales & Service” division consistently markets our entire product range according to the needs of our customer groups – Original Equipment Manufacturers (OEMs), system integrators and end customers – and is responsible for 18 own sales and service units worldwide. Meanwhile, our Products & Technology division comprises seven global Centres of Excellence, four regional Centres of Excellence and three other production sites; it is responsible for research and development,

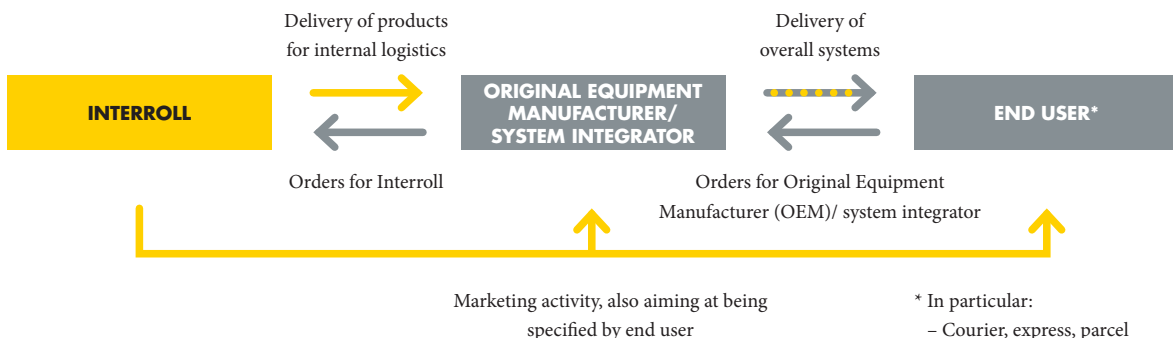
product management as well as global purchasing. Committed to maintaining a global presence that is unique in our industry, we are strongly positioned in virtually all key markets with our Centres of Excellence in Europe, the USA and Asia. For more details, please refer to our Corporate Governance report on page 60.

We create added value through our experience, technological expertise and talent for innovation

As a strategic partner to our customers, we deliver solutions that meet their application requirements through a global product platform. In doing so, we draw on our expertise and in-depth knowledge of the needs of the market. We apply substantial understanding of products and deep know-how of production technology and guarantee exceptionally fast delivery times. System integrators on the other hand have experience in project management and knowledge of material flows at end user companies.

Creating benefits for the end user is our central priority, and our products deliver a return on investment after two years on average. This is one of the reasons why they are often specified by the end user.

Our power of innovation is substantiated and our prominent technological position within the global market is secured by more than 341 active patents and utility models around the world.



* In particular:
 – Courier, express, parcel
 – Airport logistics
 – Food processing industry
 – Distribution

We are focused on the core industries of courier, express and other postal services, airports, food processing and distribution as well as branches of industry that require internal logistics. Our products include easy-to-integrate drive solutions such as drum motors for belt conveyors, conveyor rollers and direct current (DC) drive rollers for roller conveyors, zero-energy flow storage modules for compact pallet/tote storage systems at distribution centres, crossbelt sorters and belt curves.

Megatrends favour the long-term deployment of our products and solutions

Customer requirements continue to progress at pace within our various markets. Change is driven on the one hand by evolving needs such as greater product diversity, less packaging and simpler operation of products in the conveying process; on the other hand, megatrends like globalisation and urbanisation, more pronounced networking, rising mobility and the greater differentiation of our customers and their clients within our defined target markets continually present us with new challenges. Against this backdrop, we are proactively supporting customers with a broad range of proven, tailor-made solutions; at the same time we are enhancing existing products and investing in the development of new products. Please refer to the section 'Momentum for our growth' on page 29 of this report.

Our success factors are a global presence, proven reliability and a talent for innovation

Our aim is to expand our presence within existing markets while moving into emerging markets that offer attractive growth potential. In emerging markets, we perceive opportunities for growth stemming from the burgeoning buying power of the middle class, the resultant rise in industrial production, increasing automation and the greater need for investment in the logistics area. To capitalise on this potential, we are utilising the production and marketing presence we have steadily built up throughout these markets over recent years (see section 'Operational management structure' on page 58). Among the emerging market nations, we focus mainly on China, Southeast Asia and Brazil.

Successful organic growth and selective acquisitions to raise value

We are pursuing a strategy of organic growth and incorporating targeted acquisitions. To boost organic growth, we are continually seeking to expand application solutions for existing clients while identifying and securing new customers and geographical markets (see section 'Momentum for our growth' on page 29).

Select acquisitions aimed at complementing internal growth are another integral feature of our expansion strategy for the long term. We keep a close eye on the market for internal logistics and apply strict criteria as we identify and evaluate possible acquisition targets. All companies previously acquired were quickly incorporated into the Interroll Group, where they began making consistent contributions to our sales and earnings figures from the outset. Future acquisitions will consolidate Interroll's regional presence, expand our product portfolio, improve access to customers and help to unlock synergies. We are well placed to benefit from the fragmentation of the market.

We are continually optimising our production processes and cost structures

Our strategic goals are to position ourselves as the clear technological front runner and global market leader in internal logistics, while steadily increasing market share. In pursuing these aims, we achieve high profitability and strengthen our cash flow. We support and monitor progress through a wide range of measures that include cost discipline and continual improvements to processes across all functions and regions. In 2006, we introduced the Interroll Production System (IPS) on the basis of Kaizen, the management method inherited from the Japanese automobile industry. The integrated approach of Kaizen draws together the whole workforce and every aspect of a company that impacts the bottom line – including logistics, safety, quality, costs, technology and the environment. It also takes account of suppliers and customers. Under this dynamic concept, profitability is enshrined as part of the process. Over the long term, we want to maintain and expand our healthy margin. To remain competitive, we will also continue to pursue the Cost Fitness Programme that we launched in 2013.

OVERVIEW OF FINANCIAL POSITION, EARNINGS AND CASH FLOWS

Significant events for business development

In July 2013, we acquired Portec Inc., Canōn City, USA. Portec is a leading supplier of belt curves. In the air transportation sector, its products are deployed at around 70% of US airports – especially in the area of baggage handling, as for example at O'Hare Airport in Chicago or San Francisco International Airport. Portec products are also installed by goods distribution centres as well as courier and postal service providers such as UPS and Fedex. The acquisition has enhanced our global range in the area of highly efficient belt curves and other conveying solutions while consolidating our market presence in North America. Thanks to Portec's technological expertise in belt conveying solutions for moderately heavy to heavy general cargo, we will open up new application fields for our customers around the globe.

Dynamic growth in logistics area has positive impact on order intake and revenue

Order intake increased by 5.4%, from CHF 302.6 million in 2012 to CHF 318.8 million in 2013. As a result, we were able to raise net sales to CHF 316.3 million, 3.0% up on the previous year's healthy figure of CHF 307.2 million. The increase was attributable to both organic revenue growth of 1.2% as well as the successful acquisition and integration of Portec, adjusted for minor divestments in Europe.

In terms of local currency, order intake rose by 5.6% and net sales by 3.1%.

Since our production facilities are located in the respective markets they serve, costs accrue in the currency in which we generate sales. For this reason, it is possible to compensate for currency effects, which play a secondary role for our company.

Earnings increased on high level

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 10.4%, from CHF 41.1 million in 2012 to CHF 45.4 million in 2013; the EBITDA margin increased from 13.4% to 14.3%.

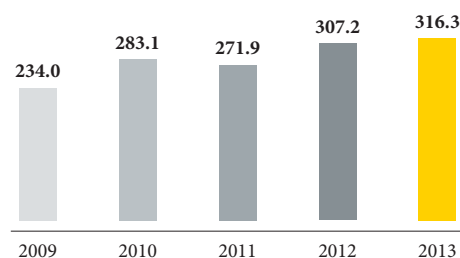
Earnings before interest and taxes (EBIT) climbed from CHF 24.8 million to CHF 27.2 million, i.e. by 9.6%, while the EBIT margin for 2013 was 8.6%, compared to 8.1% in 2012. In the financial year 2013, we accounted for amortisation of CHF 3.8 million in respect of SAP; the corresponding figure for 2012 was CHF 2.9 million.

Compared to the previous year's figure of CHF 19.4 million, net profit increased by 6.4% to CHF 20.5 million.

We were not only able to maintain margin levels, but thanks to our Cost Fitness programme we also managed to absorb considerable incremental costs linked to the establishment of the regional Centre of Excellence in Atlanta and the development of the new modular platform for conveyor technology.

Net sales

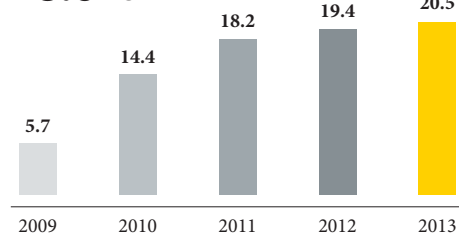
+3.0%



in million CHF

Net profit

+6.0%



in million CHF

Total assets reflect expansion and acquisition

Total assets rose to CHF 258.2 million as at 31 December 2013, 13.5% above the value on the last day of 2012 (CHF 227.6 million). The increase was due to the acquisition of Portec as well as various asset additions. The initial inclusion of Portec in Interroll's scope of consolidation and the impact of this on assets and liabilities are shown in the notes to the consolidated balance sheet starting at page 103.

Shareholders' equity as at 31 December 2013 was CHF 187.2 million, 18.8% higher than the figure of CHF 157.6 million recorded as at 31 December 2012. The main factor behind the increase was net profit; on the other hand, the distribution of reserves from capital contributions served to reduce equity. The equity ratio thus stood at 72.5%, compared to 69.3% as at 31 December 2012.

In spite of the Portec acquisition in July 2013, which was paid from cash and cash equivalents, net financial assets remained well within positive territory at CHF 20.2 million.

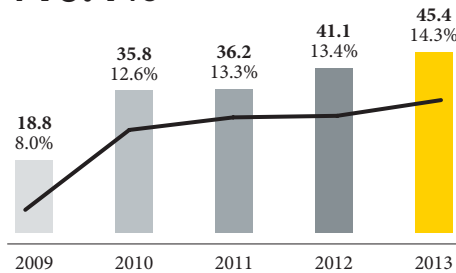
Strong cash flow underlines sound financial position

In 2013, we succeeded in generating a healthy operating cash flow of CHF 44.5 million. This was mainly due to solid operating profit and further improvement to current assets.

Our investments of CHF 16.2 million (CHF 10.6 million in the prior year) were mainly devoted to expansion of the new regional Centre of Excellence in Atlanta, USA, as well as the extension and modernisation of machine assets. Additionally, we invested CHF 23.7 million net in the acquisition of Portec. Despite the substantial investment level, we managed to generate free cash flow of CHF 5.0 million in 2013.

EBITDA

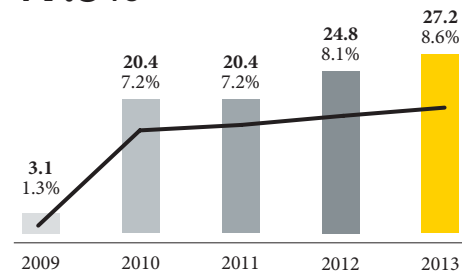
+10.4%



in million CHF or in % (—) of net sales

EBIT

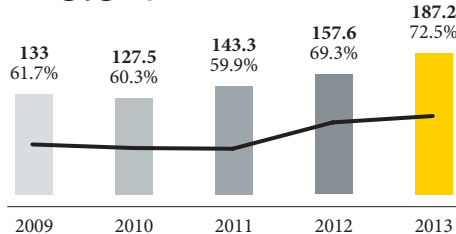
+9.6%



in million CHF or in % (—) of net sales

Equity

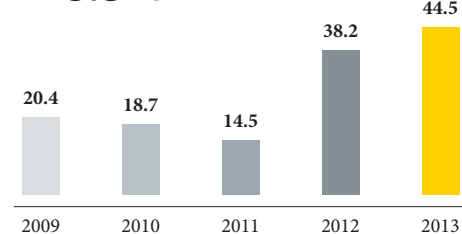
+18.8%



in million CHF/equity ratio (—)

Operating cash flow

+16.5%



in million CHF

OVERVIEW BY PRODUCT GROUP

Product group “Drives”

The Drives product group successfully grew by 10.2%, from CHF 99.3 million in 2012 to CHF 109.4 million, while order intake increased from CHF 99.9 million to CHF 109.6 million. A number of factors contributed to this promising performance. Further technical improvements to our Synchronous Drum Motor have led to strong demand in conveying areas not previously open to us.

Given the trend towards greater flexibility and energy savings in conveyor systems, 24 volt technology has extensively assumed greater importance throughout the market. Offering a range of benefits, this technology was specifically chosen for several new installations and many retrofitting projects. We are the only supplier offering this broad range of RollerDrives, which includes powered rollers and control systems as well as complete modular solutions for simple installations.

In Thailand, we introduced a drum motor campaign, as part of which business partners and consumers were invited to share technological and application expertise in the field of food production.

In Europe, meanwhile, amongst other projects we supplied a new logistics platform solution for Triumph International in the French town of Obernai; the solution significantly reduces

costs, operational downtime, energy consumption and noise levels in pneumatic conveying devices. Upgrading to Interroll’s RollerDrive technology generated considerable advantages for Triumph, including energy savings of 50% and clear noise reduction of 18%.

Product group “Rollers”

Net sales for the Rollers product group stood at CHF 75.4 million, 6.2% down on the previous year’s figure of CHF 80.4 million. Order intake in 2013 was CHF 75.1 million, compared to CHF 80.8 million in 2012.

Although a number of important projects which served to increase volume significantly in the prior year were absent in 2013, we were able to gain market share for our pallet rollers in some countries.

We were also able to increase turnover in Eastern Europe by 12% by gaining new customers.

Product group “Conveyors & Sorters”

The Conveyors & Sorters product group managed to exceed the high sales level of the previous year to stand at CHF 71.2 million, 2.6% up on the 2012 figure of CHF 69.3 million. Order intake stood at CHF 70.3 million, compared to CHF 63.9 million in 2012.

Sales Drives

CHF 109.4 million

References:

Itab

Smiths Detection

Triumph International

Villeroy & Boch

Walmart

Sales Rollers

CHF 75.4 million

References:

Dematic

Knapp

SSI Schäfer

TGW

Vanderlande

Sales Conveyors & Sorters

CHF 71.2 million

References:

Amazon

China Post

Fedex

Hugo Boss

Smiths Detection

Sales Pallet & Carton Flow

CHF 60.3 million

References:

Coca-Cola

First Quality Tissue

Procter & Gamble

Red Bull

Yamaha

This performance was attributable to a clear trend towards automation, driven mainly by e-commerce and ergonomics in the working environment. The more goods are sold online, the more flexibility and speed are needed by trading companies. Company management teams are thus required to improve ergonomic and safety conditions at work with a view to minimising unproductive incidents. We have received promising orders for our sorters not just from Europe and the USA but also from Japan, Russia, Brazil, Korea and China.

In June 2013, for example, we received an order from the Japanese logistics supplier Daifuku for an ultra-modern sorting system in Russia comprising a crossbelt sorter and other materials handling technology. The order value was EUR 1.7 million.

Product group “Pallet & Carton Flow”

In the Pallet & Carton Flow product group, net sales increased by an encouraging 3.8% to stand at CHF 60.3 million (2012: CHF 58.1 million); order intake increased from CHF 58.1 million to CHF 63.9 million.

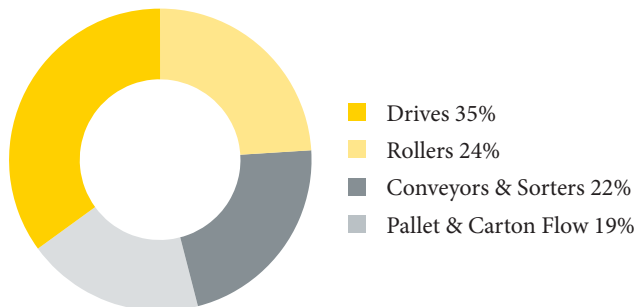
Early in 2013, we concluded our biggest pallet flow order to date, as Red Bull in Thailand invested CHF 6.5 million in pallet flow technology to expand its regional distribution centre. In total, we secured three pallet flow orders from Red Bull in Thailand in 2013.

In Korea, meanwhile, we received an order regarding a distribution centre for noodle dishes from a new client.

In undertaking the installation of a complex logistical solution, we successfully negotiated a challenging construction phase to the utmost satisfaction of our client Swiss Pearlwater despite initial difficulties with the project.

Pallet flow revenue also expanded markedly by nearly 50% in the USA.

Sales by product groups



OVERVIEW BY REGION

Performance differs across the three operational regions

We have been pursuing our strategy of internationalisation by moving into new markets and attracting new customers. Performance varied considerably in the three key regions of business during the period under review: EMEA (Europe, Middle East and Africa), Americas and Asia-Pacific.

Slight temporary dip in net sales in the EMEA region

At CHF 203.0 million, net sales in the EMEA region were 5.7% lower than the 2012 figure of CHF 215.2 million owing to a faltering economy, temporary decline in the logistics area and project postponements. The EMEA region accounted for around 64% of total revenue due to accelerated expansion in the Americas and Asia-Pacific, down from approximately 70% in 2012.

The pattern of sales varied greatly across the European regions. Revenue grew by between 5% and 12% in France, Spain, the United Kingdom and Eastern Europe thanks to overdue investment in logistical projects. By contrast, the saturation point was temporarily reached in the internal logistics field in other countries, especially Germany and Scandinavia.

We have now opened a branch office close to Milan with a view to serving the Italian market directly in future. The emphasis will be on food processing, e-commerce, postal and parcel delivery and the area of security and logistics at airports.

We are also increasing our business activity in Portugal through Interroll Spain.

Highly satisfactory sales performance in the Americas

Our revenue growth of 20.4% in the Americas was driven by strong organic expansion and the acquisition of Portec in July 2013. Net sales reached CHF 68.1 million in 2013, compared to CHF 56.6 million in 2012. The region contributed around 22% to revenue, compared to approximately 18% in 2012.

On the basis of good market prospects in North and South America, we expect to invest up to USD 40 million by 2015; this figure will cover not only the regional Centre of Excellence in Atlanta and the acquisition of Portec but also other investment in high-performance systems.

We have received repeat orders for sorters from a number of leading suppliers, among them Amazon and Walmart. The introduction of our EC310 RollerDrive on the North American market is also proceeding very satisfactorily.





*New regional Centre of Excellence in Atlanta, USA
(completed in December 2013)*

Through the acquisition of Portec, we are expanding our client base and offering a wider range of products for the airports and parcels sector. Integration of the former Portec organisation will also improve customer service for Interroll clients on the west coast while opening up cross-selling opportunities for customers whose needs were not fully met by Portec in the past.

In the past financial year, we overhauled our sales and distribution structure in the USA. The field service division was strengthened, user know-how was purposely expanded and customer proximity was improved. We also implemented our global marketing strategy; please refer to the 'Marketing' section on page 21.

Net sales up significantly in Asia-Pacific region

The Asia-Pacific region remains critical to our growth potential. The rise in living standards in these emerging markets has led to more pronounced consumption and thus increased demand for appropriate internal logistics. Net sales amounted to CHF 35.3 million in 2012, rising by 27.8% in 2013 to stand at CHF 45.2 million; the proportion of total sales was around 14% in 2013, compared to approximately 12% in the previous year.

Once again, our prominent technological position and the growth of Asian markets have been a major driving force behind our expansion. Interroll companies in Korea, Thailand, China and Singapore have improved their market positions by taking significant orders. The performance of the regional Centre of Excellence in the Chinese city of Suzhou was further enhanced by establishing global processes and programmes aimed at promoting skills. SAP has been in operation in all Asian organisations since 1 April 2013; the final step was the go-live at Interroll China.

In Thailand, we secured three dynamic storage orders from Red Bull in 2013, bringing the total number of orders completed for Red Bull to six since 2009. Please refer to the section 'Overview by product group' on page 17.

Dr. Ben Xia, an expert in materials handling with a proven track record in this field, has been running our businesses in Asia since 1 July 2013. Under his leadership, business activity will be promoted and organisational structures will be optimised in anticipation of future requirements in Asia.

NON-FINANCIAL PERFORMANCE INDICATORS

Research and development

Our customers are constantly facing new challenges (see section 'Megatrends favour the long-term deployment of our products and solutions' on page 13). Intense research activity and the development of new products and solutions are essential elements in helping our clients to meet their specific needs, whether they be more efficient assembly, easier transport of commodity units, less packaging, space savings, flexible and load-dependent system control at various speeds, fast response times, energy savings or low maintenance costs. Modular, scalable systems are key prerequisites. As an international market leader, we are involved in global research projects in the field of logistical efficiency; moreover, we actively support industrial associations in developing standards. For this reason, we attach great importance to full compliance with current legal regulations and to anticipating the product development requirements of the future.

The Interroll Research Centre (IRC) in Wassenberg, Germany, concentrates on 'Innovation Pure'. Working closely with the Interroll Centres of Excellence, the Global Product Management team and the sales department, it develops new products, processes and technologies that deliver critical efficiency at key points in internal logistical systems. Its focus ranges from energy efficiency, hygiene and new materials to noise reduction and decentralised intelligence.

Innovation is very important to us, which is why we invest some 3% of revenue in research and development – and intend to carry on doing so. To safeguard our innovations and maintain the competitive advantage we have earned, we consistently register new industrial property rights around the world.

Important developments in 2013 included:

- ☺ The magnetic speed controller for our pallet flow products is integrated into the roller conveyor module, thereby regulating the speed of pallets weighing up to 1,250 kg. The patented magnetic solution prevents wear and the overheating of brakes while ensuring a higher throughput.
- ☺ Our 24 volt conveyor technology is centrally or decentralised controlled by our Conveyor Control technology. Our 'Gateway', an interface to fieldbuses that can be used to control a wide range of functions in a conveyor system, is a useful addition to our conveyor control product family. Since fieldbuses can be used in controlling Interroll materials handling solutions as well as other external components, this addresses the wish expressed by customers for greater automation in their overall systems.
- ☺ To keep pace with increasing automation in the deep-freeze area, we have expanded our conveyor rollers and RollerDrives to include a special version for freezers. A new kind of interlocking connection ensures the conveyor rollers and RollerDrives operate reliably at temperatures as low as -28 degree Celsius and that conveyor systems can be deployed without limitation.
- ☺ Our Centre of Excellence in Sinsheim has developed a new global 'conveyor platform'. It addresses additional customer requirements by offering very high flexibility, ultra-fast delivery times and extremely quiet operation. The new platform, which will be gradually rolled out worldwide, and which will enable us to improve our worldwide market position in the area of internal logistics, will be unveiled at the CeMAT fair in Hanover in the second quarter of 2014.

To gain a deeper understanding of the two leading drive systems (24 volt and 400 volt technology), we lent our support to a Karlsruhe Institute of Technology (KIT) study overseen by Professor Furmans. In the case of the 24 volt technology that we utilise, the conveyor only operates as needed; in the case

of conventional 400 volt technology with geared motors, the conveyor runs continuously. Having compared the two systems, the study concluded that 24 volt technology can reduce the energy requirement by approximately 30%; energy savings of as much as 50% can be achieved by using conveyors with an accumulating function.

Employees

By devoting their skills and their passion for internal logistics on a daily basis, our employees are of fundamental importance to the success of our company. We set high standards in terms of commitment, performance and conduct. For many years, annual performance reviews have served to maintain a consistent dialogue with staff. By agreeing on personal targets and communicating openly, we encourage entrepreneurship amongst our employees while ensuring that they hold a stake in the success of the Group and its future prosperity.

Low fluctuation level points to employee satisfaction

As our low fluctuation rate in the Interroll companies worldwide testifies, our staff are highly motivated and exceptionally committed to the company and its success.

Strategic investment in training

Back in 2008, we founded the Interroll Academy. By promoting the advancement of staff members, the internal training centre is playing a key role in helping the Interroll Group implement its long-term growth strategy.

The Academy utilises a mix of traditional teaching and Internet-based instruction methods, a combination of training approaches that ensures that the knowledge acquired is retained and applied to practical situations. All sales representatives and technicians not only receive training on our products but are also familiarised with customer requirements and applications. In this way, they are able to offer clients effective support.

Fitness training based on 'one-piece flow' principle

We believe it is important to look after our health – which is

why in 2013, at our biggest site in Wermelskirchen, we set up a fitness group open to all staff members (both past and present). The fitness sessions are already attended on a regular basis by around half of the workforce; they take the form of circuit training and utilise a balanced blend of strength and stamina building equipment. Technically speaking, the sessions take the form of cardio training as the circulatory system is boosted alongside all the key muscle groups.

Marketing

Our marketing activities are aimed at supporting the sale of our products and enhancing our brand image around the world. We believe it is very important for our campaigns to reach out not just to our direct clients but also to end customers.

In 2013, we were represented through our own booth at 21 trade fairs around the world, showcasing the products and solutions that we supply to various industries.

We further developed the marketing programme in place since 2011 and also implemented it in the USA and Asia. This involved the effective implementation of marketing campaigns aimed at highlighting Interroll innovations in select growth markets and clearly distinguishing ourselves from the competition; the campaigns were created in Europe before being transferred to the regions. In 2013, the marketing focus was on the e-commerce, distribution and food processing sectors. Campaigns are always linked to ambitious local sales targets. For the year in question, we can point to a highly positive impact: taken together, countries in which the campaigns were introduced saw revenue increase by 50% more compared to the other countries.



To present the customer benefits of our portfolio in a credible fashion, more research and consultancy projects were undertaken with universities and other institutes in 2013. The projects, which clearly underlined the competitive advantages of technology supplied by Interroll, included a partnership with Professor Furmans of the Karlsruhe Institute of Technology (see page 52) and our collaboration with the consultancy firm Intralenco. Other international contacts have been established in Italy, the USA and China, and these will be extended over the year ahead.

Once again, the Sauber F1 Team formed part of our marketing plans in the context of sports sponsoring in 2013; this was achieved within a manageable budget roughly equivalent to the task of planning two large-scale trade fairs for Interroll. Joint appearances at international conferences, an in-house exhibition aimed at a global audience and the organisation of several management workshops by the teams have again

demonstrated that aligning ourselves with a Formula 1 team captures the attention of customers and the media. Both companies stand for a clear focus and outstanding process management. The value of media reporting is almost equal to the sponsoring budget.

