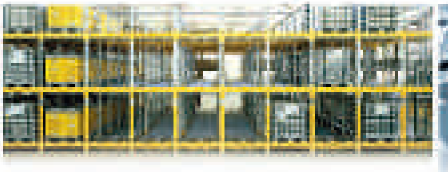
ANNUAL REPORT 2010

Portrait of the Interroll Group

Interroll is one of the world's leading manufacturers of key products for unit load handling systems, internal logistics and automation. These solutions are used primarily within the area of food processing, airport logistics, postal services, distribution and in various segments of industry. The products include easy-to-integrate drive solutions such as drum motors for belt conveyors, DC-powered and non-powered rollers for conveyor systems; energy-efficient flow storage modules for compact pallet/container racking systems in distribution centres; crossbelt sorters, belt curves and other user-friendly conveyor modules for cost-efficient material flow systems. Interroll serves more than 23,000 customers, mainly regional plant manufacturers and engineering specialists as well as system integrators, multinational companies and users. Interroll has 1,500 employees working in 28 companies and is listed on the SIX Swiss Exchange.

Conveying



Storage

Distribution

Managed by a strategic holding company based in Sant'Antonino, Switzerland, the group operates with two business divisions: "Global Sales & Service" markets and distributes the full range of Interroll products according to specified customer needs, while "Products & Technology" oversees the global Centres of Excellence and other production sites, with responsibilities ranging from R&D, Product Management and Strategic Purchasing to Production Technology and Manufacturing.

The key figures of the Interroll Group are presented at the inside of this front cover. The detailed financial report starts on page 57.

www.interroll.com · www.interroll.com/ir (Investor Relations)

KEY FIGURES OF THE INTERROLL GROUP

in CHF million, if not noted differently	**2010**	2009	2008	2007	2006
Incoming orders/net sales					
Total incoming orders	285.2	238.9	347.8	375.9	313.4
Net sales with third parties: Components	178.1	157.9	223.7	235.2	196.5
Net sales with third parties: Subsystems	105.0	76.1	134.2	135.6	115.5
Total net sales	283.1	234.0	357.9	370.9	312.0
Profitability					
EBITDA	35.8	18.8	58.2	67.5	44.5
in % of net sales	12.6	8.0	16.3	18.2	14.3
EBITA	24.8	8.0	48.0	56.6	36.3
in % of net sales	8.8	3.4	13.4	15.3	11.6
EBIT	20.4	3.1	43.4	45.2	30.6
in % of net sales	7.2	1.3	12.1	12.2	9.8
Result	14.4	5.7	33.8	31.9	20.2
in % of net sales	5.1	2.4	9.5	8.6	6.5
Cash Flow					
Operating cash flow	18.7	20.4	41.9	68.5	39.8
in % of net sales	6.6	8.7	11.7	18.5	12.8
Free cash flow	–8.4	–6.0	18.6	42.7	–10.4
in % of net sales	–3.0	–2.6	5.2	11.5	–3.3
Total investments/capital expenditures	27.4	21.9	22.4	24.0	10.7
Balance sheet					
Total assets	211.3	215.7	236.8	255.1	224.5
Goodwill in % of equity	7.3	8.3	7.9	9.2	12.3
Net financial assets (debts)	–12.9	–4.2	4.4	–6.1	–19.9
Gearing (net debts/equity)	0.10	0.03	–	0.05	0.17
Indebtedness factor (net debts/cash flow)	0.69	0.20	–	0.09	0.50
Equity	127.5	133.0	130.7	124.9	114.6
Equity ratio (equity in % of assets)	60.3	61.7	55.2	49.0	51.0
Return on equity (in %)	11.1	4.3	26.5	26.7	18.9
Other key figures					
RONA (Return on net assets, in %)	10.4	1.6	22.3	22.6	18.4
Average number of employees	1 255	1 206	1 315	1 275	1 166
Net sales per employee (in thousands CHF)	226	194	272	291	268
Productivity (Added value/total personnel expenses)	1.98	1.66	2.21	2.14	1.96

INFORMATION FOR INVESTORS

The shares of Interroll Holding AG have been listed at the Swiss Exchange SIX since June 5th, 1997 (Investdata: INRN; Reuters; INRN.S; Security number: 637,289).

		2010	2009	2008	2007	2006
Information on the Interroll share						
Number of registered shares		854 000	854 000	854 000	854 000	854 000
Number of average outstanding shares		775 724	771 475	762 323	780 715	799 084
Number of outstanding shares per (31.12.)		779 600	771 775	768 958	762 112	796 692
Market price: highest	CHF	371	320	581	632	434
Market price: lowest	CHF	267	173	215	420	300
Market price: per year end	CHF	368	307	256	581	434
Market capitalization per 31.12.	CHF million	286.89	236.55	196.85	442.79	345.76
P/E Ratio	Ratio	19.79	41.38	5.82	13.15	17.10

Interroll Share Price (yellow curve) compared to SPI/SXGE (black curve)

	2010	2009	2008	2007	2006
Values per share (in CHF)					
Par value as per year end	10.00	15.00	20.00	30.50	37.50
Reduction of par value	–	5.00	5.00	10.50	7.00
Distribution out of reserves from capital contributions*	5.00				
Earnings per average share outstanding	18.59	7.41	44.00	44.17	25.38
Cash flow per average share outstanding	24.09	26.43	54.93	87.77	49.80
Equity per share outstanding as per year end	163.49	172.36	170.01	163.89	143.82

* The distribution out of reserves from capital contributions in the year under review is proposed by the Board of Directors for the annual general assembly of May 13th, 2011.

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HIGHLIGHTS 2010

January	Interroll draws up measures aimed at unlocking additional market potential for future growth and realigning the Group's global sales organisation.
February	In the UK, the British Airport Authority specifies Interroll's Belt Curve as a standard baggage handling component to be used at British airports.
March	Committed to expanding its market activities in the Americas, Interroll relocates its US operations in Jeffersonville, IN, to a new production centre.
April	Interroll decides on a significant increase in its production capacity in China and plans to open a new facility in the first half of 2011.
May	The European Hygienic Engineering & Design Group (EHEDG) grants certification to the new sensorless Synchronous Drum Motor for food manufacturing applications.
June	Interroll secures its largest ever US sorter contract from one of North America's premier postal companies.
July	Interroll launches its global programme aimed at realigning the Group's sales organisation.
August	Interroll posts encouraging results for the first half of 2010.
September	At the Motek trade fair in Stuttgart (Germany), Interroll unveils its intelligent drive concept for roller conveyors with zero-pressure accumulation – Interroll RollerDrive EC310.
October	Interroll celebrates the grand opening of its new Centre of Excellence for Conveyor Modules and Subsystems in Sinsheim (Germany, near Heidelberg).
November	With a view to expanding its market share in Australia, Interroll signs a deal with its long-standing Australian licence partner to acquire the company's local business operations effective from January 2011.
December	The new Driver modules for RollerDrives are nominated for the coveted iF Product Design Award 2011.

EFFICIENCY

"Before you can inspire people
to build a ship you must first stoke
their desire for the sea."*
Nothing is as stimulating as the
enthusiasm for an idea. It is
the lifeblood of innovation;
it sets us free from the
shackles of mediocrity;
it encourages us to tread
new paths, broaden our
horizons and unleash the
power of creativity. For
products designed to shape the
world of intralogistics – today,
tomorrow and beyond. Our new
slogan captures the spirit of renewal
that lies at the heart of our company.
We stand for commitment, motivation
and excellence. These are the values
that define us and will continue to
drive us well into the future.

INTERROLL®

INSPIRED BY
EFFICIENCY

* after Antoine de Saint-Exupéry

REPORT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Dear Shareholders and Business Associates,

Operating against the backdrop of a challenging business environment, Interroll developed well during the 2010 financial year. Despite continuing turbulence within the financial markets, the economy gradually recovered over the course of the second half of 2010. At the same time, the price of commodities such as steel and technopolymers began to spiral upwards again.

Kurt Rudolf
Chairman of the Board of Directors

In brief
Interroll can look back on an encouraging financial year. Sales revenue increased by 21 % year on year to CHF 283.1 million, while net profit surged from CHF 5.7 million to CHF 14.4 million.

In the period under review, sales revenue generated by the Interroll Group rose by 27.5 % in local currency. Expressed in the currency of consolidation, revenue was up 21.0 % from CHF 234.0 million to CHF 283.1 million. The foreign currency loss of 6.5 % is attributable primarily to the euro. Incoming orders developed in line with sales revenue, and Interroll captured additional market share on all continents.

Built on solid financial foundations and committed to a sustainable approach to business, Interroll pressed ahead with its strategic projects in the period under review. In doing so, the company reached a number of milestones that will support healthy growth well into the future. In particular, this applies to the realignment of our sales organisation, the establishment or expansion of the company's Centres of Excellence, the strengthening of our global network and ongoing efforts in the area of research and development.

Paul Zumbühl
Chief Executive Officer

Sales organisation: focusing on growth

In the financial year under review Interroll took on the task of realigning its sales organisation (cf. Corporate Governance, page 37), the aim being to unlock the potential for future growth to the greatest extent possible and take advantage of the structural changes witnessed within the market. These measures will significantly enhance customer value. System integrators, plant manufacturers and users alike will benefit from one-stop access to Interroll's entire range of key intralogistics products. These products are destined primarily for growth markets such as food processing, airport logistics, postal services, distribution and industrial manufacturing. Customers are offered easy-to-integrate, plug-and-play products for all primary interfaces within the area of internal logistics: solutions delivered under the Interroll brand. As a result of our restructuring efforts, the degree of market penetration of our entire product portfolio will be visibly improved and the level of productivity within our global sales network will be raised by a significant margin. Additionally, Interroll will become more accessible to customers.

The new global sales platform with its sales and service enterprises is to be managed by the Group's "Global Sales & Service" division. As a second Group division, "Products & Technology" brings together Interroll's Centres of Excellence and production facilities worldwide; this area will be responsible for research and development, product management, strategic purchasing, production technology and local manufacturing.

The new organisational structure will replace that centred around business units, which were introduced at the beginning of 2001 (cf. Corporate Governance, page 40). At the time, Interroll established global product platforms for the purpose of raising productivity levels and improving customer value. In 2003, Interroll sold its Bulk Handling unit in order to focus entirely on conveyor technology for internal unit-load handling. Measures aimed at focusing the company's products and competences as well as efforts to set up a global network were essential prerequisites for the next phase of corporate development. The programme of realignment (see page 53) initiated in 2010 will be implemented on a step-by-step basis by the end of 2011.

Production: new infrastructure, improved productivity

In the financial year under review Interroll continued to expand its production in Europe, the Americas and Asia, the overriding objective being to boost productivity, shorten the turnaround time for large-scale projects and introduce additional capacity for future growth.

In October 2010, Interroll opened its new Global Centre of Excellence for conveyor modules and subsystems in Sinsheim (Germany, near Heidelberg). The newly created centre brings together the company's full range of expertise relating to Crossbelt Sorters, Belt Curves, Roller/Belt Conveyors and other modules used as key products in unit-load conveyor systems around the globe. The Interroll facility, which occupies a 42,700 square metres site, is the first to be established at the newly developed Sinsheim-Süd business park. At the official opening ceremony, Heribert Rech, Minister of the Interior of Baden-Württemberg, applauded the courage displayed by Interroll in investing in a new plant at the height of the worst economic crisis since the end of the Second World War.

In the United States, too, Interroll relocated to new production premises. In addition to meeting the company's operational requirements, the new facility in Jeffersonville, Indiana, will allow Interroll to position itself even more successfully with an extended range of products "manufactured in the USA".

Interroll also expanded its infrastructure in Asia during the period under review. Interroll Thailand relocated to a new production facility in 2010, and Interroll China will follow suit during 2011. The enterprise in Suzhou, to the west of Shanghai, will move to a larger, 10,000+ square metres production centre within the same business park. In taking this step, Interroll will be better placed to satisfy the surge in demand for interal logistics solutions in Asia.

Networks: building on our global strength

In order to improve market penetration in Australia, Interroll negotiated an agreement with its local licence partner to take over this company's business activities effective from the beginning of 2011. Additionally, Interroll made preparations for market entry in Turkey and Indonesia, the aim being to establish its own local sales offices in 2011.

Other measures aimed at strengthening the company's global network included the introduction of extensive sales collateral in several additional languages. As a result, Interroll's sales material is now available in ten languages. Additionally, the company showcased its product portfolio at more than twenty trade fairs worldwide. We also conducted intensive staff training in 2010, the focus being on preparing the team for the new sales organisation and coordinating our customer communications.

Next-generation products

Our centre for research and development in Wassenberg (Germany) made significant progress with regard to projects in the development pipeline. In the period under review, the Interroll Research Centre (IRC) rolled out a state-of-the-art Driver to complement the Synchronous Drum Motor launched in 2009 as a world premiere. Working in close collaboration with a major customer, the IRC developed a compact, fully protected unit that makes the Synchronous Drum Motor a truly versatile drive solution for conveyor belt systems.

In 2010, Interroll also launched its EC310 RollerDrive. The powered roller, control module and power supply have been brought together to form an intelligent unit that can be used in modular solutions for customised conveyor and assembly lines. Owing to its streamlined design, integrated control technology and perfectly coordinated functionality, the EC310 can be fitted seamlessly to new or existing handling systems. In 2010, the new control modules to be used in combination with Interroll's RollerDrives were nominated for the acclaimed iF Product Design Award for 2011. Other product developments included modules for dynamic pallet flow storage systems.

Distribution out of reserves from capital contributions

In view of the financial stability of the company and the encouraging results achieved, the Board of Directors will propose to the Annual General Meeting of Shareholders on 13 May 2011 a distribution out of reserves from capital contribution of CHF 5.00 per registered Interroll share. This distribution (instead of a dividend) is usually tax exempt.

Thank you to the Interroll team

We would like to thank all our members of staff around the globe. Our encouraging performance in the year under review was a testament to their committed contribution. Operating in a rapidly changing business environment, our team made a significant effort to implement those measures that form an integral part of the company's long-term objectives. In addition to performing duties attributable to day-to-day business, staff members had to take on several major projects such as the establishment or expansion of production centres.

Outlook

With economic conditions likely to remain volatile, Interroll is cautiously optimistic when it comes to its business performance in the immediate future. Developments within the procurement markets point to a further surge in commodity prices. At the same time, the imbalances seen between the respective economies have resulted in foreign exchange fluctuations. As a consequence, we have seen continued pressure being exerted on investment spending in the area of internal logistics. As a financially sound enterprise with a new organisational structure and best-in-market products, we will be looking to unlock long-term market potential on a continual basis. At the heart of our growth strategy for the future are high-end solutions tailored to the requirements of resource-friendly intralogistics. Furthermore, our global network will provide us with the launch pad needed to seize unfolding market opportunities in emerging economies such as China, India and Brazil.

Kurt Rudolf
Chairman of the Board of Directors

Paul Zumbühl
Chief Executive Officer

REVIEW OF THE FINANCIAL YEAR

Sales

Interroll can look back on an encouraging financial year. Operating within a challenging economic climate, our company recorded a solid performance in 2010. Despite the continuing turbulence within the financial markets, the economy picked up over the course of the second half of 2010. At the same time, commodity prices – e.g. for steel and technopolymers – spiralled upwards in line with economic recovery. Owing to improved productivity levels and a consistent system of procurement management applied at a global level, Interroll was largely able to neutralise the effects of surging material prices.

In brief
Additional market share in all regions – Net profit almost trebles – Solid financial base

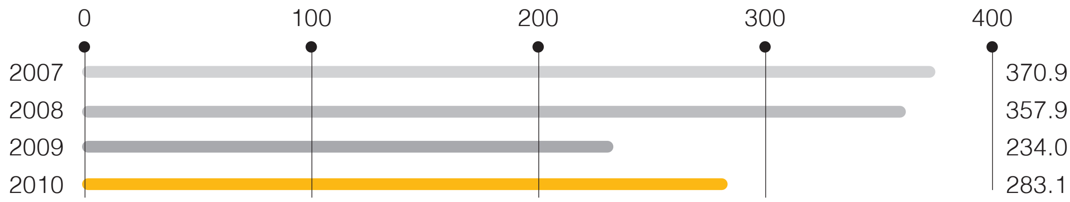
In local currency, sales for the Interroll Group rose by 27.5 % in the financial year under review. Expressed in the currency of consolidation, Group sales increased from CHF 234.0 million to CHF 283.1 million, up 21.0 % or CHF 49.1 million year on year. The foreign currency loss of 6.5 % is attributable primarily to the euro. The propensity to invest in logistical equipment and systems was again adversely affected by foreign exchange fluctuations as a result of the imbalances between the various economies. Order intake developed in line with sales revenue.

Interroll managed to secure market growth in all regions covered by the Group. Within this context, the upward trend was also supported by new product launches. Sales in North America (+32 %) and Asia (+45 %) showed above-average growth. In North America, Interroll managed to expand its market share primarily by attracting additional customers and establishing new sales channels. Business in Europe saw a return to stability despite the weakness of the euro and tentative investment spending. Here, sales expressed in local currency rose by a respectable 20 %.

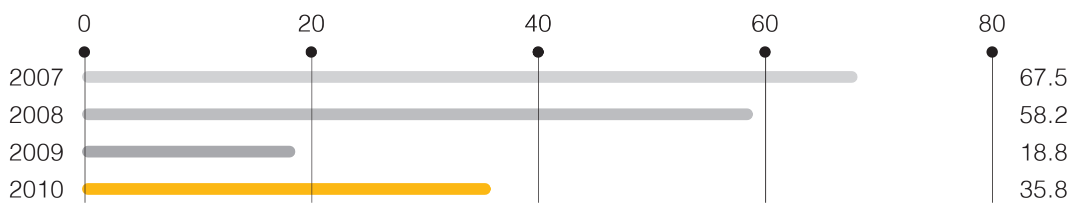
EBITDA, EBIT and net profit

Earnings before interest, taxes, depreciation and amortisation (EBITDA) almost doubled year on year to CHF 35.8 million (2009: CHF 18.8 million). Earnings before interest and taxes (EBIT) also rose sharply from CHF 3.1 million to CHF 20.4 million, a trend that was mirrored by net profit, which almost trebled from CHF 5.7 million to CHF 14.4 million.

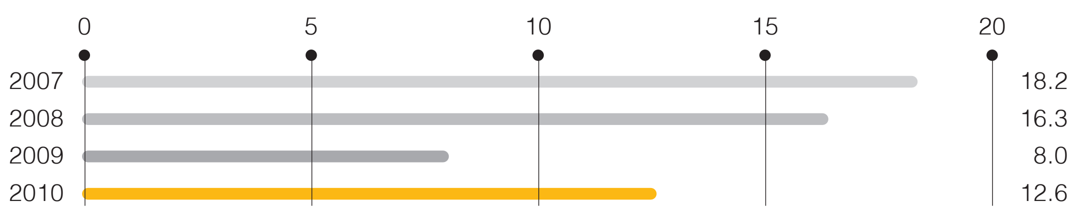
Net sales Interroll Group in CHF million