We monitor the influence of marketing on the success of the company very closely. Aside from analysing press coverage and the impact of trade shows and the Internet, we obtain assessments from sales directors around the world regarding the contribution of the marketing team to company prosperity.

We plan to push ahead with our marketing strategy that has already proved to be successful. In particular, we will seek to improve our positioning in the areas of sustainability, innovation and the presentation of competitive advantages while highlighting user benefits for end customers.



Interroll is a "Promotional Partner" of the Sauber F1 team

Sustainability

We believe reconciling the impact of our business activity with the expectations and needs of society is a key responsibility. In a globalised world, the challenge is to accommodate the rising tide of goods traffic and the increasing movement of persons without impacting unnecessarily on resources. More and more companies are taking environmental protection into consideration; they are utilising resources more efficiently and conserving energy while demanding the same of their suppliers. As a leader in innovation and technology, we are well placed to respond to this market environment. By implementing sustainable measures aimed at conserving resources, we can help our customers to reduce their costs and thus brighten their competitive prospects.

New materials handling technology saves energy

According to calculations of the Fraunhofer Institute for Material Flow and Logistics (IML) in Dortmund, optimising drive technology can cut energy consumption by almost a third. This applies not only to new systems but also to retrofits, where best possible utilisation of time, space, staff resources, energy and materials can be achieved in a short period of time.

Efficiency-optimised drives, lightweight components across the board and material combinations with low rolling resistance offer easy ways to achieve double-digit decreases in energy consumption.

Our EC310 RollerDrive, for example, is capable of reducing a system's energy consumption by as much as 30%. The energy efficient drive guarantees ideally coordinated operational procedures for zero-pressure accumulation conveyors on both straight conveyor sections and curves.

By deploying our RollerDrives, it is possible to set up an intelligently controlled conveyor system subdivided into zones without significantly altering the basic construction of the system. Assuming medium throughputs of 600 to 1,000 containers per hour, a system modernised in this way con-



Gravity saves energy costs: Loading units "flow" on slightly inclined roller conveyors through the channels

sumes up to 50% less energy than a conventional system in which a geared motor runs continuously (i.e. independently of the throughput). Operation according to need and the fact that no additional drive mechanism is required also serve to suppress the noise level of the system considerably. Furthermore, since the drives are in operation much less than those of conventional systems while delivering the same conveyor output, the effects of wear are minimised. Please refer to the section 'Research and development' on page 20.

A study by Intralenco, a German consulting firm with extensive experience in the internal logistics market, confirmed that using other energy-efficient technologies such as dynamic storage systems reduces carbon emissions significantly. Our Pallet Flow and Carton Flow dynamic storage solutions are fitted with non-driven rollers. Loading units such as pallets are moved by gravity, as slightly inclined roller conveyors feed them through a channel. As a result, there is no need for competitor solutions powered by electric motors to lift and handle the pallets.

“SEIZING OUR OPPORTUNITIES WORLDWIDE”

The Interroll Group is maintaining its pattern of profitable growth. For some time, the conveyor technology manufacturer has been setting its sights more and more on the Asian and American markets. We spoke to Chief Financial Officer Daniel Bättig and Dr. Christoph Reinkemeier, Executive Vice President Global Sales & Service at the Swiss Group, about international strategies, new business opportunities and financial strength.

Mr. Bättig, Dr. Reinkemeier, financial year 2013 saw marked increases once again in sales in the Americas and the Asia-Pacific region, in earnings and, above all, in the cash flow of the Interroll Group. Will Interroll be able to maintain this momentum in the future?

Daniel Bättig: Yes, all managers who are responsible for the business activities of the Interroll Group firmly believe that this is the case. Together with our workforce of around 1,600 employees around the globe, we are pulling out all the stops to ensure that we continue this successful course in the years to come. In this regard, our strategy focuses clearly on organic growth. At the same time, we intend to look into acquisitions that match our strategic outlook.

Dr. Reinkemeier: As regards generating further profitable growth – particularly in Asia and the Americas – 2013 was a very important financial year, and not just in terms of our key performance indicators. Not only did we succeed in winning many new customers for our products and services, securing important follow-up orders and thus confirming the trust that our business partners have in us, we also laid strategic foundations and reached commercial milestones with a view to leveraging our growth potential even more effectively in the future. Above all, we enhanced our product platform around the globe, for instance by standardising our RollerDrive technology at an improved technical level worldwide. In addition, by setting up an internal customer information system, we laid the cornerstone for an international Key Account Management system. This will help us to respond quickly to customer expectations and needs worldwide.



Dr. Christoph Reinkemeier, Executive Vice President, Global Sales & Service

Daniel Bättig, Chief Financial Officer (CFO)

What are the special features that characterise the further internationalisation of Interroll?

Dr. Reinkemeier: Needless to say, internationality has been one of Interroll's key strengths for decades. Traditionally, our home market here in Switzerland does not even account for two percent of our total sales. At present, our efforts are not geared towards stepping up internationalisation at any price. Rather, our main focus is on raising our profile within the markets – and setting ourselves clearly apart from the competition. Our outlook is based on the need to meet the different customer demands that exist in the various regions. This regional outlook is achieved by having our own sales and support organisation directly in the markets. Direct selling is the only way to achieve a “climate of excellence” in our relationship with our customers. Even when it comes to our products and services, quality alone

is no longer sufficient – not by a long shot. This trend can also be seen to have a particular momentum in emerging markets. We will continue to tap into this potential with a view to providing reliable and extensive solutions expertise for our customers.





Daniel Bättig

“We finance our internationalisation from our cash flow. This financial strength gives us a clear advantage over our competitors.”

Daniel Bättig: This is why we have been focusing particular attention on Asia and the Americas for some time. At present, these continents only account for a third of our Group sales. However, the commercial significance of these regions means that there is still enormous potential there. Because of this, we intend to gradually increase the share of sales attributable to these markets to over 50 percent of our Group sales in the coming years.

Doesn't this strategy also mean that Interroll will have to deal with increased requirements and more complex processes?

Daniel Bättig: Without doubt. This is also one of the reasons why we are harmonising and standardising our processes worldwide – for instance by implementing SAP at 23 subsidiaries so far. In this way, we not only become more productive

overall, but also lay the foundations for maximising the advantages of a global presence in the future. Our strategy consists of centralising the respective product development activities at our global Centres of Excellence and decentralising value creation in the relevant production area within the individual regions. To achieve this, we need – figuratively speaking – a nervous system that provides a reliable connection between the head and the hand. This allows us to ensure that the service we provide anywhere in the world is as good, as reliable and as fast as Interroll's customers have come to expect.

Dr. Reinkemeier: We have standardised our operational structures and processes in order to prime them for the demands and complexity of global business. For years, our globally implemented Interroll Production System (IPS) has allowed us to ensure the highest product and process quality. At the same time, we are investing in a new conveyor platform that will reduce our delivery time enormously while opening up entirely new business opportunities. Beside this, we are providing training

and internal know-how certification to our sales staff in order to pack an even harder punch on the sales front. This is because we have observed that, in addition to our direct customers, more and more end customers are expecting us to provide comprehensive solutions expertise in addition to our product and application know-how.

Is this internationalisation drive also the reason for the acquisition of the US company Portec Inc. in mid-2013?

Daniel Bättig: Yes, that was a further milestone in continuing our internationalisation strategy. In the recent past, we have already stepped up our presence in Asia significantly by expanding our regional Centre of Excellence in Suzhou, China. With our plant in Atlanta, Georgia, we are also building a new regional Centre of Excellence for dynamic storage solutions and subsystems. The Portec acquisition meets all the criteria that we specify for acquisitions. This acquisition creates value. It makes an immediate contribution to our business activity and, with its location in the Western USA, fits with our geographical expansion plans. In addition, the acquisition increases and improves our range of products – as

well as strengthens our position in the airport business, one of the main sectors in which Interroll operates successfully worldwide.

Dr. Reinkemeier: In 2013, besides acquiring Portec, we paved the way for further organic growth in key markets around the world. For instance, we set up a subsidiary of our own in Italy and are working the Portuguese market directly via our company in Spain. This means that we now have direct access to these markets. Our production, sales and service companies around the world allow us to maintain a very close dialogue with our customers. Incidentally, this direct market access not only benefits us, but also – and above all – our customers. Ultimately, customers in all markets expect the same high quality, reliability and speed from Interroll.

How does this international strategy set Interroll apart from its competitors?

Dr. Reinkemeier: First of all, internationalisation allows companies to become less dependent on developments in individual economic regions. In our market environment, however, internationalisation gives us another key competitive advantage: with this strategy, we have developed into the only



Dr. Christoph Reinkemeier

international supplier of logistics systems to offer this broad spectrum of products. For the most part, our competitors are only active on a local or regional level or have a smaller product portfolio. This gives us the opportunity to benefit to a great extent from worldwide growth trends – such as globalisation, urbanisation and digital networking. Owing to the size of our company and our access to global markets, we are in a position to invest more in technologies and product innovations than smaller, local competitors with lower order volumes.

As an international company, we are able to achieve higher economies of scale than local competitors and can follow international customers virtually anywhere and offer them better service worldwide as well. A prime example of this can be seen in our projects for PepsiCo, which we regularly serve in the Americas, Asia and Europe – and for which we implemented a major project in Russia recently.

Such an international business outlook requires investments. Can Interroll afford this strategy?

Daniel Bättig: Yes. Interroll has enjoyed financial solidity for years. This means that the expenditure required to safeguard and drive our future development can be financed through our cash flow, rather than having to be financed by banks and other lenders of capital. In the past year, we repaid our last long-term bank liabilities. This means that our business decisions do not have to take into account external interests, such as those of financial markets. This year, for example, the Portec takeover and our investments in infrastructural projects, such as the construction of the new Atlanta plant, were all financed by cash inflows from current business operations. This self-financing and our high equity ratio give us a clear advantage over our competitors. With this strategy, we create lasting value – i.e. we ensure that our shareholders, who have a long-term outlook, will continue to reap the rewards of their investment in Interroll well into the future.

MOMENTUM FOR OUR GROWTH



GLOBALISATION

More people and goods in motion

30



URBANISATION

The flow of goods will continue to rise

36



NETWORKING

The whole world at a click

42



CLIMATE CHANGE

High energy efficiency protects the environment

48

MADEIRA	1319	1	A	260-338	A23
MOSKAU-VNTKOVO	1319	1	A	260-338	A22
BARCELONA	1319	1	C	260-338	TS
STUTTGART 9	1319	1	A	734-748	B28
NEW YORK-NEWARK	1319	1	C	260-338	C4
BAHRAIN-DOHA	1320	1	A	773-783	A40
MALAGA	1320	1	A	260-338	B17
FRIEDRICHSHAFEN	1320	1	A	260-338	B58
MUMBAI	1320	1	A	260-338	B12
MOSKAU-DOMODEDOVO	1325	1	A	260-338	A42
HAMBURG	1325	1	A	260-338	225
ALMATY	1325	1	A	260-338	B60
DENVER	1330	1	A	260-338	A30
CALGARY	1330	1	A	260-338	A14
MUENCHEN	1330	1	A	260-338	B44
LISSABON	1330	1	A	260-338	B31
PARIS-CH. DE GAULLE	1330	1	C	769-772	A15
WARSCHAU	1335	1	A	260-338	B61
					C14
					B45
					A18

GLOBALISATION





The world is growing closer. This development is putting people and goods in motion. For example, the annual number of flights is expected to increase from 5.4 billion to 12.2 billion in the next 20 years. The global freight volume could also increase nearly fourfold by 2050. These megatrends will provide for rising demand for innovative material flow solutions.



MORE PEOPLE AND GOODS IN MOTION



Globalisation is eliminating trade barriers and borders. High rates of growth can thus be expected in air traffic, which plays a central role in international travel. According to the 2013 ACI Traffic Forecast Report, the annual number of passengers is expected to increase by around 125 percent by 2031.

In addition, most products or services have long been offered worldwide and many companies are expanding into new markets. The International Transport Forum (ITF) therefore expects an increase in global freight volume of up to 230 percent within the OECD countries by 2050. An increase of up to 550 percent is even forecasted for the remaining countries.

Cross-border competition requires efficient material flow

But the increase in freight traffic is not the only reason that additional investments in more efficient distribution warehouses and centres are necessary. Competition is increasing in a global economy in which suppliers everywhere can take over new markets. So it is all the more important for companies to organise their processes efficiently and to keep their costs under control – this is the only way to bring about the necessary preconditions for holding and expanding market positions.

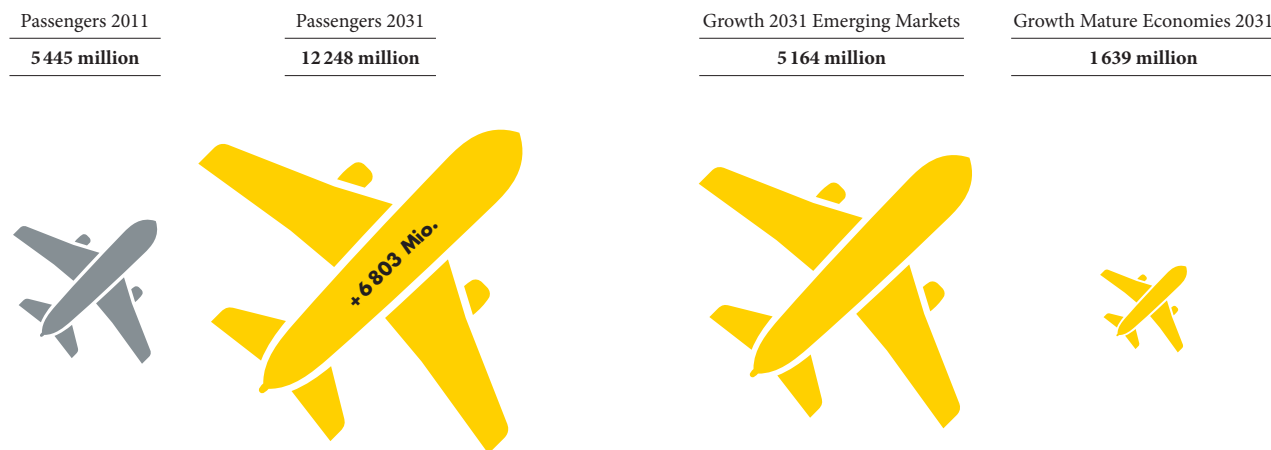
In the area of internal logistics, Interroll helps its customers and users to stay ahead of the increasingly fierce competition. Our RollerDrives, which facilitate particularly efficient solutions with respect to material flow, are one example. These driven conveyor rollers based on 24 volt technology can usually reduce operating costs significantly while considerably increasing material flow efficiency compared to conventional 400 volt driven conveyor systems.

Intelligent control saves up to 50 percent energy

While central gear motors provide the power for entire lines with conventional conveyor technology, RollerDrive solutions are designed decentrally by Interroll. They are made up of independent segments powered by RollerDrives with integrated 24 volt motors. The intelligent Interroll ConveyorControl solution also always ensures that only those segments that are currently conveying unit loads are driven. Thanks to the ConveyorControl system's modular design, new systems can be easily configured to meet customer-specific requirements or existing systems can simply be reconfigured. Depending on the material throughput, energy savings of up to 50 percent can be achieved.

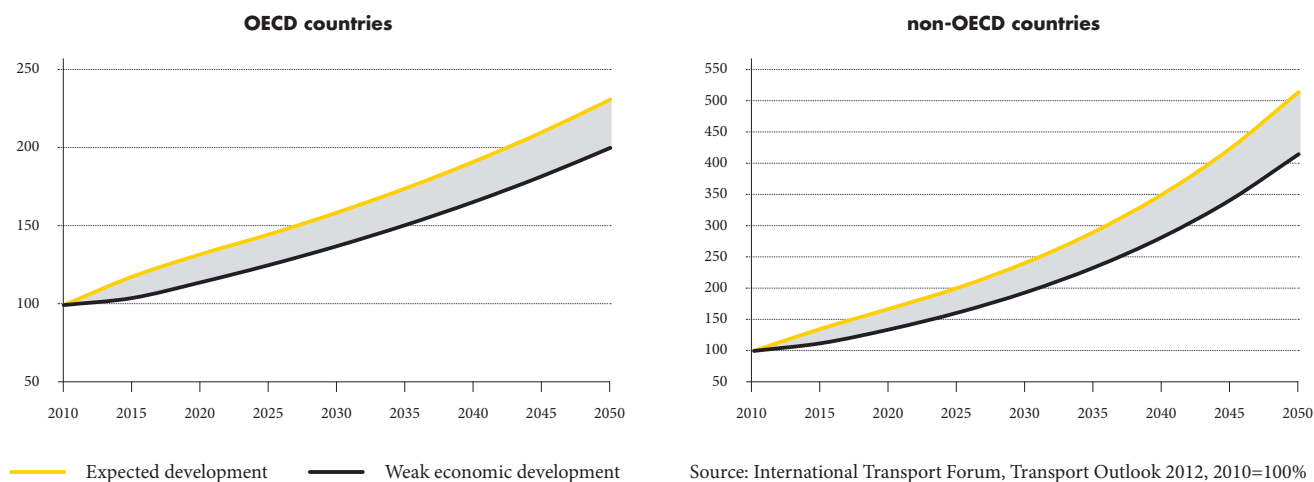


AIR TRAVEL: EMERGING MARKETS TAKE OFF



Passengers per year // Source: ACI Traffic Forecast Report 2013

Rapid Growth of worldwide freight traffic



Source: International Transport Forum, Transport Outlook 2012, 2010=100%

Forecast air traffic 2012 – 2032



Annual growth of selected regions // Source: Boeing 2013

RollerDrive: The intelligent drive solution



Today, Interroll ranks as the world's leading manufacturer of motor-driven 24 volt conveyor rollers. These RollerDrives offer advantages not only in terms of energy consumption, but are also far superior to traditional solutions in terms of their design, installation, noise development, maintenance and safety. RollerDrives can be used to rebuild entire conveyor systems or to incrementally modernise existing systems.

A RollerDrive system operates decentrally: the respective drives are located directly inside the individual conveyor zones. This means these segments can be switched on and off independently of each other. In other words, movement only takes place when goods actually need to be moved.

Furthermore, the many different conveying parameters in the individual zones, for instance the running speed, braking, rolling direction or performance speed of RollerDrives can be changed with the help of an intelligent control solution called the ConveyorControl. This system is much more user-friendly than complex programmable controls (PLC). And users require no programming skills. It can be operated simply by a mouse click on the graphic user interface of a software program that runs on commercially available Windows computers.

Significant cost advantages during continuous operations

Interroll RollerDrives offer other advantages besides their energy-efficient basic concept. A feedback system delivers the energy that is generated during braking to other drive units.

Because brushless 24 volt drives require less maintenance due to how they are built, this lowers the costs for repairs and maintenance. Furthermore, the motors are in operation considerably less often, yet provide the same conveying capacity. This minimises the effects of wear, of course. Because 24 volt drives generate less heat, the costs of regulating the room temperature are much lower. RollerDrive solutions from Interroll are not only ideally suited for use in the original equipment used in modern logistics systems, but also represent an ideal choice with retrofit projects. In most cases, the existing main drives, including the redirection station and

“Innovative 24 volt drives and drum motors from Interroll facilitate an extremely efficient material flow. This is how we help our customers and system users to master the challenges of globalised competition.”

Dr. Christoph Reinkemeier, Executive Vice President
Global Sales & Service at Interroll Group



back-up rollers, only need to be dis-assembled. The new RollerDrives can then be installed in the existing conveyor frame. Based on the experiences of many leading system integrators, this represents an extremely effective way to increase the performance of many older systems. In fact, this modernisation measure often pays off in only a few months.

Efficient conveyor solutions for airports

Interroll solutions also score high with respect to their high performance and efficiency in places where people and their luggage need to be transported as safely and comfortably as possible. For this reason, these systems are already used at many airports all over the world today. And, by the way, they are not only used in the area of check-in and security, where drum motors, conveyor rollers, redirection drums and Intelliveyor conveyor modules ensure a smooth flow of materials. They are also used quite successfully in conveying and sorting baggage, freight handling, and catering.

Through the acquisition of Portec Inc. in 2013, Interroll managed to significantly strengthen its position in this field. Portec with its main headquarters in Colorado, USA, has ranked among the leading suppliers in the area of belt curves for decades. Their products are used not only by airports, but also by many distribution centres, and courier and postal service providers.

Villeroy & Boch: A global brand with a rich tradition

Villeroy & Boch was founded in 1748 and is known around the world for its high-quality ceramic products. The company operates a large high-bay warehouse in Merzig in the German state of Saarland. The products this traditional German company manufactures are shipped all over the world from here.

Two different commissioning systems have been in use here for several years. One has a conventional design, which means the picker collects the products to be processed from the shelves. The newer system, on the other hand, performs these tasks automatically with the help of 24 volt RollerDrives from Interroll. In contrast to the older system, vertical “buffer stretches” so to speak that are designed as towers are automatically filled with orders and the pickers take care of everything else.

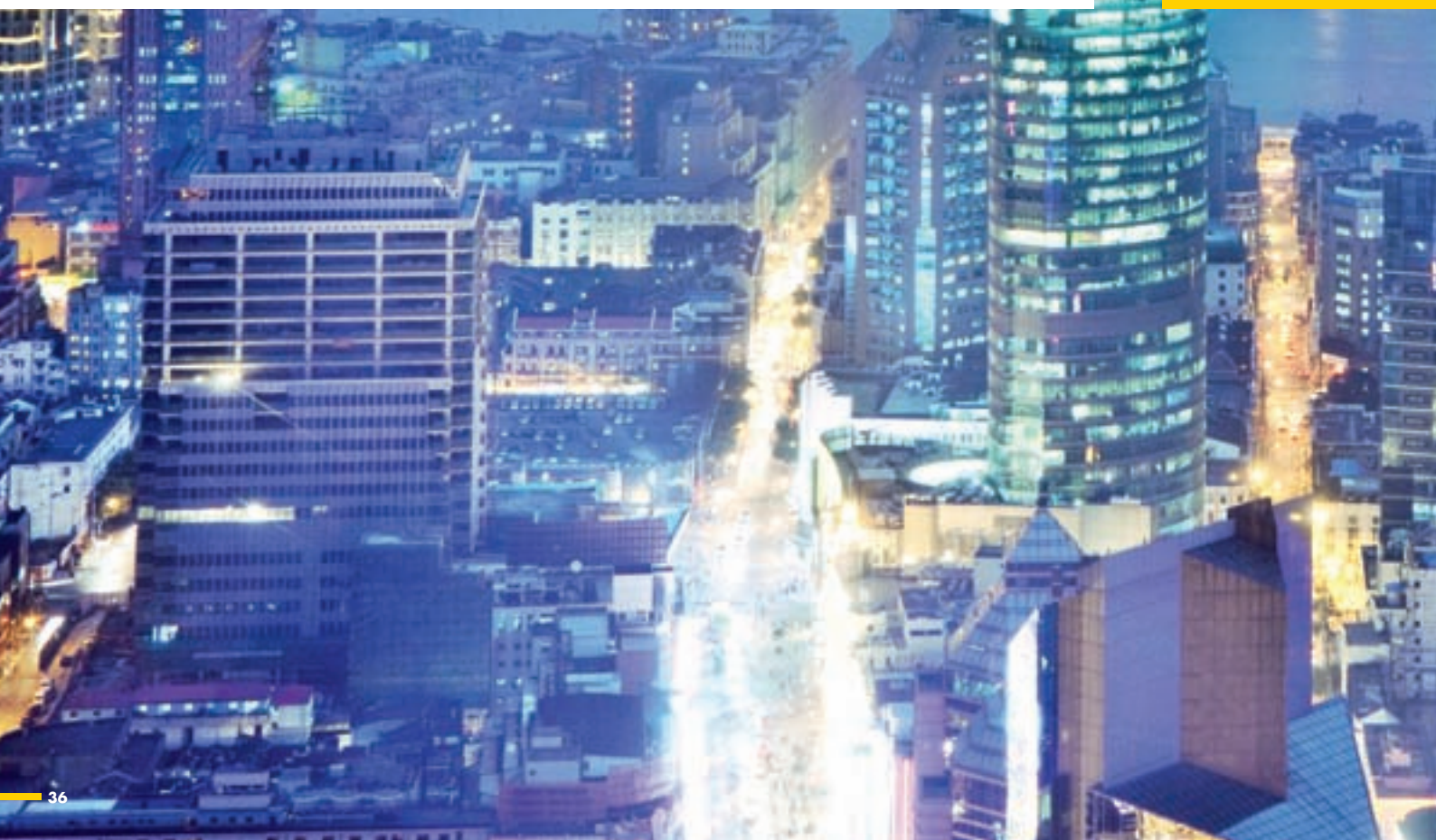
A direct comparison clearly shows the advantages that the Interroll system has to offer. According to Villeroy & Boch, sequences can be completed roughly 10 times faster with the new system. Furthermore, less space and energy is needed. The Interroll solution is also much quieter than the traditional conveyor system that uses a central drive motor and pneumatic control of the individual sections and storage spaces.



Other important advantages: defective parts can be changed or replaced much more quickly. With the older system, this takes about two hours. With the Interroll system, however, only individual units need to be replaced. This can be done in about 30 minutes, as we were told during a visit to see the system in Merzig. Furthermore, new 24 volt segments can be integrated into the existing system very easily and flexibly. All you need to do to gradually replace the older drive system is to remove the older segment and install a RollerDrive zone from Interroll.



URBANISATION





In 1950, over one quarter of the world's population lived in cities. Today, it is already more than half. In 2050, it will be more than two-thirds. Efficient material flow systems are needed to ensure the provision of goods to people in growing metropolitan areas.



THE FLOW OF GOODS WILL CONTINUE TO RISE



The concentration of the world's population in metropolitan regions continues unabated.

Whereas in 1950 only 28.8 percent of all people were city dwellers, today it is already more than 50 percent. According to estimates by the United Nations' Department of Economic and Social Affairs, this number will increase to 68.7 percent by the year 2050.

This global urbanisation requires continuous efforts in order to ensure the provision of metropolitan areas with food and daily necessities. But there are other factors causing the requirements in internal logistics to become ever more complex.

Consumers want choice

Among other things, the volume of goods is growing along with the ever-greater concentration of more and more people in increasingly congested spaces. In developing nations, the middle class and the demand for goods and services are also growing along with the cities. The desire for more variety within individual groups of products is also growing.

Retail businesses are also becoming more diverse. For instance, the times are long gone in which any given product can only be found in supermarkets. In addition, specialty stores with a limited range of products and major department stores provide all the daily necessities, while e-commerce retailers and a multitude of smaller sales outlets provide for the needs of consumers. This intricacy has given rise to highly complex distribution chains through which the internal logistical processes are also becoming increasingly elaborate.

Metropolitan areas require professional internal logistics

As a globally operating and well-known supplier with a broad range of products, Interroll has specialised for many years in providing key products that are optimally tailored to the various needs of modern, internal logistics. For instance, Interroll offers a broad range of conveyor rollers, RollerDrives, drum motors and corresponding control systems. The product range also includes sorters, flow storage systems and other solutions that provide the basis for realising an especially efficient flow of material.

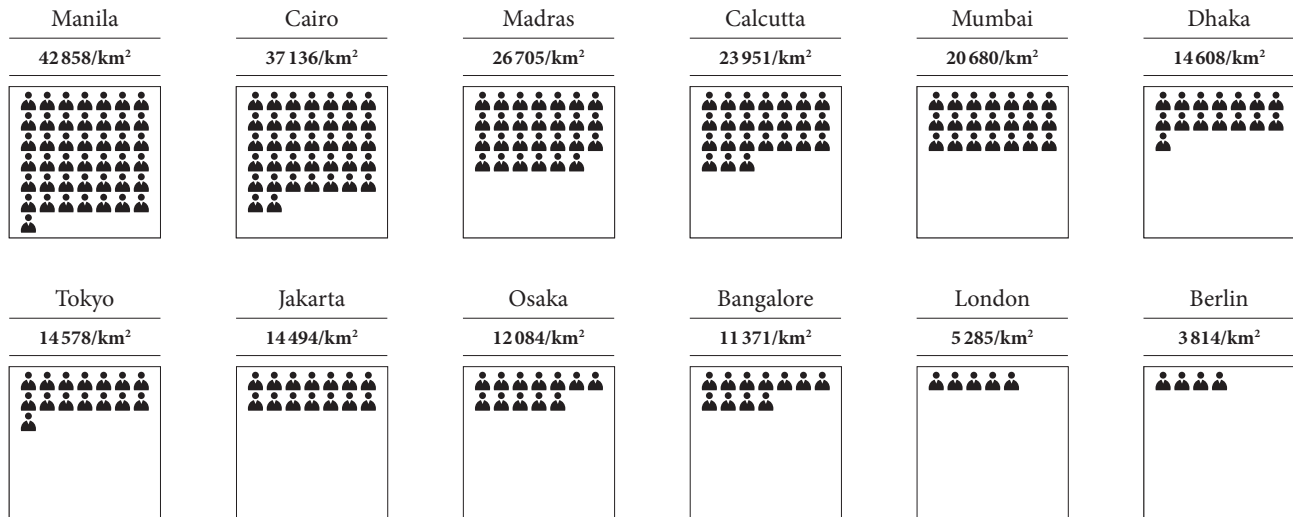
Drum motors as innovative drive solutions

Drum motors from Interroll are not only extremely durable, reliable and low on maintenance; special attention was also given to making them as energy efficient as possible during their development. They also meet the highest demands for hygiene.

One fundamental constructional advantage that Interroll drum motors offer is that they take up significantly less space than conventional drive motors. No further expensive, failure-prone parts, such as chains, v-belts, clutches, bearings, support constructions, or other special protective devices are needed to operate the drum motor. The entire drive unit, including the bearings, is found inside the drum capsule. The drives also meet the requirements of the international protection classes IP66 and IP69k.

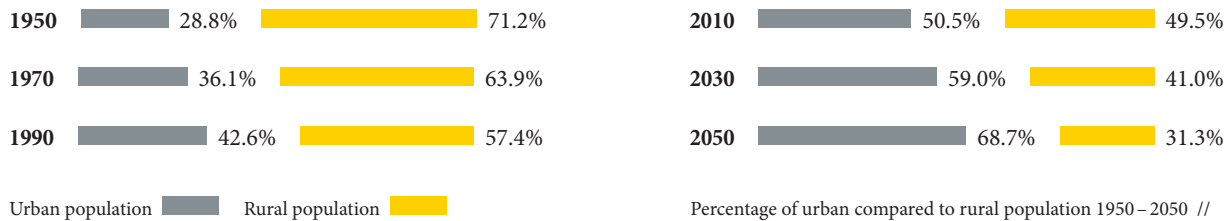


MEGACITIES: LESS SPACE TO LIVE



Resident per square kilometer // Source: Wikipedia, 1/2014, respective city data

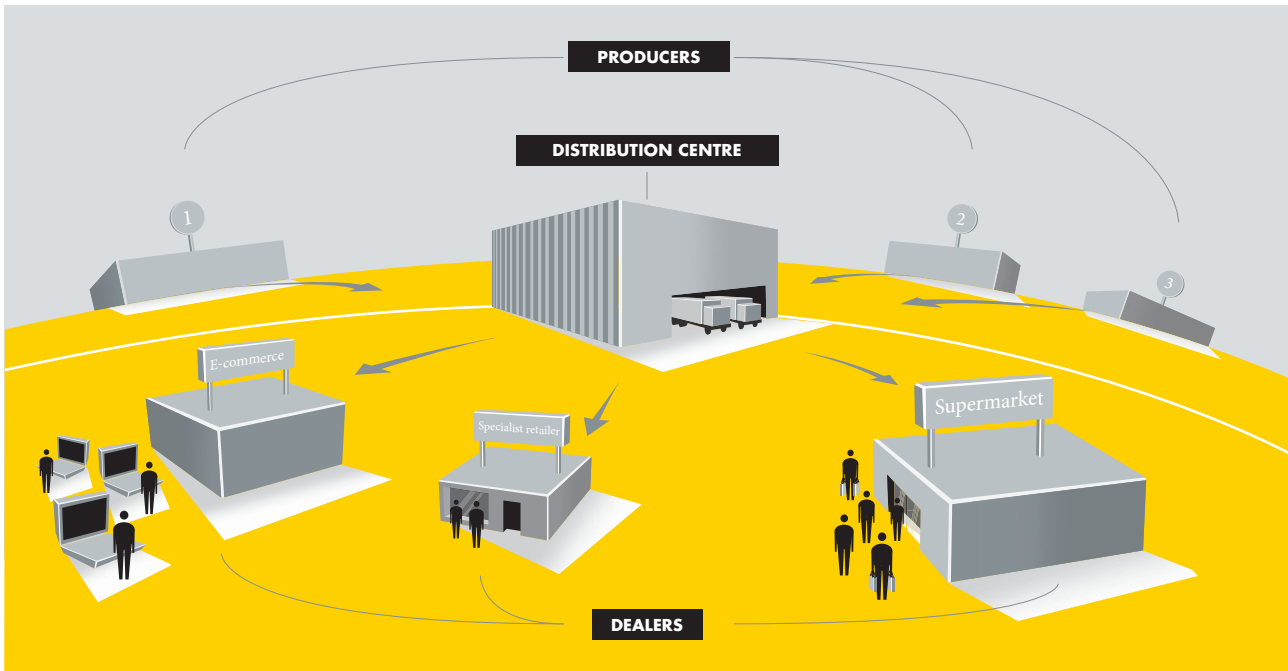
People turn to city dwellers



“The volumes of goods and handling speed will continue to increase in congested urban areas. High-performance and efficient material flow solutions will be needed in order to keep up with this development.”

Dr. Ralf Garlich, Executive Vice President
Products & Technology at Interroll Group

INTERROLL ENSURES AN EFFICIENT FLOW OF GOODS



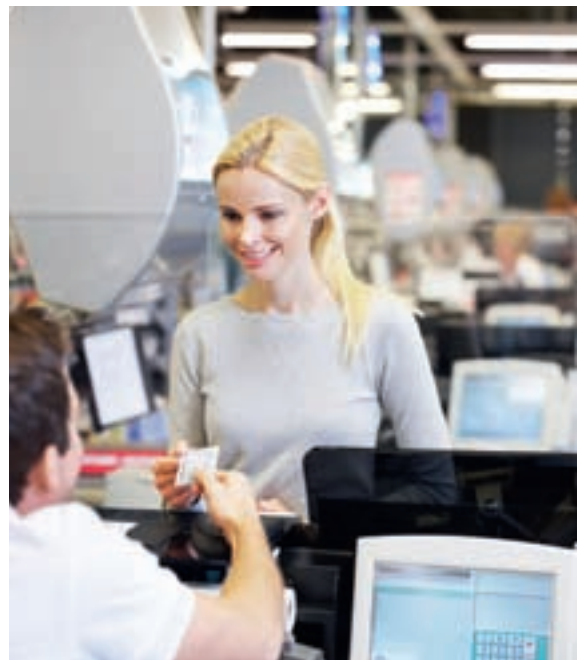
Conveying, distributing, sorting: Interroll products for internal logistics are used throughout the supply chain

Market leader on drives for check-out desks

Six out of ten of the world's supermarkets rely on drum motors from Interroll. For good reason: Interroll offers drum motors and conveyer rollers that are specially designed for conveyor applications in supermarkets and meet these demands just perfectly.

For example, a ready to install cassette system can be used as a drive for conveyer belts at check-out desks and other equipment at a supermarket, such as reverse vending machines. The Interroll cassette system is equipped with a patented rapid clamping system for deflection rollers that makes it much easier to install and change a conveyer belt.

Fast working and energy-efficient solutions can be developed to meet all needs thanks to the wide range of equipment that spans from mounting supports and non-driven rollers to preassembled, ready to install conveyer cassettes.



Quick and easy to clean

To start with this means that, even under the most difficult surrounding conditions, no soil, dust or water is able to penetrate into the drive and cause failures. Furthermore, special models also withstand the effects of high pressure cleaning. This shortens the cleaning cycles and thus significantly lowers the operating costs.

Hygiene the number one priority

According to an estimate from the World Health Organization (WHO), even in industrial nations, roughly 30 percent of the population is afflicted by food-related diseases. Nevertheless, this not only poses a risk to people's health and lives, the outbreak of diseases due to contaminated food can dismantle companies or affect the performance of entire economies.

Interroll pays particularly close attention to hygiene requirements with its product development. Interroll drum motors for the food industry stand up to even intensive cleaning processes in which high-pressure, steam or chemicals are used without breaking down.

For example, synchronous drum motors from Interroll meet the material requirements that the USDA/FDA and the EU ordinance EG 1935/2004 make on use in the area of food. Only recently, they were certified as the only drum motors for use in hygienic industrial applications by the European Hygienic Engineering & Design Group (EHEDG) following in-depth testing.

82 percent overall efficiency

The compact design is also conducive to extremely energy-efficient operation. For example, synchronous drum motors from Interroll achieve overall efficiency of 82 percent (motor: 89 percent, translation: 92-95 percent).

They therefore rank among the highest performance and most energy-efficient conveyer belt drives that have ever been developed. Synchronous drum motors from Interroll also require only very little maintenance compared to other asynchronous drives. And they require about 40 percent less energy and release significantly less heat than gear motors that have a worm gear drive.

Because waste heat is so low with drum motors, less energy is needed to cool the rooms that these types of conveyer solutions are operated in. This represents an important cost factor, particularly when it comes to processing foods and in deep freeze environments.

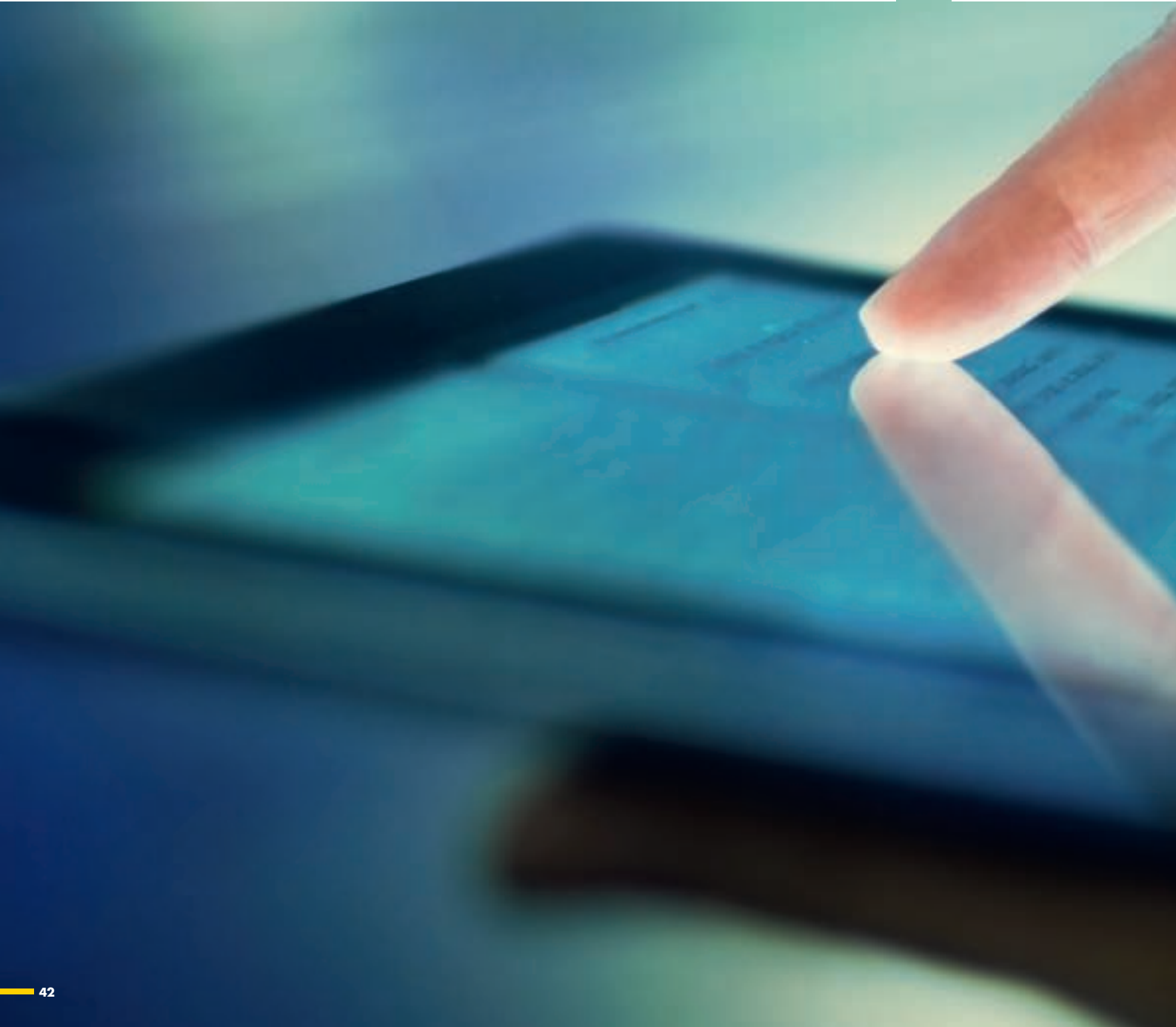
Quality vegetables

Virto Group, a company based in Spain, ranks among the leaders in the food industry, particularly when it comes to frozen vegetables. Since 2010, the company has been operating the most technologically advanced production centre in the world in Extremadura in Southern Spain to manufacture spinach, tender beet and chard leaves.

Interroll drum motors not only ensure a reliable and efficient material flow around the clock at the production centre in Ulbasa Ultracongelados, thanks to how they are built, but also meet the highest demands for hygiene in the area of foods. These drives even stand up to intensive cleaning processes using high pressure and steam without the risk of a breakdown. In comparison with gear motors, they significantly lower operating costs due to shorter cleaning times and lower water consumption.



NETWORKING



At the beginning of 2000, around 300 million people owned a computer with Internet access. At the beginning of last year, this figure had already increased to over 2.7 billion – not even counting the mobile Internet. Online trading has also become more important as a result of this global networking. The world of internal logistics will face significant changes in the years to come because of this trend.



THE WHOLE WORLD AT A CLICK



Most people take the Internet for granted. Nevertheless, the World Wide Web as we know it today is only about 20 years old. During this period, the number of users has grown at a breath-taking pace. Even now, more than 200,000 new households connect with the Internet for the first time each day.

But the Internet has not only fundamentally changed how information is exchanged and personal relationships are maintained. Companies too recognized early the possibilities global networking has to offer and gradually started shifting their business processes to virtual space. Retailers are also faced with challenges that were completely unknown just decades ago.

Internal logistics has changed from being a cost to become a competitive factor

With the emergence of e-commerce, consumer expectations have risen, not only with respect to being able to choose from a greater variety of products. Consumers have also become more demanding with respect to how quickly orders are processed and products are delivered. This acceleration in processes has fundamentally changed the importance of internal logistics. It has long changed from being a cost factor and become a competitive factor and even an important differentiation instrument in competing. Companies that fall behind will lose their customers relatively quickly and eventually go out of business. Solutions from Interroll have been helping companies to meet these higher demands for years now. For example, material handling solutions that feature crossbelt sorters are capable of processing extremely large quantities of bulk goods and huge product varieties. Depending on what needs to be shipped, they can be used to transport and discharge cargo that weighs only 50 grams or up to about 35 kg – in other words, as much as 70 percent of the packages that companies like Amazon need to deliver.

Dependable, quiet and compact

Crossbelt carriers that feature a patented drive make up the heart of these sorting solutions. They are based on a simple mechanical principle, require no special control IT, and contain only very few wear parts. Sorters from Interroll can therefore easily be put to continuous use for ten years with only minimal maintenance. Besides virtually silent operation of under 68 dBA on average, one of the lowest values in the industry, they are also known for how little space they take up. For instance, a vertical sorter equipped with a crossbelt carrier 400 x 400 millimetres in size requires stand space only 1.7 meters in width. More space can even be saved by centrally integrating the outfeed transport path for containers that are already full between the upper and the lower tower, something unique in the marketplace to date.

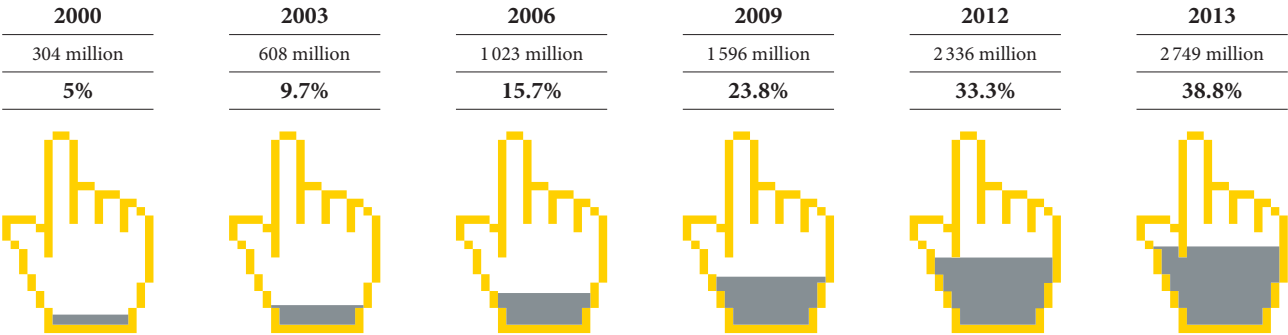
Integrated processing of returns

Because of the continued success of Internet trade, companies must also deal with more returned products. For instance, the return rate with clothing can exceed 50 percent at times. Crossbelt sorters from Interroll are also an excellent choice when it comes to performing these tasks. With a modular system design that includes intelligent sorting technology, both incoming and outgoing shipments can be processed.

The pace will continue to pick up in the area of e-commerce in the years to come. One of the reasons lies in mobile use of the Internet via smartphones. This makes spontaneous purchases from mail-order companies possible. But only those companies who have access to a high-performance material flow solution will be able to benefit from these new business opportunities.

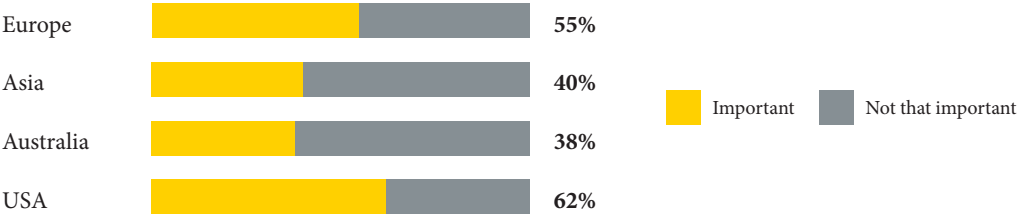


INCREASING NUMBER OF HOUSEHOLDS ARE ONLINE



Worldwide internet users and their percentage of worldwide population // Source: www.internetworldstats.com

Online shoppers: How important are simple returns?



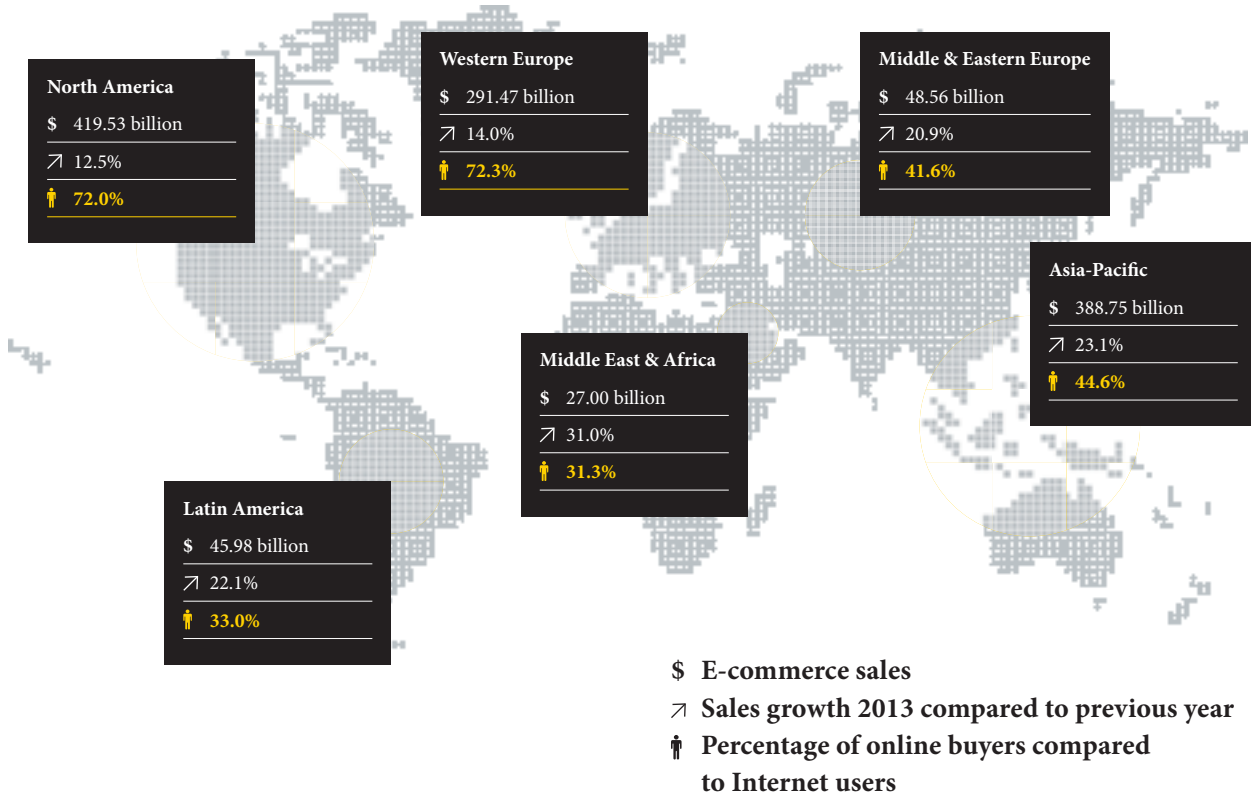
Source: UPS Pulse of the Online Shopper™ Global Study ©2013 United Parcel Service of America, Inc.

“Product variety and the sorting volumes in the product distribution centres will continue to increase and at the same time we will be seeing shorter delivery times. For this reason, sorter solutions that offer maximum availability, sorting accuracy, but also flexibility, are in great demand.”

Dr. Heinrich Droste, Managing Director of Interroll Automation GmbH



HIGH POTENTIAL IN UPCOMING MARKETS



Source: eMarketer

DHL relies on sorters from Interroll

The multichannel mail-order company HSE24 ships its entire range of products via the DHL logistics centre in Greven, Germany, from diamond necklaces to cosmetics and healthcare products, but also even LCD televisions. A high-performance material flow solution is essential to ensuring rapid delivery of the products ordered and processing returns swiftly.

Crossbelt sorters from Interroll perform the most important function in processing returns. After the parcels that have been returned have been transported to the logistics centre, they are automatically sorted here for repackaging or reconditioning.



Every company that is actively involved in the supply chain will have to face this challenge. This explains why not just shipping companies, but also express, courier, and package service providers all over the world rely on sorting solutions from Interroll. For example, Interroll has installed these types of systems in the distribution centres of DHL, UPS and Amazon, but also Chinese Post and Zalando.

Economical and future-proof

Due to the high price pressures in Internet trade, the operating costs of the systems used in internal logistics will also play an increasingly important role. Because sorting represents one of the most costly activities in internal logistics, next to picking, high-performance sorting solutions are becoming increasingly important also from a cost perspective.

The capital recovery times (return on investment, ROI) of two years on average for Interroll solutions are significantly shorter than those of competitive solutions. This represents a key advantage, especially in an environment dominated by fast-changing offers and product portfolios. In addition, mechanical sorters from Interroll save up to 50 percent energy in comparison with the linear motors used in other sorting systems.

Furthermore, Interroll guarantees not only outstanding ongoing support and fast delivery of spare parts, solutions from Interroll are also constantly further developed. Users can therefore be sure that they will own a highly competitive solution in the future as well.