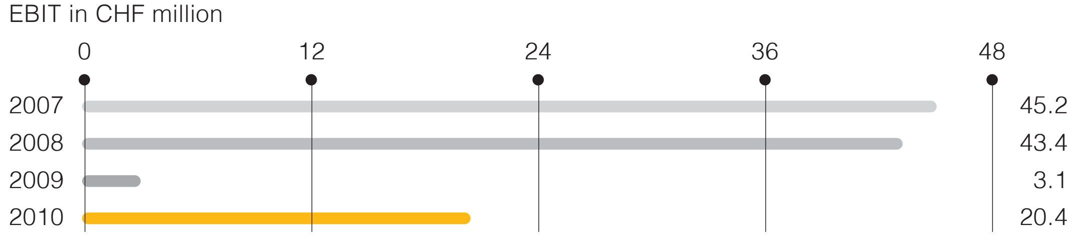
EBITDA in CHF million



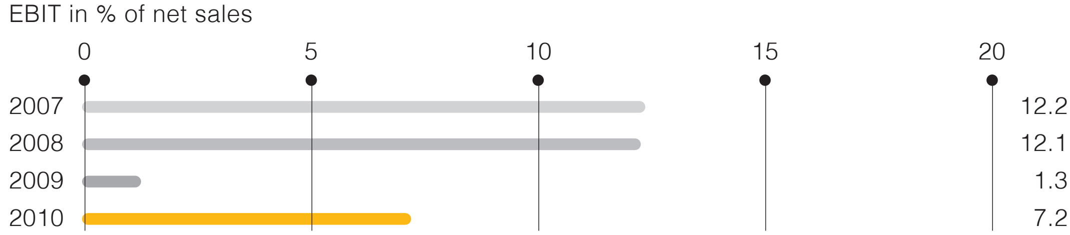
EBITDA in % of net sales



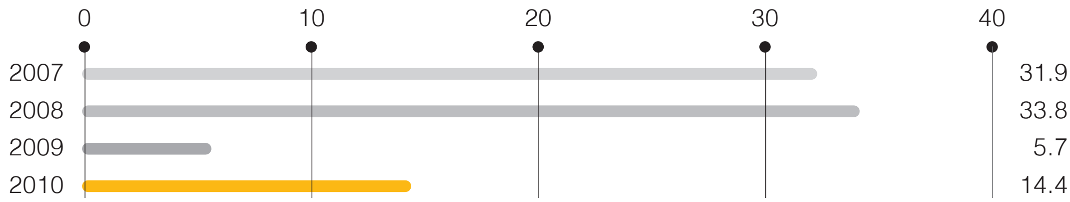
EBIT in CHF million



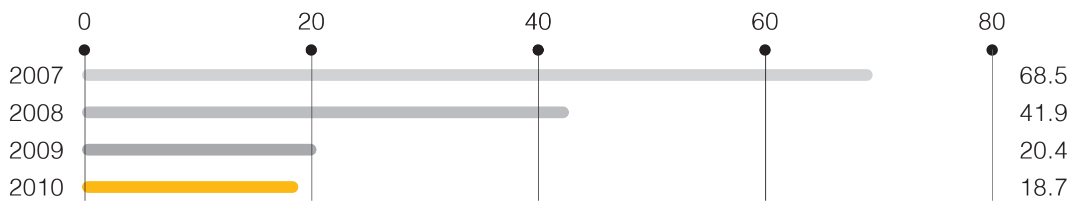
EBIT in % of net sales



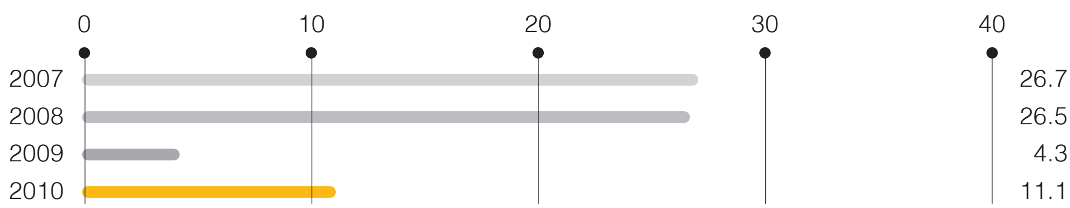
Result in CHF million



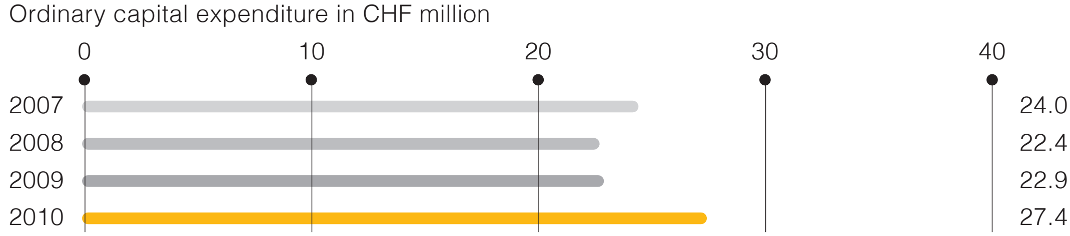
Operating cash flow in CHF million



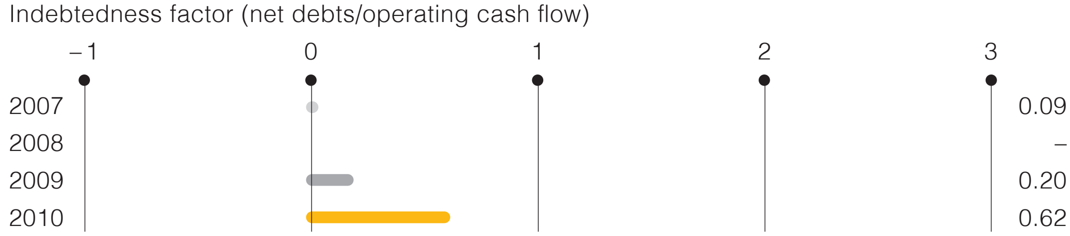
Return on equity in %



Ordinary capital expenditure in CHF million



Indebtedness factor (net debts/operating cash flow)



Financial position and capital expenditure

At the end of December 2010, total assets stood at CHF 211.3 million (year-end 2009: CHF 215.7 million), while the equity ratio reached a solid 60.3 %. Investments (e.g. in new production equipment and in SAP) amounted to CHF 27.4 million in the period under review. Net debt rose from CHF 4.2 million to CHF 12.9 million due to the rise in current assets following the growth in sales and ongoing investment projects. Compared to the previous financial year, cash flow contracted slightly from CHF 20.4 million to CHF 18.7 million. This was attributable primarily to the rise in working capital as a result of significant growth in sales revenue.

Business segments: Components and Subsystems

The “Components” segment encompasses Interroll’s Drives & Rollers business unit, while the “Subsystems” segment includes Interroll Dynamic Storage and Interroll Automation.

Components segment

After a restrained start in the first quarter of 2010 incoming orders in the Components segment gradually gained momentum in all regional markets as the year progressed. Compared to the previous year, incoming orders expanded 15.3 %. Sales to third parties rose by 20.2 % in local currency. Expressed in the currency of consolidation, sales to third parties increased from CHF 157.9 million to CHF 178.1 million. Within this context, all product groups managed to contribute to revenue growth. As a result of strict cost control in combination with productivity increases and higher volumes, EBITDA rose by 43.4 %, up from CHF 19.6 million to CHF 28.1 million. The operating profit (EBIT) more than doubled to CHF 16.5 million, with a margin of 9.3 % (2009: CHF 7.4 million, margin 4.7 %).

In Europe, sales were up 15 % in local currency, while sales expressed in consolidated currency rose by just 8 % due to the weakness of the euro. In the United States, sales increased by 22.4 %, while the Group’s business in Asia surged by around 42 %. Committed to expanding its market share in Australia, Interroll took the decision to take over local business activities from its long-standing licence partner in Australia effective from the beginning of 2011.

Key figures for the Components segment, in CHF million	**2010**	**2009**	**2008**
incoming orders	182.6	158.4	220.3
Net sales to third parties	178.1	157.9	223.7
Change in % to the previous year	12.8	–29.1	–4.9
EBITDA	28.1	19.6	40.5
Change in percent to the previous year	43.4	–51.6	–15.4
in % of net sales to third parties	15.8	12.4	18.2
EBIT	16.5	7.4	28.8
in % of net sales to third parties	9.3	4.7	12.9
Capital expenditure	12.9	13.2	16.9
Average number of employees	805	770	814

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The Group's encouraging performance was also supported by a number of new products rolled out over the course of the year. This included the world premiere of the Interroll Synchronous Drum Motor as an energy-saving drive solution for belt conveyors. The motor was certified by the European Hygienic Engineering & Design Group. One of the market's leading industrial companies is currently testing the motor as a drive solution for its high-tech food manufacturing systems.

A new solution featuring drum motors as plug-and-play cassettes for checkout systems was also very well received in the period under review. Autumn 2010 marked the launch of a new RollerDrive generation that was showcased at the Motek trade fair in Germany. This product has considerable potential even within the market for smaller system producers, the main benefit being its user-friendly design. Compared to 2009, revenue generated from RollerDrive sales surged by 50 %. Interroll is currently using this product solution as a springboard from which to further strengthen its position as a technology leader. At the end of 2010, the new control units for RollerDrives were nominated for the coveted 2011 iF Product Design Award 2011.

Subsystems segment

While business within the Subsystems segment remained stagnant at the beginning of fiscal 2010, it gradually recovered over the course of the year. Net sales to third parties in local currency were propelled upwards by 42.9%; in consolidated currency net sales to third parties rose by 38% from CHF 76.1 million to CHF 105.0 million. EBITDA picked up noticeably from CHF –0.8 million to CHF 7.7 million, while EBIT also returned to positive territory at CHF 3.9 million (2009: CHF –4.3 million). At the end of 2010, incoming orders were up 27.4 %, rising from CHF 80.5 million to CHF 102.6 million.

In Europe, demand and investment spending remained relatively subdued in 2010, although sales growth of 39 % in local currency and 31.6 % in consolidated currency pointed to a greater propensity to invest as the year progressed. The Americas and Asia recorded a significant boost in business, expanding by 47.1 % and 50 % respectively.

Key figures for the subsystems segment, in CHF million	**2010**	**2009**	**2008**
Incoming orders	102.6	80.5	127.6
Net sales to third parties	105.0	76.1	134.2
Change in % to the previous year	38.0	–43.3	–0.6
EBITDA	7.7	–0.8	17.7
Change in percent to the previous year	–	–104.5	–11.5
in % of net sales to third parties	7.3	–1.1	13.2
EBIT	3.9	–4.3	14.6
in % of net sales to third parties	3.7	–5.7	10.9
Capital expenditure	14.5	9.7	5.5
Average number of employees	450	436	501

Based in Sinsheim (D, near Heidelberg), the new Global Centre of Excellence for conveyor modules and subsystems, which opened in October 2010, is designed to support the Group's long-term growth. Alongside an administration building, the new centre boasts a production area of 12,300 square metres and will accommodate a team of up to 300 staff members in the long term. Designed for maximum productivity in accordance with the latest manufacturing principles, the facility is able to handle orders quickly and efficiently, irrespective of the volumes involved.

In Europe, Interroll completed highly successful sorter projects for the Finnish postal service and a major courier company, as well as securing additional large-scale contracts in this field. Within the area of dynamic storage, Interroll managed to boost sales attributable to its new roller tracks used in Carton Flow systems. In the period under review, Interroll also initiated a development pipeline for a new range of products aimed at the pallet flow storage market. The new solutions are to be launched as part of the CeMAT trade show for intralogistics in 2011. Featuring a number of unique selling propositions, the new products will help Interroll to leverage further market potential and drive growth in the area of dynamic storage.

In the financial year under review, Interroll received its largest ever sorter contract in North America from one of the region's leading companies. Interroll also completed a major project for Amazon in the United States during the financial year under review. Three distribution sites operated by the online store were equipped with our sorters and Intelliveyor roller conveyor modules. As a "door-opener" product, the sorter often generates additional business for conveyor modules linked with the sorter. In South America, Interroll succeeded in expanding its market share by a significant degree within the area of checkout counter systems.

In the period under review, Interroll extended its infrastructure in Thailand and China, with the express purpose of meeting regional demand for intralogistics solutions even more effectively. Operations in Thailand were relocated to a new site in the period under review; Interroll China will move to new premises during 2011. Based in Suzhou, to the west of Shanghai, the company will operate from a larger facility offering more than 10,000 square metres of production space – a solid basis for growth in the Asian market. Operating as a sales office with local assembly operations for a highly responsive customer service, the site in Thailand is focused entirely on the region of south-eastern Asia.

The company's new belt curve was well received by the market in the period under review. Indeed, this product captured an additional share of its target markets, such as airport logistics and industrial applications, which are a focal point for Interroll. In the UK, for instance, the British Airport Authority specified the belt curve as a conveyor module to be used in baggage handling and sorting systems at British airports. In China, Interroll received its first major orders for belt curves in the area of airport logistics. Within the industrial sector, a leading producer of wood processing systems opted for Interroll-designed belt curves for its manufacturing operations.

GOALS AND STRATEGY OF THE INTERROLL GROUP

Goals

The principal overall objective of the global Interroll Group is to achieve sustained, above-average growth in sales and earnings. We aim to establish ourselves as the leading player in specific target markets and product groups and to achieve our strategic goals by establishing clear market positions, taking a lead in terms of innovation, operating our own global sales platform, delivering a high level of productivity and pursuing an investment policy focused on the long term. It is also crucial to maintain our reputation as an attractive partner for our customers throughout the world and as an employer that prides itself on a highly motivated and high-achieving workforce.

In brief

Interroll's strategy is to achieve sustained, above-average growth and to use its key products to establish itself as the leading player in specific target markets.

Strategy and target markets

The Interroll Group supplies key products for unit-load handling, internal logistics and automation in specific target markets such as food processing, airport logistics, postal services, distribution and other sectors. We make use of our own global sales network to maintain close contact with system integrators, multinationals, regional plant manufacturers, engineering firms and end users and to analyse the precise requirements of each customer group. The solutions we provide to meet the everyday logistical challenges faced by our customers are based on key Interroll products that are supported by a common global platform. An important element of our strategy is our commitment to developing and then refining intelligent products that allow our customers to save space and energy and that deliver a fast return on investment.

Interroll's Centres of Excellence operate on a global level. Their focus is on the development of innovative products for existing and newly emerging applications as well as on the implementation of highly productive manufacturing techniques for a clearly defined group of products. In order to meet our customers' needs as quickly as possible in every corner of the world, we have also set up local production and service facilities under the control of our Centres of Excellence.

As a brand name, Interroll is identified with our activities as a global partner delivering innovative and efficient solutions to the challenges set by internal logistical processes. The Interroll name stands for expertise, quality and innovation.

Success factors

Interroll's success, both in the past and the future, depends on these factors:

- concentrating our resources on key products with which we aim for worldwide market leadership
- developing application-oriented product platforms on a modular basis, thus allowing us to achieve substantial economies of scale
- maintaining a global sales presence supported by our own local sales teams allowing us to identify and respond quickly to customer needs and market trends and exploit market potential throughout the world, supported by a global production network
- maintaining consistent quality standards for our products worldwide
- focusing on continuous development of new products and their rapid introduction to the market
- providing professional support, training and development for all our workforce

Growth drivers

Our future growth strategy is geared towards meeting clearly identified market trends that offer potentially attractive sales opportunities. These include:

- continued growth in passenger numbers in international air travel, requiring expansion in airport handling capacity (baggage conveying systems) and security technology (in-line screening of baggage and freight)
- strict hygiene regulations in the food processing industry, which are being adopted by an increasing number of countries and call for premium-quality conveyor drives such as Interroll Drum Motors
- increasing liberalisation of postal markets and the regionalisation of courier/express/parcel service operators, who are investing in distribution and new sites in order to establish a local presence near their customers
- further decentralisation of distribution centres for a wide range of goods in order to speed up delivery times
- increasing product variety and shorter product life cycles demand greater flexibility and customisation in the order-picking of goods
- increased productivity levels in the industry and related efficiency gains in warehousing and distribution processes
- demand for logistics equipment that delivers cost-efficient operation and a short return on investment

Management structure of the Interroll Group

Led by our strategic holding company based in Sant'Antonino/Switzerland, the Group is divided into two global divisions: "Global Sales & Service" is responsible for driving sales of Interroll's entire product portfolio by customer group; "Products & Technology" covers our global centres of excellence and local production sites and is responsible for R&D, product management, strategic purchasing, production technology and manufacturing.

What is it that makes Interroll unique?

Whether global or local, big or small, all our customers benefit from the combined know-how and applications experience built up by the global Interroll Group over a large number of reference projects. Our development and production centres transform this critical knowledge into innovative, market-leading solutions for over 23,000 customers around the world who can be assured at all times of gaining above-average benefit from those solutions, the fruit of innovation from all over the world. Interroll's globally networked service portfolio makes it unique in the market for internal unit-goods handling, logistics and automation.

MARKET SEGMENTS

The Interroll Group pools its resources across the world to offer energy-efficient logistics solutions based on key products within specific market segments. We firmly believe that the market segments detailed below will generate outstanding levels of growth over the long term.

Food processing and distribution

In line with the rise in world population, we are seeing a constant increase in the demand for food. In the developed economies, it is likely that this will reinforce the trend towards the preparation of consumer-ready, pre-portioned food items. Steadily increasing purchasing power in the newly industrialised countries is also helping boost sales of convenience foods. At the same time, the regulatory authorities in these regions are introducing stricter hygiene requirements on food processing systems.

In brief
Interroll's clearly defined product portfolio is focused on the above-average, long-term growth potential of food, postal services, airport logistics, distribution and industry.

These trends will produce a demand for greater capacity in the area of food distribution. We are also seeing tougher competition between food retailers. In response to pressure on costs, companies need to establish ever more intelligent and streamlined logistics processes.

Interroll supports the food processing industry with a range of top-quality, intelligent conveyor drive solutions that comply with all the latest hygiene requirements. Our products are extremely energy-efficient and compact. Interroll flow storage solutions for heavy to light goods provide a very attractive alternative to conventional storage technology for the food distribution process. The force of gravity is exploited to cut energy use to zero and keep maintenance costs to a minimum. Compact flow storage systems also save space, shorten the distance travelled by fork lifts and reduce ongoing operating costs.

Mail and parcel distribution centres

State-run postal services have been and still are being privatised in many countries. These operators face very tough competition in the postal delivery market and are therefore obliged to reduce their operating costs. One of the key success factors in this field is the automation of internal sorting and distribution systems. Privately run postal operators are also taking further steps to optimise their logistics processes.


Interroll drum motors drive the conveyors at a poultry processing plant (left). Interroll crossbelt sorters carrying trays in the mail centre operated by Swiss Post in Zürich-Mülligen (right).



Flight security: X-ray equipment for screening hand luggage and conveyors driven by drum motors (left). Distribution centres: Interroll pallet flow storage for frozen foods (middle). Industry: RollerDrives and conveyor rollers in a printing plate machine (right).

In terms of purchasing behaviour, consumers are turning increasingly to online shopping. Mail order firms are gearing up for a steady increase in sales. This trend places greater demands on internal logistical processes in the areas of sorting and packaging. Furthermore, the fact that in this type of business goods are often returned makes additional requirements of automated systems.

In recent years, increasing demand for Interroll sorting equipment has underlined their cost-efficiency and reliability. When it comes to internal logistics, fast throughput times, low maintenance costs and outstanding levels of energy efficiency and availability are and will remain a decisive success factor in the postal sector.

Airport logistics

Global freight streams and the growing demand for mobility are leading to the construction of new airports and the expansion of existing ones throughout the world. This general trend is further boosted by major international events such as the Olympics and the World Cup. Consequently, airports need to expand their internal logistics processes for passenger luggage and freight while at the same time streamlining their logistics costs.

Security requirements also continue to increase in the field of air travel. In many countries, the aim is still to achieve 100 % inline screening of luggage and passengers. With hand-luggage checks increasingly acting as a bottleneck, more efficient checking systems are being developed. Equally, as recent events have demonstrated, there is considerable scope for improvement in the area of freight security controls.

In addition to its space-saving conveyor drive solutions, which are primarily designed for the check-in area, Interroll supplies a range of modules such as belt/roller conveyors and belt curves that ensure fast throughput times for luggage items. Logistics modules have also been developed that speed up passenger checks by a considerable margin.

Distribution and logistics outsourcing

Due to the increasing diversity of consumer goods and a simultaneous reduction in storage capacity at the point of sale, warehouse and distribution logistics systems need to be fast and highly efficient. In recent years, smaller and medium-sized retailers have increasingly outsourced these activities to specialist transport and logistics firms. In turn, the challenge facing these companies

is to meet the diverse requirements of their customers efficiently and inexpensively. This cannot be achieved without a high level of automation and platform-based logistics solutions.
Interroll supports the logistics industry with a broad portfolio of platform-based products and modules, all of which combine outstanding functionality with sophisticated control elements. This makes it possible to apply the same solution to the handling of product streams with widely differing logistical requirements.

Industry
In response to globalisation and the increasingly tough competition it generates, companies have no choice but to streamline their operations, especially in the processing industry. This applies at every stage from production through to logistics processes. Accordingly, innovative and intelligent logistics solutions that streamline processes and optimise costs have met with a very positive response. In newly industrialised countries, many firms are introducing more professional processing and logistics processes to ensure that they remain competitive in the face of increases in local wage costs.

Interroll's comprehensive portfolio of high-quality products ranges from rollers and intelligent drives through to belt and roller conveyor modules. Ongoing product development allows us to deliver outstanding logistics solutions and to open up new market segments in the world of industry.

INNOVATION BREEDS SUCCESS: INTERROLL SYNCHRONOUS DRUM MOTOR

Think tank, hothouse…
or breeding place for new ideas? In the case of the Interroll Research Centre (IRC), Wassenberg (Germany, near Düsseldorf), all three attributes seem appropriate. Above all, however, "appetite for discovery" possibly best captures the spirit of Wassenberg. Here, team members from Germany, India, the United Kingdom, China, Poland and the Seychelles have come together to share their fascination for innovation and progress, driven by their mutual desire to push back the frontiers of engineering and create best-in-class value.
– An interview with: Gerhard Froebus, Technical Director of the IRC.

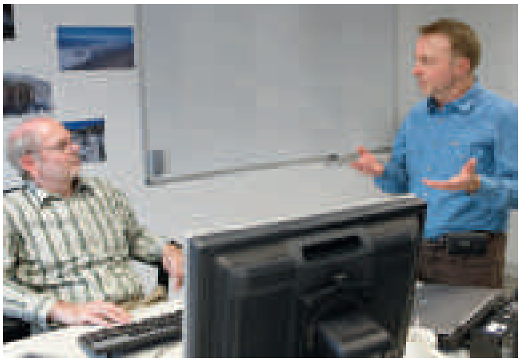
In brief
The Interroll Research Centre (IRC) focuses on innovation. An essential prerequisite for success: expertise, lateral thinking, enthusiasm and commitment.

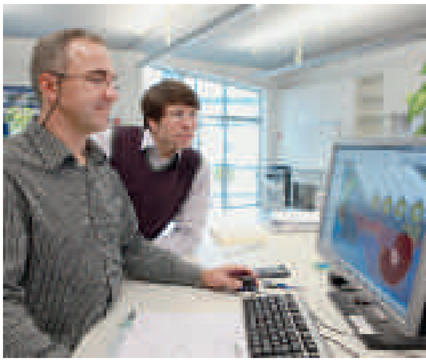
Invented in Wassenberg – used around the globe. How do you see the future of the Synchronous Drum Motor developed here in Wassenberg?
Gerhard Froebus: Very dynamic indeed!

Do you think your outlook is realistic?
Froebus: Yes, certainly. I believe that the Interroll Synchronous Drum Motor is a key product and has established us as the outright technology leader within the area of compact drives.

What does the Synchronous Drum Motor have that competitors simply can't offer?
Froebus: First and foremost, it is on the market, which places us head and shoulders above the competition. One of the world's leading manufacturers of food processing technology as well as a premier producer of logistics equipment are currently installing the new Interroll motor in their systems – two key markets in which Interroll has established a firm foothold.

Which development criteria are generally applied by the IRC in Wassenberg – what makes new products and processes ready for roll-out and thus attractive for customers?
Froebus: Our focus is on delivering maximum value. At the same time, we are committed to identifying key trends within the market place so that we are well-positioned when it comes to developing next-generation solutions. In executing new technologies, we are guided in particular by the idea of delivering "proven" solutions, i.e. the entire process has to be comprehensible, documentable and scalable. Only by following this approach is it possible to come up with various application scenarios that provide an insight into how a new product behaves in a specific situation. Additionally, aspects





Gerhard Froebus, left, Technical Director of the Interroll Research Centre.