Interview



Prof. Dr. Michael ten Hompel,
Fraunhofer Institute of Material Flow
and Logistics (IML), Dortmund

What challenges does the logistics industry need to prepare itself for in the future?

The most important future trends in logistics include individualization, sustainability and urbanization. The complexity will increase exponentially, and with it, the demands that are placed on problem-solving expertise. More than ever before, companies will have to leverage the full logistics potential in order to stand up to global competition.

How will they be able to do this?

The question is how do we convert these challenges into innovations? At the efficiency cluster LogistikRuhr, we have been conducting research on innovations and products that will allow for 100 percent performance to be achieved with only 75 percent of the current resources. This is a beginning, but in order to become a driver of innovation, logistics will have to assume more leadership responsibility in developing new technologies in the future.

How can logistical structures be improved?

I see the greatest potential in standardization of software and methods. Here, cloud computing opens up completely new dimensions in cross-company collaboration as well as double digit synergy potential.

Industry 4.0 is the keyword in the production environment ...

Now, following the steam engine, assembly line production, and automation on the basis of IT systems, we are experiencing the fourth industrial revolution. Things will connect autonomously and set themselves in motion in order to organize their own route within the supply chain. The fourth industrial revolution will change our economy faster than all of the revolutions that preceded it.

“We are currently experiencing the fourth industrial revolution”

CLIMATE CHANGE

The demand for energy will continue to grow. According to the forecasts of the International Energy Agency (IEA), the annual demand for energy on our planet could well increase by around one third by 2035. Higher energy efficiency is therefore becoming more and more important in protecting the environment.



HIGH ENERGY EFFICIENCY PROTECTS THE ENVIRONMENT



The human race needs energy – for living, everyday care, transportation, economic development, and to improve people's living conditions.

Nevertheless, energy is still largely produced from fossil fuels, and this, in turn, releases the greenhouse gas carbon dioxide. According to calculations from the International Energy Agency (IEA) in Paris, global CO₂ emissions could be reduced by another 23 percent by 2035.

Internal logistics have an important contribution to make here

Increasing energy efficiency can be considered one of the most important measures in counteracting the environmental effects this development is expected to have. According to an IEA study, for example, the world's projected energy consumption could be reduced by 17 to 33 percent by 2050 by improving the energy efficiency of buildings, transportation and industrial processes. Internal logistics must also face up to this challenge that will be accompanied by stricter regulations and threshold values in the years to come. Energy-efficient solutions from Interroll will help to master this challenge.

Modernization measures pay off

Companies must not even invest in completely rebuilding their warehouse systems in order to benefit from the efficiency advantages that innovative Interroll technologies offer. Targeted modernization of the existing equipment usually represents an economical alternative that increases performance and yet saves resources.

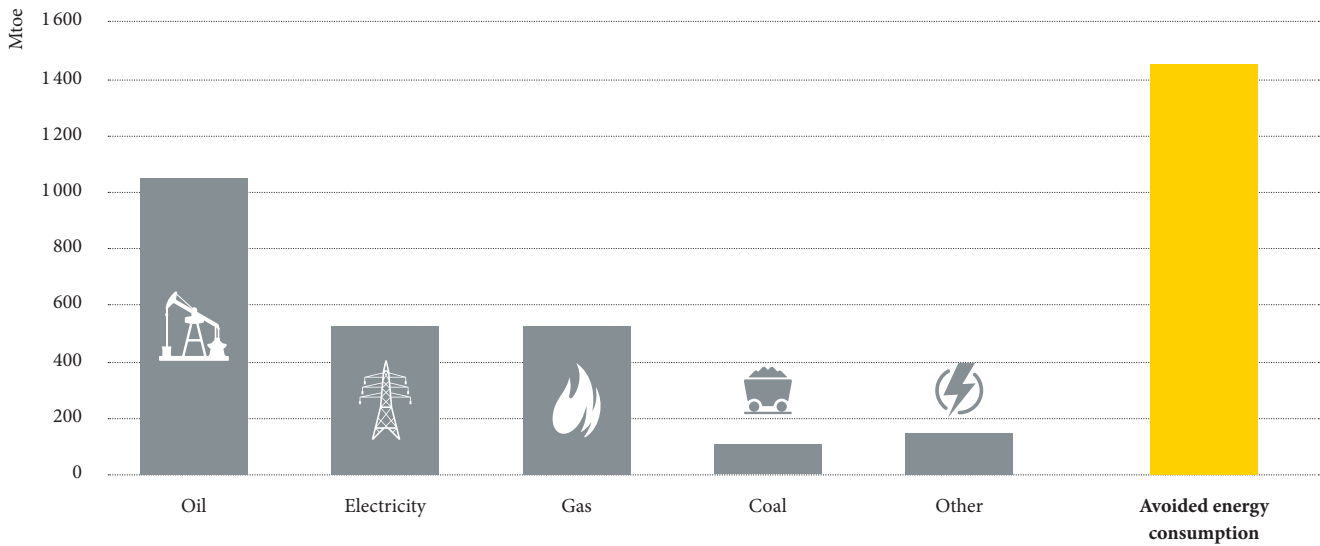
Carrying out these types of retrofit measures opens up significant savings effects. Depending on the industry, warehouse systems are technologically obsolete anyway or at least in need of replacement due to the wear and tear of everyday use after seven to ten years. Besides the disorders that take place

more and more often, this results in high repair costs and, even more importantly, unnecessarily high energy consumption. Significant savings can be achieved rather quickly with retrofitting.

Further advantages: there is no need for operations to be shut down during retrofitting. In fact, in most cases, the existing installation can be gradually equipped with more modern components. Furthermore, lower energy costs can have a positive effect on bank ratings when it comes to taking out loans. Rising or highly volatile energy costs have an effect on the yield and therefore could lead to a downgrade in the credit rating if interest rates rise.

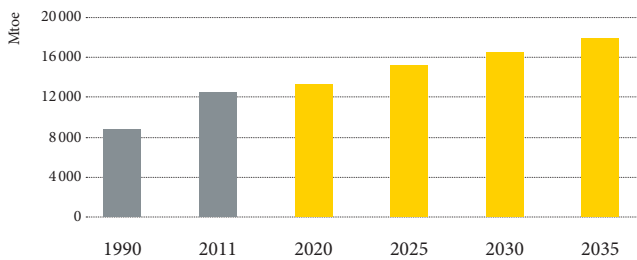


ENERGY EFFICIENCY: THE HIDDEN ENERGY SOURCE



In million tons oil equivalent (Mtoe). Comparison of energy consumption in 2010 of eleven industrial countries with energy quantity which was reduced in the same year due to the efficiency improvements initiated in 1974. The countries are Australia, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States. Source: IEA 2013 // Source: IEA 2013

Worldwide energy demand 1990 – 2035



Million tons oil equivalent (Mtoe), without tightened measures for climate protection // Source: IEA 2013



Firm, low maintenance and efficient: Interroll Drum Motors have a total efficiency of up to 82 percent

Study confirms energy savings

Improvements can be achieved by using RollerDrives from Interroll, for example. The Institute for Material Handling and Logistics (IFL) at the Karlsruhe Institute of Technology (KIT) in Germany examined these modules more closely in a study that was published in June 2013. Compared with conventional 400 volt drives, considerable energy savings potential was identified in accumulation mode.

The values of the centrally designed 24 volt solutions were approximately 50 percent lower in accumulation mode. Besides the direct energy savings potential, the study showed that secondary costs can also be reduced by using 24 volt drives. The ongoing maintenance costs are lower to begin with due to the fact that this construction requires less maintenance. And thanks to the compact design of these drives, they can also be protected against external environmental influences more effectively and are therefore easier to keep clean.

“Flow storage technology is known for its high energy efficiency. The loading units inside the channel use gravity to flow. Therefore, drive motors are no longer necessary. Furthermore, space resources can be saved thanks to the compact design. All in all, flow storage achieves a high level of environmental compatibility.”

Prof. Dr.-Ing. Lothar Schulze, Leibniz University in Hannover/Germany

Large order from Red Bull in Thailand

Interroll succeeded in closing the single largest order for flow storage in company history in 2013. This order was placed by Red Bull and amounted to nearly CHF 6.5 million in total.

Red Bull is using this solution from Interroll to increase the efficiency and capacity of its distribution centres based near Bangkok. The order included storage areas for 16,340 pallets that are processed according to the FIFO principle (First In, First Out). Yet another 9,132 pallets are to be stored in a LIFO area (Last In, First Out). The energy drink Red Bull ranks among the world's most popular soft drinks. In 2012, Red Bull GmbH based in Austria sold 5.2 billion cans of this drink and generated sales of EUR 4.93 billion. At the end of 2012, Red Bull employed 8,966 people in 165 countries.



Synchronous drum motors stand out thanks to their extremely high efficiency

The drum motors from Interroll represent yet another example of the highest possible energy efficiency. They were designed especially for use in belt conveyors and connected conveyor systems. And synchronous drum motors are particularly economical when it comes to how they use the energy they are supplied with. They achieve overall efficiency of 82 percent. Compared with gear motors that have worm gear drives, they require roughly 40 percent less energy and emit significantly less heat.

Gravity facilitates the flow of goods

When it comes to storage systems, Interroll relies on proven dynamic storage products. And this technology has brought a roughly 35 percent increase in capacity within the same amount of space for Procter & Gamble in Crailsheim, Germany, for example. Flow storage utilizes the effect of inclined planes during the flow of goods. The loading units are placed on slightly tilted roller beds and thus are able to move in the desired direction on their own due to gravity. In contrast to other solutions, there is no need to supply power to these drive systems. Furthermore, the transport routes for forklift trucks can be shortened by up to 80 percent.

According to a study conducted by the consulting firm Intralenco, significant advantages result with pallet warehouses that have medium to high handling capacities in comparison with competitive solutions. This study is based on a detailed calculation that takes energy consumption, the initial purchase price, installation costs, space usage, personnel usage, and depreciation into account. The bottom line is that flow storage can deliver monthly savings of up to 28 percent per pallet space compared to competitive solutions.

A study conducted by the Leibniz University in Hannover, Germany, in 2012 under the scientific direction of Prof. Dr.-Ing. Lothar Schulze in cooperation with the Southeast University in Nanjing, China, also confirms that flow storage is known for its high energy efficiency. According to this study, flow storage systems also achieve a high degree of environmental compatibility.

Interview



Dr. Ralf Garlichs, Executive Vice President Products & Technology at Interroll Group

Will the subject of energy consumption continue to become more important in the area of internal logistics?
Every company that transports goods needs energy, and this will cost more in the long term. Competitive pressure alone is already forcing companies to save money. Nevertheless, energy efficiency is no longer only a cost concern. Today, legislators, consumers, and the companies themselves are paying more and more attention to protecting the environment.

Can Interroll benefit from this development?
Yes. Our solutions help companies to stand up to these challenges. And if achieving an efficient flow of goods is the main objective, then our innovative solutions are able to demonstrate their full potential. The same can be said, by the way, for our 24 volt drives, drum motors, sorters, and flow storage.

How efficient are these systems?
Our drives achieve efficiency rates of up to 82 percent. With sorters, we mechanically convert the actuator movement into a transverse movement with practically no friction losses. And with our flow storage, we refrain from using any additional energy whatsoever and rely on gravity instead.

So, what developments will we be seeing in the future?
We will be focusing more closely on sustainability as a whole. After all, energy efficiency is only one concern. For this reason, we are currently looking more closely at how we can realize an entirely closed life cycle with our products.

“Energy efficiency is no longer only a cost concern”

CORPORATE GOVERNANCE

Contents

1	Introduction	56
2	Group structure and shareholders	56
3	Capital structure	57
4	Operational management structure	58
5	Board of Directors	61
6	Internal organisation	64
7	Competence regulations	65
8	Information and control instruments	65
9	Group Management	66
10	Compensation system of the Board of Directors	69
11	Compensation system Group Management	69
12	Shareholders' Participation Rights	72
13	Change in control and defence measures	73
14	Auditor	73
15	Information Policy	74

1 INTRODUCTION

Base of the corporate governance report

The corporate governance report 2013 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange on Corporate Governance, best practice related to the hustler 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.

Compensation report

The compensation report is part of the financial statements of Interroll Holding Ltd.

2 GROUP STRUCTURE AND SHAREHOLDERS

Group structure

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

Mother company and stock listing

The mother company of the Group, Interroll Holding Ltd., is domiciled in Sant’Antonino/TI, Switzerland. Its registered shares are traded in the main segment of the SIX Swiss Exchange under the security number 637289. Further notes to the listing can be found in chapter “Interroll on the Capital Market” on page 4 of the annual report.

Consolidation range

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

Significant shareholders

All significant shareholders holding a reportable participation are disclosed in note 3.6 (“Significant shareholders”) of the financial statements of Interroll Holding Ltd.

Cross shareholdings

The Interroll Group does neither maintain 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 8.5 million and is made up of 854 000 fully paid registered shares with a par value of CHF 10 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

In the year under review, the share capital remained unchanged at CHF 8.5 million.

Limitations on transferability and nominee rights

Information about limitations on transferability and other nominee rights of the shareholders is disclosed in chapter 12 (“Shareholders’ participation rights”) of this report on the corporate governance.

Convertible bonds and options

There are no convertible bonds outstanding. In 2006, the Board of Directors approved a management share option plan. Further information on this plan is disclosed in chapter 7.1 of the notes to the financial statements of the Interroll Group. The option plan ceased as per 30 September 2013.

Further information on the shareholders’ equity

Additional information on the 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

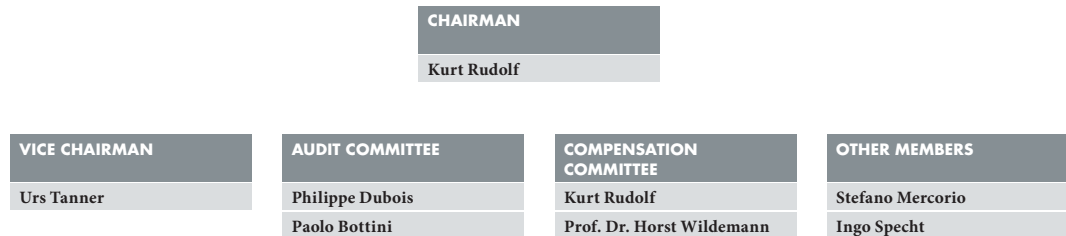
Functional organisational structure

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 (system integrators, plant manufacturers, end users) by offering a tailor-made product portfolio and expert consultancy. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Centre, which is centrally located, researches new application technologies and develops new products. Global Centers of Excellence continue developing the product range they focus on.

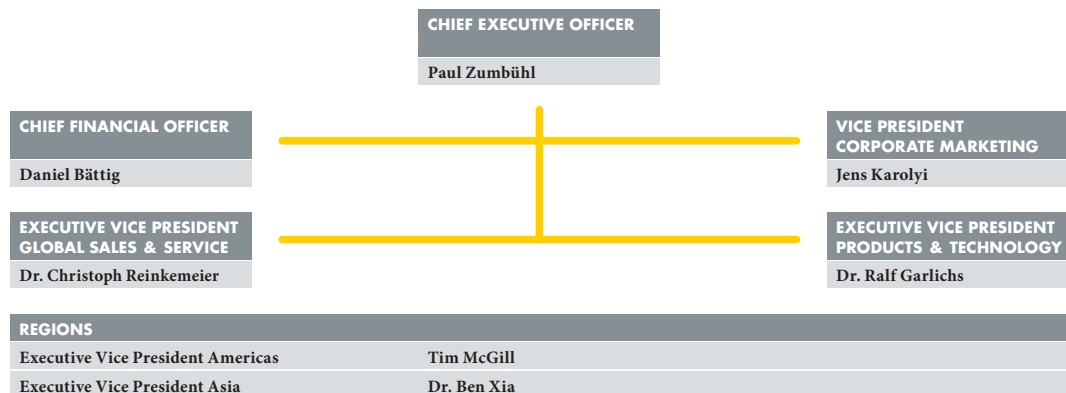
Management structure

The Group Management and the Interroll management structure are organized by functions (Overall Management, Products & Technology, Global Sales & Service, Corporate Marketing, Corporate Finance). The financial management of the Group by the Board of Directors is, on the one hand, based on turnover of the product groups and geographical markets and, on the other hand, on the reporting of the consolidated financial statements. 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



GROUP MANAGEMENT



INTERROLL RESEARCH CENTRE (IRC), GLOBAL PRODUCT MANAGEMENT

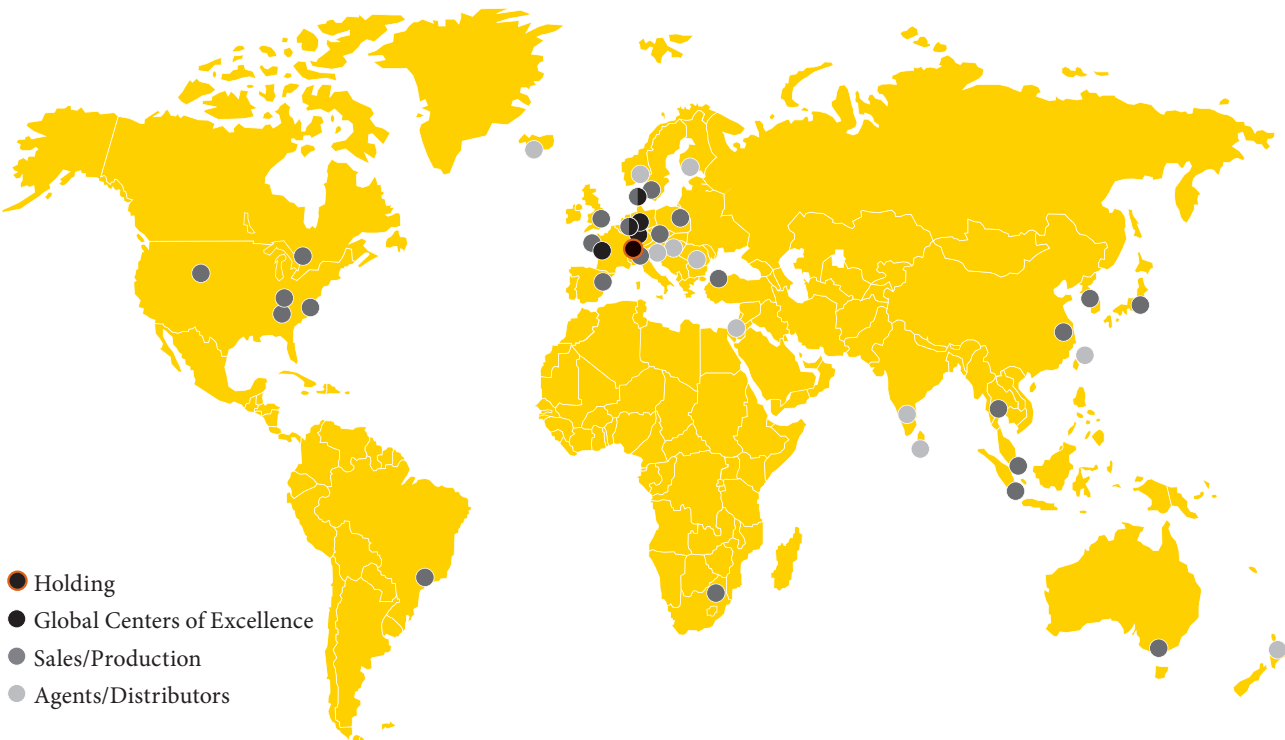
The Interroll Research Centre (IRC) develops in close cooperation with the Centres of Excellence, Global Product Management and Global Sales new products, techniques and technologies.

Functional unit	Managed by	Company
Research & Development	Helmut Maiwald	Interroll Holding GmbH, Wermelskirchen (DE)
Global Product Management	Dietmar Hager	Interroll Holding GmbH, Wermelskirchen (DE)

GLOBAL CENTRES OF EXCELLENCE

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

Products	Managed by	Company
Rollers, RollerDrives	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen (DE)
Industrial Drum Motors	Dr. Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal (DE)
Supermarket products	Dr. Anders-Staf Hansen	Interroll Joki A/S, Hvidovre (DK)
Flow storage products	Bertrand Raymond	Interroll SAS, La Roche-sur-Yon (FR)
Conveyor modules	Michael Kuhn	Interroll Automation GmbH, Sinsheim (DE)
Subsystems	Dr. Heinrich Droste	Interroll Automation GmbH, Sinsheim (DE)
Techno polymers	Ingo Specht	Interroll AG, Sant'Antonino (CH)



WORLDWIDE SALES AND PRODUCTION COMPANIES

Regional Centres of Excellence (RCoE)

Regional Centres of Excellence produce for the Americas and Asia-Pacific. These centres take over the full product programme of the global Centres of Excellence and serve 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 by the Interroll Centres of Excellence, local production companies manufacture and assemble products for regional markets. They concentrate on specific product groups within the full product range.

Sales and service subsidiaries

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

Management of the operational subsidiaries

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

	Function	Region/country	Managed by	Company
Europe	Sales, service	Central Europe	O. Schopp	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
	Sales, service	France	G. Calvez	Interroll SAS, Saint-Pol-de-Léon (FR)
Middle East	Sales, service	Northern Europe	E. Kaiser	Interroll Nordic A/S, Hvidovre (DK)
Africa	Sales, service	Great Britain, Ireland	Ch. Middleton	Interroll Ltd., Corby (GB)
	Sales, service	Iberic peninsula	R. Rovira	Interroll España SA, Cerdanyola del Vallès (ES)
	Sales, service	Czech Rep., Balcany, 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	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
	Sales, assembly, service	Africa	H. Campbell	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)
Americas	RCoE, sales, service	North America	R. Keely	Interroll Corporation, Wilmington/NC (US)
	Sales, production, service	North America	S. Cwiak	Interroll Automation LLC, Jeffersonville (US)
	RCoE, Sales, production, service	North America	M. Oropeza	Interroll Engineering West, Cañon City Inc. (US)
	Production	North America	C. Parsons	Interroll Dynamic Storage, Inc., Hiram/Atlanta (US)
	Sales, production, service	North America	S. Gravelle	Interroll Canada Ltd., Newmarket/Toronto (CA)
	Sales, production	North and South America	S. Gravelle	Interroll Components Canada Ltd., Concord/Toronto (CA)
Sales, assembly, service	Brazil, Argentina	D. Hahn	Interroll Logística Ltda., Jaguariuna/São Paulo (BR)	
Asia-Pacific	RCoE, sales, service	China	S. Foong	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
	Sales, service	South Korea	N. Kim	Interroll Korea Corp. Seoul (KR)
	Sales, service	Japan	G. W. Seng	Interroll Japan Co. Ltd., Tokyo (JP)
	Sales, assembly, service	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
	Sales, service	Singapore, South East Asia	G. W. Seng	Interroll (Asia) Pte. Ltd., Singapore (SG)
	Sales, assembly, service	Australia	P. Cieri	Interroll Australia Pty. Ltd., Melbourne (AU)

5 BOARD OF DIRECTORS

Members of the Board of Directors



From left to right

Prof. Dr. Horst Wildemann, Urs Tanner, Stefano Mercorio, Kurt Rudolf, Ingo Specht, Paolo Bottini and Philippe Dubois

The Board of Directors of Interroll Holding Ltd., Sant'Antonino (CH), consisted of seven members at year-end 2013:

Name	Year of birth Nationality	Function Committee membership	Initial election	Elected until
Kurt Rudolf	1942 Swiss	Chairman since 2006 Compensation Committee since 2006	2001	2013
Urs Tanner	1951 Swiss	Deputy chairman since 2009	2008	2014
Paolo Bottini	1965 Swiss	Member Audit Committee since 2003	2003	2015
Philippe Dubois	1950 Swiss	Member Audit Committee since 2003	2003	2015
Prof. Dr. Horst Wildemann	1942 German	Member Compensation Committee since 1999	1999	2014
Ingo Specht	1964 German	Member	2006	2015
Stefano Mercorio	1963 Italian	Member	Entry in May 2013	2015

Election principles and terms of office

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

Professional background and vested interests of the Board of Directors

Kurt Rudolf

Dipl.-Ing. ETH

Current activities

Since 2014: Member of the Board of Trustees of the Olle Larsson-Rosenquist Trust, Zug (CH)

Professional background

1996–2013: Member of the Board of Directors of the Medela Group, Zug (CH)

1986–1990: CEO Portescap Group, La Chaux-de-Fonds (CH)

1982–1985: Managing Director of LGZ Landis & Gyr Zug Ltd., Zug (CH)

Urs Tanner

Executive MBA, University St.Gallen (CH)

AMP, Harvard (US)

Current activities

Since 2012: Co-owner of Halcyon Associates Inc., Monson (US)

Since 2010: Member of the Board of Directors of Belimed Ltd., Zug (CH)

Since 2007: Member of the Board of Directors of Plaston Ltd., Widnau (CH)

Since 1995: Member of the Board of Directors of Medela Group, Zug (CH)

Professional background

1995–2007: CEO of Medela Group, Baar (CH)

1983–1994: Managing Director of Tool & Plastics, Mikron Group, Biel (CH)

1967–1983: Management positions at Styner + Bienz (Adval Tech), Niederwangen (CH)

Paolo Bottini

Lic. iur., lawyer

Tax specialist (Eidg. dipl.)

Current activities

Since 2011: Managing Partner of Bär & Karrer, Zurich (CH)

Professional background

2002–2010: Partner and Director of Bär & Karrer, Lugano (CH)

2000–2001: Partner of Bär & Karrer, Lugano (CH)

1996–2000: Associate of Bär & Karrer, Lugano (CH)

Philippe Dubois

Lic. iur. and lic. oec.

Current activity

Since 2002: Independent management and financial consultant for M&A, corporate finance and management coaching, Zurich (CH)

Professional background

1999–2001: Senior Investment Banking positions at Bank Julius Bär, Zurich (CH)

1982–1999: UBS Warburg (also responsible for the IPO of Interroll), Zurich (CH)

Prof. Dr. Horst Wildemann

Prof. of university Dr. Dr. h. c. mult.

Honorary professor at the universities of Klagenfurt, Passau and Cottbus (DE)

Award of the first class cross merit of the Federal Republic of Germany

Award of the order of merit of Bavaria

Dipl.-Ing. in mechanical engineering and Dipl.-Kfm. in business administration at the universities of Aachen and Cologne (DE) and also of the universities of Southern California and Indianapolis (US)

Member of the Logistic Hall of Fame (since 2004)

Current activities

Since 2009: Chairman of the board of Directors, Möhlenhoff GmbH, Salzgitter (DE)

Since 2008: Chairman of the board of Directors, IWIS-Ketten GmbH, Munich (DE)

Since 2008: Chairman of the board of Directors, Rudolf GmbH, Geretsriet (DE)

Since 2007: Chairman of the board of Directors, Pinta Elements GmbH, Munich (DE)

Since 2007: Member of the Board of Directors, Sick AG, Waldkirch (DE)

Since 2000: Member of the Board of Directors, Hamberger Industrierwerke GmbH, Stephanskirchen (DE)

Since 1998: Chairman of the Board of Directors, Grosshaus GmbH, Lennestadt (DE)

Since 1996: Member of the Board of Directors, Zeppelin GmbH, Friedrichshafen (DE)

Since 1988: Professor ordinarius for management, production and logistics,
Technische Universität München, Munich (DE)

Since 1980: Managing Director of TCW Consulting GmbH, Munich (DE)

Ingo Specht (executive member)

Professional qualification as Industrial Business Manager, Chamber of Commerce and Industry Cologne (DE)

Current activity

Since 2007: Managing Director of Interroll Ltd., Sant'Antonino (CH)

Professional background

2010: Head of Corporate Marketing, Interroll (Schweiz) Ltd., Sant'Antonino (CH)

2003–2007: Head of Corporate IT, Interroll Management LTD., Sant'Antonino (CH)

1998–2002: Vice President Corporate Development, Interroll (Schweiz) AG, Sant'Antonino (CH)

1993–1997: Owner and managing director of Luxis, Locarno (CH)

1986–1993: Deputy Managing Director of Interroll LTD., Sant'Antonino (CH)

Stefano Mercorio

Degree in economics from the University of Bergamo (IT)

Current activity

Since 1995: Legal Auditor in Italy

Since 1990: Founder and Senior Partner of “Studio Castellini Mercorio & Partners”, Milan (IT)

Since 1987: Dottore Commercialista “Albo dei Dottori Commercialisti e degli Esperti contabili di Bergamo” (IT)

Marco Ghisalberti left the Board of Directors in May 2013.

6 INTERNAL ORGANISATION

Constitution and committees of the Board of Directors

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

Audit Committee

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

At least once a year, the Audit Committee also commissions a report on audits undertaken and planned as well as on any proposals to improve the auditing 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 beginning of the year, it defines the targets to be attained for bonus payments to become applicable. In addition, the Compensation Committee is responsible for establishing the terms of the share ownership scheme.

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 the management are invited to attend meetings when necessary.

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

Both committees of the board meet as necessary. Any member is entitled to convene committee meetings. In the business year 2013 the Board of Directors met on five occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings.

7 COMPETENCE REGULATIONS

Statutory base for the competence regulations

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

Responsibility of the Board of Directors

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

Management and organisational regulations

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

Management information system

The Management Information System (MIS) of the Interroll Group consolidates the balance sheet, income statement and cash flow statement, as well as financial data pertaining to the subsidiary companies, on a monthly basis and compares the current figures with those of the previous year and the budget. On the basis of the quarterly financial statements, the budget is assessed in the form of a forecast as to whether it is attainable with regard to each entity and also for the consolidated group. The financial reports are discussed during the meetings of the Board of Directors.

Internal audit and control instruments

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

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

9 GROUP MANAGEMENT

The Group Management of Interroll Group had the following members as at end of 2013:

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)	Entry in March 2013
Dr. Ralf Garlichs	1962 German	Executive Vice President Products & Technology	July 2006
Dr. Ch. Reinkemeier	1966 German	Executive Vice President Global Sales & Service	January 2011
Jens Karolyi	1970 German	Vice President Corporate Marketing	January 2011
Tim McGill	1955 English	Executive Vice President Americas	January 2011
Dr. Ben Xia	1966 Chinese	Executive Vice President Asia	Entry in June 2013

Professional background and vested interests of the Group Management

Paul Zumbühl



Dipl.-Ing., Lucerne university of applied sciences, Lucerne (CH)

MBA, Joint University Program of the univ. in Boston, Berne, Shanghai

AMP, Kellogg Business School of Northwestern University, Chicago (US)

Marketing Management Diploma (Eidg. Dipl.)

Current activity

Since 2000: Chief Executive Officer

Further activities

Since 2009: Member of the Board of Directors, Looser Holding AG, Arbon (CH)

Since 2007: Member of the Board of Directors, Schlatter Holding AG, Zurich (CH)

Professional background

1994–1999: CEO of Mikron Plastics Technology and member of the Executive Management Board, Mikron Group, Biel (CH)

1988–1994: Managing Director and further management positions at Sarna Group, Sarnen (CH)

1984–1987: Sales Manager/Engineer at SYMALIT AG, Lenzburg (CH)

Daniel Bättig



Executive MBA, Certified Public Accountant, Certified Business Economist
FHNW (CH)

Current activity

Since 2013: Chief Financial Officer (CFO)

Professional background

1999–2013: CFO later Head of International Mail with Swiss Post
International Management AG, Bern (CH)

1998–1999: Group Chief Accountant with Südelektra Holding AG, Zug (CH)

1991–1998: Various positions in finance with Von Roll Holding AG in
Switzerland, Brasil and the USA

Dr. Ralf Garlichs



Dr.-Ing. (Mechanical engineering, focus production engineering),
University Hannover (DE)

Current activity

Since 2011: Executive Vice President Products & Technology

Professional background

2006–2010: Managing Director of “Drives & Rollers”,
Interroll Group

1999–2006: Managing Director of Reflex Winkelmann and further
managing positions at Winkelmann, Ahlen/Westfalen (DE)

1994–1999: Head of Production, Logistics, Festo Tooltechnic, Esslingen (DE)

Dr. Christoph Reinkemeier



Dr. rer. pol. (Business Administration: Industrial Marketing),
University of Münster (DE)

Current activity

Since 2011: Executive Vice President Gopal Sales & Service

Professional background

2007–2010: CEO for North and South America at Deckel Maho
Gildemeister (DMG) America Inc., Chicago (US)

2000–2006: Several management positions at Ista International GmbH,
Essen (DE)

1998–2000: Project manager of corporate development E.On AG,
Düsseldorf (DE)

Jens Karolyi



Certified in Business Administration, University of Bamberg and Giessen (DE)

Current activity

Since 2011: Vice President Corporate Marketing

Professional background

2007–2010: Vice President Marketing and Communications Northern Europe, Ericsson, Düsseldorf (DE)

2000–2007: Management positions in Marketing, Branding and Communications at Ericsson Northern Europe, Düsseldorf (DE)

Tim McGill



Majored in English, Brockenhurst College, Hampshire (GB)

Current activity

Since 2011: Executive Vice President Americas

Professional background

2000–2010: Head of Interroll Dynamic Storage North America, Newmarket (CA)

1996–2000: President of Interroll Canada, Newmarket (CA)

1995–1996: President of Werner Precision Rollers Canada, Concord (CA)

1990–1995: Sales Director Interroll Canada, Newmarket (CA)

Dr. Ben Xia



Dr.-Ing, Electrical Engineering (Electrical Machinery)

Advanced Management Programme for Senior Executives, China Europe International Business School (CEIBS)

Current activity

Since 2013: Executive Vice President Asia

Professional background

2006–2013: Managing Director Vanderlande Industries, North Asia (CN)

2002–2005: Head of Shanghai Citel Electronics Co., Ltd. (CN)

1998–2001: Marketing Manager Pirelli Cables Asia-Pacific Shanghai Representative Office (CN)

Kwang-Heng Seng left the Group Management as at 31 March 2013.

Management contracts

There are no management contracts with third parties.

10 COMPENSATION SYSTEM OF THE BOARD OF DIRECTORS

Method used to determine the level of compensation of the Board of Directors

Every year, the Board of Directors determines the level of total compensation for its members, at its discretion and depending on the workload and responsibilities of its members, taking into account the new regulations on excessive compensation in listed stock companies. No separate compensation is paid for membership in committees. Extraordinary efforts that go beyond the normal duties of the Board of Directors may additionally be compensated. 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 the annual total remuneration.

Components of the compensation of the Board of Directors

The total remuneration of the Board of Directors is exclusively paid in cash. It comprises no variable elements. All social security contributions are made by the employer.

No loans or advances were granted to members of the Board of Directors by Interroll Holding Ltd. and its subsidiaries in the two reporting years.

11 COMPENSATION SYSTEM GROUP MANAGEMENT

Powers to specify the remuneration of Group Management and principles

At the Remuneration Committee's request, the Board of Directors decides every year on the total remuneration of the Group Management, subject to approval by the General Meeting from 2015 onwards.

The Remuneration Committee works out the CEO's total remuneration. The CEO works out the total remuneration of the other members of the Group Management (including former members of the Group Management) and submits his proposal to the Remuneration Committee every year for approval by the Board of Directors.

In determining the annual total remuneration, all remuneration paid to members of the Group Management by Interroll Holding Ltd. and the subsidiaries over which it has direct or indirect control is decisive, irrespective of whether global or local activities for one or more subsidiaries in Switzerland or abroad (based on a separate contract of employment) of the respective member of the Group Management are compensated.

The Group Management's actions must always focus on achieving a long-term sustained increase in value rather than pursuing short-term profit maximisation. The composition of total remuneration for the members of the Group Management in general and the CEO in particular is based on this aim.

Elements of the total remuneration of the Group Management and criteria for determining the remuneration

For each Group Management member an individual remuneration agreement exists, the projected total remuneration, which is based on the criteria specified below for determining the remuneration and market conditions in the relevant country.

The projected total remuneration per annum may be exceeded as a result of an excellent performance.

Remuneration is determined on the basis of key criteria, such as global responsibility in the relevant role, individual actual performance contributing to the Group's long-term strategic development, the complexity of the area of responsibility and the personal results achieved on behalf of the Group. Similarly, any additional local roles fulfilled in one or more subsidiaries are also taken into account, including the relevant responsibilities and individual actual performance contributing to their operational and strategic development.

External consultants may additionally be involved in determining the structure and level of remuneration on a case-by-case basis.

Overview of total remuneration for the Group Management

Total remuneration for each Group Management member comprises a fixed and a variable remuneration component. The variable remuneration component includes a bonus and/or the allocation of shares with a blocking period of several years.

The fixed remuneration component of total remuneration is contractually stipulated and generally remains unchanged for three to four 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.

The share of variable remuneration varies, depending on the roles of the members of the Group Management, and amounts to up to approx. 60% for members in an operating managerial role and to up to approx. 30% for members in a centralised holding role of the projected total remuneration.

In the reporting year, the variable share in relation to total remuneration of the Group Management amounted to approx. 33%.

The starting point for the variable remuneration of members of the Group Management includes the measurable sustained financial success of the company, measured in terms of the 3-year plan (rather than the annual budget) and compared with the previous year, as well as the individual, strategically relevant, measurable targets agreed each year with the members of the Group Management. They relate, for example, to new products, gaining market share, developing new markets, successful strategic projects and other personal targets.

Using the plan for several years as the basis of variable remuneration motivates members of the Group Management to think long-term. It means that the relative improvement is measured compared to the previous year and short-term cost-cutting is prevented in the areas of market development, innovation etc. which could hamper the long-term development of Interroll. Based on these considerations, members of the Group Management receive a share of their remuneration in the form of Interroll shares, which are blocked for sale for a period of four years.

The company's financial success is measured in terms of five key figures: operating profit, operating profit margin, gross margin, sales growth and the return on capital, with a different weighting depending on the roles of the members of the Group Management. The Remuneration Committee may deviate from the agreement in favour of an Group Management member if failure to achieve specific targets was solely attributable to external factors, or if an exceptional one-off performance was delivered. In the two reporting years, no deviation from the agreement occurred.

Individual targets impact on the variable remuneration component of Group Management members in an operating managerial role by up to approx. one third and by up to approx. two thirds for Group Management members in a centralised managerial role.

Allotment of shares and management stock option plan

The Interroll shares granted as part of fixed (CEO) and variable remuneration to members of the Group Management are blocked for four to a maximum of six years, in order to ensure the sustainable long-term development of the Interroll Group. The blocking period is aimed at motivating the Group Management to perform its duties in the interests of the Interroll Group's long-term sustainable development rather than short-term profit optimisation.

Based on their commitment and influence, the 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). In this sense, the share plan for the Group Management represents a long-term performance incentive and is intended to promote identification with and loyalty to Interroll in the long run.

Group Management members and a further forty employees, who have already been entrusted with management duties for the Interroll Group since 2006, were given the opportunity to participate in a management stock option plan. The term of this stock option plan ended on 30 September 2013. Each option entitled the holder to subscribe to one Interroll registered share. The exercise price was CHF 323 per share. Cash compensation for the difference between the market price on the exercise date and the exercise price was not available. In financial year 2013, no new stock option plan was introduced, and the existing option plan ceased as per 30 September 2013.

Other remuneration

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 and China as well as Switzerland.

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

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

No other remuneration in the form of significant benefits in kind is made. Further details regarding other remuneration are provided in section 13 – Change in control clauses.

Valuation of the total compensation of the Group Management

Compared with the previous year, the total remuneration of the Group Management decreased. The main reasons for this change were unfilled posts and the appointment of two new members of the Group Management for less than twelve months. An adjustment to the fixed salary of one Group Management member was made compared with the previous year. No significant changes occurred in respect of the variable remuneration component.

Loans to officers

In the current year and the previous year, Interroll Holding Ltd. and its subsidiaries did not grant loans and advances to members of the Group Management.

12 SHAREHOLDERS' PARTICIPATION RIGHTS

Representation and restriction of voting rights

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

Registered shares of nominees that exceed 2% of the shares outstanding are only listed in the Register as shares furnished with voting rights if the nominee has provided written consent to the possible disclosure of names, addresses and shareholdings of those persons for whom the said nominee holds 0.5% or more of the shares outstanding.

Statutory quorum

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

Convocation of General Meeting of Shareholders

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

Agenda and registration in the share register

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

13 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. The notice periods for members of the Group Management range from three to twelve months. For one member of the Group Management, the twelve-month period will start on 1 January 2016.

14 AUDITOR

Duration of the mandate and term of office of the lead auditor

With decision of the general assembly of 10 May 2013, Interroll Holding Ltd. has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC is the Group Auditor of Interroll Group since 2011. Mr. Patrick Balkanyi is the lead auditor with audit responsibility since 2012.

Audit fees

The audit fees charged by PwC to subsidiaries of Interroll Group in the business year 2013 amounted to CHF 0.4 million. The audit fees charged by PwC in 2012 amounted to CHF 0.4 million.

Additional fees charged by PwC

In 2013, PwC branch offices charged a total of CHF 0.02 million for tax and other consulting services (fees for such services charged in 2012: CHF 0.04 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.

15 INFORMATION POLICY

Contact person

Interroll is committed to providing swift, transparent and simultaneous information for all stakeholders. To ensure that, the CEO is available as a direct contact person.

Published reports on the course of business

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

Source of information

Further relevant information and financial reports are available from www.interroll.com reports can be downloaded as PDF documents from www.interroll.com. Shareholders recorded in the share register may request to receive the Annual Report in printed form and register for automatic submission of the annual report with the Investor Relations department.

FINANCIAL REPORT OF INTERROLL GROUP

Contents

1	Consolidated financial statements of Interroll	76
1.1	Consolidated statement of financial position	76
1.2	Consolidated income statement	77
1.3	Consolidated statement of comprehensive income	78
1.4	Consolidated statement of cash flows	79
1.5	Consolidated statement of changes in equity	80
	Notes to the financial statement of Interroll Group	81
2	General information to the financial statements	81
3	Risk management	99
4	Changes to the scope of consolidation	103
5	Operating segments	106
6	Notes to the consolidated statement of financial position	107
7	Notes to the consolidated income statement	130
8	Other disclosures to the financial statements	137
9	Report of the statutory auditor	141

1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2013	in %	31.12.2012	in %	01.01.2012	in %
				Restated ¹⁾		Restated ¹⁾	
ASSETS							
Property, plant and equipment	6.1	83 266		76 828		82 107	
Intangible assets	6.3	53 054		39 152		40 687	
Financial assets		732		890		932	
Deferred tax assets	7.6	3 387		2 838		960	
Total non-current assets		140 439	54.4	119 708	52.6	124 686	52.1
Non-current assets held for sale	6.2	–		–		950	
Inventories	6.5	38 119		35 595		45 100	
Current tax assets		706		741		528	
Trade and other accounts receivable	6.6	58 164		57 439		57 654	
Cash and cash equivalents	6.7	20 797		14 109		10 522	
Total current assets		117 786	45.6	107 884	47.4	114 754	47.9
Total assets		258 225	100.0	227 592	100.0	239 440	100.0
EQUITY AND LIABILITIES							
Share capital		8 540		8 540		8 540	
Share premium		13 739		20 427		26 630	
Reserve for own shares		–1 641		–17 670		–21 018	
Translation reserve		–45 454		–44 319		–43 856	
Retained earnings		211 916		190 659		173 010	
Non-controlling interests		145		–		–	
Total equity	6.10	187 245	72.5	157 637	69.3	143 306	59.9
Non-current financial liabilities	6.12	253		5 025		5 271	
Deferred tax liabilities	7.6	5 071		2 300		2 441	
Pension liabilities	6.15	2 824		3 469		1 179	
Provisions	6.14	5 902		5 322		5 256	
Total non-current liabilities		14 050	5.4	16 116	7.1	14 147	5.9
Current financial liabilities	6.12	320		396		22 850	
Current tax liabilities	7.6	9 831		9 068		9 264	
Trade and other accounts payable	6.16	46 779		44 375		49 873	
Total current liabilities		56 930	22.0	53 839	23.7	81 987	34.2
Total liabilities		70 980	27.5	69 955	30.7	96 134	40.1
Total liabilities and shareholder's equity		258 225	100.0	227 592	100.0	239 440	100.0

* See notes to the consolidated financial statements.

¹⁾ See remarks regarding restatement in chapter 2.1 (IAS 19R).

1.2 Consolidated income statement

in thousands CHF	see notes*	2013	in %	2012	in %
				Restated¹⁾	
Sales		316 334	100.0	307 155	100.0
Material expenses		-131 878	-41.7	-128 056	-41.7
Personnel expenses	7.1 & 6.15	-94 131	-29.8	-89 692	-29.2
Increase/(Decrease) in work in progress, finished products and own goods capitalized		-771	-0.2	-5 951	-1.9
Other operating expenses	7.3	-52 516	-16.6	-52 798	-17.2
Other operating income	7.4	8 341	2.6	10 456	3.4
Operating result before depreciation and amortisation (EBITDA)		45 379	14.3	41 114	13.4
Depreciation	6.1	-11 389	-3.6	-10 824	-3.5
Amortisation	6.3	-6 799	-2.1	-5 469	-1.8
Operating result (EBIT)		27 191	8.6	24 821	8.1
Finance expenses		-1 689	-0.5	-1 304	-0.4
Finance income		145	0.0	540	0.2
Finance result, net	7.5	-1 544	-0.5	-764	-0.2
Result before income taxes		25 647	8.1	24 057	7.8
Income tax expense	7.6	-5 041	-1.6	-4 683	-1.5
Result		20 606	6.5	19 374	6.3
Result attributable to:					
- Non-controlling interests		62	0.0	-	-
- Owners of Interroll Holding Ltd.		20 544	6.5	19 374	6.3
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.11	24.84		24.25	
Diluted earnings (result) per share	6.11	24.71		24.21	
Distribution out of reserves from capital contributions		8.00		7.00	

* See notes to the consolidated financial statements.

¹⁾ See remarks regarding restatement in chapter 2.1 (IAS 19R).

1.3 Consolidated statement of comprehensive income

in thousands CHF	see notes*	2013	in %	2012	in %
				Restated¹⁾	
Result		20 606		19 374	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of pension liabilities	6.15	903		-2 194	
Income tax on items that will not be reclassified		-182		469	
Total items that will not be reclassified to income statement		721		-1 725	
Items that may be reclassified subsequently to income statement					
Currency translation differences		-1 144		-463	
Income tax on items that may be reclassified		-		-	
Total items that may be reclassified subsequently to income statement		-1 144		-463	
Other comprehensive income		-423		-2 188	
Comprehensive income		20 183		17 186	
Result attributable to:					
- Non-controlling interests		62		-	-
- Owners of Interroll Holding Ltd.		20 121	6.4	17 186	5.6

* See notes to the consolidated financial statements.

¹⁾ See remarks regarding restatement in chapter 2.1 (IAS 19R).

1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2013	2012
			Restated¹⁾
Result		20 606	19 374
Depreciation, amortisation and impairment	6.1 & 6.3	18 188	16 293
Loss/(gain) on disposal of tangible and intangible assets	6.2, 7.3 & 7.4	206	-1 260
Financing result, net	7.5	1 544	734
Income tax expense	7.6	5 041	4 689
Changes in inventories		-2 870	8 678
Changes in trade and other accounts receivable		3 580	181
Changes in trade and other accounts payable		1 380	-5 137
Changes in provisions, net	6.14	1 256	181
Income tax paid		-5 855	-6 597
Personnel expenses on share based payments	7.1	1 012	964
Other non-cash income		396	76
Cash flow from operating activities		44 484	38 176
Acquisition of property, plant and equipment	6.1	-14 444	-6 564
Acquisition of intangible assets	6.3	-1 641	-4 082
Acquisition of financial assets		-129	-20
Proceeds from disposal of property, plant and equipment	6.2	75	2 580
Settlement of loans receivable		288	42
Acquisition of subsidiaries, net of cash acquired	4	-23 739	-
Interests received		154	102
Cash flow from investing activities		-39 436	-7 942
Distribution out of reserves from capital contributions		-6 520	-5 594
Purchase of own shares		-143	-
Sale of own shares		14 988	1 750
Proceeds from financial liabilities		469	49
Repayment of financial liabilities		-5 815	-22 502
Interests paid		-407	-276
Cash flow from financing activities		2 572	-26 573
Translation adjustments on cash and cash equivalents		-932	-74
Change in cash and cash equivalent		6 688	3 587
Cash and cash equivalent at 1 January		14 109	10 522
Cash and cash equivalent at 31 December	6.7	20 797	14 109

* See notes to the consolidated financial statements.

¹⁾ See remarks regarding restatement in chapter 2.1 (IAS 19R).

1.5 Consolidated statement of changes in equity

in thousands CHF	see notes*	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	TRANSLATION RESERVE	RETAINED EARNINGS	NON- CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 31 December 2011		8 540	26 630	-21 018	-43 856	172 989		143 285
Restatement						21		21
Balance at 1 January 2012		8 540	26 630	-21 018	-43 856	173 010		143 306
Result¹⁾						19 374		19 374
Other comprehensive income, net of taxes¹⁾					-463	-1 725		-2 188
Total comprehensive income¹⁾					-463	17 649		17 186
Distribution from reserves from capital contributions, net			-5 594	-				-5 594
Share based payments	7.1		-320	1 284				964
Sale of own shares incl. tax effects	6.10		-289	2 064				1 775
Balance at 31 December 2012		8 540	20 427	-17 670	-44 319	190 659		157 637
Result						20 544	62	20 606
Other comprehensive income, net of taxes					-1 144	721		-423
Total comprehensive income					-1 144	21 265	62	20 183
Distribution from reserves from capital contributions, net			-6 521	-				-6 520
Share based payments	7.1		-114	1 127				1 013
Sale of own shares incl. tax effects	6.10		-52	15 045				14 992
Purchase of own shares incl. tax effects	6.10			-143				-143
Acquisition of non-controlling interests	4						83	83
Balance at 31 December 2013		8 540	13 740	-1 641	-45 463	211 924	145	187 245

* See notes to the consolidated financial statements.

¹⁾ See remarks regarding restatement in chapter 2.1 (IAS 19R).

2 GENERAL INFORMATION TO THE FINANCIAL STATEMENTS

2.1 Convention of preparation

General notes to the convention of preparation

The 2013 consolidated financial statements of Interroll Group are based on the annual financial statements of Interroll Holding Ltd., Sant'Antonino and its subsidiaries as of 31 December 2013, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

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

New and amended IAS/IFRS standards and interpretations coming into effect in 2013

The Group's results are in line with IAS/IFRS standards and interpretations. Thus, the Group regularly monitors the amendments and new standards published by the International Accounting Standards Board (IASB). In the course of the business year 2013, the following amended standards and interpretations were enacted:

- Amendment of IAS 1 (effective as per 1.7.2012, presentation of other comprehensive income)
- Amendment of IAS 7 (effective as per 1.1.2013, netting of financial assets with financial liabilities)
- New: IFRS 10 (effective as per 1.1.2013, consolidated financial statements)
- New: IFRS 11 (effective as per 1.1.2013, joint arrangements)
- New: IFRS 12 (effective as per 1.1.2013, disclosure of interests in other entities)
- Amendments of IFRS 10, 11, 12 (effective as per 1.1.2013, consolidated financial statements)
- New: IFRS 13 (effective as per 1.1.2013, fair value measurement)
- Amendment of IAS 19 (effective as per 1.1.2013, employee benefits)
- Amendment of IAS 27 (effective as per 1.1.2013, separate financial statements)
- Amendment of IAS 28 (effective as per 1.1.2013, investments in associates and joint ventures)
- Amendment of IAS 36 (effective as per 1.1.2014, but already adopted by 1.1.2013, information on the recoverable amount of non-financial assets)
- Annual improvement project 2011 (effective as per 1.1.2013)

The application of these new and amended standards and interpretations have no significant effect on the consolidated financial statements of the Interroll Group results, with the exception of IAS 1, IFRS 13 and IAS 19 (amended) as follows:

IAS 1, Presentation of other comprehensive income

The standard requires companies to divide the items presented in other comprehensive income into two categories – depending on whether they are posted in the future on the income statement (so-called “recycling”) or not. The presentation of comprehensive income in 2013 was adapted to the new rules.