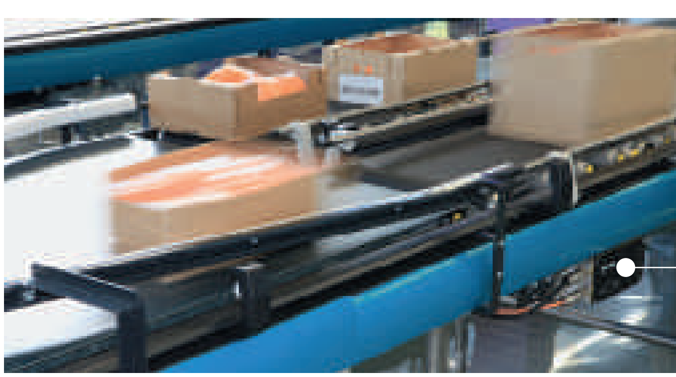
such as “plug and play”, “low maintenance costs” and “energy-saving operations” are high on our list of priorities, simply because they represent tangible benefits for our customers.

You have to ensure that new products can be produced and supplied with the shortest possible lead time. After all, the ability to deliver on time and in the required quantities is essential for market success.
Froebus: Absolutely! Not only do our customers want to be supplied with high-end products, they also want them to be delivered at the agreed deadlines. With this in mind, our IRC team streamlines the overall design of Interroll products, such as in the case of the new Synchronous Drum Motor, and carefully studies all production scenarios. Our latest product to leave the development pipeline combines outstanding performance with ingenious simplicity – a key benefit both for Interroll and its customers.

Do you and your IRC colleagues see yourselves as “contract researchers” or “free spirits” on a journey through the universe of logistics?
Froebus: A bit of both. Acting as explorers or incubators, our mission is to search, probe and delve with the express purpose of developing new products and processes, either on behalf of our customers or as part of our own R&D activities. To do so successfully, we need room for manoeuvre. At the same time, we have to be able to translate creative ideas into new high-end products with a certain amount of discipline – quite a challenge. We apply highly developed evolutionary methods to manage and control this dynamic process. Of course, we are also heavily dependent on the professional input of all employees. Our success is a testament to the skill and dedication of the entire Interroll team.

What is the key to market success?
Froebus: Companies using Interroll products are looking for a conveyor or handling solution that offers high performance and reliability. With this in mind, we review our work on a continual basis, constantly cross-checking it against the exacting quality standards defined within the Interroll brand strategy.

How do Interroll customers respond to the philosophy and activities of the IRC Wassenberg?
Froebus: We have already been told that we are good enough to set the world alight. As you can imagine, that is a tremendous source of motivation. After all, nothing is more rewarding than a customer’s praise. Engaging in close dialogue with our customers is always very inspiring – it provides additional impetus for best-in-class solutions. What is more, we believe in “accompanying” every new product until it no longer needs us. This includes stages such as initial marketing or commissioning.



Interroll Driver for the new Synchronous Drum Motor.

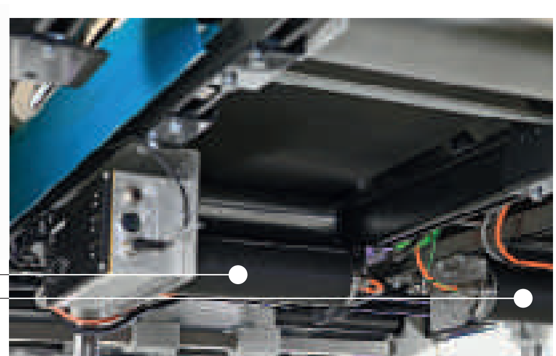
INNOVATION BREEDS SUCCESS: INTERROLL DRIVER FOR SYNCHRONOUS DRUM MOTOR

The systems integrator Sydel/Sedep (Syleps Group), based in Lorient/France, is particularly impressed by the new sensorless Synchronous Drum Motor developed by Interroll. “Thanks to this drum motor, we are able to control all operations with maximum precision, an essential prerequisite when it comes to improving the overall throughput of state-of-the-art conveyor systems,” says Yves Le Corre, R&D Manager at Sedep. “Interroll’s cutting-edge solution has opened up completely new avenues for us – with fully controllable conveyor operations independent of the size, position or weight of the individual items to be conveyed.” Following an extensive assessment of the Synchronous Drum Motor and the services provided by the Interroll Research Centre in Wassenberg (Germany), Sydel/Sedep opted for Interroll’s versatile, high-performance drum motor, which is also perfectly suited for deployment in the newly developed CP20 conveyor system. “We also wanted a matching driver,” says Stéphane Lecomte, the manager responsible for the automation division at Sydel. “Our focus was on a compact and well-protected solution with an ASI bus and standard voltage for decentralised use.”

Working in close collaboration with an engineering partner, Interroll developed the Driver in just nine months and now supplies it together with the Synchronous Drum Motor as a complete package. The Interroll Driver – a world premiere – meets all user requirements: compact design with easy-to-use connectors for fast and simple installation.

Fast, controlled and dynamic: Interroll Synchronous Drum Motor in conjunction with the newly developed frequency converter for high throughput and superior performance in modules such as 90° Transfers, Timing Belts and 30°/45°/90° Belt/Round Belt Merges.

The Interroll Synchronous Drum Motor is also available with certification for the food manufacturing industry (EHEDG, EC1935–2004, NSF, FDA, ECOLAB) and is protected (IP69K) against dust, high-pressure cleaning and water penetration.



Conducted a thorough assessment of the Synchronous Drum Motor and Interroll Research Centre in Wassenberg (D) – Stéphane Lecomte (left), Project Manager, and Yves Le Corre, at Technocentre Syleps in Lorient (F): “Excellent performance”.

SUSTAINABILITY

Sustainability is a key element of Interroll's corporate strategy. We aim to create added value for our customers, investors, employees and others with an interest in the Group by exploiting new business opportunities and minimising risks within the framework of current economic, environmental and social developments.

Interroll strives to achieve consistent growth over the long term and a leading global position in key markets with specific products. As a financially solid enterprise, Interroll is therefore very active in driving the process of innovation in the field of internal logistics.

In brief
At Interroll, we believe that sustainability means offering solidity. The Group's products and services build on an attractive brand and aim to deliver consistently solid results over the long term.

For investors, Interroll represents an attractive opportunity to benefit from a stake in a company that is clearly focused on its core competences. We want to ensure that the business remains firmly established as an attractive brand with long-term prospects and solid results.

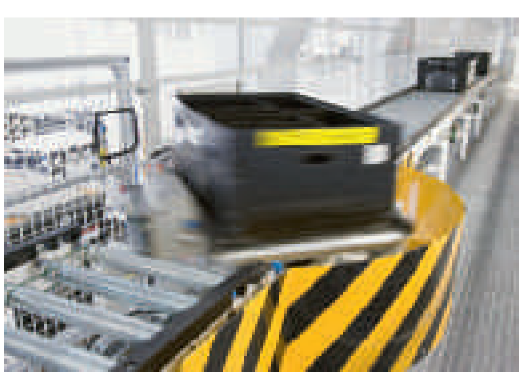
Attractive brand

The Interroll name is identified with the Group's activities as a global partner for key, market-leading products that are designed to improve internal logistical processes. It stands for innovation, expertise and quality. Since its formation in 1959, Interroll has grown to become an international group made up of 28 companies and with over 23,000 customers. The Group holds 250 regional and global patents.

Over the last three years, Interroll has made great efforts to strengthen the brand, and seminars were held to roll out our brand policy and brand management principles throughout the Group. The main aim of this training campaign was and is to emphasize core brand values in our day-to-day contact with Interroll's stakeholders, the media and the public.

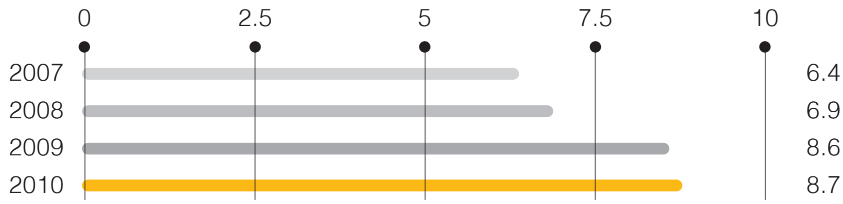
Long-term prospects

We believe that continued product innovation is essential if we are to achieve sustained, long-term growth and enhance the appeal of Interroll both as a brand and as a vehicle for investment.



Intelligent, energy-saving conveyors: individual conveyor zones remain on stand-by until required.

Expenditure on R&D in CHF million



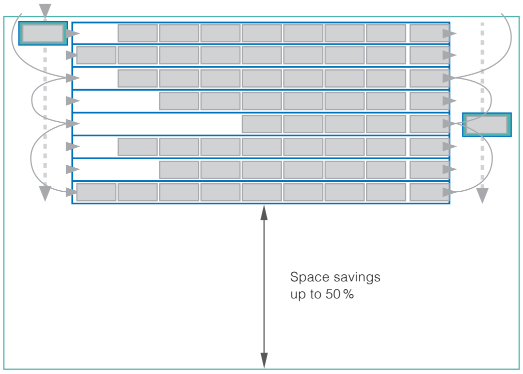
Interroll's market-leading products respond to major trends and focus on customer utility. In most cases, they offer a return on investment within two to three years. Such trends might involve saving energy or space, complying with increasingly strict technical regulations (e.g. hygiene, energy efficiency and safety), ease of construction, installation and operation ("plug & play") and the reduction of noise in the working environment, etc. Interroll's key products help to deliver massive improvements in terms of the productivity and environmental impact of logistics systems. As a member of organisations such as the European Hygienic Engineering and Design Group (EHEDG), Interroll is actively involved in the process of establishing industry standards.

In 2008, in order to strengthen our long-term capacity to innovate, we set up the Interroll Research Centre (IRC) in Wassenberg (D, near Düsseldorf). The IRC is dedicated entirely to the development of new products and solutions. It employs engineers from several countries and works in close collaboration with our customers (cf. "Innovation", page 21).

In recent years, Interroll has consistently increased the resources available for research and development. In 2010, R&D spending in local currency terms was up 10.5 % on the previous year (2009: CHF 8.6 million). Thanks to its sound financial position, the Group was also able to invest in 2009 in spite of the difficult economic situation.

Some of the most important investments in the last few years involved the construction or expansion of our centres of excellence. These operate in line with the very latest manufacturing principles such as "Kaizen" to help bring about lasting success and continuous development. "Kaizen" covers all the most crucial factors that influence a company's results, e.g. quality, costs, logistics, staff motivation, safety, technology and the environment. These are examined across the entire process chain – from suppliers through to internal customers and end customers.

Thanks to Interroll's meticulous efforts to recruit and establish talented new leaders from within our own ranks, over the last ten years we have been able to form a stable management team at both Group and individual country level. This is vital to our future success and the consistent implementation of our strategic goals.



Flow storage saves up to 50% on space compared to static systems.

Solid results

Interroll has reported increases in both sales and earnings every year since 2000 with the exception of the crisis year 2009. The expansion of our R&D activities and high levels of capital expenditure in recent years should help to maintain this trend in the future. Interroll is keen to improve its dividends year-on-year to ensure that the yield on an investment in the company is in line with market expectations. Over the last few years, Interroll has strengthened its already healthy financial base.

Sustainable solutions in daily operation

Tray conveyor systems: Interroll's recently launched EC310 RollerDrive improves the energy balance of zero-pressure accumulation conveyors. During braking, the DC-powered roller feeds back up to 30 % of the energy used. Energy is also saved by ensuring that individual conveyor zones only operate when required.

Pallet flow storage: Compact, space-saving, first-in first-out pallet storage can save up to 50% on the space required by a static system. By reducing fork lift movements and using gravity to move the pallets in the lanes, our pallet flow storage systems also save a considerable amount of energy.

Conveyor drives: Interroll's new Synchronous Drum Motor is part of the latest generation of high-performance drum motors. This eco-friendly drive solution is designed for applications such as food processing, packaging systems, dynamic weighing technology and logistics. Unlike comparable conveyor drives, the Synchronous Drum Motor transfers 92–95 % of the available power directly to the conveyor system. This makes it possible to reduce material and energy costs by around 30 %. Thanks to its design, the Synchronous Drum Motor simplifies the cleaning procedure in food processing applications and therefore makes a further contribution to lowering costs.

STAFF

The last financial year made great demands on the commitment of our staff in every area of the Group's activities throughout the world, and it was their efforts that helped to deliver such positive results.

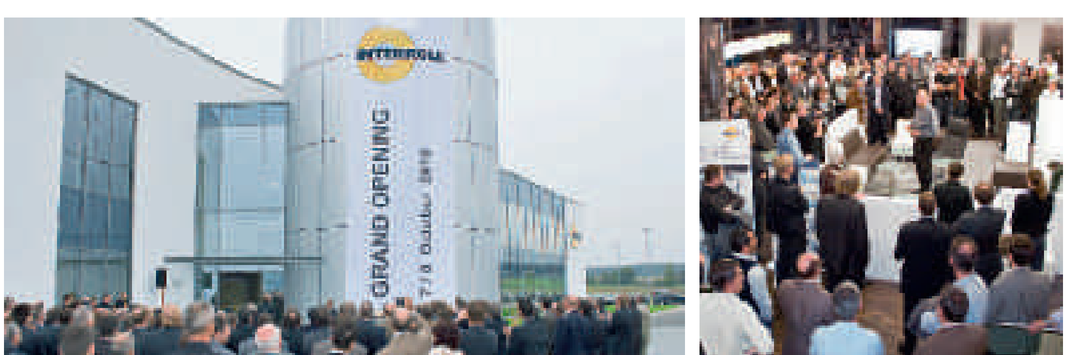
In Europe, a tremendous amount of energy went into construction projects in Wermelskirchen and Sinsheim. Work on the conversion and expansion of the Centre of Excellence for Conveyor Rollers and RollerDrives in Wermelskirchen (Germany, near Cologne) continued as planned. The Centre is expected to open during the current year. The new Centre of Excellence for Conveyor Modules and Subsystems in Sinsheim (Germany, near Heidelberg) was completed in the year under review. The opening ceremony in October 2010 was attended by a large international audience of industry representatives.

In brief
Interroll staff throughout the world helped deliver positive results in 2010. North America and Asia put in a striking performance.

Our colleagues in North America gave a considerable boost to the Interroll Group's position in the regional market, where sales in 2010 grew by an above-average 32 % and we achieved a very satisfactory increase in market share for our products, modules and sorters. Interroll was awarded its biggest sorter order to date for the region from a sizeable North American company in the postal sector and secured a contract from the online trader Amazon regarding another major project for sorters and conveyor modules.

Market share was up by an encouraging margin in Asia, where we also expanded our infrastructure. Sales increased sharply to end the year up 45 %. Interroll Thailand completed its move to a new building, and Interroll China is about to follow suit. From this year onwards, our colleagues will be able to serve the fast-growing Chinese market even more efficiently from a new production centre in Suzhou to the west of Shanghai.

With new centres of excellence in Europe and new production sites in Asia, the Interroll Group is well placed to maintain a pattern of strong growth.



New Centre of Excellence for Conveyor Modules and Subsystems in Sinsheim (Germany).

Dr. Christoph Reinkemeier, Head of “Global Sales & Service” (left), Jens Karolyi, Head of Corporate Marketing (right).

Training

With regard to training, the Interroll Academy in Germany expanded its course modules and extended the range of training opportunities available in Asia. The professional training offered by the Interroll Academy is supplemented by external courses throughout the world and increasingly by flexible individual programmes delivered via the e-Learning platform. The Interroll Academy is making a sustained contribution to the implementation of the Group’s long-term growth strategy. Its main aims are to build on Interroll’s technological leadership by providing initial and ongoing training, to enhance the appeal of Interroll as an employer and to support talented individuals across the Group.

During the year under review, our staff worldwide have been involved in numerous sales training courses and workshops in preparation for the reorganised sales network, the aim here being to support our customers even more effectively and with a particular focus on the requirements of system integrators, equipment manufacturers and users. Our key materials handling products need to combine speed of supply, ease of installation and maximum operational availability to help ensure a fast return on investment while making efficient use of resources and protecting the environment.

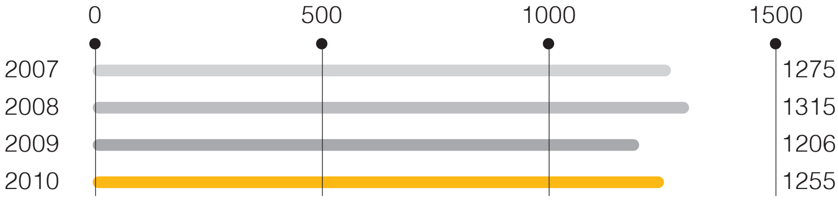
Changes to Group Management

At the beginning of 2011, following the announcement last October of its plans to restructure the sales network, Interroll made a number of new appointments in key roles within Group Management (see also page 53). Dr. Ralf Garlichs, Managing Director Business Unit Interroll Drives & Rollers, took over the Group’s new “Products & Technology” division, which covers Interroll’s Centres of Excellence and production sites across the world and is responsible for R&D, product management, strategic purchasing, production technology and local manufacturing.

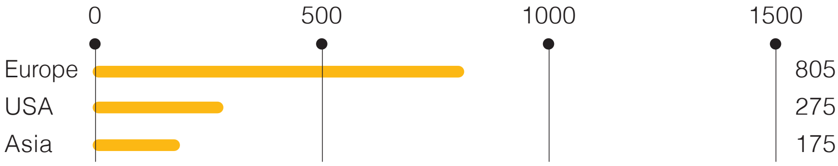
Dr. Christoph Reinkemeier, former CEO at Deckel Maho Gildemeister in the United States, took over as Head of “Global Sales & Service” on 1 January 2011. The Corporate Marketing division has been reorganised and is now led by Jens Karolyi, who has many years’ experience in consumer goods marketing. Operational management of America and Asia now lies with two of Interroll’s long-serving professionals, Tim McGill (North and South America) and Kwang-Heng Seng (Asia).

As part of Interroll's growth strategy, under the restructuring arrangements the managing directors of the existing business units will focus on their areas of expertise. As a result of the restructuring, we lost just one post in the Corporate Technology division, which now forms part of "Products & Technology". Flavio Zanatta, Head of Corporate Technology, left Interroll at the end of November 2010.

Average number of employees



Average number of employees by region, 2010



Power Stow

The roller conveyor systems developed by Denmark's Power Stow A/S are designed to make airport baggage handling more efficient – come rain or shine, heat or frost. Fitted to belt loader vehicles, the state-of-the-art handling systems are capable of operating under extreme conditions and can be driven directly into the baggage hold of a B737, B757, A319 or Embraer. Interroll RollerDrives with tapered design features ensure that baggage is loaded and unloaded safely and reliably at all times.

«We were looking for a reliable, space-saving 24V DC drive. Impressed by the combination of outstanding performance and simple installation, we opted for Interroll's RollerDrive solution.»

Martin Vestergaard

General Manager,
Power Stow A/S

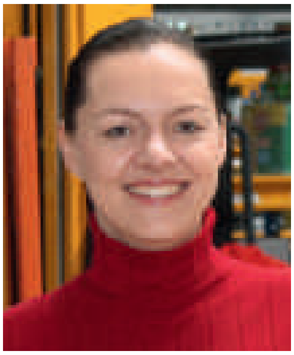
POWER STOW A/S

Application	Locations	Conveyor solution	Items handled	Integrated Interroll products	Key benefits	Ambient conditions	System manufacturer
Baggage handling at airport ramp	Worldwide	Roller conveyor system fitted to baggage-handling vehicles	Baggage up to 200 kg/item	Motorised conveyor rollers with tapered elements for precise handling	Simplified operations with transport directly to/from aircraft baggage holds	Weather and temperatures: tropical heat to sub-zero conditions	Power Stow A/S, Roskilde, Denmark

Frisco.pl

Fast, fresh, fantastic service: This is the recipe chosen by Frisco.pl when it comes to serving a rapidly expanding customer base in Greater Warsaw and beyond. Established as recently as 2006, the online supermarket relocated to its new premises near the centre of Warsaw in 2008, the rationale being to bring administration and distribution under the same roof. The latest additions to its picking and distribution team: Interroll Crossbelt Sorter and Intelliveyor.

«The Interroll Crossbelt Sorter is close to 100 per cent accurate and very easy to operate, as well as offering outstanding reliability with virtually no need for servicing – even in the case of heavy items weighing up to 30 kg.»



Agnieszka Malinowska

Operations Manager
Frisco.pl

FRISCO.PL

Application	Location	Conveyor solution	Items handled	Integrated Interroll products	Key benefits	Used by
Online supermarket	Greater Warsaw region	Interroll Crossbelt Sorter: 60 discharge points, 33m in length	Foodstuffs, perishables, frozen foods, non-food, 10,000 items	Round Belt Merges, Intelliveyor for zero-pressure tote handling	Superior sorting precision and system uptime	Frisco.pl, online supermarket, Warsaw, Poland

O E G

Throughout Europe, OEG Oel- und Gasfeuerungsbedarf Handelsgesellschaft m.b.H. has established itself as a key supplier to the professional plumbing trade. Driven by rapid growth, the company based in Hessisch Oldendorf (D) expanded its warehouse in 2009 with the express purpose of accommodating 6000 new products. Orders received by 8 p.m. are dispatched the next day. Interroll Carton Wheel Flow ensures poetry of motion when it comes to internal goods handling and order picking.

«We are committed to unlocking key benefits for customers and staff by continuously optimising our goods handling performance. Our new warehouse equipped with Interroll Carton Wheel Flow has proved an all-round winner. We are delighted with the end-to-end solution.»

Helge Möller

Sales Director
OEG

OEG Oel- und Gasfeuerungsbedarf Handelsgesellschaft m.b.H.