IFRS 13, Fair value measurement

The standard describes how the fair value shall be determined and expands related disclosures. The information in Section 6.8 Financial instruments has been amended according to the new rules.

IAS 19, Employee Benefits

The principle effects of adopting IAS 19 (amended) on the financial statements of Interroll Group are as follows:

- Elimination of the corridor method: in future, actuarial gains and losses (new “Remeasurements”) are to be captured at the event of the occurrence in other comprehensive income.
- Calculation of pension costs: The annual cost of defined benefit pension plans include now the net interest expense or the income calculated on the net position of the plan using the discount rate for the defined benefit obligations.
- Past service costs are recognised immediately in profit or loss at the event of the occurrence.
- Risk sharing: The new provision on the sharing of risk between the employees and the employer has an impact on the defined benefit obligation and the distribution of the service cost.

The adoption of IAS 19 (amended) led to adjustments in prior periods (Restatement) as well as to changes in section 6.15 Employee benefits. The effects on the respective positions of the income statement, statement of comprehensive income, the balance sheet, cash flow statement and the equity statement of prior periods are presented below:

Consolidated statement of financial position

in thousands CHF	31.12.2012		31.12.2012	in %
	Reported	Revaluation	Restated	
ASSETS				
Deferred tax assets	2 118	720	2 838	
Total non-current assets	118 988	720	119 708	52.4
Total assets	226 872	720	227 592	100.0
EQUITY AND LIABILITIES				
Retained earnings	192 385	-1 726	190 659	
Total equity	159 363	-1 726	157 637	70.2
Pension liabilities	-	3 469	3 469	
Provisions	6 345	-1 023	5 322	
Total non-current liabilities	13 670	2 446	16 116	6.0
Total liabilities	67 509	2 446	69 955	29.8
Total liabilities and shareholder's equity	226 872	720	227 592	100.0

Consolidated income statement

in thousands CHF	2012		2012
	Reported	Revaluation	Restated
Personnel expenses	-89 694	2	-89 692
Operating result before depreciation and amortisation (EBITDA)	41 112	2	41 114
Operating result (EBIT)	24 819	2	24 821
Finance expenses	-1 274	-30	-1 304
Finance result, net	-734	-30	-764
Result before income taxes	24 085	-28	24 057
Income tax expense	-4 689	6	-4 683
Result	19 396	-22	19 374

Values per share (in CHF)

Non-diluted earnings (result) per share (in CHF)	24.25	-0.0	24.25
Diluted earnings (result) per share (in CHF)	24.21	-0.0	24.21
Distribution from reserves from capital contributions	7.00	-	7.00

Consolidated statement of comprehensive income

in thousands CHF	2012		2012
	Reported	Revaluation	Restated
Result	19 396	-22	19 374
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement of pension liabilities		-2 194	-2 194
Income tax on items that will not be reclassified		469	469
Total items that will not be reclassified to income statement	-	-1 725	-1 725
Items that may be reclassified subsequently to income statement			
Currency translation differences	-463		-463
Total items that may be reclassified subsequently to income statement	-463	-	-463
Other comprehensive income	-463	-1 725	-2 188
Comprehensive income	18 933	-1 747	17 186

Consolidated statement of cash flows

in thousands CHF	2012		2012
	Reported	Revaluation	Restated
Result	19 396	-22	19 374
Other non-cash income	54	22	76
Cash flow from operating activities	38 176	-	38 176

Consolidated statement of changes in equity

in thousands CHF	2012		2012
	Reported	Revaluation	Restated
Balance as per 1 January 2012	143 285	21	143 306
Result	19 396	-22	19 374
Other comprehensive income	-463	-1 725	-2 188
Comprehensive income	18 933	-1 747	17 186
Other equity changes	-2 855	-	-2 855
Total equity as per 31 December 2012	159 363	-1 726	157 637

Future new or revised IAS/IFRS standards and interpretations

The following new or revised standards and interpretations were enacted before the balance sheet date but will come into force later. Interroll does not early adopt these standards and interpretations in its consolidated financial statements:

- Amendment to IAS 19 (effective as of 1/7/2014, employer benefits: employee contributions)
- Amendment to IAS 32 (effective as of 1/1/2014, Offsetting financial assets with financial liabilities)
- New: IFRS 9 (effective date open, Financial Instruments)
- Amendment to IAS 39 (effective as of 1/1/2014, novation of derivatives and continuation of hedge accounting)

Group Management currently analysis potential effects of other new or amended standards and interpretations on the consolidated financial statement. Interroll Group closely follows discussions on IAS/IFRS standards and checks potential effects on group financial statement or disclosure requirements. At the moment being, the Group expects only minor impacts in the presentation of the financial statements and no material impact on the annual financial statements.

2.2 Critical accounting estimates and judgments

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

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

a) Income tax expense

The Holding company and its subsidiaries are subject to income taxes in various countries. Significant judgment is required in determining the required worldwide provision for current and deferred income taxes and the realization 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 within the next three years under valid fiscal law in respective countries. The relevant figures are outlined in note 7.6.

b) Recoverable amount of goodwill, patents and licenses

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

c) Provisions

Liabilities from warranty are a result of the operational business of the Group. These provisions are accrued at balance sheet date based on historical experience. The actual cash flow can be lower or higher or specific requests can be covered by insurance.

The assessment of provisions and pension liabilities is, by definition, subject to uncertainties regarding future cash flows. It requires making assumptions and determining parameters, whose adequacy will only become clear in the future. We refer to comments made under notes 6.14 and 6.15, which also include the relevant carrying amounts.

2.3 Principles of consolidation and valuation

General notes to 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 minority interest 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 effected on the purchase method. The acquisition price for 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 business combination is to be recognised as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of non-controlled interests of the entity acquired, the fair value of equity instruments held already held before over the balance of assets, liabilities and contingent liabilities at fair value. For the valuation of non-controlled interests there are options per transaction. Either the non-controlled interests is valued at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlled interests. An eventual negative goodwill is immediately recognised in the income statement after review of the fair value of the net assets acquired and eliminated against the purchase price. The goodwill is subject to a yearly impairment test or even before if indications for an early impairment test exist.

Changes in the amount of 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 respectively the consideration received and the amount, by which the non-controlled interests value is adjusted, is recognised in the equity.

Investments in associates are investments where the parent company is either (directly or indirectly) entitled to 20% to 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 most important exchange rates were used for the translation of financial statements denominated in foreign currencies:

	INCOME STATEMENT (AVERAGE RATES)			BALANCE SHEET (YEAR END RATES)		
	2013	2012	Change in %	31.12.2013	31.12.2012	Change in %
1 EUR	1.229	1.204	2.1	1.228	1.207	1.7
1 USD	0.924	0.932	-0.9	0.890	0.915	-2.7
1 CAD	0.894	0.934	-4.3	0.837	0.919	-8.9
1 GBP	1.446	1.484	-2.6	1.473	1.479	-0.5
1 SGD	0.738	0.750	-1.6	0.705	0.749	-5.9
1 CNY	0.150	0.148	1.7	0.147	0.147	0.1
1 JPY	0.010	0.012	-18.8	0.009	0.011	-19.8
1 PLZ	0.292	0.289	0.9	0.296	0.296	-0.3
1 THB	0.030	0.030	-0.3	0.027	0.030	-9.0
1 ZAR	0.095	0.114	-16.8	0.084	0.108	-21.9
1 DKK	0.165	0.162	1.9	0.165	0.162	1.7
1 AUD	0.886	0.968	-8.4	0.796	0.950	-16.2
1 CZK	0.047	0.048	-1.5	0.045	0.048	-6.7
1 BRL	0.427	0.477	-10.5	0.377	0.447	-15.6
100 KRW	0.084	0.083	1.4	0.085	0.086	-1.4

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 reporting date. All other liabilities are classified as non-current liabilities.

Segment reporting

Since 1 January 2011, Interroll Group consists of one single business unit. The complete product range is sold in all markets through the respective local sales organisation. The customer groups being OEM's (original equipment manufacturers), system integrators and end users are taken care of by 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 functions (Overall Management, Products & Technology, Global Sales & Service, Corporate Marketing and Corporate Finance). The financial management of the Group by the Board of Directors is effected on one hand by turnover of the product groups and geographical markets and on the other hand by the reporting of the consolidated financial statements. 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, cash flows during the year classified by operating, investing and financing activities, thereby providing information about the changes of 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 non-cash nature;

 - b) deferrals or accruals of past or future operating cash receipts or payments;

 - c) items of income or expense associated with investing or financing cash flows.

Impairments

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

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

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

Derivative financial instruments

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

Changes in fair value are recognised as follows:

a) Fair value hedges

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

b) Cash flow hedges

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

c) Other securities or financial instruments

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

2.4 Accounting principles: statement of financial position

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

Goodwill and intangible assets with an indefinite useful life are allocated to specific cash generating units in order to allow the identification of possible impairment. Such impairment tests are carried out on a yearly 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 being translated to the Group's reporting currency at the year end rate.

Financial assets

Financial assets mainly comprise loans receivable that are stated at amortised cost less any valuation allowance. The recognition of interest income is based on the effective interest rate method. Moreover, this item includes investments of less than 20%. They are stated at their estimated fair value. Any fair value adjustments are recognised in the equity and are recycled in the income statement only at the date of disposal or when impairment arises.

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 brought actively onto market and should be sold within one year. Non-current assets held for sale are presented at the recoverable amount, which is the lower of book value or fair value less costs to sell.

Inventories

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

Trade and other accounts receivable

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

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

Marketable securities

Marketable securities are stated at their fair value as of 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 acquisition date. These balances are stated at nominal value.

Shareholders' equity

Shareholders' equity is categorised as follows:

a) Share capital

The share capital contains the fully paid in registered shares.

b) Share premium

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

c) Reserve for own shares

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

d) Translation reserve

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

e) Retained earnings

Retained earnings contain not distributed profits.

Financial liabilities

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

Provisions

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

Retirement benefits

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

Trade accounts payable

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

2.5 Accounting principles: income statement

Revenue recognition, income from services

Revenue is generally recognised upon delivery (transfer of risk and use), depending on the size and the complexity of the order, when technically approved by the customer. 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. The Group performs services to third parties in connection with administrative tasks and freight. Furthermore, the Group grants distribution licenses to selected franchisees. Revenue resulting from these services are disclosed as other operating income in the income statement.

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 grant date and recognised as personnel expense over the period until 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 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 balance sheet date.

Operating lease expenses

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

Financial result

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

Income tax expense

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

Changes in deferred taxes are generally recognised in the income tax position, unless the underlying transaction has been directly recognised in the other comprehensive income. In such case the related income tax is also directly recognised in the statement of comprehensive income or in equity. Temporary differences resulting from initial recognition of assets and liabilities are not recognised in the income statement. Temporary differences on the participation value of subsidiaries are not recognised if it is probable that the temporary differences will not go into reverse in the foreseeable future.

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

3 RISK MANAGEMENT

3.1 Operational and strategic risk management

Risk management on 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 analysis such risks. The Board of Directors is regularly informed in a uniform manner with the nature, scope, assessment and counteractive measures of the risks.

3.2 Financial risk management

General information to the financial risk management of 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Group's financial performance.

The Board of Directors has the supreme responsibility for risk management. The Board of Directors appoints thereto the Audit Committee, who is responsible for the development and the supervision of the risk management principles. The Audit Committee reports regularly to the Board of Directors.

The principles established for risk management are geared to identify and analyse those risks that may impact the Group, to define adequate limits and to perform controls over the risks and their adherence to. The risk management principles and the related procedures are regularly verified in order to consider changing market conditions and operations of the Group. The target is to develop management regulations and management processes and a disciplined and constructive control environment through existing training and guidelines ensuring a disciplined and conscious handling of risks.

The Audit Committee supervises management in the control of compliance with principles and processes. Their adequacy is permanently verified in respect of 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 the central treasury department. Group Treasury identifies, evaluates and reduces financial risks in close co-operation 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 on the targets, principles and processes implemented for measuring, monitoring and hedging financial risks. Additional information on the financial risks is included in the notes to the consolidated financial statements (see note "6.9 – Financial risks").

Market Risk

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

a) Currency risk exposure

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies. Foreign exchange risks arise from future commercial transactions and from recognised assets and liabilities. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group operates an internal monthly "netting" process. Net exposure resulting from assets and liabilities recognised is partially reduced using forward currency contracts. Such contracts are entered into only with high-credit-quality 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. Relating interest risks are disclosed in 6.9.

c) Price risk

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

Credit Risk

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

Customers exceeding EUR 5 000 credit limit are verified for their creditworthiness before the order is executed. The creditworthiness verification is also based on the credit information database provided by an international service provider leading in this sector. Their software allows determining a credit limit per single customer, based on specifically determined calculation formulas. The calculation formulas have been defined by Interroll Group.

Accumulation of credit risks in trade and other accounts receivable is limited due to numerous customers and their worldwide location. The extent of credit risks is mainly determined by the individual characteristics of each single customer. The risk evaluation includes an assessment of the creditworthiness by considering the customer's financial situation, its credit history and other factors. Sales and revenue from services are performed only with customers whose credit worthiness is proved through the above process. A credit limit is defined for each customer. These limits are verified at least once a year.

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

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

Liquidity Risk

Liquidity risk is the risk that the Group cannot 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 management

It is the objective of Interroll Group to safe-guard its going concern by the definition and adherence to a strong base of equity. Such equity level is defined based on the operational and balance sheet risk of the Group. Refunding of the Group shall be adapted to 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 pay-out ratio

Based on above targets and principles, Group Management aims at a long-term equity ratio of approximately 50 %. The ordinary pay-out ratio corresponds to about 30 % of net profits. This ratio may deviate depending on the general economic outlook and the planned future investment activities.

Key figures to capital management

The following table discloses some essential key figures in regards to capital risk management. Further notes can be found in the inbounds of the annual report.

in million CHF, if not stated differently	2013	2012
Total assets	258.2	227.6
Net financial assets	20.2	8.7
Gearing (net debts/equity)	n/a	n/a
Operating cash flow	44.5	38.2
Indebtedness factor (net debt/cash flow)	n/a	n/a
Equity	187.2	157.6
Equity ratio (equity in % of assets)	72.5	69.3
Result	20.5	19.4
Return on equity (in %)	11.9	12.8
Non-diluted earnings per share (in CHF)	24.84	24.25
Distribution per share (in CHF)	8.80	8.00
Pay out ratio (in %)	35.4	33.0

Debt Covenants

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

4 CHANGES IN THE SCOPE OF CONSOLIDATION

Changes in business year 2013

New companies

Interroll's business activities in Italy were conducted by the newly formed Interroll Italia S.r.l. in Rho near Milano since June 2013. Previously, Interroll was represented in the Italian market by Rulmeca. The new company was consolidated as from 1 July 2013. Furthermore, as from November 2013 Interroll started with a new company in Atlanta/USA. The effects of the establishment of these new companies had no material impact on the Interroll Group's consolidated financial statements in the 2013 reporting year.

Acquisitions

As at 10 July 2013, 100% of the shares in the Portec Group International, Inc. in Cañon City, USA were acquired for a purchase price of CHF 25.3 million, providing control over the Portec Group. The company produces belt curves and primarily sells to customers from the airport, postal services and logistics sectors in the USA, Europe and Asia-Pacific. At the same time, 100% of the shares in Portec Inc., Cañon City, USA, and 60% of the shares in Portec Asia Ltd., Hong Kong, China, were also acquired.

The value of the net assets acquired totalled CHF 17.9 million. Goodwill amounted to CHF 7.4 million. It is not expected that the goodwill will be deductible for income tax purposes. Intangible assets amounting to CHF 13.0 million mainly comprised customer relationships, trademarks and patents. The purchase price allocation was not final as at the reporting date of 31 December 2013.

It is expected that Interroll's presence in US airports will be strengthened, in particular, following this acquisition. In addition, cost savings as a result of synergies are anticipated. The goodwill amounting to CHF 7.4 million resulted from the customer base and major synergies expected from the integration of Portec Group into Interroll.

Allocation of net assets acquired

The following overview shows in summary paid purchase price for the acquisition as well as the values of the identified assets and liabilities as per acquisition date. In addition, it shows the non-controlling interests of Portec Asia Ltd. as per acquisition date, which corresponds to 40 % of the net asset value of the company.

in thousands CHF	2013	2012
	Fair value	Fair value
Property, plant and equipment	3 640	–
Intangible assets	12 977	–
Deferred tax assets	608	–
Total non-current assets	17 225	–
Other receivables	44	–
Inventory	1 619	–
Trade receivables	4 597	–
Cash & cash equivalents	1 591	–
Total current assets	7 851	–
Total assets	25 076	–
Trade payables	1 531	–
Bank loans	431	–
Other short-term accounts payable	29	–
Accrued expenses & deferred income	437	–
Deferred tax liabilities	4 462	–
Provisions	201	–
Minority interests	92	–
Total liabilities	7 183	–
Total net assets acquired	17 893	–
Goodwill acquired	7 436	–
Total acquisition costs	25 329	–

Cash flow from acquisitions

The full amount is for the acquisition of Portec Group International, Inc. (short: Portec) and was settled in cash.

in millions CHF	2013	2012
Settled in cash for the acquisition of CSA Conveyor	25.3	–
./. acquired liquid funds from Portec	–1.6	–
Net cash used in acquisitions	23.7	–

Further notes to acquisitions

Acquisition-related expenses of CHF 0.24 million were stated under consultancy expenses in the profit and loss account for financial year 2013.

The fair value of trade receivables amounted to CHF 4.6 million. The gross amount of trade receivables due totalled CHF 4.9 million. Of this amount, it is expected that CHF 0.3 million will be irrecoverable.

Since 10 July 2013, Portec Group has made a contribution totalling CHF 8.6 million to Interroll Group's sales revenue. Its share in the profit for the same period of time amounted to CHF 0.5 million.

Had Portec Group already been consolidated from 1 January 2013, sales revenue of CHF 327.9 million and a profit of CHF 21.3 million would have been reported in Interroll Group's profit and loss account.

Changes in business year 2012

In the previous year, there was no acquisition of subsidiaries or business activities respectively. There were also no payments due from previous acquisitions.

5 OPERATING SEGMENTS

Sales and non-current assets by geographical markets

Sales and non-current assets according to geographical markets is presented as follow:

in thousands CHF	SALES				NON-CURRENT ASSETS			
	2013	in %	2012	in %	2013	in %	2012	in %
Other EMEA	140 915	44.5	136 992	44.6	12 914	9.5	13 854	11.9
Germany	58 063	18.4	73 254	23.8	50 337	36.9	53 068	45.8
Switzerland	4 034	1.3	4 983	1.6	42 072	30.9	37 624	32.4
Total Europe, Middle East, Africa (EMEA)	203 012	64.2	215 229	70.1	105 323	77.3	104 546	90.1
USA	54 936	17.4	42 494	13.8	26 513	19.4	5 902	5.1
Other Americas	13 200	4.2	14 083	4.6	1 465	1.1	1 822	1.6
Total Americas	68 136	21.5	56 577	18.4	27 978	20.5	7 724	6.7
Total Asia-Pacific	45 186	14.3	35 349	11.5	3 019	2.2	3 710	3.2
Total Group	316 334	100.0	307 155	100.0	136 320	100.0	115 980	100.0

The key definition of turnover has been defined according to the invoice address. Switzerland is the country of domicile of Interroll Holding Ltd. Non-current assets are disclosed excluding financial assets and deferred tax assets.

Information about major customers

Sales are realised with more than 10 000 customers. There is no customer achieving a turnover of more than four percent of Group sales.

Sales by product group

Sales realised by product group is presented as follow:

in thousands CHF	2013	in %	2012	in %	2011	in %
Drives	109 447	34.6	99 297	32.3	95 132	35.0
Rollers	75 406	23.8	80 428	26.2	83 212	30.6
Conveyors & Sorters	71 164	22.5	69 347	22.6	42 758	15.7
Pallet & Carton Flow	60 317	19.1	58 083	18.9	50 830	18.7
Total Group	316 334	100.0	307 155	100.0	271 932	100.0

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Property, plant and equipment

Movements of property, plant and equipment

in thousands CHF	LAND & BUILDING		PRODUCTION EQUIPMENT & MACHINERY		OFFICE EQUIPMENT & MOTOR VEHICLES		ASSETS UNDER CONSTRUCTION		TOTAL PROPERTY, PLANT AND EQUIPMENT	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cost										
At 1.1.	74905	74782	87796	88197	8287	8765	805	1999	171793	173743
Currency translation adj.	242	-659	-495	-670	-95	-64	3	-13	-345	-1406
Additions	8137	449	3884	4440	1416	1675	1007	-	14444	6564
Disposals	-99	-8	-1120	-6001	-874	-1245	-	-	-2093	-7254
Reclassifications	-	341	544	1830	2	-844	-546	-1181	-	146
Changes in the scope of consolidation*	2435	-	1125	-	68	-	12	-	3640	-
At 31.12.	85620	74905	91734	87796	8804	8287	1281	805	187439	171793
Accumulated Depreciation & impairments										
At 1.1.	-26359	-23562	-63095	-61648	-5511	-6426	-	-	-94965	-91636
Currency translation adj.	-151	243	394	456	81	22	-	-	324	721
Depreciation	-3007	-2823	-7349	-6973	-1033	-1028	-	-	-11389	-10824
Disposals	75	5	1069	5931	713	984	-	-	1857	6920
Reclassifications	-	-222	-	-861	-	937	-	-	-	-146
At 31.12.	-29442	-26359	-68981	-63095	-5750	-5511	-	-	-104173	-94965
Property, plant and equipment at 31.12.	56178	48546	22753	24701	3054	2776	1281	805	83266	76828
Capital commitments**	-	5187	1227	1646	16	82	-	-	1243	6915
Insurance value***	104235	85357	116776	119664	-	-	-	-	221011	205021

* Detailed information on the changes in the scope of consolidation is disclosed in note 4.

** Capital commitments for land and buildings are related to the erection of the Regional Center of Excellence in Atlanta.

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

Further notes to property, plant and equipment

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

6.2 Non-current assets held for sale

In the year under review 2013 there are no non-current assets held for sale. In the first half of 2012 both buildings held for sale (Spain and Wassenberg/Germany) were sold for a total of CHF 2.2 million. The profit realised on these sales was CHF 1.2 million and is included in other operating income.

6.3 Intangible assets

Movements of goodwill and intangible assets

in thousands CHF	GOODWILL		SOFTWARE		PATENTS, TECHNOLOGY AND LICENCES		CUSTOMER RELATIONSHIP		TOTAL INTANGIBLE ASSETS	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Cost										
At 1.1.	12 125	12 174	29 994	26 128	13 528	13 773	20 739	20 988	76 386	73 063
Currency translation adj.	-470	-49	-21	-19	-356	-91	-261	-125	-1 108	-284
Additions	-	-	1 641	4 082	-	-	-	-	1 641	4 082
Disposals	-	-	-106	-197	-	-154	-	-124	-106	-475
Reclassifications	-	-	-	-	-	-	-	-	-	-
Changes in the scope of consolidation*	7 436	-	-	-	8 342	-	4 635	-	20 413	-
At 31.12.	19 091	12 125	31 508	29 994	21 514	13 528	25 113	20 739	97 226	76 386
Accumulated amortisation & impairments										
At 1.1.	-3 126	-3 126	-6 757	-4 096	-13 458	-13 332	-13 893	-11 822	-37 234	-32 376
Currency translation adj.	-	-	19	20	-169	88	-50	72	-200	180
Amortisation	-	-	-3 611	-2 877	-683	-368	-2 505	-2 224	-6 799	-5 469
Disposals	-	-	61	196	-	154	-	81	61	431
Reclassifications	-	-	-	-	-	-	-	-	-	-
At 31.12.	-3 126	-3 126	-10 288	-6 757	-14 310	-13 458	-16 448	-13 893	-44 172	-37 234
Total intangible assets, net at 31.12.	15 965	8 999	21 220	23 237	7 204	70	8 665	6 846	53 054	39 152
Capital commitments	-	-	1	1 244	-	-	-	-	1	1 244

* Detailed information on the changes in scope of consolidation is disclosed in note 4.

Goodwill: impairment test

The impairment tests are generally based on a three year plan and on the present value of future (pre-tax) cash flows (value in use) determined using a discount rate before tax of 12.0% (previous year: 10.4%). The growth rate and the discount rate were defined as key assumptions. No further growth was assumed for the extrapolation of free cash flows.

Sensitivity analysis to the goodwill impairment tests

The sensitivity analysis performed resulted in both years under review in the conclusion that the discounted value of future free cash flows exceeds the value of the current goodwill also when assuming a change of the discount rate under normal economical conditions. The growth rate was reviewed in regards to its sensitivity. This test lead 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

Out of the accumulated acquisition costs, CHF 27.9 million (previous year: CHF 26.7 million) relate to the setup, design and introduction of SAP. In the year under review the additions to this process management system amount to CHF 2.7 million (previous year: CHF 3.8 million). Capital commitments for software are related to the investment and development of SAP.

SAP was launched mid 2011 for the two Centers of Excellence for Drum Motors and Rollers/RollerDrive as well as for all European sales and service subsidiaries. Development costs incurred until that date in the amount of CHF 19.5 million were capitalised mid 2011 and are subject to amortisation over 8 years. In the third quarter of 2012, SAP was also launched in the Center of Excellence for Supermarket Products, in the Regional Center of Excellence for Rollers and Drum Motors in the USA as well as in several sales subsidiaries in Asia-Pacific. Respective development costs of CHF 6.9 million were capitalised and are subject to amortisation over 8 years since October 2012. During the reporting period SAP became active with Interroll China and the launch in the Competence Center Automation was designed. Respective development costs of CHF 0.5 million were capitalised in December 2013 and are subject to amortisation over 8 years. Further developments to introduce this ERP in other production sites were undertaken already and respective investments amounted to CHF 1.0 million. No amortisation has been recognised so far on these amounts.

Patents and licenses

Patents and licenses are normally amortised on a straight line basis over 6 years. At year end 2013, due to the acquisition of Portec, an amortisation term of additional 6 years remains on the major portion of patents and licenses. A review if indicators exist that point towards an impairment of patents and licenses was performed. There are no signs that would indicate an impairment of this value.