Application	Items handled	Conveyor solution	Location	Integrated Interroll products	Key benefits	Used by
Distribution centre for catalogue and online shop items	HVAC and technical goods in plastic totes	Electronic picking system for pan-European distribution	Europe	Carton Wheel Flow with exceptional service life for picking racks	Greater storage capacity and consistently high picking speed	OEG Oel- und Gasfeuerungsbedarf Handelsgesellschaft m.b.H., Hessisch Oldendorf (D, near Hanover)

Corporate Governance

CONTENT

1 INTRODUCTION

The corporate governance report 2010 of the Interroll Group refers to the official guideline of the SIX on Corporate Governance as well as to the regulations of the "swiss code of best practice for corporate governance". In order to minimise repeated comments, certain sections cross refer to other sections, especially to the financial report.

The compensation report is part of the financial statements of INTERROLL HOLDING LTD.

2 GROUP STRUCTURE AND SHAREHOLDERS

Group structure

The operating structure is disclosed in chapter 4 of this report.

The mother company of the Group, INTERROLL HOLDING LTD., is domiciled in Sant'Antonino/TI, Switzerland. Its registered shares are traded at the main segment of the SIX Swiss Exchange under the security number 637289. Further notes to the listing can be found in the inside cover of the annual report ("Information for investors").

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 expect those of INTERROLL HOLDING LTD.

Significant shareholders

All significant shareholders holding a reportable participation are disclosed in the note 3.7 ("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

Capital and authorised/conditional capital

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.

There is no authorised or conditional capital. Furthermore, the are no other equity like instruments, such as profit sharing rights or participation certificates. Additional information to the equity is disclosed in the financial statements of the Group (see 1.5 – Equity movements) and in the respective notes.

Changes in capital

In the year under review, the share capital was reduced by CHF 4.3 million to CHF 8.5 million by a reduction of the par value of CHF 5 per share.

Limitations on transferability and nominee rights

Information to limitations on transferability and other nominee rights of the shareholders are disclosed in chapter 8 ("Shareholders' participation rights") of the report to the corporate governance of the Interroll Group.

Convertible bonds and options

There are no convertible bonds outstanding. In 2006, the board of directors approved a Management share option plan. Further information to this plan is disclosed in 7.1 of the Notes to the financial statements of the Interroll Group.

4 OPERATING GROUP STRUCTURE

The operating structure of the Interroll Group as per balance sheet date is as follows:

BOARD OF DIRECTORS

STRATEGIC HOLDING

INTERROLL HOLDING LTD.

Corporate Strategy	Corporate Finance Corporate Communications	Corporate IT

BUSINESS UNITS

COMPONENTS SEGMENT	SUBSYSTEMS SEGMENT	
Interroll Drives & Rollers Unit Handling Headquarters: Wermelskirchen (DE)	**Interroll Dynamic Storage** Warehousing & Distribution Headquarters: La Roche sur Yon (FR)	**Interroll Automation** Automation & Conveyor Lines Headquarters: Sinsheim (DE)

VERKAUFS- UND PRODUKTIONSGESELLSCHAFTEN

Interroll CZ, s.r.o., Breclav (CZ) ●		
Interroll Fördertechnik GmbH, Wermelsk. (DE) ●		
Interroll Nordic AS, Hvidovre (DK) ●		
Interroll España SA, Cerdanyola del Vallés (ES) ●		
Interroll SAS, Saint Pol de Léon (FR) ●		
Interroll Japan Co. Ltd., Tokio (JP) ●	Interroll Japan Co. Ltd., Tokio (JP) ●	Interroll Japan Co. Ltd., Tokio (JP) ●
Interroll Korea Corporation, Seoul (KR) ●	Interroll Korea Corporation, Seoul (KR) ●	Interroll Korea Corporation, Seoul (KR) ●
Interroll Polska sp.z.o.o., Warsaw (PL) ●		
Interroll (Asia) Pte. Ltd., Singapore (SG) ●	Interroll (Asia) Pte. Ltd., Singapore (SG) ●	Interroll (Asia) Pte. Ltd., Singapore (SG) ●
Interroll Ltd., Corby (GB) ●		
	Interroll Australia Pty. Ltd., Melbourne (AU) ●	
Interroll JOKI A/S, Hvidovre (DK) ○		
Interroll Engineering GmbH, Wermelsk. (DE) ○		
Interroll Trommelmotoren GmbH, Baal (DE) ○		
Interroll AG, S. Antonino (CH) ○	Interroll AG, S. Antonino (CH) ○	Interroll AG, S. Antonino (CH) ○
	Interroll SAS, La Roche sur Yon (FR) ●○	
		Interroll Automation GmbH, Sinsheim (DE) ●○
Transtechnik GmbH, Wassenberg (DE) ●○		
Interroll Components Canada Ltd., Concord (CA) ●○		
Interroll Canada Ltd., Newmarket (CA) ●○	Interroll Canada Ltd., Newmarket (CA) ●○	
Interroll (Suzhou) Co. Ltd. Suzhou (CN) ●○	Interroll (Suzhou) Co. Ltd. Suzhou (CN) ●○	Interroll (Suzhou) Co. Ltd. Suzhou (CN) ●○
Interroll SA (Proprietary) Ltd., Johannesb. (ZA) ●○	Interroll SA (Proprietary) Ltd., Johannesb. (ZA) ●○	Interroll SA (Proprietary) Ltd., Johannesb. (ZA) ●○
Interroll (Thailand) Co. Ltd., Panthong (TH) ●○	Interroll (Thailand) Co. Ltd., Panthong (TH) ●	
Interroll Corporation, Wilmington NC (US) ●○	Interroll Dynamic Storage Inc., Hiram (US) ●○	Interroll Automation LLC, Jeffersonville (US) ●○
Interroll Logistica Ltda., São Paolo (BR) ●○	Interroll Logistica Ltda., São Paolo (BR) ●○	
Agents, Franchisees ●○	Agents, Franchisees ●○	Agents, Franchisees ●

● Sales companies ○ Production companies ●○ Sales- and production companies

As of December 31st 2010

In October 2010, the Group anounced a reorganisation of its operating structure coming into force as from 2011. The respective new operational structure is disclosed in chapter 15 of the report to the corporate governance.

5 BOARD OF DIRECTORS

Members of the Board of Directors

From left to right
Ingo Specht, Urs Tanner, Kurt Rudolf, Philippe Dubois, Paolo Bottini, Marco Ghisalberti und Prof. Horst Wildemann

The Board of Directors of INTERROLL HOLDING LTD., Sant'Antonino (CH), comprised of seven non-executive members at year end 2010:

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	2011
Paolo Bottini	1965 Swiss	Member Audit committee since 2003	2003	2012
Philippe Dubois	1950 Swiss	Member Audit committee since 2003	2003	2012
Dr. Horst Wildemann	1942 German	Member Compensation committee since 1999	1999	2011
Marco Ghisalberti	1961 Italian	Member	1997	2012
Ingo Specht	1964 German	Member	2006	2012

Election 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 three-year term. The shareholders Dieter Specht and Brunda 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. The chairman of the Board is elected by the Board of Directors (Art. 19 and 20 of the Articles of Association). Specific topics and tasks may be assigned to members or committees of the Board.

Professional background and vested interests of the Board of Directors

KURT RUDOLF

Dipl.-Ing. ETH

Current activities

Since 2009: Member of the Board of Directors of Carag Ltd., Zug (CH)

Since 2005: Member of the Board of Directors of Swissimplant Ltd., Solothurn (CH)

Since 2005: Member of the Board of Directors of Belimed Ltd., Zug (CH)

Since 1996: Member of the Board of Directors of Medela Group, Zug (CH/US)

Former activities

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 2005: Member of the Board of Directors of Swissimplant Ltd., Solothurn (CH)

Since 1997: Member and delegate of the Board of Directors of Medela Group, Zug (CH)

Former activities

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

Since 1996: Guest lecturer for law and tax at the Centro di Studi Bancari, Vezia (CH)

Former activities

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

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

PHILIPPE DUBOIS

Lic. iur. and lic. oec.

Current activities

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

Former activities

1999–2001: Senior Investment Banking positions at Bank Julius Bär

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

PROF. DR. HORST WILDEMANN

Prof. of university Dr. Dr. h. c. mult.
Honorary professor at the universities of Klagenfurth and Passau (DE)
Award of the first class cross merit of the Federal Repupblic 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 South. California and of Indianapolis (US)

Current activities

Since 2007: Member of the Board of Directors of Sick AG, Waldkirch (DE)
Since 2004: Member of the Logistik Hall of Fame
Since 1996: Member of the Board of Directors of Zeppelin GmbH, Friedrichshafen (DE)
Since 1988: Professor ordinarius for management, production and logistics at the Technische Universität München, Munich (DE)
Since 1980: Managing Director of TCW Consulting GmbH, Munich (DE)

MARCO GHISALBERTI

Laurea, Economia e Commercio, Istituto Universitario di Bergamo (IT)
MBA, Boston University, Boston (US)

Current activities

Since 2006: Managing Director of Rulli Rulmeca S.p.A., Bergamo (IT)
Since 1996: Member of the Board of Directors of Rulli Rulmeca S.p. A. and Rulmeca S.p.A.

Former activities

2000–2003: Senior managing positions within the Rulmeca Group
1995–1999: Regional sales manager Rulli Rulmeca S.p.A., Bergamo (IT)

INGO SPECHT

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

Current activities

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

Former activities

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

6 INTERNAL ORGANISATION

The Board of Directors is responsible for strategic issues and performs high-ranking duties as regards the management, supervision and control of the executive members of the Interroll Group.

The Board of Directors comprises the Chairman, the Deputy Chairman and the remaining Members.

The Board of Directors is assisted by two permanent committees within the areas of auditing (Audit Committee) and remuneration policy (Compensation Committee).

The Audit Committee receives the audit reports prepared by the external auditors and Group auditors, subsequently reporting on them to the Board of Directors. In particular, it satisfies itself that the Group companies are also audited on a regular basis. 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.

The Compensation Committee sets the salary and bonus of the CEO and the Members of Group Management, as well as the compensation of the Board of Directors. 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 programme.

Both committees meet as necessary, and committee meetings can be convened by any member. The members of the two committees are indicated in the report to the Corporate Governance of the Interroll Group (see 5 Board of Directors – “Members of the Board of Directors”).

The Board of Directors is deemed quorate if an absolute majority of its members is present in person. Resolutions are adopted on the basis of an absolute majority of votes present. In the event of an equal division of votes, the Chairman casts the deciding vote. All resolutions are recorded in the minutes. The Board of Directors meets as often as business requires, but at least four times per annum.

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. In the business year 2010, the Board of Directors met on six occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings. The Managing Directors of the respective functional units and of the Corporate Functions are invited to attend meetings when necessary.

7 COMPETENCE REGULATIONS

Competences and controls are specified within a set of organisational regulations.

The Board of Directors has exercised its statutory authority to delegate management to third parties who need not be shareholders (Group Management), reserving those duties which may not be delegated or withdrawn.

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.

Group Management consists of the CEO and the Managing Directors of the functional units and of the Corporate Functions, who report directly to him at the Company's headquarters.

8 INFORMATION AND CONTROL INSTRUMENTS

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.

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 (MIS) are discussed with the CEO at meetings of the Board of Directors.

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

Members of the Group Management*

Name	Year of birth Nationality	Function	Since
Paul Zumbühl	1957 Switzerland	Chief Executive Officer (CEO)	January 2000
Dr. Ralf Garlichs	1962 Germany	Managing Director Drives&Rollers	July 2006
Didier Lermite	1959 France	Managing Director Dynamic Storage	November 2000
Dr. Heinrich Droste	1961 Germany	Managing Director Automation	January 2003
Jürg Häusermann	1961 Switzerland	Chief Financial Officer (CFO)	November 2000
Kwang-Heng Seng	1951 Singapore	Head of New Markets	April 1988
Lorenz Köhler	1959 Switzerland	Head of Corporate Communications	July 2001
Christian Hähni	1958 Switzerland	Head of Corporate IT	July 2007

* Please refer to "15 – New operational management structure" in the report to the corporate goverance of the Interroll Group

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, Kellog Business School of Northwestern University, Chicago (US)
Marketing Management Diploma (Eidg. Dipl.)

Current activity

Since 2000: CEO of the Interroll Group

Further activities

Since 2009: Member of the Board of Directors, Looser Holding, Arbon/CH
Since 2007: Member of the Board of Directors, Schlatter Holding, Zurich

Former activities

1994 – 1999: CEO of Mikron Plastics Technology and member of the Executive Managment Board, Mikron Group, Biel (CH)
1988 – 1994: Managing Director and further managing roles at the Sarna Group, Sarnen (CH)
1984 – 1987: Sales Manager/-Engineer at SYMALIT AG, Lenzburg (CH)

DR. RALF GARLICHS

Dr. Ing., Mech. Engineering, focus production eng., Univ. Hannover (DE)

Current activity

Since 2011: Head of Products & Technology, Interroll Group

Former activities

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

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

1994–1999: Head Production, Logistics, Festo Tooltechnic, Esslingen/DE

DIDIER LERMITE

MBA and DESS (Diplôme Etudes Supérieures Spécialiées) majoring in marketing and business management

Current activity

Since 2011: Managing Director of the Center of Excellence for Dynamic Flow Storage systems, Interroll Group

Former activities

2000–2010: Managing Director of “Interroll Dynamic Storage”, Interroll Group

1985–2000: Export Sales Manager of SIPA Rollers, La Roche-s.-Yon (FR)

DR. HEINRICH DROSTE

Dr.-Ing., Mech. Engineering, focus materials handling, Univ. Hannover

Current activity

Since 2011: Managing Director of the Center of Excellence for Subsystems, Interroll Group

Former activities

2003–2010: Managing Director of “Interroll Automation”, Interroll Group

1998–2003: Man. Director, Axmann Fördertechnik GmbH, Sinsheim (DE)

1994–1998: Head Development, Mannesmann Dematic, Offenbach (DE)

JÜRG HÄUSERMANN

Diploma in Economics and Business Administration, HWV (majoring in Finance and Marketing)

Current activity

Since 2000: Chief Financial Officer of the Interroll Group

Former activities

1997–2000: Division Controller, Segment Kitchen Technology, FRANKE Group, Aarburg (CH)

KWANG-HENG SENG

Bachelor of Science (Production Engineering) at Aston University (GB)

Current activity

Since 2011: Operational Head Asia, Interroll Group

Former activities

1988–2010: Head of New Markets of Interroll Group

1988–2010: Managing Director Interroll (Asia) Pte. Ltd., Singapore (SG)

1986–1988: Regional Manager, Guthrie (Singapore) Pte. Ltd., Singapore

LORENZ KÖHLER

Media Studies, University of Berne (CH)

Current activity

Since 2011: Event Manager and Senior Editor, Interroll Group

Former activities

2001–2010: Head of Corporate Communications, Interroll Group

1994–2000: PR and advertising assistant Europe, Middle & Far East of Jet Aviation Group, Zurich (CH)

1990–1994: Copywriter and advertising Coordinator at a full service advertising agency

CHRISTIAN HÄHNI

Dipl. Masch.-Ing. FH

Executive MBA in Business Engineering, University of St. Gallen (CH) and Santa Clara University California (US)

Current activity

Since 2007: Head of Corporate IT, Interroll Group

Former activities

2003–2007: CIO at Walter Meier Holding Ltd., Schwerzenbach (CH)

1995–2003: Management Consultant at KPMG und SAP

Management contracts

There are no management contracts with third parties.

10 COMPENSATION, SHAREHOLDINGS AND LOANS

Board of Directors

The Board of Directors determines on a yearly basis the level of compensation payable to its members in accordance with their activities and responsibilities. The membership in committees is not remunerated separatly. Extraordinary activities exceeding the normal activities of a member of the Board of Directors may be compensated separately. The members of the Board of Directors receive the total remuneration in cash. No variable portion is included in the total compensation. No member of the Board of Directors participates in the existing share option plan. Any social costs are borne by the employer.

Group Management

The target remuneration of each member of the Group Management consists of a fixed and of a variable portion. The variable portion is determined by the compensation committee in accordance with the global responsibility, the complexity of the tasks and with the concrete and individual result contribution that adds value to the long term strategic developement of the Group. There exists an individual remuneration agreement with each member of the Group Management. The variable portion is determined in between 10 % and 60 %, depending on the function and on the general business performance. There are basically two criterias for the determination of the variable compensation portion of each member of the Group Management. On one hand, the total Group result or the result for which the member is responsible, is considered. On the other hand, the performance of individual, qualitative aspects such as the launch of new products, the developement of new markets or elselike is assessed. The basic key performance indicators for the Group are the revenue development, the increase in productivity and the EBIT.

The fixed portion of the compensation package is paid out in cash. The variable portion is paid either fully or partly in cash or even paid out fully by the attribution of shares. The allowance type is individually determined with each member of the Group Management. A part of the shares assigned may has a blocking period of three to five years.

In March 2006, the Group Management as also another fourty senior employees already holding a senior postion at that date were granted the participation in a share option plan. The option life ends on September 30th, 2013. The option cannot be executed before April 1st, 2012. Each option entitles to subscribe for one Interroll share. The strike price is CHF 323 per share. The compensation of the difference between the market value at the exercise date and the strike price is impossible. The number of attributed shares was individually agreed with each Group Management member, whereby the specific function within the Group Management was taken into account.

There are special pension fund regulations for some members of the Group Management. A member of the Group Management pays a fourth or a third respectively of the saving portion. The rest is paid in by the employer. In addition, each member of the Group Management has a company car at its disposal or a respective monthly allowance is paid out. Beyond that, no other significant compensation is made.

Based on the proposal of the Compensation Committee, the Board of Directors annually determines the compensation of the Group Management. The total compensation for the CEO is proposed by the Compensation Committee. The total compensation for the other members of the Group Management is proposed by the CEO and presented annually to the Compensation Committee for authorisation. If a member does not achieve the agreed performance due to external facts beyond his influence, the Compensation Committee can exceptionnally deviate from the compensation agreement in favour of the member of the Group Management.

Occasionally, external support and/or international compensation benchmark studies may be referred to for the definition of compensation packages.

11 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 fur nished 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. There is no statutory group clause.

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 inscriptions in to 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 10 days prior to a General Meeting of Shareholders up to the day subsequent to the General Meeting of Shareholders.

12 CHANGES OF CONTROL, DEFENCE MEASURES

There are no statutory rules in relation to “opting up” and “opting out”. Furthermore, there are no severance compensations agreed or any other agreements and plans in place that would apply in the case of a change in control.

13 AUDITOR

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

Since the IPO of Interroll in the year 1997, the consolidated financial statements of the Interroll Group and the individual financial statements of INTERROLL HOLDING LTD. have been audited by KPMG AG of Lugano (CH). A new auditor in charge took the responsibility for the Group audit as from mid 2010.

Audit fees

The audit fees paid by the Interroll Group to KPMG amounted to CHF 0.47 million in 2010 while in the year 2009 CHF 0.58 million was paid.

Additional fees

In 2010, KPMG branch offices received a total of CHF 0.2 million (2009: CHF 0.45 million) for tax and other consulting services.

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.

14 INFORMATION POLICY

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.

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

Further relevant information is available under http://interroll.com/ir. Financial reports may also be downloaded as pdf-documents from http://interroll.com/en/investor_relations/financial_reports/. These reports (half-year and annual report) are sent as a hardcopy to all shareholders on the publication date.

15 NEW OPERATIONAL MANAGEMENT STRUCTURE

As per end of October 2010, the Interroll Group announced the reorganisation of its management structure with effect beginning of 2011.

The Interroll Group's new global sales organisation is consequently geared towards specific customer groups and their needs. Customer categories include system integrators, original equipment manufacturers and end users that can either be global corporations or local businesses. Industrial management will be established to handle the markets of airport logistics, postal services, food processing and warehousing/distribution.

The new worldwide sales organisation will be overseen by the Head of "Global Sales & Service". Interroll's Centers of Excellence and production plants will be managed through the "Products & Technology" division. The division's main activities that are managed by the Head of "Products & Technology" include the Centers of Excellence, research and development, global product management, strategic purchasing, production technology and global production.

BOARD OF DIRECTORS

Chairman
Kurt Rudolf

Vice chairman
Urs Tanner

Audit Committee
Philippe Dubois
Paolo Bottini

Compensation Committee
Kurt Rudolf
Prof. Dr. Horst Wildemann

Other members
Marco Ghisalberti
Ingo Specht

GROUP MANAGEMENT

Chief Executive Officer
Paul Zumbühl

Chief Financial Officer
Jürg Häusermann

Corporate IT
Christian Hähni

Global Sales & Service
Dr. Christoph Reinkemeier

Corporate Marketing
Jens Karolyi

Products & Technology
Dr. Ralf Garlichs

Regions	
Operational Head Americas	**Tim McGill**
Operational Head Asia	**Kwang Heng Seng**

INTERROLL RESEARCH CENTER (IRC), GLOBAL PRODUCT MANAGEMENT

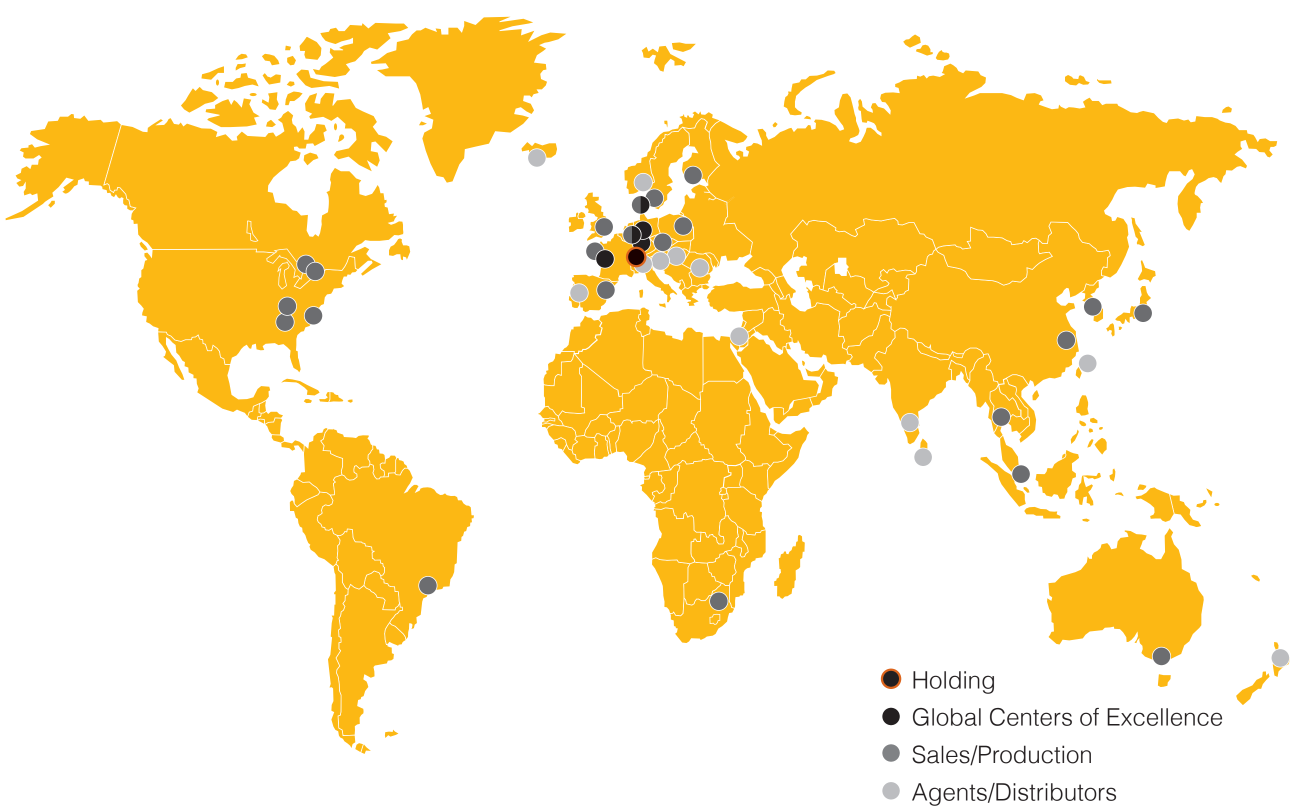
The Interroll Research Center (IRC) developes in close cooperation with the Centers of Excellence, with the global product management as well as with Global Sales new products, techniques and technologies.

Product Group	Managed by	Company
Research & Development	Gerhard Fröbus	Interroll Holding GmbH, Wermelskirchen (DE)
Global Product Management	Dietmar Hager	Interroll Holding GmbH, Wermelskirchen (DE)

GLOBAL CENTERS OF EXCELLENCE

The seven Centers of Excellence are worldwide responsible for product developement, for strategic purchasing and for the application and development of production technologies for selected products. Furthermore, they produce for the region Europe and supply semi-finished goods to group companies from overseas. The global Centers of Excellence of the Interroll Group are managed by the following persons:

Product Group	Managed by	Company
Rollers, Roller Drives	Armin Lindholm	Interroll Engineering GmbH, Wermelsk. (DE)
Industrial Drum Motors	Helmut Leuver	Interroll Trommelmotoren GmbH, Baal (DE)
Supermarket products	Dr. Anders Staf Hansen	Interroll Joki A/S, Hvidovre (DK)
Flow storage products	Didier Lermite	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)
Polymer parts	Ingo Specht	Interroll AG, Sant'Antonino (CH)



WORLDWIDE SALES AND PRODUCTION COMPANIES

Sales and service subsidiaries

Sales companies penetrate pre-defined market and customer segments with the full range of Interroll products. As well, they ensure a twenty-four hour repair service.

Production companies

Under given conditions of the centers of Excellence, production companies produce and assemble merely for their regional markets. Thereof, they concentrate on specific product groups within the full product range of Interroll.

The management of the sales and service subsidiaries and of the sales regions was assigned to the following persons:

	Function	Region/country	Managed by	Company
Europe Middle East Africa	Sales and Service	Central Europe	O. Schopp	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
	Sales and Service	France	G. Calvez	Interroll SAS, Saint-Pol-de-Léon (FR)
	Sales and Service	Northern Europe	E. Kaiser	Interroll Nordic A/S, Hvidovre (DK)
	Sales and Service	Great Britain/Ireland	Ch. Middleton	Interroll Ltd., Corby (GB)
	Sales and Service	Iberic peninsula	R. Rovira	Interroll España SA, Cerdanyola del Vallès (ES)
	Sales	Czech Republic, Middle East	F. Ratschiller	Interroll CZ s.r.o., Breclav (CZ)
	Sales and Service	Poland, Russia, Ukraine	F. Ratschiller	Interroll Polska sp.z.o.o., Warsaw (PL)
	Sales and Assembly	Africa	R. Mey	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)
	Sales and Production	Special projects	H. Leuver	Transtechnik GmbH, Wassenberg (DE)
Americas	Sales and Production	North America	R. Keely	Interroll Corporation, Jeffersonville (US)
	Sales and Production	North America	S. Cwiak	Interroll Automation LLC, Jeffersonville (US)
	Production	North america	C. Brown	Interroll Dynamic Storage, Inc., Hiram/Atlanta (US)
	Sales and Production	Canada	S. Gravelle	Interroll Canada Ltd,. Newmarket/Toronto (CA)
	Sales and Production	America	S. Gravelle	Interroll Components Canada Ltd,. Concord/Toronto (CA)
	Sales and Production	Brazil, Argentina	D. Hahn	Interroll Logística Ltda., São Paulo (BR)
Asia Pacific	Sales and Production	China	S. Foong	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
	Sales and Service	South Korea	S. Suh	Interroll Korea Corp. Seoul (KR)
	Sales and Service	Japan	H. Kawazoe	Interroll Japan Co. Ltd., Tokyo (JP)
	Sales and Assembly	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
	Sales and Service	Singapore, South East Asia	G. W. Seng	Interroll (Asia) Pte. Ltd, Singapore (SG)
	Sales and Assembly	Australia	P. Cieri	Interroll Australia Pty. Ltd,. Melbourne (AU)

Financial Report of Interroll Group

TO THE SHAREHOLDERS' MEETING
OF INTERROLL HOLDING LTD.

BUSINESS YEAR 2010

March 3rd, 2011

CONTENT

Financial Report

CONTENT

1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2010	in %	31.12.2009	in %
ASSETS					
Property, plant and equipment	6.1	82 945		85 579	
Intangible assets	6.2	37 988		39 525	
Financial assets		912		923	
Deferred tax assets	7.6	821		202	
Total non-current assets		**122 666**	**58.1**	**126 229**	**58.5**
Assets held for sale	6.1	1 088		1 300	
Inventories	6.4	31 510		38 092	
Current tax assets		650		1 711	
Trade and other accounts receivable	6.5	45 239		39 974	
Cash and cash equivalents	6.6	10 110		8 387	
Total current assets		**88 597**	**41.9**	**89 464**	**41.5**
Total assets		**211 263**	**100.0**	**215 693**	**100.0**
EQUITY AND LIABILITIES					
Share capital		8 540		12 810	
Group reserves		158 918		140 636	
Translation reserve		–40 001		–20 422	
Total equity	6.9–6.11	**127 457**	**60.3**	**133 024**	**61.7**
Non-current financial liabilities	6.12	5 600		1 444	
Deferred tax liabilities	7.6	10 580		10 476	
Provisions	6.14	7 298		6 303	
Total non-current liabilities		**23 478**	**11.1**	**18 223**	**8.4**
Current financial liabilities	6.12	17 388		11 118	
Current tax liabilities		5 805		6 359	
Trade and other accounts payable	6.16	37 135		46 969	
Total current liabilities		**60 328**	**28.6**	**64 446**	**29.9**
Total liabilities		**83 806**	**39.7**	**82 669**	**38.3**
Total liability and shareholder's equity		**211 263**	**100.0**	**215 693**	**100.0**

* See notes to the consolidated financial statements.

1.2 Consolidated income statement

in thousands CHF	see notes*	2010	in %	2009	in %
Net Sales		**283 069**	**100.0**	**233 987**	**100.0**
Material expenses		–115 808	–40.9	–98 749	–42.2
Personnel expenses	7.1 & 6.15	–84 281	–29.8	–81 522	–34.8
Increase/(Decrease) in work in progress, finished products and own goods capitalized		–3 400	–1.2	4 621	2.0
Other operating expenses	7.3	–53 509	–18.9	–48 129	–20.6
Other operating income	7.4	9 692	3.4	8 620	3.7
Operating result before depreciation and amortisation (EBITDA)		**35 763**	**12.6**	**18 828**	**8.0**
Depreciation	6.1	–10 912	–3.9	–10 856	–4.6
Operating result before amortisation (EBITA)		**24 851**	**8.8**	**7 972**	**3.4**
Amortisation	6.2	–4 464	–1.6	–4 870	–2.1
Operating result (EBIT)		**20 387**	**7.2**	**3 102**	**1.3**
Financing expenses		–1 550	–0.5	–3 152	–1.3
Financing income		1 589	0.6	1 743	0.7
Financing result, net	7.5	**39**	**0.0**	**–1 409**	**–0.6**
Result before income taxes		**20 426**	**7.2**	**1 693**	**0.7**
Income tax expense	7.6	–6 003	–2.1	4 023	1.7
Result	6.11	**14 423**	**5.1**	**5 716**	**2.4**
Values per share (in CHF)					
Basic earnings (result) per average share oustanding	6.11	18.59		7.41	
Diluted earnings (result) per average share outstanding	6.11	18.59		7.41	
Paid out reduction of par value in the year under review		5.00		5.00	
Distribution out of reserves from capital contributions: 2010		5.00		–	

1.3 Consolidated statement of comprehensive income

	2010	2009
Result	**14 423**	**5 716**
Currency translation differences	–19 579	787
Realised currency translation differences	–	659
Changes in the fair value of cash flow hedges, net	–	116
Net change in fair value of cash flow hedges transferred to result	–	–344
Other comprehensive income, net of taxes	**–19 579**	**1 218**
Total comprehensive income for the period	**–5 156**	**6 934**

* See notes to the consolidated financial statements.

1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2010	2009
Result		**14 423**	**5 716**
Depreciation, amortisation and impairment	6.1 & 6.2	15 376	15 726
Loss/(gain) on disposal of tangible and intangible assets	7.3 & 7.4	488	398
Financing result, net	7.5	–39	1 409
Income tax expense	7.6	6 003	–4 023
Changes in inventories		2 530	3 451
Changes in trade and other accounts receivable		–10 583	16 862
Realised cash flow hedges		–	–228
Changes in trade and other accounts payable		–5 307	–3 609
Changes in provisions, net	6.14	1 807	–1 481
Income tax paid		–4 858	–13 195
Personnel expenses on share based payments	7.1	1 234	596
Other non-cash (income)/expenses		–2 385	–1 234
Cash flow from operating activities		**18 689**	**20 388**
Acquisition of property, plant and equipment	6.1	–19 823	–16 492
Acquisition of intangible assets	6.2	–7 591	–6 367
Acquisition of financial assets		–171	–172
Proceeds from disposal of property, plant and equipment		189	964
Settlement of loans receivable		107	3
Acquisition of subsidiaries, net of cash acquired	4	–	–4 646
Interests received		105	311
Cash flow from investing activities		**–27 184**	**–26 399**
Free cash flow		**–8 495**	**–6 011**
Reduction of par value		–3 884	–3 859
Sale of own shares		2 163	–
Proceeds from financial liabilities		13 453	4 463
Repayment of financial liabilities		–315	–7 693
Interests paid		–474	–775
Cash flow from financing activities		**10 943**	**–7 864**
Translation adjustments on cash and cash equivalents		–725	630
Change in cash and cash equivalent		**1 723**	**–13 245**
Cash and cash equivalent at January 1		8 387	21 632
Cash and cash equivalent at December 31	6.6	**10 110**	**8 387**

* See notes to the consolidated financial statements.

1.5 Consolidated statement of changes in equity

in thousands CHF	see notes*	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	TRANSLATION RESERVE	HEDGING RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at January 1, 2009		**17 080**	**29 848**	**–34 652**	**–21 868**	**228**	**140 095**	**130 731**
Result							**5 716**	**5 716**
Translation adjustments					787			787
Realised translation differences	7.5				659			659
Eff. portion of changes in the fair value of cash flow hedges						116		116
Net change in fair value of cash flow hedges transferred to result						–344		–344
Total other comprehensive income, net of taxes		**–**	**–**	**–**	**1 446**	**–228**	**–**	**1 218**
Total comprehensive income		**–**	**–**	**–**	**1 446**	**–228**	**5 716**	**6 934**
Reduction of par value		–4 270		411				–3 859
Share based payments	7.1 & 7.6		–420	1 016				596
Withholding tax on share buybacks	6.10		–1 640					–1 640
Payment of acquistion costs with own shares	4		–233	495				262
Transfers			590	344			–934	–
Balance at December 31, 2009		**12 810**	**28 145**	**–32 386**	**–20 422**	**–**	**144 877**	**133 024**
Result							**14 423**	**14 423**
Translation adjustments					–19 579			–19 579
Total other comprehensive income, net of taxes		**–**	**–**	**–**	**–19 579**	**–**	**–**	**–19 579**
Total comprehensive income		**–**	**–**	**–**	**–19 579**	**–**	**14 423**	**–5 156**
Reduction of par value		–4 270		386				–3 884
Share based payments	7.1 & 7.6		325	909				1 234
Sale of own shares incl. tax effects	4		–893	3 132				2 239
Balance at December 31, 2010		**8 540**	**27 577**	**–27 959**	**–40 001**	**–**	**159 300**	**127 457**

* See notes to the consolidated financial statements.

2 GENERAL INFORMATION TO THE FINANCIAL STATEMENTS

2.1 Convention of preparation

General notes to the convention of preparation

The 2010 consolidated financial statements of Interroll Group are based on the annual financial statements of INTERROLL HOLDING LTD., Sant'Antonino and its subsidiaries as of December 31, 2010, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the consolidated 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

In contrary to the financial report of 2009, the consolidated income statement and the consolidated statement of comprehensive income are disclosed in two separated parts.

Revised IAS/IFRS standards and interpretations

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 Boards (IASB). In the course of the business year 2010, the following amendments resp. new standards and interpretations were enacted. Amendments with no or minor impact on the Group's result nor financial condition are summarised at the end of the following table.

Standard/Interpretation	Enactment	Relevance for Interroll	Introduction
IFRS 3 (revision): Business Combinations	Jan–08	The amendment requires transaction costs of business combinations to be expensed through the income statement. Payments to purchase a business are to be recorded at fair value at the acquisition date.	Jan–10

Amendments to IFRS 1, IFRS 2, IFRS 5, IAS 27, IAS 32, IAS 39, IFRIC 17 and the improvement project 2010 of the IASB were adopted but had only a minor impact on the Group's financial statement or even were not relevant for the Group.

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 thes standards and interpretations in its consolidated financial statements. The following adoptions could be relevant for the Group's financial statements:

Standard/Interpretation	Enactment	Relevance for Interroll	Introduction
IFRS 9 (new): Financial instruments	Nov–09	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The Group currently evaluates potential impacts of the new standard onto the financial results and condition of the Group.	Jan–13

The Group Management does not expect significant impacts on the consolidated financial statements for the amendments to IAS 24, IAS 32, IFRS 1, IFRIC 14/IAS 19, IFRIC 19 as well as the improvements to IFRS's 2010. The amendments may result in additional disclosures.

2.2 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. 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. 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. Where final tax assessments or tax audits of such matters are different from the amounts that were initially recorded, such differences may materially impact assets, liabilities, income tax and deferred tax provisions in the period in which such determination is made. 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 6.2 that also include the relevant carrying amounts.

c) Personnel related provisions

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 at year end 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. Transactions costs related to a business combination are expensed. The goodwill resulting from such business combination is to be recognized as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of minority participations 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 minority participations there are options per transaction. Either the minority participation is valued at fair value or based on the proportion of the net assets acquired at fair value related to the minority participation. An eventual bad will is immediately recognized in the income statement after review of the fair value of the net assets acquired. 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 resp. the consideration received and the amount, by which the minority participation value is adjusted, is recognized 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 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 less than 20 % are not consolidated but stated at their estimated fair value. Such investments are presented under financial assets and classified as assets held for sale. Any fair value adjustments are recognised in retained earnings and are recycled in the income statement or statement of comprehensive income only at the date of disposal or when impairment arises.

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 recognized 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)	
	2010	**2009**	**31.12.2010**	**31.12.2009**
1 EUR	1.373	1.509	1.252	1.484
1 USD	1.040	1.084	0.934	1.029
1 CAD	1.007	0.954	0.939	0.982
1 GBP	1.602	1.695	1.458	1.664
1 SGD	0.765	0.746	0.728	0.734
1 CNY	0.154	0.159	0.142	0.151
1 JPY	0.012	0.012	0.012	0.011
1 THB	0.033	0.032	0.031	0.031

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.

Intercompany transactions

Group internal transactions across segments as well as across legal units are performed at arm's length. Such transactions are eliminated in the consolidation of the Group.

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.

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.

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.

The effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies is disclosed separately.

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 financing result.

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less operational 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. If their useful life can be reliably estimated, they 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 6–10 years. In markets in which Interroll holds a solid market position, customer value is amortised over 10 years. A shorter amortization period is defined in markets with stiff competition.

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

Furthermore intangible values acquired within business combination may be identified. Such result from individual contractual agreements. These values are amortized 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.

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 a sustainable impairment exist, a calculation of the realizable value is performed (impairment test). Goodwill, other intangible assets with an indefinite useful lifetime and intangible assets which are not yet available for use, the net realizable value is calculated regardless of the existence of indications. If the carrying value of such an asset or the cash generating unit to which such an asset belongs to exceeds the net realizable value an adjustment is recognized 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 net realizable value 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 the assets. If an asset does not largely generate independent cash flows the net realizable value 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 net realizable value 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.

Fixed assets held for sale

Tangible assets or a group of assets are classified as “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. Fixed assets held for sale are presented at the recoverable amount, which is the lower of book value or fair value less costs to sell.

Trade accounts payable

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

Financial liabilities

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

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.

Shareholders' equity

Shareholders' equity is categorised as following:

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 share premium.

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-alike intercompany loans. The changes in currency differences is presented in the consolidated statement of comprehensive income.

e) Hedge Reserve
Change of cash flow hedges is disclosed separately as realised or non realised gains/losses in the hedge reserve.

f) Retained earnings
Retained earnings contains not distributed profits.

Revenue recognition

Revenue is generally recognised upon delivery or, depending on the size and the complexity of the order, when technically approved by the customer. The Group establishes appropriate warranty provisions relating to provisioned services in order to cover expected claims.

Revenue from services

Interroll performs services to third parties in connection with administrative tasks. The revenue resulting from these services is recognised in the income statement as other operating income.

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).

Research and development

Expenditure on research and development is only capitalised when the cumulative recognition criteria of IAS 38 are met. Expenses for research and 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.

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.

Actuarial gains and losses arising from the periodical reassessments of defined benefit plans are recognised to the extent that they exceed 10 % of the higher of the present value of the defined benefit obligation and the fair value of plan assets. The amount exceeding this "corridor" is amortised over the expected average remaining duration of employment of the employees participating in the plan.

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 of 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.

Financing result

Interest expenses on loans and finance lease liabilities are recognised as financing expenses, whereas interest income on financial assets is recognised in financing income, both on an accrual basis. Moreover the financing 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 recognize in the income tax position, unless the underlying transaction has been directly recognised in the income statement or in equity. In such case the related income tax is also directly recognized in the statement of comprehensive income or in equity. Temporary differences resulting from first-time recognition of goodwill and from first-time recognition of assets and liabilities related to a transaction which does influence neither the result before income taxes nor the result are not recognised. 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.

Derivative financial instruments

Derivatives are stated at fair value. The method of recognizing gains or losses depends on the type of the underlying transaction. The Group designates certain transactions with derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment at market value (fair value hedges); or hedges of probable future 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 recognized 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.

Segment information

The management structure of the Interroll Group is governed by organizational regulations. All strategic and major operational decisions lie within the competence of the Board of Directors who also decides on the allocation of financial resources. The Interroll Group is managed through two organisational segments which primarily are defined through their products and their sales and distribution channels.

a) Components

The segment "Components" develops, produces and sells rollers, roller drives and drum motors combining these components to become a solution for its customers and uniquely sells to OEMs. The production process is optimized for a large number of orders and follows the principle of mass production.

b) Subsystems

The segment "Subsystems" develops, produces and sells flow storage modules for heavy and light duty applications as well as modules for the internal unit load handling logistic such as belt curves, sorters and roller-/belt conveyors. Customers are on one hand OEMs and on the other hand especially system integrators and end users. The production process consists on one hand of module production and on the other hand of modules engineered/assembled to subsystems.

The major assessment drivers are the EBITDA/EBIT based on IAS/IFRS and the yield on the net invested assets (RONA). In view of the centralized financing by Group Treasury no financial expenses are allocated to segments. Further-more the legal structure clearly deviates from the management structure which is the reason for non-allocation of income taxes to the segments.

3 RISK MANAGEMENT

3.1 Operating 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 the 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.

3.1 Financial risk management

General information to the financial risk management of the Interroll Group
The Group's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The Group's risk management 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 analyze 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 hedges 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 6.8 – Financial risks).

Market Risk

Market risks to which the 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 risk 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 is partially hedged using forward currency contracts. Such contracts are entered into only with high-credit-quality financial institutions.

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 6.8.

c) Price risk

The Group is exposed to price risk on steel, copper and polymere materials. Such price risk is generally not hedged.