Customer relationship

Customer relationship is normally amortised on a straight line basis over 10 years. At year end 2013, an amortisation term of additional 7 years remains on the major portion of customer relationship. A review if indicators exist that point towards an impairment of customer relationship was performed. There are no signs that would indicate an impairment of this value.

6.4 Assets pledged or assigned

in thousands CHF	31.12.2013	31.12.2012
Land & buildings	1 317	1 299
Trade receivables	161	593
Total assets pledged or assigned	1 478	1 892

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

6.5 Inventories

Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2013	31.12.2012
Raw materials	27 050	24 879
Work in progress	12 001	11 824
Finished products	969	1 097
Valuation allowance	-1 901	-2 205
Total inventory, net	38 119	35 595

No inventory was pledged in both years under review.

Development of valuation allowance on inventory

in thousands CHF	2013	2012
Balance per 1.1.	-2 205	-1 886
Currency translation adjustment	56	36
Additions	-583	-734
Reductions	831	379
Total valuation allowance on inventory per 31.12.	-1 901	-2 205

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

6.6 Trade and other accounts receivable

Detailed overview of trade and other accounts receivable

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

in thousands CHF	31.12.2013	31.12.2012
Trade accounts receivable from goods and services	51 608	52 648
Valuation allowance	-2 873	-2 376
Total trade accounts receivable, net	48 735	50 272
Prepaid expenses and accrued income	1 501	1 223
Prepayments for inventories	2 273	1 244
Other accounts receivable	5 496	4 700
Forward exchange dealing	159	-
Total other accounts receivable	9 429	7 167
Total trade and other accounts receivable, net	58 164	57 439

Aging and valuation allowance of trade accounts receivable

Trade accounts receivables are due and specific/general valuation allowance have been evaluated as follows:

in thousands CHF	31.12.2013				31.12.2012			
	GROSS	VALUATION ALLOWANCE		NET	GROSS	VALUATION ALLOWANCE		NET
		INDIVIDUAL	COLLECTIVE			INDIVIDUAL	COLLECTIVE	
Not past due	34 209	-78		34 131	34 532			34 532
Past due 1-30 days	8 036	-1		8 035	10 893			10 893
Past due 31-60 days	3 259	-		3 259	3 337			3 337
Past due 61-90 days	1 599	-		1 599	684	-11		673
Past due > 90 days	4 506	-1 813	-982	1 711	3 202	-1 158	-1 207	837
Total trade accounts receivable	51 609	-1 892	-982	48 735	52 648	-1 169	-1 207	50 272

Development of the individual and collective valuation allowance of trade accounts receivable

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

in thousands CHF	2013			2012		
	TOTAL	INDIVIDUAL	COLLECTIVE	TOTAL	INDIVIDUAL	COLLECTIVE
At 1.1.	-2376	-1169	-1207	-2407	-1191	-1216
Currency translation adjustment	243	264	-21	11	2	9
Additions	-1557	-1557		-655	-655	
Allowance used	581	581		242	242	
Allowance reversed	236	-10	246	433	433	
At 31.12.	-2873	-1891	-982	-2376	-1169	-1207

During the year under review, an amount of CHF 0.6 million (previous year: 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 assessed to be low.

Currencies in trade accounts receivable

Trade accounts receivable reported in CHF are denominated from the following currencies:

in thousands CHF	31.12.2013		31.12.2012	
		in %		in %
EUR	23105	44.8	25051	47.6
USD	10046	19.5	7798	14.8
CNY	6244	12.1	4755	9.0
THB	938	1.8	4324	8.2
DKK	2181	4.2	2325	4.4
all other currencies	9094	17.6	8395	16.0
Total trade accounts receivable, gross	51608	100.0	52648	100.0

Regional break down of trade accounts receivable

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

in thousands CHF	31.12.2013		31.12.2012	
		in %		in %
Europe, Middle East, Africa	28725	55.7	31212	59.3
Americas	10865	21.0	9276	17.6
Asia-Pacific	12018	23.3	12160	23.1
Total trade accounts receivable, gross	51608	100.0	52648	100.0

At average, trade accounts receivable are 57 days outstanding (DSO). The respective value is for Europe 54, for Americas 58 and for Asia 69. In the previous year, the DSO was 53 for the Group, for Europe 45, for Americas 64 and for Asia 93.

6.7 Cash and cash equivalents

Positions included in cash and cash equivalents

in thousands CHF	31.12.2013	31.12.2012
Cash on hand, bank and postal accounts	17 532	12 559
Short-term deposits	3 265	1 550
Total cash and cash equivalents	20 797	14 109

Interest rates of cash and cash equivalents

The interest rates on cash and cash equivalents vary between 0 % (for CHF) and 10 % (BRL). The respective rates of 2012 were 0 % (CHF) and 11 % (BRL) respectively .

Currencies hold in cash and cash equivalents

in %	31.12.2013	31.12.2012
EUR	39.0	49.0
CHF	3.0	8.0
USD	18.0	14.0
THB	11.0	4.0
JPY	–	2.0
KRW	2.0	4.0
ZAR	3.0	8.0
other currencies	24.0	11.0
Total cash and cash equivalents	100.0	100.0

Transfer limitations on cash and cash equivalents

Cash and cash equivalents of CHF 0.9 million (2012: CHF 1.3 million) at Interroll South Africa as well as at Interroll Brasil 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	31.12.2013	31.12.2012
Cash and cash equivalents	20 797	14 109
Trade and other accounts receivable (without townpayments)	55 573	56 195
Financial assets	732	890
Total financial assets at amortised costs	77 102	71 194
Foreign currency forward contracts*	159	-213
Total financial instruments at fair value	159	-213
Trade and other accounts payable	34 916	33 284
Financial liabilities	573	5 421
Total financial liabilities at carrying value	35 489	38 705

* see notes 6.6, 6.9 and 6.16

Book values 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 2 years and their net present values corresponds very closely to their book values.

6.9 Financial risks

Currency risk exposure

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

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

in thousands CHF	31.12.2013					31.12.2012				
	EUR	CHF	USD	SGD	JPY	EUR	CHF	USD	SGD	JPY
Financial assets		70				2	70	-	-	-
Trade and other accounts receivable	3 559	532	5 246	2 701	1 486	4 744	1 390	3 024	2 346	1 804
Cash and cash equivalents incl. intercompany loans	2 089	14 189	2 057	353	3	683	19 486	1 220	-	-
Financial liabilities			7 452			-	4 965	2 196	-	-
Trade and other accounts payable	7 114	3 380	3 262	1 347	8	6 391	4 534	2 087	2 411	62
Short-term liabilities	54	17 027	267			3 909	2 725	2 196	-	-
Currency risks on the balance sheet (gross)	12 816	35 198	18 284	4 401	1 497	15 729	33 170	10 723	4 757	1 866
Elimination equal currency	-5 268	-29 204	-7 050	-92		-5 092	-21 386	-3 721	-164	-36
Currency risks on the balance sheet (net)	7 548	5 994	11 234	4 309	1 497	10 637	11 784	7 002	4 593	1 830
Natural hedges	-290	-189	-282	-189		-1 355	-912	-220	-	-
FX forward contracts		-865	-2 705	-2 295	-880	-2 874	-	-1 844	-2 577	-1 262
Net currency risk exposure	7 258	4 940	8 247	1 825	617	6 407	10 872	4 938	2 016	568

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

Net investments in foreign subsidiaries are long term investments. Such investments are exposed to currency fluctuation, because they are held in another currency than the Group's functional currency. From a macroeconomic and long term point of view, the currency exchange effects should be neutralised by the inflation rate at the subsidiaries' domicile. Due to this reason and also due to costs for respective derivative instruments, the Group does not hedge such risks.

Foreign currency forward contracts

The Group prepares regularly 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 hedges normally 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		31.12.2013			31.12.2012		
Hedged currency	SELL/BUY	MATURITY	NOTIONAL AMOUNT IN CHF	FAIR VALUE	SELL/BUY	NOTIONAL AMOUNT IN CHF	FAIR VALUE
USD	USD/CAD	Feb-14	1 202	-35	USD/CAD	1 224	17
USD	USD/CHF	Feb-14	1 503	16	USD/CHF	620	5
SGD	SGD/EUR	Feb-14	1 245	30	SGD/EUR	1 413	-13
SGD	JPY/SGD	Feb-14	1 050	56	JPY/SGD	1 164	-100
EUR	EUR/CHF	Feb-14	865	-4	EUR/CHF	5 749	12
EUR	CHF/EUR	Feb-14	-	-	CHF/EUR	2 874	-4
JPY	JPY/EUR	Feb-14	880	71	JPY/EUR	1 262	-131
CNY	CNY/EUR	Feb-14	1 723	25	CNY/EUR	654	-
THB	THB/EUR	Feb-14	-	-	THB/EUR	640	1
Total FX forward contracts*				159			-213

* see note 6.16

Sensitivity analysis of the currency risk exposure

As per year end, a sensitivity analysis was carried out in respect to financial instruments. The sensitivity analyses calculates the effect of FOREX – changes on the major currency pairs within the Group. These risks particularly result from different currencies between costs for production and invoicing currency to the customers. Assumed currency fluctuations would have the following effects on the foreign currency positions in the balance sheet:

in thousands CHF	31.12.2013			31.12.2012		
CURRENCY PAIR	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial assets	70	–	–	70	–	–
Trade and other receivables	–1 361	879	2 183	–1 396	338	1 765
Cash and cash equiv. incl. IC-loans	13 069	367	989	19 464	368	809
Financial liabilities	–	–	–	4 965	–	–
Trade and other payables	1 645	–	1 360	2 255	–200	638
Short-term and current liabilities	17 027	–	–	2 725	2 196	–
Gross exposure per currency pair	30 450	1 246	4 532	28 083	2 702	3 212
Risks opposing each other	–23 558	–	–2 721	–19 892	–1 412	–1 276
FX forward contracts	–865	–1 503	–1 202	–2 875	–	–1 224
Net FX exposure per currency pair	6 027	–257	609	5 316	1 290	712
Currency change in %	2	1	4	2	6	5
Effect on the result (+/-)	121	3	24	532	129	71
Income tax expense at 20.1 %	–24	–1	–5	–107	–26	–14
Net FX exposure after income taxes	97	2	19	425	103	57

Analogously to the currency risk analysis, the net risks of currency pairs are summed up. The position “Risks opposing each other” is a result of netting out those risks that are contrary to each other. The disclosed amount in line “FX forward contracts” equals the total of hedged currency risks of a currency pair. It is also deducted from the gross risk as it deviates linearly with the fluctuation of the currency. The income taxes are calculated in line with the applicable rate for an ordinary taxed entity in Switzerland (see note 7.6).

Interest risks

As per balance sheet date, the Group had interest bearing net financial assets of CHF 3.6 million (previous year: CHF 2.9 million financial liabilities, see also note 6.12). There are CHF 4 million (previous year: 2.4 million financial assets, of which CHF 0.6 million (previous year: CHF 0.5 million) are not interest bearing. There are financial liabilities of CHF 0.5 million (previous year: CHF 5.4 million). The portion of not interest bearing financial liabilities was immaterial in both years under review.

The following table divides interest bearing assets and liabilities into fix and variable as well as shows none interest bearing positions within financial assets and liabilities. A change of 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 fix interest rate. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in thousands CHF	31.12.2013				31.12.2012			
	NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS		NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS	
			+100	-100			+100	-100
Financial assets								
Fix interest rate	0–2.63	1 593	16	-16	0–3.4	615		
Variable interest rate	0–10.3	1 809	18	-18	0–11.0	1 284	13	-13
Not interest bearing	–	645			–	541		
Total deposits		4 047	34	-34		2 440	13	-13
Fix interest rate								
Total loans		–	–	–		–	–	–
Cash on hand, bank and postal accounts		17 532				12 559		
Trade and other receivables		55 573				56 195		
Total other financial assets		73 105	–	–		68 754	–	–
Total financial assets		77 152	34	-34		71 194	13	-13
Financial liabilities								
Fix interest rate					1.7	4 965	–	–
Variable interest rate								
Total bank loans		–	–	–		4 965	–	–
Fix interest rate	6.0–9.85	310	3	-3	6.0	389	–	–
Not interest bearing		158				–		
Total other loans		468	3	-3		389	–	–
Bank overdrafts		1				67		
Trade and other accounts payable		34 916				33 284		
Total trade and other accounts payable		34 917	–	–		33 351	–	–
Total financial liabilities		35 385	3	-3		38 705	–	–
Net financial assets		41 767	37	-37		32 489	13	-13

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 interests at a fixed rate. As per above analysis, the Group's annual result would have changed slightly by CHF 0.04 million in case of an interest rate being one percentage point higher or lower. In the previous year, an increase of the interest rate of one percentage point, would have changed the Group's result only slightly. The result would have improved with an interest reduction of one percentage point by CHF -0.01 million in the previous year. For certain interest bearing positions, the interest rate is already lower than one percent. Therefore, the effect of the reduction was only calculated up to the current interest rate being lower than 1.0%.

Liquidity risk

The Group carries out a complete liquidity planning on a quarterly basis. The Group holds liquidity reserves in form of committed and uncommitted credit lines in order to comply with an unexpected and extraordinary liquidity demand.

Credit facilities and debt covenants

The amount of unused credit facilities as per end of the reporting year amounted to CHF 80.6 million (previous year: CHF 77.4 million).

In the year under review, the committed credit lines for an amount of CHF 40.0 million which were agreed upon in 2009 were extended with the same conditions for another duration of 3 years. They ensure the funding of the future investment programme and serve generally for the business financing. The Group always complied with the agreed debt covenants which are the following:

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

The ageing of the financial liabilities is disclosed in note 6.12 (see "Ageing of financial liabilities").

6.10 Information on shareholders' equity

Reconciliation from total issued shares to outstanding shares

	2013	2012
Issued shares par value CHF 10.00 each (previous year: CHF 10.00)	854 000	854 000
Own shares held by the Group as per 1.1.	51 718	60 099
Purchase of own shares	300	–
Sale of own shares	–2 964	–2 700
Attribution of shares relating to bonus plan	–2 580	–2 941
Attribution of shares related to options exercised	–42 625	–2 740
Own shares held by the Group as per 31.12.	3 849	51 718
thereof reserved for issuance under option programme	–	43 225
thereof unreserved	3 849	8 493
Shares outstanding as per 31.12.	850 151	802 282

6.11 Earnings per share

Non-diluted earnings per share

The non-diluted earnings per share in 2013 amount to CHF 24.84 (2012: CHF 24.25). The calculation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding.

	2013	2012
		Restated
Result attributable to the equity holders (in thousands CHF)	20 544	19 374
Shares outstanding as per 1.1.	802 282	793 901
Effect of the purchase of own shares	–	–
Effect of the sale/attribution of own shares	2 177	4 503
Effect of the issue of shares under option plans	22 461	686
Weighted average of shares outstanding	826 920	799 090
Non-diluted earnings per share (in CHF)	24.84	24.25

Diluted earnings per share

The diluted earnings per share in 2013 amount to CHF 24.71 (2012: CHF 24.21). They are calculated by adjusting the weighted average number of ordinary shares outstanding to include all dilutive potential ordinary shares.

The potential ordinary shares resulting from the issue of options under the employee stock option plan (see note 7.1) had a dilutive effect in both years under review due to the fact that the strike price (CHF 323) was below the average share price (current year: CHF 409, previous year: CHF 333) during the year under review. This effect is outlined below.

	2013	2012
		Restated
Result attributable to the equity holders (in thousands CHF)	20 544	19 374
Weighted average of shares outstanding	826 920	799 090
Dilutive effect of share options	4 562	1 319
Weighted average of shares outstanding (diluted)	831 482	800 409
Diluted earnings per share (in CHF)	24.71	24.21

6.12 Financial liabilities

Details to current and non-current financial liabilities

in thousands CHF	31.12.2013	31.12.2012
Bank overdrafts/loans	1	67
Other financial liabilities	215	329
Financial leasing	104	–
Total current financial liabilities	320	396
Bank loans	–	4 965
Other loans	253	60
Total non-current financial liabilities	253	5 025
Total financial liabilities	573	5 421

Net financial liabilities to equity ratio

in thousands CHF	31.12.2013	31.12.2012
Total financial liabilities	573	5 421
./. Cash and cash equivalents	-20 797	-14 109
Net financial liabilities (-net cash)	-20 224	-8 688
Equity	187 245	157 637
Net financial debt in % of the equity	n/a	n/a

Loan structure

in thousands CHF					31.12.2013			31.12.2012
	CURRENCY	WEIGHTED AV. INTEREST RATE	INTEREST DUE FIX/VARIABLE	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
Bank loans	CHF	1.70%	F	2013			5 041	4 965
Other loans	EUR/DKK	0%–6.00%	F	2017	623	572	413	389
Total other loans					623	572	413	389
Total Loans					623	573	5 454	5 354

Ageing of financial liabilities

The financial liabilities as per 31 December 2013 are due as follows:

in thousands CHF	BOOK VALUE	FACE VALUE (UNDISCOUNTED)	WITHIN 6 MONTHS	WITHIN 6-12 MONTHS	WITHIN 1-2 YEARS	WITHIN 2-5 YEARS
Bank loans						
Other loans	572	623	110	211		302
Bank overdrafts	1	1	1			
Trade/other accounts payable*	34 916	34 916	34 916			
Total financial liabilities	35 489	35 540	35 027	211	-	302

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

The financial liabilities as per 31 December 2012 were due as follows:

in thousands CHF	BOOK VALUE	FACE VALUE (UNDISCOUNTED)	WITHIN 6 MONTHS	WITHIN 6-12 MONTHS	WITHIN 1-2 YEARS	WITHIN 2-5 YEARS
Bank loans	4 965	5 041		5 041		
Other loans	389	413			413	
Bank overdrafts	67	67	67			
Trade/other accounts payable*	33 497	33 497	33 497			
Total financial liabilities	38 918	39 018	33 564	5 041	413	-

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

6.13 Leasing liabilities

Finance leases

In the year under review, there were CHF 0.4 million finance leases of which CHF 0.3 million will become due in one to five years. In the previous year there were no finance leases.

Operating leases

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

in thousands CHF	31.12.2013	31.12.2012
within 1 year	2 308	2 810
between 1 and 5 years	6 550	4 984
over 5 years	1 539	2 797
Total operating leases	10 397	10 591

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

6.14 Provisions

Movements in provisions

in thousands CHF	WARRANTIES		OTHER PROVISIONS		TOTAL PROVISIONS	
	2013	2012	2013	2012	2013	2012
			Restated	Restated		
As per 1.1.	5 122	4 916	200	340	5 322	5 256
Currency translation adjustments	-97	-43	4	-3	-93	-46
Provisions made	3 280	3 292	34	200	3 314	3 492
Provisions used	-1 997	-2 166	-	-337	-1 997	-2 503
Provisions reversed	-620	-877	-204	-	-824	-877
Acquired provisions	180				180	-
As per 31.12.	5 868	5 122	34	200	5 902	5 322

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 corresponds to roughly 1.9% (previous year: 1.7%) of net sales. The increase in the percentage of sales is a consequence of more warranty cases for certain product groups. In absolute terms, the warranty was only increased due to the higher sales volumes.

Data from the past indicates that between 30% and 50% of the warranty provision will be used in the subsequent year.

Other provisions

The other provisions mainly include provision 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 obligations and pension costs

General information to the pension plans of the Group

The pension costs for 2013 amounted to CHF 2.3 million (2012: CHF 1.6 million). Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are regarded as defined benefits plans in line with IAS 19. In 2012, 192 and in 2013, 201 employees participated in the defined benefit plans. The Swiss plan is outsourced to a collective foundation whereas the plan in France is outsourced to an insurance company. It can be assumed that the assets of both plans do not include Interroll shares.

Components of defined benefit cost

in thousands CHF	2013	2012
		Restated
Costs of the defined contribution plans	1 477	924
Current service costs, net	802	609
Interest costs	66	28
Costs of the defined benefit plans	868	637
Effects of changes in demographic assumptions		-416
Effects of changes in financial assumptions	741	-1 816
Effects of experience assumptions	123	44
(Return) on plan assets (excl. interest income)	64	-79
Remeasurements included in OCI	928	-2 267
Defined benefit cost	3 273	-706

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

Amounts recognised in the statement of financial position

in thousands CHF, as per 31.12.	2013	2012
		Restated
Present value of defined benefit obligation	-15 787	-14 887
Fair value of plan assets	12 962	11 419
Pension liability	-2 824	-3 468

Roll forward of the defined benefit obligation

in thousands CHF	2013	2012
		Restated
Benefit obligation as per 1.1.	-14888	-12191
Current service costs, net	-802	-609
Interest costs	-302	-347
Contributions from employees	-393	-362
Benefits funded/(paid), net	-521	539
Translation difference	-9	6
Insurance premiums	263	265
Remeasurements		
– Effects of changes in demographic assumptions	–	-416
– Effects of changes in financial assumptions	741	-1816
– Effects of experience assumptions	123	44
Benefit obligation as per 31.12.	-15787	-14887

Roll forward of the present value of plan assets

in thousands CHF	2013	2012
		Restated
Fair value of plan assets as per 1.1.	11418	11012
Interest income	236	319
Employer contributions	591	609
Employee contributions	393	362
Benefits funded/(paid), net	521	-539
Insurance premiums	-263	-265
Translation difference	2	-1
Remeasurements		
– Income of plan assets	64	-79
Fair value of plan assets as per 31.12.	12962	11418

Investment categories

in %	2013	2012
Equity securities	3.0	1.4
Debt securities	75.2	75.3
Real estate	16.5	16.7
Other investments	5.4	6.6
Total Investments in %	100.0	100.0

Net defined benefit liability (asset) reconciliation

in thousands CHF	2013	2012
		Restated
Net defined benefit liability (asset) as per 1.1.	-3 469	-1 179
Defined benefit cost included in P/L	-868	-637
Total remeasurements included in OCI	929	-2 267
Employer contributions	591	609
Translation difference	-7	5
Net defined benefit liability (asset) as per 31.12.	-2 824	-3 469

Actuarial assumptions

in %	2013	2012
		Restated
Discount rate	2.3	2.0
Future salary increases	1.5	1.5
Expected benefit increases	1.8	1.8
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2010	BVG 2010

Sensitivities

Discount rate and future salary increases are considered as essential actuarial assumptions.

Following effects are expected:

Discount rate	2.30 %	+0.25%	-0.25%
Benefit obligation	-15 787	-15 240	-16 424
Rate of salary increase	1.50 %	+0.25%	-0.25%
Benefit obligation	-15 787	-15 919	-15 656

Sensitivities are based on likely possible changes as per end of 2013.

6.16 Trade and other accounts payable

in thousands CHF	31.12.2013	31.12.2012
Trade accounts payable to third parties	13 371	12 356
Advances received from customers	11 863	10 878
Total trade accounts payable	25 234	23 234
Other liabilities	9 618	8 321
Foreign currency forward contracts*	–	213
Total other accounts payable	9 618	8 534
Accrued personnel expenses	7 854	7 994
Accrued interest	7	15
Other accrued expenses	4 066	4 598
Total accrued expenses	11 927	12 607
Total trade and other accounts payable	46 779	44 375

* see note 6.9

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 vacation and bonuses.

7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1 Personnel expenses

Details to personnel expenses and number of employees

in thousands CHF	2013	2012
Wages and salaries	77 260	73 030
Social security costs	11 374	11 140
Pension costs (see note 6.15)	2 345	1 559
Other personnel related costs	2 139	2 999
Equity based personnel expenses to management personnel	1 013	964
Total personnel expenses	94 131	89 692
Thereof production related personnel expenses	41 125	39 567
Average number of employees	1 488	1 420

In the period under review 2 580 own shares (previous year: 2 941) were attributed to management members as part of their bonus scheme. In the year under review 2 175 shares (previous year: 2 174) have been blocked for sale for a period of four to six years as of grant date. The shares were valued at the market value of the attribution date.

Option plan

On 3 March 2006 the Board of Directors approved a management share option plan for the next five years. In the course of the first half year of 2010, the option life time and blocked period was extended by two years for plan participants still being employed without notice as per 31 March 2010. Respective increase in value of the option (CHF 0.7 million) was debited to personnel expenses and credited to capital reserve in the year 2010.

The key data of the changed option plan is as follows:

Option life:	3 April 2006–30 September 2013 (previously until 30 September 2011)
Blocked period:	3 April 2006–2 April 2012 (previously until 2 April 2010)
Exercise period:	3 April 2006–30 September 2013 (previously until 30 September 2011)
Strike price:	CHF 323.00 per registered share INRN
Reference price:	Average INRN price from 27 March 2006–31 March 2006 less 4 %
Option/share:	1 option entitles to acquire 1 registered share INRN
Option price:	CHF 15 per option

The following movements took place in the option plan in the years under review:

	31.12.2013	allocated	exercised	expired reclassified	31.12.2012	exercised	expired reclassified
Outstanding options	–	–42 625	–600		43 225	–2 740	
Option life until 30.09.2013	–	–42 625	–600		43 225	–2 740	
Option life until 30.09.2011	–				–		
Thereof not exercised	–				–		–45 965
Thereof exercisable	–	–42 625	–600		43 225	–2 740	45 965

All outstanding options have been attributed in 2006 and are exercisable since September 2011. The fair value at the grant date was CHF 4.7 million (CHF 88.64 per option). The employees' contribution amounted to CHF 0.8 million (CHF 15 per option). The valuation of the option is always calculated on the basis of the binomial method and is carried out by a specialised institute. Besides above data on the option plan, the following parameters were used for the valuation:

- risk free interest rate of 2.82 %
- volatility 25 %
- yearly unchanged profit distribution of CHF 6 per INRN
- average share price CHF 337

The options included in the plan are not subject to any vesting condition. In the year under review 42 625 options were exercised and 600 options expired. This plan ceased as per 30 September 2013.