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 the 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.

4 CHANGES TO THE SCOPE OF CONSOLIDATION

Changes in the business year 2010

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

Changes in the business year 2009

In the previous year, the following companies and business activities were acquired:

a) Interroll Dynamic Storage Inc., Hiram/Atlanta, consolidated at 100 %
As per 5 February 2009 assets valued at CHF 2.7 million have been acquired from "BMW Metal Fabrication Inc. and ACF Partners Inc". Assets have been transferred thereafter to the newly founded company "Interroll Dynamic Storage Inc." located in Hiram close to Atlanta/USA. CHF 2.4 million of the total acquisition price has been settled shortly after the closing by cash. The remaining portion of the acquisition price of CHF 0.3 million has been settled against transfer of 921 Interroll registered shares from the company's own shares held. The new company manufactures and sells modules for storage systems and thus is fully allocated to the segment "Subsystems".

b) Assets acquired from Maxwell Manufacturing Company Inc., St. Louis/USA
Furthermore on April 22nd, 2009 Interroll Components Canada Ltd. acquired assets from Maxwell Manufacturing Company located in St. Louis/USA valued at CHF 0.7 million. The acquisition results in an increase of the value-added chain in connection with the manufacturing of checkout motors and is thus fully allocated to the segment components. The acquisition value has been settled shortly after closing by cash.

The goodwill of each acquisition reflects improved competitive advantages and synergy effects.

Fair value adjustments of net assets acquired

	2010	2009
in thousands CHF	Fair value	Fair value
Property, plant and equipment	–	1 613
Intangible assets	–	1 281
Total non-current assets	**–**	**2 894**
Inventory	–	91
Total current assets	**–**	**91**
Total assets	**–**	**2 985**
Deferred tax liabilities	–	159
Total liabilities	**–**	**159**
Total net assets acquired	**–**	**2 826**
Goodwill acquired	–	615
Total acquisition costs	**–**	**3 441**

Settlement of acquisition costs

in thousands CHF	2010	2009
Settled by cash and cash equivalents	–	–3 179
Settled by equity instruments	–	–262
Total acquisition costs	**–**	**–3 441**

Cash flow from acquisitions

in thousands CHF	2010	2009
Settled by cash and cash equivalents	–	–3 179
Settlement of outstanding acquisition price from previous years	–	–1 467
Net cash used in acquisitions	**–**	**–4 646**

Further notes to acquisitions

In the year under review, there was no acquisition nor any related payment. Acquired intangible assets of 2009 relate to customer value (CHF 0.3 million), technical know-how (CHF 0.2 million) and a compensation for a non-competition clause for a selling party of (CHF 0.8 million).

The acquisitions of the previous year increased net sales by CHF 1.2 million. Their result contribution was insignificant.

5 SEGMENT INFORMATION

Revenues and tangible assets as per operational segment

	COMPONENTS				SUBSYSTEMS			
in thousands CHF		**2010**		**2009**		**2010**		**2009**
		in %		in %		in %		in %
Net sales with third party	178 103	98.7	157 917	98.8	104 966	97.9	76 070	97.5
Net sales with other segments	2 266	1.3	1 914	1.2	2 212	2.1	1 936	2.5
Net sales segments	**180 369**	**100.0**	**159 831**	**100.0**	**107 178**	**100.0**	**78 006**	**100.0**
Material expenses	–68 878	–38.2	–60 606	–37.9	–51 408	–48.0	–41 993	–53.8
Personnel expenses	–54 521	–30.2	–53 009	–33.2	–29 760	–27.8	–28 513	–36.6
Change in WIP/FG	–63	–0.0	–959	–0.6	–3 337	–3.1	5 580	7.2
Other operating expenses	–35 479	–19.7	–32 360	–20.2	–18 030	–16.8	–16 005	–20.5
Other operating income	6 682	3.7	6 716	4.2	3 010	2.8	2 140	2.7
EBITDA	**28 110**	**15.6**	**19 613**	**12.3**	**7 653**	**7.1**	**–785**	**–1.0**
Depreciation	–7 584	–4.2	–7 725	–4.8	–3 328	–3.1	–3 131	–4.0
EBITA	**20 526**	**11.4**	**11 888**	**7.4**	**4 325**	**4.0**	**–3 916**	**–5.0**
Amortisation	–4 037	–2.2	–4 456	–2.8	–427	–0.4	–414	–0.5
EBIT	**16 489**	**9.1**	**7 432**	**4.6**	**3 898**	**3.6**	**–4 330**	**–5.6**
RONA**	11.3 %		5.0 %		7.7 %		–9.8 %	
Total assets*	137 768		145 173		62 665		60 405	
Total liabilities*	25 762		22 991		19 423		30 464	
Investments***	12 899		13 173		14 515		9 686	
Average number of employees	805		770		450		436	
Research and development	7 361		7 277		1 307		1 311	

* The "reconciliation to Group figures" results from the fact that cash and cash equivalents, prepaid and deferred taxes as well as non-current financial assets resp. liabilities are not allocated to the segments.

** "RONA" is calculated as the percentage of EBIT less tax calculated at the expected tax rate, divided by average net assets.

*** Investments are related to property, plant and equipment as well as to intangible assets.

	TOTAL SEGMENTS		RECONCILIATION TO GROUP FIGURES		TOTAL GROUP	
	2010	2009	2010	2009	2010	2009
	283 069	233 987			283 069	233 987
	4 478	3 850	–4 478	–3 850	–	–
	287 547	237 837	–4 478	–3 850	283 069	233 987
	–120 286	–102 599	4 478	3 850	–115 808	–98 749
	–84 281	–81 522			–84 281	–81 522
	–3 400	4 621			–3 400	4 621
	–53 509	–48 365		236	–53 509	–48 129
	9 692	8 856		–236	9 692	8 620
	35 763	18 828	–	–	35 763	18 828
	–10 912	–10 856			–10 912	–10 856
	24 851	7 972	–	–	24 851	7 972
	–4 464	–4 870			–4 464	–4 870
	20 387	3 102	–	–	20 387	3 102
					10.4 %	1.6 %
	200 433	205 578	10 830	10 115	211 263	215 693
	45 185	53 455	38 621	29 214	83 806	82 669
	27 414	22 859			27 414	22 859
	1 255	1 206			1 255	1 206
	8 668	8 588			8 668	8 588

Net sales with 3rd parties and fixed assets as per geographical location

	NET SALES WITH THIRD PARTIES				ASSETS*			
in thousands CHF	**2010**	**in %**	**2009**	**in %**	**2010**	**in %**	**2009**	**in %**
Central Europe	35 038	12.4	30 247	12.9	–	–	–	–
Western Europe	24 361	8.6	24 198	10.3	1 380	1.1	2 368	1.9
North Europe	32 416	11.5	21 437	9.2	6 465	5.3	8 647	6.9
East Europe and Middle East	17 301	6.1	14 257	6.1	105	0.1	149	0.1
Africa	6 188	2.2	3 759	1.6	281	0.2	198	0.2
Germany	46 219	16.3	47 613	20.3	58 341	48.2	59 488	47.6
France	22 156	7.8	19 468	8.3	8 808	7.3	11 799	9.4
Switzerland	5 001	1.8	3 856	1.6	31 682	26.2	26 670	21.3
Europe, Middle East, Africa	**188 680**	**66.7**	**164 835**	**70.4**	**107 062**	**88.5**	**109 319**	**87.4**
USA	52 774	18.6	38 793	16.6	7 447	6.2	9 432	7.5
Other Americas	9 101	3.2	7 867	3.4	2 493	2.1	3 058	2.4
South America	2 624	0.9	1 959	0.8	298	0.2	342	0.3
Total Americas	**64 499**	**22.8**	**48 619**	**20.8**	**10 238**	**8.5**	**12 832**	**10.3**
East Asia	15 414	5.4	8 876	3.8	1 996	1.7	1 272	1.0
South East Asia	11 122	3.9	8 502	3.6	851	0.7	1 407	1.1
South Asia incl. Australia	3 354	1.2	3 155	1.3	786	0.6	274	0.2
Total Asia and Pacific	**29 890**	**10.6**	**20 533**	**8.8**	**3 633**	**3.0**	**2 953**	**2.4**
Total Group	**283 069**	**100.0**	**233 987**	**100.0**	**120 932**	**100.0**	**125 104**	**100.0**

* Assets are disclosed excluding financial assets and deferred tax assets.

The grouping of the geographical split into regions/group of countries was performed as following:

Central Europe	Austria, Benelux-countries, Italy
Western Europe	Great Britain, Spain, Portugal
North Europe	Denmark, Finland, Sweden, Norway, Iceland
Eastern Europe and Middle East	Poland, Czech Republic, Baltic countries, all Balkan countries, Greece
Africa	particularly South Africa
Germany	
France	
Switzerland	Country of domicile of INTERROLL HOLDING LTD.
USA	
Other America	Canada, Mexico, Central America
South America	Brazil, Argentina, Chile
East Asia	China, Japan, Korea
South East Asia	Singapore, Thailand, Malaysia, Indonesia
South Asia incl. Australia	Australia, India

The key definition of turnover has been defined according to the location of the recipient of the invoice.

Material turnover with specific customers

Turnover is realized with more than 23 000 customers. There is no customer achieving a turnover of more than five per cent of Group sales.

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Movements of property, plant and euipment

in thousands CHF	LAND & BUILDING		PRODUCTION EQUIPMENT & MACHINERY		OFFICE EQUIPMENT & MOTOR VEHICLES		ASSETS UNDER CONSTRUCTION		TOTAL PROPERTY, PLANT AND EQUIPMENT	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Cost										
At 1.1.	**69 958**	**62 539**	**91 536**	**85 047**	**10 184**	**10 223**	**3 379**	**5 024**	**175 057**	**162 833**
Currency translation adj.	– 10 641	– 461	– 8 234	– 56	– 886	59	– 422	32	**– 20 183**	**– 426**
Additions	11 831	1 767	4 716	11 220	1 200	721	2 076	2 784	**19 823**	**16 492**
Disposals	– 394	– 433	– 3 442	– 5 380	– 1 294	– 798	42	–	**– 5 088**	**– 6 611**
Reclassifications	2 259	5 617	– 151	44	– 36	– 44	– 2 276	– 4 461	**– 204**	**1 156**
Changes in the scope of consolidation**	–	929	–	661	–	23	–	–	**–**	**1 613**
At 31.12.	**73 013**	**69 958**	**84 425**	**91 536**	**9 168**	**10 184**	**2 799**	**3 379**	**169 405**	**175 057**
Accumulated Depreciation & impairments										
At 1.1.	**– 23 509**	**– 20 240**	**– 58 431**	**– 55 969**	**– 7 538**	**– 6 761**			**– 89 478**	**– 82 970**
Currency translation adj.	3 420	178	5 200	156	576	– 15			**9 196**	**319**
Depreciation	– 2 700	– 2 521	– 7 125	– 7 010	– 1 087	– 1 325			**– 10 912**	**– 10 856**
Impairment losses	–	–	–	–	–	–			**–**	**–**
Disposals	368	335	3 082	4 414	1 080	541			**4 530**	**5 290**
Reclassifications	17	– 1 261	151	– 22	36	22			**204**	**– 1 261**
At 31.12.	**– 22 404**	**– 23 509**	**– 57 123**	**– 58 431**	**– 6 933**	**– 7 538**			**– 86 460**	**– 89 478**
Property, plant and equipment at 31.12.	**50 609**	**46 449**	**27 302**	**33 105**	**2 235**	**2 646**	**2 799**	**3 379**	**82 945**	**85 579**
Thereof finance leases*	–	1 318	12	497	–	11			**12**	**1 826**
Capital commitments	5 246	13 714	1 310	168	39	16			**6 595**	**13 898**
Insurance value***	91 701	94 526	116 638	123 246	–	–			**208 339**	**217 772**

* In the year under review as well as in the previous year there were no additions not involving the movement of cash and cash equivalents.
** Detailed information on the changes in the scope of consolidastion is disclosed in note 4.
*** The insurance value of production equipment and machinery also covers other tangible assets.

Reclassifications from/to assets held for sale

In the previous year, the book value (CHF 0.4 million) of a building in Wassenberg (DE) has been reclassified back from assets held for sale to fixed assets which is being used again for operational purposes. Since 2009, as a result of local restructuring in Denmark, a building has been put to sale. The property with a book value of CHF 0.5 million has been reclassified from fixed assets to assets held for sale. This building most probably will be sold in early 2011.

Further notes to the movevements of property plant and equipment

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

6.2 Movements of goodwill and intangible assets

in thousands CHF	GOODWILL		SOFTWARE		PATENTS, TECHNOLOGY AND LICENCES		CUSTOMER RELATIONSHIP		TOTAL INTANGIBLE ASSETS	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cost										
At 1.1.	**14112**	**13501**	**12161**	**7791**	**19183**	**18320**	**24650**	**24263**	**70106**	**63875**
Currency translation adj.	–1705	–4	–228	8	–2828	–75	–3984	66	**–8745**	**–5**
Additions	–	–	7591	6367	–	–	–	–	**7591**	**6367**
Disposals	–	–	–146	–2027	–2201	–	–	–	**–2347**	**–2027**
Reclassifications	–	–	–15	–	–	–	–	–	**–15**	**–**
Changes in the scope of consolidation*	–	615	–	22	–	938	–	321	**–**	**1896**
At 31.12.	**12407**	**14112**	**19363**	**12161**	**14154**	**19183**	**20666**	**24650**	**66590**	**70106**
Accumulated Amortisation & impairments										
At 1.1.	**–3126**	**–3126**	**–3362**	**–4933**	**–14860**	**–12977**	**–9233**	**–6712**	**–30581**	**–27748**
Currency translation adj.	–	–	188	–12	2307	38	1705	25	**4200**	**51**
Amortisation	–	–	–381	–403	–1763	–1921	–2320	–2546	**–4464**	**–4870**
Disposals	–	–	27	1986	2201	–	–	–	**2228**	**1986**
Reclassifications	–	–	15	–	–	–	–	–	**15**	**–**
At 31.12.	**–3126**	**–3126**	**–3513**	**–3362**	**–12115**	**–14860**	**–9848**	**–9233**	**–28602**	**–30581**
Total intangible assets, net at 31.12.	**9281**	**10986**	**15850**	**8799**	**2039**	**4323**	**10818**	**15417**	**37988**	**39525**
Capital commitments	–	–	798	7942	–	–	–	–	**798**	**7942**

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

Goodwill allocation to segments

Goodwill is allocated to the following cash generating units that are equal to the operating segments:

in thousands CHF	31.12.2010	31.12.2009
Components	7488	8959
Subsystems	1793	2027
Total Goodwill	**9281**	**10986**

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 of 9.1% (previous year: 9.7%). The growth rate and the discount rate were defined as key assumptions. No further growth rate was assumed for the extrapolation of free cash flows. 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.

Goodwill increased in the previous year following the acquisition of the assets of "BMW Metal Fabrication Inc. and ACF Partners Inc." as well as of the assets of "Maxwell Manufacturing Company" and results from the difference between the assets valued at fair value and the purchase price.

Software

Out of the accumulated acquisition costs, CHF 15.4 million (previous year: CHF 8.1 million) relate to the buildup and design of SAP. In the year under review the additions amount to CHF 7.3 million (previous year: CHF 5.9 million). Capital commitments in the year under review and those for the previous year are related to the investment and developement of SAP.

Other intangible assets that are not in use yet merely relate to the introduction of SAP, which will presumably go live in the course of 2011. No amortization has been recognized so far on these assets. An impairment test with the same key assumptions as those used for the tests on the goodwill value was performed for these intangible assets not yet in use. The sensitivity analysis performed resulted 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.

Customer relationship

Customer relationship is normally amortised on a straght line basis over 10 years. At year end 2010, an amortisation term of additional 5 years remains on the major portion of customer relationship. A review if indicators exists that point towards an impairment of customer relationship was performed. There are no signs that would indicate an impairment of this value.

6.3 Assets pledged or assigned

in thousands CHF	31.12.2010	31.12.2009
Land & buildings	1 343	2 911
Production equipment and machinery	12	497
Office equipment	–	11
Inventory	939	982
Trade receivables	2 182	337
Total assets pledged or assigned	**4 476**	**4 738**

These assets are pledged respectively assigned to local credit lines granted (see note 6.8).

6.4 Inventories

Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2010	31.12.2009
Raw materials	23 503	24 837
Work in progress	7 712	13 770
Finished products	2 154	1 871
Valuation allowance	– 1 859	– 2 386
Total inventory, net	**31 510**	**38 092**

Developement of valuation allowance on inventory

in thousands CHF	2010	2009
Balance as per 1.1.	**– 2 386**	**– 3 291**
Currency translation adjustment	253	– 20
Additions	– 343	– 608
Reductions	617	1 533
Total valuation allowance on inventory as per 31.12.	**– 1 859**	**– 2 386**

Information on the carrying amount of pledged inventory is disclosed in note 6.3. In the annual report of the previous year, prepayments to suppliers for inventory were disclosed in inventories. This balance sheet position is now disclosed in line with valid accounting policies within receivables (see note 6.5). The previous year was aligned to the current year.

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 statement of comprehensive income of the Group.

6.5 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. The increase is primarily due to increased turnover of the Group.

in thousands CHF	31.12.2010	31.12.2009
Trade accounts receivable from goods and services	43 862	35 238
Valuation allowance	–3 019	–2 578
Total trade accounts receivable, net	**40 843**	**32 660**
Foreign currency forward contracts*	3	–
Prepaid expenses and accrued income	1 103	1 089
Prepayments for inventories**	688	1 160
Other accounts receivable	2 602	5 065
Total other accounts receivable, net	**4 396**	**7 314**
Total trade and other accounts receivable, net	**45 239**	**39 974**

* see note 6.8
** see note 6.4

Ageing 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				31.12.2010				31.12.2009
	GROSS	VALUATION ALLOWANCE		NET	GROSS	VALUATION ALLOWANCE		NET
		INDIVIDUAL	COLLECTIVE			INDIVIDUAL	COLLECTIVE	
Not past due	29 331			29 331	23 773			23 773
Past due 1–30 days	9 781			9 781	6 590			6 590
Past due 31–60 days	2 116			2 116	1 961			1 961
Past due 61–90 days	556	–941		–385	751	–415		336
Past due > 90 days	2 078	–826	–1 252	–	2 163	–976	–1 187	–
Total trade accounts receivable	**43 862**	**–1 767**	**–1 252**	**40 843**	**35 238**	**–1 391**	**–1 187**	**32 660**

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

in thousands CHF			2010			2009
	TOTAL REVALUED	INDIVIDUALLY REVALUED	COLLECTIVELY REVALUED	**TOTAL REVALUED**	INDIVIDUALLY REVALUED	COLLECTIVELY REVALUED
At 1.1.	**–2 578**	**–1 391**	**–1 187**	**–2 591**	**–1 404**	**–1 187**
FX translation adjustment	**442**	233	209	**48**	48	
Additions	**–1 491**	–1 217	–274	**–377**	–377	
Alllowance used	**536**	536		**101**	101	
Allowance reversed	**72**	72		**241**	241	
At 31.12.	**–3 019**	**–1 767**	**–1 252**	**–2 578**	**–1 391**	**–1 187**

During the year under review, an amount of CHF 0.5 million (previous year: CHF 0.1 million) relating to irrecoverable trade receivables was written off. Currently, no other risks are identifiable in the net trade accounts receivables. Sales are broadly diversified across geographical and industrial markets. Thus, the risk of unexpected losses from trade receivables is assessed to be low.

Regional break down of trade accounts receivables

Trade accounts receivables can be broken down into the following three main areas:

in thousands CHF	31.12.2010	31.12.2009
Europe, Middle East, Africa	26 338	21 979
Americas	10 509	6 311
Asia and Pacific	7 015	6 948
Total trade accounts receivables, gross	**43 862**	**35 238**

Trade accounts receivables have increased proportionnally in line with the increased revenue in all regions (see note 5 – Segment information). At average, trade accounts receivables are 45 days outstanding (DSO). The respective value is for Europe 42, for Americas 42 and for Asia/Pacific 85). In the previous year, the DSO was 54 for the Group, for Europe 42, for Americas 49 and for Asia/Pacific 85.

6.6 Cash and cash equivalents

Positions included in cash and cash equivalents

in thousands CHF	31.12.2010	31.12.2009
Cash on hand, bank and postal accounts	9 131	8 163
Short term deposits	979	224
Total cash and cash equivalents	**10 110**	**8 387**

Interest rates, currencies hold in cash and transfer limitations

The interest rates vary between 0 % (for CHF) and 5 % (for ZAR). The respective rates of 2009 were 0 % (CHF) and 5 % (ZAR) respectively .

Cash positions are held to ca. 41 % in EUR, to 1 % in CHF, to 25 % in USD, to 8 % in THB resp. ZAR, and to 17 % in other currencies. Cash positions at the last year end were held to approximately 38 % in EUR, to 2 % in CHF, to 16 % in USD and to 44 % in other currencies.

Cash and cash equivalents at Interroll South Africa as well as at Interroll Brasil are subject to transfer limitations of CHF 1.1 million (2009: CHF 2.1 million). These transfer limitations do not have any impact on their operating activities.

6.7 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	31.12.2010	31.12.2009
Cash and cash equivalents	10 110	8 387
Trade and other accounts receivable*	44 548	38 814
Financial assets	912	923
Total financial assets at carrying value	**55 570**	**48 124**
Foreign currency forward contracts**	3	– 453
Total financial instruments at fair value	**3**	**– 453**
Trade and other accounts payable	34 283	34 250
Financial liabilities	22 988	12 562
Total financial liabilities at carrying value	**57 271**	**46 812**

* see note 6.5
** see notes 6.5, 6.8 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. As per end of the period under review no material risks exist which are not accounted for through the valuation reserve. Financial assets and liabilities are merely due within approximately 2 years and therefore are very close to book value.

Prepayments from clients or to suppliers respectively are not classified as financial instruments in the sense of IAS 39. The respective values of the previous year were aligned to the current year.

6.8 Financial risks

Currency risk exposure

Due to its international focus, the 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					31.12.2010					31.12.2009
	USD	CHF	EUR	SGD	CAD	CHF	EUR	USD	SGD	GBP
Financial assets	2 989	68			1 226	64		2 367		587
Trade and other accounts receivable	5 899	1 222	2 194	1 132	511	864	4 348	3 476	1 116	3 705
Cash and cash equivalents incl.intercompany loans	3 957	20 748	997		748	19 461	3 611	1 778	12 009	169
Financial liabilities	841	5 000		364						
Trade and other accounts payable	2 818	2 585	4 520	3 493	51	2 496	4 715	1 803	3 364	1 246
Short term liabilities	21	6 200	43		845	1 052	3 976	241	11 148	97
Currency risks on the balance sheet (gross)	**16 525**	**35 823**	**7 754**	**4 989**	**3 381**	**23 937**	**16 650**	**9 665**	**27 637**	**5 804**
Elimination equal currency	–2 884	–25 611	–3 612	–1 101	–1 793	–5 384	–6 012	–2 477	–23 489	–2 678
Currency risks on the balance sheet (net)	**13 641**	**10 212**	**4 142**	**3 888**	**1 588**	**18 553**	**10 638**	**7 188**	**4 148**	**3 126**
Natural Hedges		–1 183	–1 295			–5 017	–4 945		–487	
FX forward contracts	–4 020		–1 393	–2 439	–678	–8 643	–2 845	–4 495	–1 360	–1 314
Net currency risk exposure	**9 621**	**9 029**	**1 454**	**1 449**	**910**	**4 893**	**2 848**	**2 693**	**2 301**	**1 812**

The curency 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 currrency risks which exists 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 recognized in the financing result (see note 7.5). The table contains only the Group's material foreign currency risks. All others are regarded to be immaterial.

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 following table shows the contractual and fair values of the hedges (foreign currency forward contracts) held by the Group. The values in the previous year are aligned to the disclosure illustration of the year under review.

in thousands CHF				31.12.2010			31.12.2009
Sell/Buy	MATURITY	HEDGED CURRENCY	NOTIONAL AMOUNT IN CHF	FAIR VALUE	HEDGED CURRENCY	NOTIONAL AMOUNT IN CHF	FAIR VALUE
USD/CAD	2011	USD	1645	35	USD	–	–
USD/CHF	2011	USD	2375	53	USD	–	–
USD/EUR			–	–	USD	4 466	– 177
JPY/SGD	2011	SGD	1925	23	SGD	1 357	23
KRW/SGD	2011	SGD	514	8	SGD	–	–
CNY/EUR	2011	EUR	642	– 23	EUR	–	–
ZAR/EUR	2011	EUR	751	– 68	ZAR	750	– 35
THB/EUR	2011	THB	626	– 26	THB	1 118	– 55
CAD/CHF	2011	CAD	678	1		–	–
CHF/EUR			–	–	CHF	6 096	– 138
GBP/EUR			–	–	GBP	1 316	– 43
					various		– 28
Total FX forward contracts*				**3**			**– 453**

* see notes 6.5 resp. 6.16

The fair values of the derivative financial instruments are classified as hierarchy 2 in the sense of IFRS 7. The valuation in hierarchy 2 is based on factors which cannot be tracked to actively listed prices on public markets. Instead, they can be monitored directly (as a price) or indirectly (as a derivative of the price).

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

Sensitivity analysis to the currency risk exposure

As per year end, a sensitivity analysis was carried 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. A currency fluctuation of 10 % would have the following effects on the foreign currency positions in the balance sheet:

in thousands CHF			31.12.2010			31.12.2009
CURRENCY PAIR	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial Assets	68	2 989	–	64	2 367	–
Trade and Other Receivables	– 592	206	3 775	– 2 305	429	2 116
Cash and Cash Equiv. incl. IC-Loans	20 083	3 449	467	16 856	1 265	459
Financial Liabilities	5 000	–	–	–	–	–
Trade and Other Payables	644	– 53	688	1 299	12	620
Short Term and Current Liabilities	6 200	–	21	1 052	–	84
Gross Exposure per currency pair	**31 403**	**6 591**	**4 951**	**16 966**	**4 073**	**3 280**
Risks opposing each other	– 23 688	106	– 1 417	– 4 702	– 24	– 1 409
FX forward contracts	–	– 2 375	– 1 645	– 6 096	–	–
Net FX exposure per currency pair	**7 715**	**4 322**	**1 889**	**6 169**	**4 049**	**1 871**
Effect on the result due to currency change of 10 % (+/-)	**772**	**432**	**189**	**617**	**405**	**187**
Income tax expense at 20.1%	– 155	– 87	– 38	– 124	– 81	– 38
Net FX exposure after income taxes	**617**	**345**	**151**	**493**	**324**	**149**

Analogously to the currency risk analyis, 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 to 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). The calculcation of the sensitivity analysis of the previous year has been adjusted in order to ensure comparability.

Interest risks and interest sensitivity

As per balance sheet date, the Group had interest bearing net financial liabilities of CHF 20.5 million (previous year: CHF 10.0 million, see also note 6.12). 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 onto the equity because the Group currently does not hold any financial instruments to hedge interest risks. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in thousands CHF				31.12.2010				31.12.2009
Financial assets	NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS + 100	BASIS POINTS - 100	NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS + 100	BASIS POINTS - 100
fix int. rate		–			0.0–2.0	868		
Var. int. rate	0–0.15	977	10	–1	0.0	172	2	–
Not interest bearing		2			0.0	–		
Total deposits		**979**	**10**	**–1**		**1 040**	**2**	**–**
fix int. rate	2.0	482			0.0	54		
Var. int. rate	0.25–0.35	263	3	–1		–		
Not interest bearing		167			0.0	53	1	–
Total loans		**912**	**3**	**–1**		**107**	**1**	**–**
Cash on hand, bank and postal accounts		9 131			n/a	8 163	–	–
Trade and other receivables		44 548				38 814		
Total other financial assets		**53 679**	**–**	**–**		**46 977**	**–**	**–**
Total financial Assets		**55 570**	**13**	**–2**		**48 124**	**3**	**–**
Financial liabilities								
fix int. rate	0.0–1.7	5 036			2.7	6 000		
Var. int. rate	0.7–1.3	16 520	–165	143	0.6	4 461	–45	27
Not interest bearing	n/a	–			n/a	157		
Total bank loans		**21 556**	**–165**	**143**		**10 618**	**–45**	**27**
fix int. rate	6.0	703			6.0	635		
Not interest bearing	n/a	313			n/a	702		
Total other loans		**1 016**	**–**	**–**		**1 337**	**–**	**–**
fix int. rate	5.0	4			4.2–5.0	213		
Total finance leases		**4**	**–**	**–**		**213**	**–**	**–**
Bank overdrafts	0.0–12.75	412			n/a	394		
Trade and other accounts payable		34 283			n/a	34 250		
Total trade and other accounts payable		**34 695**	**–**	**–**		**34 644**	**–**	**–**
Total financial liabilities		**57 271**	**–165**	**143**		**46 812**	**–45**	**27**
Net financial liabilities		**–1 701**	**–152**	**141**		**1 312**	**–42**	**27**

Interest sensitivity is only calculated on interest bearing items of the balance sheet. Because items that are interest bearing at a fixed rate, no effect is calculated on such due to an increase or decrease of the interest rate. No sensitivity is calculated on items belonging to cash, trade and other accounts payable/receivable as well as on bank overdrafts. Those items are either not interest bearing or fluctuating too much. Therefore, a respective sensititvity could be misleading. As per above analysis, the Group's annual result could worsen due to an increase of the interest rate of one percentage point by CHF 0.16 million (previous year: CHF 0.04 million). The result would improve with an interest reduction of one percentage point by CHF 0.15 million (previous year: CHF 0.03 million). For certain interest bearing positions, the interest reate 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 and credit facilities

The Group carries out quarterly a complete liquidity planning on a consolidated 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.

The amount of unused credit facilities as per end of the reporting year amounted to CHF 64.7 million (previous year: CHF 71.9 million).

New and committed credit lines for an amount of CHF 40.0 million with a duration of 3 years were agreed upon in the previous year. In the year under review, an additional commited credit line in the amount of CHF 15.0 million was settled. They ensure the funding of the future investment program and serve generally for the business financing. The Group always complied with the agreed debt covenants. Debt covenants to be complied with 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").

6.9 Equity management

Objectives and principles of capital management

The objectives, principles and processes applied in capital management are:

- safe-guarding of the going concern,
- definition of a range of equity margins that reflect the operational and balance sheet risk,
- a financial liability structure adapted to the asset structure,
- adequate relation between equity and liabilities,
- the realisation of an appropriate return on equity,
- the distribution of a stable portion of the profit to the shareholders.

Equity ratio targets and pay-out ratio

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

6.10 Information on shareholder's equity

Reconciliation from total issued shares to the outstanding shares

	2010	2009
Issued shares par value CHF 10.00 each (previous year: CHF 15.00)	**854 000**	**854 000**
Own shares held by the Group as per 1.1.	**82 225**	**85 042**
Purchase of own shares	–	–
Sale of own shares	– 6 085	–
Attribution of shares relating to bonus plan	– 1 740	– 1 896
Attribution of shares related to options exercised	–	–
Attribution of shares related to settlement of acquisitions	–	– 921
Own shares held by the Group as per 31.12.	**74 400**	**82 225**
thereof reserved for issuance under option program	52 965	52 965
thereof unreserved	21 435	29 260
Shares outstanding at 31.12.	**779 600**	**771 775**

Note to the movements in the shareholder's equity

In the previous year potential claims of CHF 1.6 million for withholding tax were recognised as accrued expenses against share premium. Those accrued expenses are an effect of acquisitions of own shares. In the year under review the provision of CHF 1.6 million has been released and the respective amount has been settled in cash.

6.11 Earnings per share

Basic earnings per average share outstanding

The basic earnings per average share outstanding in 2010 amount to CHF 18.59 (previous year: CHF 7.41). The calculation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding.

	2010	2009
Result attributable to the equity holders (in thousands CHF)	**14 423**	**5 716**
Shares outstanding as of 1.1.	**771 775**	**768 958**
Effect of the purchase of own shares	–	–
Effect of the sale/attribution of own shares	3 949	2 517
Effect of the issue of shares under option plans	–	–
Weighted average of shares outstanding	**775 724**	**771 475**
Basic earnings (result) per average share oustanding (in CHF)	**18.59**	**7.41**

Diluted earnings per average share outstanding

The diluted earnings per average share outstanding in 2010 amount to CHF 18.59 (previous year: CHF 7.41). 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 no dilutive effect due to the fact that the strike price (CHF 323) was above the average share price (CHF 317) during the year under review (previous year: no dilutive effect because the average price of CHF 271 was below the strike price).

	2010	2009
Result attributable to the equity holders (in thousands CHF)	**14 423**	**5 716**
Weighted average of shares outstanding	775 724	771 475
Dilutive effect of share options	–	–
Weighted average of shares outstanding (diluted)	**775 724**	**771 475**
Diluted earnings (result) per average share outstanding (in CHF)	**18.59**	**7.41**

6.12 Financial liabilities

Details to current and non-current financial liabilities

in thousands CHF	31.12.2010	31.12.2009
Bank overdrafts	412	394
Bank loans	16501	10511
Finance leases	4	213
Other loans	471	–
Total current financial liabilities	**17388**	**11118**
Bank loans	5055	107
Other loans	545	1337
Total non-current financial liabilities	**5600**	**1444**
Total financial liabilities	**22988**	**12562**

Net financial liabilities to equity ratio

in thousands CHF	31.12.2010	31.12.2009
Total financial liabilities	**22988**	12562
./. Cash and cash equivalents	**–10110**	–8387
Net financial liabilities (-net cash)	**12878**	**4175**
Equity	**127457**	**133024**
Net debt in % to equity	**10.10**	**3.14**

Loan structure

in thousands CHF	CURRENCY	WEIGHTED AV. INTEREST RATE	INTEREST DUE FIX/VARIABLE	YEAR OF MATURITY	2010 FACE VALUE	2010 CARRYING AMOUNT	2009 FACE VALUE	2009 CARRYING AMOUNT
Fixed short term loan	CHF	0.65 %	V	2011	6 203	6 200	7 037	6 900
Fixed short term loan	EUR	1.33 %	V	2011	10 276	10 265		
Fixed long term loan	CHF	1.70 %	F	2013	5 234	5 000	3 725	3 718
Other bank loans					93	91		
Total bank loans					**21 806**	**21 556**	**10 762**	**10 618**
Finance Leases	EUR	5.00 %	F	2010	4	4	221	213
Total finance leases					**4**	**4**	**221**	**213**
Other loans	EUR	0 %–6.00 %	F	2012	1 067	1 016	1 337	1 337
Total other loans					**1 067**	**1 016**	**1 337**	**1 337**
Total Loans					**22 877**	**22 576**	**12 320**	**12 168**

The difference from total loans to total financial liabilities consists of the bank overdrafts that are reported as current financial liabilities in line with IAS 39.

Ageing of financial liabilities

The financial liabilities as per December 31, 2010 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	21 556	21 806	16 494	26	63	5 223
Finance leases	4	4	4			
Other loans	1 016	1 067	479		337	251
Bank overdrafts	412	412	412			
Trade/other accounts payable*	34 283	34 283	34 283			
Total financial liabilities	**57 271**	**57 572**	**51 672**	**26**	**400**	**5 474**

* 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 December 31, 2009 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	10 618	10 762	10 629	22	88	23
Finance leases	213	221	213	8		
Other loans	1 337	1 337			851	486
Bank overdrafts	394	394	394			
Trade/other accounts payable*	34 703	34 703	34 703			
Total financial liabilities	**47 265**	**47 417**	**45 939**	**30**	**939**	**509**

* 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.

Loans to finance the BDL acquisition

In the course of the acquisition of the BDL group in 2006, two unsecured loans of totally CHF 24.0 million were taken up at an interest rate of 2.7 % with four years repayment term. The loans were to be settled through annually equal instalments. The last instalment was settled in February 2010.

Mortgage secured loans

In both years under review, there were no loans secured by a mortgage.

6.13 Leasing liabilities

Finance leases

The financial lease liabilities are due as follows:

	PRESENT VALUE		INTEREST		MINIMUM LEASE PAYMENTS	
at year end, in thousands CHF	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
within 1 year	4	213	–	8	**4**	**221**
Total finance leases	**4**	**213**	**–**	**8**	**4**	**221**

Operating leases

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

in thousands CHF	**31.12.2010**	**31.12.2009**
within 1 year	2 753	2 779
between 1 and 5 years	7 300	4 395
over 5 years	1 424	1 069
Total operating leases	**11 477**	**8 243**

In the year under review, operating lease expense does not include contingent rent (previous year: CHF 0.2 million).

6.14 Provisions

	WARRANTIES		OTHER PROVISIONS		TOTAL PROVISIONS	
in thousands CHF	2010	2009	2010	2009	2010	2009
At 1.1.	**4 650**	**6 102**	**1 653**	**1 569**	**6 303**	**7 671**
Currency translation adj.	– 598	113	– 214	–	**– 812**	**113**
Provisions made	4 280	2 581	451	412	**4 731**	**2 993**
Provisions used	– 1 890	– 2 350	– 207	– 209	**– 2 097**	**– 2 559**
Provisions reversed	– 781	– 1 796	– 46	– 119	**– 827**	**– 1 915**
At 31.12.	**5 661**	**4 650**	**1 637**	**1 653**	**7 298**	**6 303**

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 2 % (previous year: 2 %) of net sales. The absolute increase is merely due to increased sales. An analysis of previous years' actual warranty expenses would not lead to a substantial change of warranty provision required. Data from the past indicates that between 30 % and 50 % of the warranty provision will be used in the subsequent year.

Other provisions

In 2007, an onerous contract provision in the amount of CHF 1.2 million was recognised as "other provision" that relates to a long term building rental contract that will be terminated before its final term and that will not be used anymore as from late 2010. The impending loss corresponds to the rental amount for the period during which the building will no longer be used. Besides that, the other provisions include pension liabilities according to IAS 19.

6.15 Pension obligations and pension costs

General information to the pension plans of the Group

The pension costs for 2010 amounted to CHF 1.8 million (2009: CHF 1.7 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 both years under review, approximately 190 employees participated in the defined benefit plans. The Swiss plan is outsourced to a collective foundation whereas the plan of France is outsourced to an insurance company. It can be assumed that the assets of both plans do not include Interroll shares.

Components of pension costs

in thousands CHF	2010	2009
Costs of the defined contribution plans	**–927**	**–913**
Current service costs, gross	–1 005	–950
Employee contributions	326	336
Interest costs	–375	–357
Amortisation of actuarial losses	–55	–40
Expected return on plan assets	281	237
Costs of the defined benefit plans	**–828**	**–774**
Total pension costs	**–1 755**	**–1 687**

The actual return on plan assets is in line with the return that can generally be expected based on the agreement with the collective foundation. The expected future contributions will not change materially in future years provided the number of insured employees remains stable.

Funded status for the defined benefit plans

in thousands CHF, as per year end	2010	2009	2008	2007	2006
Present value of defined benefit obligation	–12 151	–10 770	–9 478	–7 606	–6 943
Fair value of plan assets	9 882	9 357	8 402	6 381	5 760
Pension liability	**–2 269**	**–1 413**	**–1 076**	**–1 225**	**–1 183**
Unfunded fair value of benefit obligations	–239	–243	–205	–	–
Unrecognised actuarial (losses)/gains	1 856	1 174	923	1 038	1 183
Defined benefit obligation, net	**–652**	**–482**	**–358**	**–187**	**–**
History of experience adjustments					
– of plan liabilities	–102	–76	573	297	n/a
– of plan assets	35	68	14	8	n/a

Roll forward of the defined benefit obligation

in thousands CHF	2010	2009
Benefit obligation as per 1.1.	**–11 013**	**–9 683**
Current service costs, net	–679	–614
Interest costs	–375	–357
Contributions from plan participants	–326	–336
Actuarial gain/(loss) on plan assets, translation diff.	–645	–228
Insurance premiums	284	267
Benefits funded/(paid), net	364	–62
Benefit obligation as per 31.12.	**–12 390**	**–11 013**

In order to shorten the presented statement of financial position, the net benefit obligation is disclosed within the other long term provisions.

Roll forward of the present value of plan assets

in thousands CHF	2010	2009
Fair value of plan assets as per 1.1.	**9 357**	**8 402**
Expected return on plan assets	281	237
Actuarial gain/(loss) on plan assets, translation diff.	–54	–66
Insurance premiums	–284	–267
Employer contributions	620	653
Employee contributions	326	336
Benefits funded/(paid), net	–364	62
Fair value of plan assets as per 31.12.	**9 882**	**9 357**

Investment categories

in %	2010	2009
Equity securities	1.9	2.5
Debt securities	74.2	72.8
Real estate	17.6	16.8
Other investments	6.3	7.9
Total Investments in %	**100.0**	**100.0**

Roll forward of the unrecognised pension deficit

in thousands CHF	2010	2009
Unrecognised pension liabilities as of 1.1.	**–482**	**–358**
Pension costs	–828	–774
Contributions	620	653
Currency translation/plan expansion	38	–3
Unrecognised pension liabilities as of 31.12.	**–652**	**–482**

Actuarial assumptions

in %	2010	2009
Discount rate	2.9	3.4
Expected return on plan assets	2.2	2.9
Expected benefit increases	0.5	0.5
Average future salary increases	1.5	1.9
Average fluctuation rate	10.0	10.0

6.16 Trade and other accounts payable

in thousands CHF	31.12.2010	31.12.2009
Trade accounts payable to third parties	14 717	12 312
Advances received from customers	2 852	12 266
Other liabilities	6 804	6 797
Accrued personnel expenses	6 440	6 118
Accrued interest	22	178
Other accrued expenses	6 300	8 845
Foreign currency forward contracts*	–	453
Total trade and other accounts payable	**37 135**	**46 516**

* see note 6.8

Advances received from customers mainly relate to larger projects within the Subsystems segment. 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	2010	2009
Wages and salaries	68 381	66 515
Social security costs	10 553	10 384
Pension costs (see note 6.15)	1 755	1 687
Other personnel related costs	2 358	2 340
Equity based personnel expenses to management personnel	1 234	596
Total personnel expenses	**84 281**	**81 522**
Thereof production related personnel expenses	41 653	39 992
Average number of employees	**1 255**	**1 206**

In the period under review 1 740 own shares (previous year: 1 896) were attributed to management members as part of their bonus scheme. In each year 1 550 shares have been blocked for sale for a period of five years as of grant date. The shares were valuated at market value of the attribution date.

Option plan

On March 3rd, 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 March 31st, 2010. Respective increase in value of the option (CHF 0.7 million) was debited to personnel expenses and credited to capital reserve.

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

Option life:	April 3, 2006 – September 30, 2013 (previously until September 30, 2011)
Blocked period:	April 3, 2006 – April 2, 2012 (previously until April 2, 2010)
Exercise period:	April 3, 2006 – September 30, 2013 (previously until September 30, 2011)
Strike price:	CHF 323.00 per registered share INRN
Reference price	Average INRN price from March 27, 2006 – March 31, 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:

	31.12.2010	attributed	exercised	31.12.2009	attributed	exercised	1.1.2009
Total options	**52 965**			**52 965**			**52 965**
option life until 30.09.2013	45 965			–			–
option life until 30.09.2011	7 000			52 965			52 965
thereof not vested	45 965			52 965			52 965
thereof exercisable	7 000			–			–

All outstanding options have been attributed in 2006. 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 from 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 plan option is not subject to any vesting conditon after the vesting period has become effective.