7.2 Research and development expenditures

These expenses are mostly incurred to further develop and complete the product range 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	2013	2012
Research and development (R&D) expenditures	8 931	7 781
R&D in % of net sales	2.82	2.53

7.3 Other operating expenses

in thousands CHF	2013	2012
Production related expenses	7 121	6 719
Freight	8 238	7 706
Office, administration and IT services	6 463	8 493
Building costs	5 388	5 157
Travelling and transportation	5 297	5 153
Marketing	4 767	3 742
Consultancy, auditing and insurances	5 739	7 539
Provisions and allowances, net	2 354	2 219
Variable sales costs	2 486	2 267
Non-income taxes	1 776	504
Other expenses and services	2 681	3 299
Loss on disposal of property, plant and equipment/intangible assets	206	–
Total other operating expenses	52 516	52 798

7.4 Other operating income

in thousands CHF	2013	2012
Income from commissions, licences and freight	7 869	8 250
Income from services	363	845
Government grants received	109	101
Gain on disposal of tangible and intangible assets	–	1 260
Total other operating income	8 341	10 456

7.5 Financial result

in thousands CHF	2013	2012
Fair value changes of foreign currency forward contracts	-54	-
Realised translation gains	-1 211	-998
Realised translation expenses	-37	-
Interest expenses	-387	-306
Finance expenses	-1 689	-1 304
Foreign exchange gains, net	-	-
Fair value changes of foreign currency forward contracts	-	435
Interest income	145	105
Finance income	145	540
Finance result, net	-1 544	-764

The realised currency loss for the year 2013 is due to a repayment of the loan with Interroll Components Canada Ltd. to Interroll Holding AG and a waiver on the loan (with equity character) with Interroll Australia Pty. Ltd. Last year there were no realised currency differences.

7.6 Income tax expense

Components of income tax expense

in thousands CHF	2013	2012
Income taxes relating to the current period	5 274	5 684
Income taxes relating to past periods, net	1 454	226
Current income tax expense	6 728	5 910
Due to temporary differences	-1 267	-978
Due to tax rate changes	-61	-168
Due to (recognition)/use of tax loss carry-forwards	-321	-79
Adjustments to deferred tax assets	-123	-1
Other effects (including acquisition)	85	-1
Deferred income tax expense/(income)	-1 687	-1 227
Total income tax expense	5 041	4 683

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

Deferred tax liabilities of CHF 0.2 million (previous year: CHF 0.2 million) have not been recognised for withholding and other taxes on the un-remitted 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	2013	2012
Result before income taxes	25 647	24 057
Income tax expenses at the expected tax rate of 20.1 % (2012: 20.1 %)	5 155	4 836
(Tax credits)/tax charges on prior years' results, net	1 454	226
Effect from deviation to tax rates in Group companies	92	-201
Tax rate changes, net	-61	-168
(Non-taxable income)/non-tax deductible expenses, net	-1 781	-148
(use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	293	157
(Reversal of)/write offs on deferred tax assets, net	-123	-1
Other effects	12	-18
Effective (total) income tax expense	5 041	4 683

The income tax expense analysis is based on the expected tax rate for an ordinarily taxed company in Switzerland.

Tax effects on and expiry dates of losses carried forward

in thousands CHF	31.12.2013		31.12.2012	
	NOT ACTIVATED	ACTIVATED	NOT ACTIVATED	ACTIVATED
Expiry:				
2013			448	–
2014	186	–	492	–
2015	–	–	–	–
2016	–	–	–	–
2017	30	–	925	–
2018 and later	14 891	5 177	16 831	1 545
unlimited	9 108	–	7 701	797
Total	24 215	5 177	26 397	2 342
Tax benefit	7 903	1 767	8 904	759
Thereof unrecognisable	–7 903		–8 904	
Deferred tax assets from losses carried forward		1 767		759

A tax effect of CHF 1.4 million resulted from new tax losses carried forward of CHF 5.2 million in 2013 of which CHF 0.1 million were capitalised (previous year: new tax losses of CHF 4.6 million with a tax effect of CHF 1.3 million, whereof nil was 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 set off against future taxable profits. Due to the probability to set off current tax losses carried forward against future profits in various subsidiaries, an amount of CHF 1.8 million has been capitalised in 2013 (2012: CHF 0.8 million). Interroll considers the future set off probable based on approved business plans. The majority of non-capitalised deferred tax assets on losses carried forward concern US-based subsidiaries. The applicable tax rate for both years under review is 39%.

Attribution of deferred tax assets/liabilities to balance sheet items

in thousands CHF	31.12.2013		31.12.2012	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Intangible assets	956	1 513	556	548
Property, plant and equipment	663	2 590	340	2 331
Financial assets	194	31	27	10
Inventory	298	62	232	102
Benefits of losses carry forward	1 703	–	759	–
Receivables	226	85	128	190
Total assets	4 040	4 281	2 042	3 181
Long-term debts	124	27	–	12
Provisions	1 196	2 629	1 344	421
Short term debts	188	323	266	145
Other liabilities	28	–	43	118
Total liabilities	1 536	2 979	1 653	696
Set-off	–2 189	–2 189	–1 577	–1 577
Total net	3 387	5 071	2 118	2 300

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

The reduction of deferred tax assets and liabilities of net CHF 2.2 million (previous year: decrease of CHF 1.5 million) corresponds to net deferred tax income recognised in the income statement of CHF 1.8 million (previous year: deferred tax income of CHF 0.8 million) and a reclassification from current tax liabilities to deferred tax liabilities in the amount of CHF 0.4 million.

In the year under review no taxes were charged or credited to the equity. In the previous year the credit amounted to CHF 0.1 million. The other result was charged with CHF 0.2 million in the reporting year and credited with CHF 0.5 million in the previous year.

8 OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS

8.1 Contingent liabilities and other commitments

In 2013 Interroll Group has committed to guarantees versus third parties in the amount of CHF 0.3 million (2012: CHF 0.2 million). These guarantees are in relation to customer orders. There are no further contingent liabilities in both years under review.

8.2 Related party transactions

Transactions with related parties

OPEN PAYABLES

in thousands CHF	Category	2013	2012	31.12.2013	31.12.2012
Purchase of materials	a	1 751	2 502	115	264
Consulting services	b	2 680	1 747	–	1
IT investments/IT Services	a	221	371	4	6
Other purchases	a+b	193	567	2	3
Total purchases		4 845	5 187	121	274

OPEN RECEIVABLES

in thousands CHF	Category	2013	2012	31.12.2013	31.12.2012
Sale of material	a	4 936	5 400	917	1 013
Other income	b	232	525	–	103
Total services		5 168	5 925	917	1 116

Definition of related parties

Interroll Group defines and categorises its related parties as follows:

- Shareholders of Interroll Holding Ltd. holding more than 3 % of the shareholder capital.
- Members of the Board of Directors of Interroll Holding Ltd. and legal entities that are directly controlled by them.
- Members of Group Management of Interroll Group and legal entities that are directly controlled by them.
- Local managing directors as well as people reporting to them (only for substantial transactions).

Total compensation to Board of Directors

Total compensation in the year 2013 to the Board of Directors of Interroll Holding Ltd. is CHF 0.54 million (2012: 0.51 million). The detailed disclosure on the compensation to and shares owned by the Board of Directors and Group Management required by Swiss law are included in the notes to the financial statements of Interroll Holding Ltd.

Total compensation to Group Management

in thousands CHF	2013	2012
Salaries incl. bonus	3 646	3 845
Post-employment benefits	541	595
Equity based compensation	867	913
Total compensation to Group Management	5 054	5 353

In the period under review as well as in the previous year no loans were granted. For a member of the Executive Management, which left the Group in the previous year a compensation of CHF 0.3 million was agreed in 2012. This compensation is included in the totals shown above.

The detailed disclosure of the compensation and equities held by the Group Management in line with Swiss law (OR) can be found in the notes to the financial statements of Interroll Holding Ltd.

8.3 Subsequent events

The consolidated financial statements for the year 2013 were approved by the Board of Directors on 4 March 2014 and are subject to further approval by the General Meeting of the Shareholders on 9 May 2014.

As per 28 February 2014 the activities of the Interroll Dynamic Storage Inc. in Hiram/Atlanta (United States of America) were sold for USD 1.1 million to the local management. The company had achieved a turnover of CHF 1.7 million in fiscal year 2013. The result was not essential for the consolidation of Interroll Group.

No event has occurred between 31 December 2013 and 4 March 2014 which would require adjustment to the carrying amount of the Group's assets and liabilities as per 31 December 2013, or would require disclosure in accordance with IAS 10.

8.4 Scope of consolidation

Name	Location (country)	Function	Owner	Share capital in 1000	Ownership in %
Switzerland					
Interroll Holding Ltd.	Sant'Antonino (CH)	F	0	CHF 8 540.0	
Interroll SA	Sant'Antonino (CH)	P	HD	CHF 100.0	100 %
Interroll (Schweiz) AG	Sant'Antonino (CH)	S	HD	CHF 5 000.0	100 %
Interroll Management AG	Sant'Antonino (CH)	F	HD	CHF 100.0	100 %
Europe, Africa excl. 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 GmbH	Wermelskirchen (DE)	D	HD	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 %
Portec International Ltd.	Leicester (GB)	D	HDP	GBP 0.0	100 %
Interroll Ltd.	Corby (GB)	S	HDE	GBP 0.0	100 %
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP 0.1	100 %
Interroll Italia S.r.l	Rho (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 90.8	100 %
Interroll Polska Sp.z.o.o.	Warszaw (PL)	S	HD	PLZ 100.0	100 %
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD	TRY 1 000.0	100 %
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	S	HD	ZAR 0.3	100 %

Name	Location (country)	Function	Owner	Share capital in 1000	Ownership in %
Americas					
Interroll Corporation	Wilmington/N.C. (US)	P/S	HD	USD 65.0	100 %
Interroll Automation LLC	Jeffersonville (US)	P/S	HD	USD 0.1	100 %
Portec Group International, Inc.	Cañon City (US)	F	IAU	USD 0.2	100 %
Interroll Engineering West, Inc.	Cañon City (US)	P/S	HDP	USD 33 500.0	100 %
Interroll Atlanta LLC	Hiram/Atlanta (US)	P/S	IAU	USD 0.0	100 %
Interroll Dynamic Storage, Inc.	Hiram/Atlanta (US)	P/S	USA	USD 0.0	100 %
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD 1 720.0	100 %
Interroll Components Canada Ltd.	Concord (CA)	P/S	HD	CAD 0.1	100 %
Interroll Logistica Ltda	Jaguariuna/S. Paolo (BR)	P/S	E	BRL 1 000.0	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 %
Portec Asia Limited	Hong Kong (CN SAR)	S	HDP	HKD 420.0	60 %
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD 51.2	100 %
Interroll (Thailand) Co. Ltd.	Panthong (TH)	P/S	SGP/HD	THB 100 000.0	100 %
Interroll Japan Co. Ltd.	Tokyo (JP)	S	HD	JPY 10 000.0	100 %
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP/HD	KRW 1 500 000.0	100 %

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

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

Movements within the scope of concolidation in 2013

In 2013, Portec Group International, Inc. including the subsidiaries Portec, Inc., Portec International Ltd. and Portec Asia Limited was acquired. Portec, Inc. is now trading under the name Interroll Engineering West, Inc. Furthermore, in the USA the company Interroll Atlanta LLC and in Italy the company Interroll Italia S.r.l were set up.

Movements within the scope of concolidation in 2012

In 2012, Transtechnik GmbH was merged with Interroll Trommelmotoren GmbH.



9 REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 76 to 140), for the year ended 31 December 2013.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit expert
Auditor in charge



Martin Graf
Audit expert

Zürich, 4 March 2014

FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

Contents

1	Financial statements of Interroll Holding Ltd.	144
2	General information to the financial statements	146
3	Notes to the financial statements	147
4	Other disclosures according to Swiss law	149
5	Proposed appropriation of available earnings	153
6	Report of the statutory auditor	154

1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

1.1 Balance sheet

in thousands CHF	see notes*	31.12.2013	31.12.2012
ASSETS			
Cash and cash equivalents		1 361	701
Accounts receivable from subsidiaries		907	870
Other receivables from third party		278	340
Own shares	3.1	1 641	16 805
Total current assets		4 187	18 716
Investments		213 169	213 169
Loans to subsidiaries	3.3	19 298	11 953
Total non-current assets		232 467	225 122
Total assets		236 654	243 838
EQUITY AND LIABILITIES			
Trade and other accounts payable from subsidiaries		1 080	386
Trade and other accounts payable from third party		51	27
Accrued expenses		1 180	2 119
Total current liabilities		2 311	2 532
Loans from subsidiaries	3.4	–	4 094
Provision for loan assets and investment risks	3.5	110 771	110 771
Total non-current liabilities		110 771	114 865
Share capital	3.6	8 540	8 540
Legal reserves			
– General legal reserve		5 209	5 209
– Share premium		7 501	14 022
– Reserve for own shares	3.6	1 641	17 671
Available earnings		100 681	80 999
Total shareholders' equity		123 572	126 441
Total liabilities and equity		236 654	243 838

* See notes to the financial statements.

1.2 Income statement

in thousands CHF	2013	2012
Investment income	575	737
Royalty income	3 005	2 983
Other operating income	5 893	1 414
Financial income	2 397	3 468
Total income	11 870	8 602
Administration expenses	-405	-432
Personnel expenses	-1 984	-1 763
Other operating expenses	-4 379	-1 429
Financial expenses	-1 428	-559
Total expenses	-8 196	-4 183
Result before income taxes	3 674	4 419
Income tax expenses	-22	-89
Result	3 652	4 330

1.3 Statement of changes in equity

in thousands CHF	SHARE CAPITAL	RESERVES FROM CAPITAL CONTRIB.	LEGAL RESERVE	RESERVE FOR OWN SHARES	AVAILABLE EARNINGS	TOTAL
as per 1.1.2012	8 540	19 616	5 209	21 018	73 322	127 705
Result 2012					4 330	4 330
Distribution from approbation from capital contributions		-5 594				-5 594
Change of reserve for own shares				-3 347	3 347	-
as per 31.12.2012	8 540	14 022	5 209	17 671	80 999	126 441
Result 2013					3 652	3 652
Distribution from approbation from capital contributions		-6 521				-6 521
Change of reserve for own shares				-16 030	16 030	-
as per 31.12.2013	8 540	7 501	5 209	1 641	100 681	123 572

2 GENERAL INFORMATION TO THE FINANCIAL STATEMENTS

2.1 Accounting Policies

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 unrealised gains which are deferred.

Accounting law

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance of the Swiss Code of Obligations effective until 31 December 2012.

2.2 Principles of valuation

Cash and cash equivalents, accounts receivable and payable

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

Own shares and options

Own shares and options to buy own shares are stated at the lower of cost and fair value.

Loans

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

Investments

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

Accrued expenses

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

3 NOTES TO THE FINANCIAL STATEMENTS

3.1 Own shares and options

Shares sold, acquired and held in the periods under review

In the year under review, the Company sold 2 964 own shares at an average price of CHF 409 (previous year: sale of 5 440 shares at an average price of CHF 321). In the year under review, the Company did acquire 300 shares (previous year: 0 shares). At year end 2013, the Company held 3 849 own shares at a book value of CHF 1.6 million (2012: 51 718 own shares at a book value of CHF 16.8 million).

Shares held to cover the option plan

At year end 2013, there was no Management Option Plan any more. At year end 2012, there were 43 225 own shares reserved to cover the management option plan (see note 7.1 of the consolidated financial statements). In the year under review, 42 625 shares (2012: 2 740 shares) from the option plan were sold at the strike price of CHF 323 (2012: CHF 323).

Attribution of own shares to employees

2 580 shares (previous year: 2 941 shares) at a carrying value of CHF 1 million (previous year: CHF 0.9 million) were attributed to employees.

3.2 Investments

An overview on 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 2013	0.00 %	4.00 %
In 2012	0.00 %	6.00 %

The loans due to Group companies are normally redeemable with a notification period of three months. As of year end, the total outstanding group loans amounted to CHF 19.3 million (2012: CHF 12 million). For CHF 2.8 million (previous year: CHF 2.8 million) a valuation allowance has been accounted for.

3.4 Loans from subsidiaries

The following interest rates were used:	lowest	highest
In 2013	1.00 %	1.50 %
In 2012	0.00 %	5.50 %

The loans due from Group companies are normally redeemable with a notification period of three months. As of year end 2013, the total outstanding group loans amounted to CHF 0 million (2012: CHF 4.1 million).

3.5 Provision for investment risks

In 2003 as well as in 2008, the Group implemented internal changes in the financing structure that generated an unrealised capital gain. Therefore the Company created a provision for investment risks that relates to investments in and loans due from Group companies. Thereby, it is ensured that the amount of shareholders' equity presented of the parent company appears reasonable compared to the consolidated shareholders' equity.

3.6 Shareholder equity

Composition of the share capital

The share capital consists of 854 000 fully paid-in registered shares with a par value of CHF 10 each (previous year: CHF 10). Each share entitles to equal dividend and voting rights.

Significant shareholders (at least 3 % of the share capital)

The following table shows the number of shares held by the most significant shareholders as well as their participation in percent.

Shareholder/shareholder Group	31.12.2013		31.12.2012	
	NUMBER OF SHARES	PARTICIPATION IN %	NUMBER OF SHARES	PARTICIPATION IN %
B. Ghisalberti/E. Moreschi and family	112 743	13.20	112 743	13.20
D. Specht and family	108 610	12.72	108 610	12.72
Sarasin Investmentfonds AG	72 874	8.53	84 712	9.92
Allianz Group	42 930	5.03	-	-
N. Axmann and family	39 017	4.57	39 017	4.57
Public (floating)	477 826	55.95	508 918	59.59
Total	854 000	100.00	854 000	100.00

Details of the disclosure reports, which the Interroll Holding Ltd. has obtained, can be found on the SIX Exchange Regulation site under <http://www.six-swiss-exchange.com>.

Reserve for own shares

The reserve for own shares equals the purchase price of own shares held as of balance sheet date.

3.7 Contingent liabilities

Interroll Holding Ltd. has issued a guarantee for an existing shared credit facility in the amount of CHF 42 million (previous year: CHF 42 million) in favour of Interroll (Schweiz) AG.

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)
Canada	Interroll Canada Ltd., Aurora (CA)
	Interroll Components Canada Ltd., Concord (CA)

Interroll Holding Ltd. carries joint liability in respect of the federal tax authorities for value added tax debts of all Swiss subsidiaries.

4 OTHER DISCLOSURES ACCORDING TO SWISS LAW

4.1 Risk assessment

The risk management coordinates and aligns the risk management processes and reports to the Board of Directors on a regular basis on risk assessment and risk management. Organizational and process measures designed to identify and mitigate risks at an early stage have been assessed to be satisfactory by the Board of Directors.

4.2 Internal control system

The Board of Directors and management of the Group are responsible for establishing and maintaining adequate internal control over financial reporting. Interroll Holding Ltd.'s and the Interroll Group's internal control system was designed to provide reasonable assurance to the Interroll Group's management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements.

All internal control systems no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Interroll Group management assessed the effectiveness of the Group's internal control over financial reporting as per December 31, 2013. Based on its assessment, management has concluded that, as per December 31, 2013, the Interroll Group's internal control over financial reporting was effective based on those criteria (see notes to the consolidated financials statements "3 – Risk Management").

4.3 Compensation of and shares held by the Board of Directors

Compensation and shares held by the Board of Directors

The compensation of the members of the Board of Directors (BoD) and the shares held by them at year end are disclosed in accordance with the Swiss Code of Obligations 663bis and 663c. The total compensation amounted to:

in thousands CHF		CASH	SHARES/ OPTIONS	SOCIAL SECURITY*	OTHER BENEFITS	TOTAL COMPENSATION	SHARES HELD AS PER 31.12.	VOTING RIGHTS IN %
Kurt Rudolf								
2013	P, CC	150		18		168	800	0.10
2012	P, CC	150		17		167	800	0.11
Urs Tanner								
2013	VP	75		12		87	60	0.01
2012	VP	75		12		87	60	0.01
Paolo Bottini								
2013	AC	50		8		58	20	0.00
2012	AC	50		7		57	20	0.00
Philippe Dubois								
2013	AC	50		8		58	100	0.01
2012	AC	50		7		57	100	0.01
Horst Wildemann								
2013	CC	50		5		55	–	0.00
2012	CC	50		4		54	–	0.00
Marco Ghisalberti								
2013		21		3		24	–	0.00
2012		50		7		57	112 743	14.83
Stefano Mercorio								
2013		29		5		34	–	0.00
2012		–		–		–	–	0.00
Ingo Specht								
2013		50		8		58	108 610	13.25
2012		29		5		34	108 610	14.29
Total Board of Directors								
2013		475	–	67	–	542	109 590	13.37
2012		454	–	59	–	513	222 333	29.24

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

* Social security costs consist of employers and employees contributions to the state run Swiss social security system.

Options held by the Board of Directors

The Board of Directors does not hold any options to buy shares of Interroll Holding Ltd.

4.4 Compensation of and shares held by Group Management

Total compensation of Group Management

The compensation of the members of Group Management and the shares held by them at year end are disclosed in accordance with the Swiss Code of Obligations 663bis and 663c. The total compensation amounted to:

	REMUNERATION (NET)		EQUITY BASED COMPENS.		SOCIAL SECURITY	OTHER BENEFITS	TOTAL COMPENSATION
	FIX	VARIABLE*	SHARES**	OPTIONS			
CEO (highest)							
2013	667	798	386	–	496	43	2 390
2012	666	863	351	–	494	41	2 415
Other members							
2013	1 321	444	243	–	268	69	2 345
2012	1 530	436	402	–	319	62	2 749
Total Group Management							
2013	1 988	1 242	629	–	764	112	4 735
2012	2 196	1 299	753	–	813	103	5 164

* 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.

** In the period under review 2 234 (previous year: 2 871) own shares were attributed. 2 045 (previous year: 2 104) of these shares may not be sold for a period of four to five years as of grant date. Share based payments correspond to tax values.

The main reason for the lower total amount of remuneration for the previous year was the vacancy and reentry of two Executive Board members during the year. For one member the fixed salary was adjusted. There were no significant changes to the variable salary components.

Explanation to the calculation methods and further notes to the total compensation

The calculation method according to IFRS deviates in two points from the calculation method applied for the compensation as per Swiss law, OR 663bis and 663c:

- The compensation for business cars results from all amounts recognised in the income statement including depreciation/leasing instalments. According to Swiss law, 0.8% per month based on the acquisition value of the cars has been considered.
- According to IFRS share-based payments are based on their market value at grant date. Granted shares are valued at market value according to Swiss law (OR). This value is reduced depending on the agreed blocking period on these granted shares.

The difference of total compensation between the two methods of CHF 0.32 million (previous year: CHF 0.19 million) is made up by business cars (CHF 0.08 million, previous year: CHF 0.05 million) and by share-based payments (CHF 0.24 million, previous year: CHF 0.14 million).

Shares and options held by Group Management

Shares and options owned by the members of Group Management and their related parties were the following:

	SHARES AS PER 31.12.		OPTIONS AS PER 31.12.	
	2013	2012	2013	2012
Paul Zumbühl	16 088	14 098	–	10 000
Dr. Ralf Garlichs	250	100	–	2 500
Dr. Christoph Reinkemeier	290	110	–	–
Jens Karolyi	57	–	–	–
Tim McGill	2 886	2 350	–	1 800
Kwang-Heng Seng*	–	300	–	1 200
Total	19 571	16 958	–	15 500

* Kwang-Heng Seng left Interroll per end of March 2013.

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the General Assembly as of 9 May 2014 to appropriate the available earnings as per end of the year under review as follows:

in thousands CHF	2013	2012
Result	3 652	4 330
Available earnings carried over from previous year	80 999	73 322
Change of reserve for own shares	16 030	3 347
To be carried forward	100 681	80 999

Proposed distribution of reserves from capital contributions

The Board of Directors proposes to the General Assembly the distribution of reserves from capital contributions of CHF 8.80 per share (previous year: CHF 8.00). If the distribution is approved, the respective settlement will be processed in the subsequent week to the General Assembly 2014.

in thousands CHF	2013	2012
Reservers from capital contributions carried over from previous year	14 022	19 616
Distribution of CHF 8.00 in the year 2013	-6 521	-5 594
Distributable reserves from capital contributions	7 501	14 022
Distribution of CHF 8.80 per share in 2014*	-7 481	
Reserves from capital contributions to be carried forward	19	14 022

* All shares held by Interroll Holding Ltd. or by its subsidiaries neither have voting nor dividend rights. The number of shares entitled to dividends may increase or decrease due to the exercise of options or changes in the number of own shares held. The maximum number of shares entitled to dividends is 854 000. Accordingly the maximum amount of distribution is CHF 7.52 million. Disclosed amount of CHF 7.48 million is based on the outstanding shares as per 31 December 2013.



6 REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the General Meeting on the financial statements 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement and notes (pages 144 to 153), for the year ended 31 December 2013.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We further confirm that the proposed appropriation of available earnings comply 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



Martin Graf
Audit expert

Zürich, 4 March 2014

IMPRINT

Editor:

Interroll Holding Ltd.
Via Gorelle 3
6592 Sant'Antonino, Switzerland
Phone: +41 91 850 25 25
Fax: +41 91 850 25 05

Concept and design:

Media Office Network
Hans-Peter Ott, Dormagen (D)
Jürgen Kosmalla, Köln (D)

Layout & DTP financial section:

gateB AG | Communication Engineering, Steinhausen (CH)

Printing:

Nastro & Nastro Srl, Germignaga (I)

**Note on the annual report**

This annual report is also available in German. If there are differences between the two, the German version takes priority.

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 future-oriented statements. Future-oriented 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 future-oriented 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 future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of the Interroll Group and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for the Interroll Group, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this annual report, no guarantee can be given that this will continue to be the case in the future.

FINANCIAL CALENDAR 2014

Preliminary Financial Figures 2013	24 January 2014
Publication Annual Report 2013 and Balance Sheet Press Conference	21 March 2014
Annual General Assembly	9 May 2014
Publication Half-Year Report 2014	8 August 2014

CONTACT

If you have any questions regarding Interroll Group or would like to be included in our distribution list, please contact the Investor Relations Team:

Investor.relations@interroll.com

Petra Müller

Head of PR & Investor Relations

Phone: +41 91 850 25 21

E-Mail: p.mueller@interroll.com



Interroll Holding AG

Via Gorelle 3 | 6592 Sant'Antonino | Switzerland

www.interroll.com