7.2 Research and development

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

in thousands CHF	2010	2009
Research and development	**8 668**	**8 588**

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 capitalized as the preconditions stated in IAS 38 are not met cumulatively.

7.3 Other operating expenses

in thousands CHF	2010	2009
Office and administration	5 884	6 074
Provisions and allowances, net	3 707	323
Non-income taxes	1 193	1 267
Consultancy, auditing	3 993	3 423
Marketing	4 311	5 930
Freight	8 467	7 937
Commissions, bad debt adjustments	3 535	2 390
Building rent	3 174	3 388
Building maintenance	2 219	2 391
Maintenance on machinery, tools and moulds	3 199	2 726
Travelling and transportation	4 857	4 870
Consumables for production	3 334	2 931
Insurances	618	732
Other expenses	4 530	3 349
Loss on disposal of property, plant and equipment/intangible assets	488	398
Total other operating expenses	**53 509**	**48 129**

7.4 Other operating income

in thousands CHF	2010	2009
Income from commissions, licences and freight	8 674	7 329
Income from services	934	864
Realised gains on cash flow hedges	–	344
Government grants received	84	83
Total other operating income	**9 692**	**8 620**

7.5 Financing result

in thousands CHF	2010	2009
Foreign exchange losses, net	–	–213
Fair value changes of foreign currency forward contracts	–1 072	–1 742
Realized translation differences, net	–	–659
Interest expenses	–478	–538
Financing expenses	**–1 550**	**–3 152**
Foreign exchange gains, net	993	–
Fair value changes of foreign currency forward contracts	427	1 432
Realized translation differences, net	–	–
Interest income	169	311
Financing income	**1 589**	**1 743**
Financing result, net	**39**	**–1 409**

The result from realized cash flow hedges is presented in the other operating income/expenses (see notes 7.3 resp. 7.4). As per year-end 2010 no cash flow hedges existed (see note 6.8). In the previous year, the non-realized effects on cash flow hedges were presented in equity. Lines “Realized translation differences, net” are related to repayments of equity or equity like loans of consolidated subsidiaries. None of such transaction has incurred in 2010.

7.6 Income tax expense

Components of income tax expense

in thousands CHF	2010	2009
Income taxes relating to the current period	5 188	2 241
Income taxes relating to past periods, net	912	– 306
Current income tax expense	**6 100**	**1 935**
Due to temporary differences	– 442	– 5 073
Due to tax rate changes	– 86	– 104
Due to (recognition)/use of tax loss carry-forwards	331	– 471
Adjustments to deferred tax assets	98	– 314
Other effects	2	4
Deferred income tax expense/(income)	**– 97**	**– 5 958**
Total income tax expense	**6 003**	**– 4 023**

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.

Reconciliation of effective tax rate

in thousands CHF	2010	2009
Result before income taxes	**20 426**	**1 693**
Income tax expenses at the expected tax rate of 20.1 % (2009: 20.1 %)	4 106	340
(Non-taxable income)/non-tax deductible expenses, net	– 301	– 1 494
(Reversal of)/write offs on deferred tax assets, net	98	– 314
Tax rate changes, net	– 86	– 104
Effect from deviation to tax rates in Group companies	889	– 1 854
(Tax credits)/tax charges on prior years' results, net	912	– 306
(use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	387	– 361
Other effects	– 2	70
Effective (total) income tax expense	**6 003**	**– 4 023**

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

Tax effects on recognised and unrecognised carried forward losses

in thousands CHF	31.12.2010		31.12.2009	
	NOT ACTIVATED	ACTIVATED	NOT ACTIVATED	ACTIVATED
Expiry:				
2010	–	–	155	–
2011	378	–	925	–
2012	394	–	404	–
2013	759	–	826	–
2014	597	–	1 089	–
2015 and later	20 541	409	20 725	1 239
unlimited	3 631	2 490	3 869	4 228
Total	**26 300**	**2 899**	**27 993**	**5 467**
Tax benefit	9 433	777	9 882	1 188
Thereof unrecognisable	– 9 433		– 9 882	
Netted out within tax units		–		– 997
Deferred tax assets capitalized		**777**		**191**

A tax effect of CHF 0.6 million resulted from new tax losses carried forward of CHF 1.6 million. This effect was not capitalized (previous year: new tax losses of 10.0 million with a tax effect of CHF 2.8 million, whereof CHF 0.7 million was activated).

Deferred tax assets on unused tax losses carried forward and based on temporary differencies are capitalized 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 0.8 million has been capitalized in 2010 (2009: CHF 0.2 million). Interroll considers the future set off probable based on approved business plans. The majority of non-capitalized deferred tax assets on losses carried foward concern US-based subsidiaries. The applicable tax rate for both years under review is 39 %.

Attribution of defered tax assets/liabilities to items of the statement of financial position

in thousands CHF	31.12.2010		31.12.2009	
	DEFERRED TAX		DEFERRED TAX	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Intangible assets	2 279	3 202	2 685	4 641
Property, plant and equipment	248	3 162	170	3 740
Financial assets	–	9	–	136
Inventory	271	139	142	92
Benefits of loss carry forwards	777	–	1 188	–
Receivables	144	210	110	429
Other assets	–	–	1	–
Total assets	**3 719**	**6 722**	**4 296**	**9 038**
Long term debts	–	127	–	233
Provisions	1 156	7 923	702	6 472
Short term debts	218	84	520	128
Other Liabilities	4	–	79	–
Total liabilities	**1 378**	**8 134**	**1 301**	**6 833**
Set-off	–4 276	–4 276	–5 395	–5 395
Total net	**821**	**10 580**	**202**	**10 476**

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 0.5 million (previous year: decrease of CHF 7.5 million) corresponds to net deferred tax income recognised in the statement of comprehensive income of CHF 0.1 million (previous year: deferred tax income of CHF 6.0 million) and currency translation adjustements of CHF –0.4 million (previous year: CHF 0.1 million). In the previous year, deferred tax liabilities were additionnally increased by CHF 0.2 million due to acquisition through business combinations. In 2009, an amount of CHF 1.8 million was taken out from deferred tax liabilities and allocated to other accrued expenes because the amount does not refer to income taxes.

In both years under review, current income taxes of CHF 0.1 million were credited to equity. No taxes were recognised in the other comprehensive income in both years under review.

8 OTHER NOTES/DISCLOSURES

8.1 Contingent liabilities and other commitments

There are no contingent liabilities in both years under review.

8.2 Related party transactions

Transactions with related parties

		VOLUME		OPEN PAYABLES	
in thousands CHF	Category	2010	2009	31.12.2010	31.12.2009
Purchase of materials	a	3 326	4 402	605	624
IT Investments/IT Services	a	820	1 230	46	145
Other costs	a+b	1 081	817	89	2
Total purchases		**5 227**	**6 449**	**740**	**771**

		VOLUME		OPEN RECEIVABLES	
in thousands CHF	Category	2010	2009	31.12.2010	31.12.2009
Sale of material	a	6 604	5 540	1 054	1 019
Other income	b	446	385	97	94
Total services		**7 050**	**5 925**	**1 151**	**1 113**

Definition of related parties
Related parties are defined and categorised as following:

a) Shareholders of INTERROLL HOLDING LTD. holding more than 3 % of the shareholder capital.

b) Members of the Board of Directors of INTERROLL HOLDING LTD. and legal entities that are directly controlled by them.

c) Members of the Group Management of Interroll Group and legal entities that are directly controlled by them.

d) Local managing directors as well as people reporting to them (only for substantial transactions).

Total compensation to the Board of Directors

Total compensation in the year 2010 to the Board of Directors of INTERROLL HOLDING LTD. is CHF 0.48 million (2009: 0.45 million). The detailed disclosure on the compensation to and shares owned by the Board of Directors and the Group Management required by Swiss law are included in the notes to the financial statements of INTERROLL HOLDING LTD.

Total compensation to the Group Management

in thousands CHF	**2010**	**2009**
Salaries incl. bonus	3 910	3 540
Post-employment benefits	577	465
Other long term benefits	–	18
Equity based compensation	473	450
Total compensation to the Group Management	**4 960**	**4 473**

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:

a) The compensation for business cars results from all amounts recognized in the income statement including depreciation/leasing instalments. According to Swiss law, 0.8 % per month based on the acquistion value of the cars has been considered.

b) According to IFRS share-based payments are based on their market value at grant date. In both years under review, 1 550 own shares were attributed. In both years, the attributted shares are subject to a five years blocking period.

The difference of total compensation as per IFRS and as per OR of CHF 0.16 million (previous year: CHF 0.14 million) is made up by business cars (CHF 0.04 million, previous year: CHF 0.03 million) and by share-based payments (CHF 0.12 million, previous year: CHF 0.11 million).

In the period under review as well as in the previous year no termination pay were executed and no loans were granted.

8.3 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 3rd, 2011 and are subject to further approval by the General Meeting of the Shareholders on May 13, 2011.

In the end of November 2010, the Interroll Group announced that it will acquire the business activities of its current license partner in Australia. Closing date of that transaction was agreed to be January 1st, 2011, on which Interroll will also take over operational leadership. The acquired activities will be merged with the existing Interroll company in Australia. Intangible as well as tangible assets totalling CHF 1.2 million are taken over. Half of the purchase price was paid in November 2010 out of cash held by the Group. The rest was paid in January 2011. Conveyor Solutions Australia Pty. Ltd. will contribute a turnover of CHF 4.0 million while the operating result will initially be immaterial.

No event has occurred between December 31, 2010 and March 3rd, 2011 which would reqiure adjustment to the carrying amount of the Group's assets and liabilities as of December 31, 2010, or would require disclosuere in accordance with IAS 10.

8.4 Scope of consolidation

Name	Location (country)	Function	Owner	Share capital in 1 000		Ownership in %
Switzerland						
Interroll Holding AG	Sant'Antonino (CH)	F	0	CHF	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	DHO	EUR	25.6	100 %
Interroll Engineering GmbH	Wermelskirchen (DE)	P	DHO	EUR	1 662.2	100 %
Interroll Automation GmbH	Sinsheim (DE)	P/S	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	Wermelskirchen (DE)	P/S	DHO	EUR	77.0	100 %
Transtechnik GmbH	Wassenberg (DE)	P/S	DHO	EUR	25.6	100 %
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR	2 808.0	100 %
Interroll SAS	La Roche sur Yon (FR)	P/S	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	Hvidovre (DK)	P	HD	EUR	2 013.8	100 %
Interroll Ltd.	Corby (GB)	S	HDE	GBP	0.0	100 %
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP	0.1	100 %
Interroll España SA	Barbera del Valles (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 SA (Proprietary) Ltd.	Johannesburg (ZA)	P/S	HD	ZAR	1 500.0	100 %

Name	Location (country)	Function	Owner	Share capital in 1 000		Ownership in %
Americas						
Interroll Corporation	Wilmington/N.C. (US)	P/S	HD	USD	65.0	100 %
Interroll Automation LLC	Jeffersonville (US)	P/S	HDE	USD	0.1	100 %
Interroll Dynamic Storage Inc.	Hiram/Atlanta (US)	P/S	HD	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	Pindamonhangaba/S. Paolo (BR)	P/S	E	BRL	1 000.0	100 %
Asia, Pacific						
Interroll (Asia) Pte. Ltd.	Singapur (SG)	P/S	HDE	SGD	18 625.0	100 %
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P/S	SGP	CNY	16 959.9	100 %
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD	51.2	100 %
Interroll (Thailand) Co. Ltd.	Bangkok (TH)	P/S	SGP	THB	100 000.0	100 %
Interroll DS Asia Pacific Co. Ltd.	Bangkok (TH)	P/S	SGP	THB	100 000.0	100 %
Interroll Japan Co. Ltd.	Tokio (JP)	S	SGP	JPY	10 000.0	100 %
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP	KRW	100 000.0	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., Singapur

Movements within the scope of concolidation in 2010

Assets and liabilities of Inroll Ltd., British Virgin Islands, belonging to the scope of consolidation, were merged with Interroll (Schweiz) AG as per June 1st, 2010. Inroll Ltd. was thereafter liquidated. Furthermore Interroll Holding A/S has been merged with its subsidiary Interroll Joki A/S as per end of May 2010. Also Interroll Financial Canada Ltd. in Aurora/Toronto has been merged with its subsidiary Interroll Components Canada Ltd., Concord/Toronto as per January 1st, 2010. Assets of Interroll DS Asia Pacific Co., Thailand were transferred to Interroll (Thailand) Co. Bangkok. Interroll (Malaysia SDN. BHD. has been liquidated in late 2010. Further notes to changes in the consolidation range are disclosed in note 4.

Movements within the scope of concolidation in 2009

Interroll Dynamic Storage inc., Hiram (USA) as well as Interroll DS Asia Pacific Co., Thailand, were consolidated for the first time in 2009. Interroll Manufacturing LLC, Wilmington/N.C. was merged into Interroll Corporation, Wilmington in 2009. BDL Drum motors SA (PTY), Ltd., Johannesburg (South Africa) and Interroll Trommelmotoren BV in Herkenbosch were liquidated in 2009. Further notes to changes in the consolidation range are disclosed in note 4.

9 REPORT OF THE GROUP AUDITOR

Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of INTERROLL HOLDING LTD., Sant'Antonino

As statutory auditor, we have audited the accompanying consolidated financial statements of INTERROLL HOLDING LTD, presented on pages 60–119 which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year ended December 31st, 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 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 December 31st, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with 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.

KPMG AG

Herbert Bussmann
Licensed Audit Expert
Auditor in Charge

Samuel Dini
Licensed Audit Expert

Lugano, March 3rd, 2011

Financial statements of INTERROLL HOLDING LTD.

CONTENT

1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

1.1 Balance sheet

in thousands CHF	see notes*	31.12.2010	31.12.2009
ASSETS			
Cash and cash equivalents		753	112
Accounts receivable	3.1	472	2 889
Own shares	3.7	24 698	25 016
Total current assets		**25 923**	**28 017**
Investments		212 974	188 074
Loans due from Group Companies	3.3	9 505	48 105
Total non-current assets		**222 479**	**236 179**
Total assets		**248 402**	**264 196**
EQUITY AND LIABILITIES			
Trade and other accounts payable	3.4	1 137	7 348
Tax provision		37	71
Financial liabilities	3.5	–	6 000
Total current liabilities		**1 174**	**13 419**
Financial liabilities	3.5	11 929	14 893
Provision for loan assets and investment risks	3.6	110 771	100 771
Other provisions		804	804
Total non-current liabilities		**123 504**	**116 468**
Share capital	3.7	8 540	12 810
Share premium	3.7	19 078	19 078
General legal reserve		5 209	5 209
Reserve for own shares	3.7	27 959	32 386
Available earnings		62 938	64 826
Total shareholder's equity		**123 724**	**134 309**
Total liabilities and equity		**248 402**	**264 196**

* See notes to the financial statements.

1.2 Income statement

in thousands CHF	2010	2009
Investment income	5 877	22 262
Royalty income	2 731	2 274
Interest income	912	3 463
Other operating income	4 923	6 895
Foreign currency exchange gains	2 691	549
Total income	**17 134**	**35 443**
Administrative expenses	–339	–692
Financial expenses	–416	–1 113
Foreign currency exchange losses	–	–
Personnel expenses	–1 325	–1 430
Other operating expenses	–2 638	–5 311
Investment expenses	–18 725	–6 900
Total Expenses	**–23 443**	**–15 446**
Result before income taxes	**–6 309**	**19 997**
Income tax expense	–6	–27
Result	**–6 315**	**19 970**

1.3 Statement of changes in equity

in thousands CHF	SHARE CAPITAL	CAPITAL RESERVES*	LEGAL RESERVE	RESERVE FOR OWN SHARES	AVAILABLE EARNINGS	TOTAL
as of 1.1.2009	**17 080**	**18 144**	**5 209**	**34 308**	**43 868**	**118 609**
Result 2009					19 970	19 970
Reduction of par value	–4 270					–4 270
Change of reserve for own shares		934		–1 922	988	–
At 31.12.2009	**12 810**	**19 078**	**5 209**	**32 386**	**64 826**	**134 309**
Result 2010					–6 315	–6 315
Reduction of par value	–4 270					–4 270
Change of reserve for own shares				–4 427	4 427	–
At 31.12.2010	**8 540**	**19 078**	**5 209**	**27 959**	**62 938**	**123 724**

* The amount of capital reserves has not yet been confirmed by the Swiss Federal Tax Authorities

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 the line item foreign currency exchange losses/gains, net. 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.

2.2 Principles of valuation

Accounts receivable and payable, Cash and cash equivalents

Accounts receivable are stated at nominal value less any valuation adjustment for credit risks. Accounts payable are stated at nominal value. Cash and cash equivalents 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 Accounts receivable

in thousands CHF	31.12.2010	31.12.2009
Accounts receivable from third parties	40	1 817
Accounts receivable from group companies	429	879
Advance payments	3	193
Total accounts receivable	**472**	**2 889**

3.2 Own shares and options

In the year under review, the Company sold 6 085 own shares at an average price of CHF 356. In the previous year, the Company has neither acquired nor sold any own shares. At year end 2010, the company held 74 400 own shares with a carrying amount of CHF 24.7 million (2009: 82 225 own shares with a carrying amount of CHF 25.0 million). There is a reserve for own shares equal to the original cost of CHF 28.0 million (previous year: CHF 32.4 million). In both years under review, 52 965 own shares are reserved to cover the management share option plan (see note 7.1 of the consolidated financial statements).

1 740 shares (previous year: 1896) with a carrying value of CHF 0.5 million (previous year: CHF 0.5 million) were attributed to employees. No shares were attributed from the share option plan.

In the previous year, as part of the acquisition price, 921 own shares with a fair value of CHF 0.3 million were allocated to the seller of an entity acquired.

3.3 Loans due from Group companies

The interest rates used were the following:	lowest	highest
In the year 2010	0.00 %	6.00 %
In the year 2009	1.00 %	6.00 %

The loans due from Group companies are normally redeemable with a notification period of three months. As of year end, the total outstanding group loans amounted to CHF 9.5 million (2009: CHF 48.1 million). A valuation allowance of CHF 4.2 million has been accounted for on intercompany loans due.

3.4 Trade and other accounts payable

in thousands CHF	31.12.2010	31.12.2009
Accounts payable to third parties	75	59
Accounts payable to Group companies	231	2 330
Other accounts payable	4	37
Accrued expenses	827	4 922
Total trade and other accounts payable	**1 137**	**7 348**

3.5 Financial liabilities

in thousands CHF	31.12.2010	31.12.2009
Bank loans	–	6 000
Total current financial liabilities	**–**	**6 000**
Loans due from Group companies	11 929	14 893
Total non current financial liabilities	**11 929**	**14 893**
Total financial liabilities	**11 929**	**20 893**

The following interest rates were used:	lowest	highest
In the year 2010	2.25 %	5.50 %
In the year 2009	2.50 %	5.00 %

3.6 Provision for investment risks

During the year 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.

3.7 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 15). 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 particiaptaion in percent.

	31.12.2010		31.12.2009	
Shareholder/Shareholder Group	NUMBER OF SHARES	PARTICIPATION IN %	NUMBER OF SHARES	PARTICIPATION IN %
D. Specht and family	108 645	12.72	108 645	12.72
B. Ghisalberti/E. Moreschi and family	112 743	13.20	112 543	13.18
N. Axmann and family	39 017	4.57	39 017	4.57
Sarasin Investmentfonds AG	85 215	9.98	82 727	9.69
Corisol Holding AG	43 832	5.13	46 051	5.39
Public (floating)	464 548	54.40	465 017	54.45
Total	**854 000**	**100.00**	**854 000**	**100.00**

Reserve from capital contribution

In connection with the capital increase due to the initial public offering in 1997, the company received a share premium of CHF 28.5 million. The transaction cost of the initial public offering (CHF 9.4 million) was deducted from this amount. In the year 2007, CHF 6.1 million have been transferred from the share premium to the reserve for own shares. In the year 2008, CHF 5.1 million was reclassified to share premium due to the reduction of the reserve for own shares. In the previous year, additional CHF 1.0 million was added back to share premium with the consequence that the original amount of CHF 6.1 million was credited back to reserves from capital contribution.

Reserve for own shares

The reserve for own shares equals the purchase price of own shares held as of balance sheet date (see note 3.2).

3.8 Contingent liabilities

INTERROLL HOLDING LTD. has issued a guarantee for an existing shared credit facility in the amount of 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)
	Interroll Holding GmbH, Wermelskirchen (DE)
France	Interroll SaS, 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 DISCLOSURES ACCORDING TO SWISS LEGISLATION

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 of December 31, 2010. Based on its assessment, management has concluded that, as of December 31, 2010, the Interroll Group's internal control over financial reporting was effective based on those criteria (see notes to the consolidated financials statements. principles of consolidation.)

4.3 Compensation of and shares held by the Board of Directors

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

in thousands CHF		CASH	SHARES/ OPTIONS	SOCIAL SECURITY*	OTHER BENEFITS	**TOTAL COMPENSATION**	SHARES HELD AS OF 31.12.	VOTING RIGHTS IN %
Kurt Rudolf								
2010	P, CC	150		17		**167**	800	0.12
2009	P, CC	150		17		**167**	700	0.12
Urs Tanner								
2010	VP	75		12		**87**	60	0.01
2009	VP	50		7		**57**	–	0.00
Paolo Bottini								
2010	AC	50		7		**57**	20	0.00
2009	AC	50		7		**57**	20	0.00
Philippe Dubois								
2010	AC	50		7		**57**	100	0.02
2009	AC	50		7		**57**	100	0.02
Horst Wildemann								
2010	CC	50		6		**56**	–	0.00
2009	CC	50		6		**56**	–	0.00
Marco Ghisalberti								
2010		50		7		**57**	112 743	17.42
2009		50		7		**57**	112 543	18.50
Ingo Specht								
2010		–		–		**–**	108 645	16.79
2009		–		–		**–**	108 645	17.86
Total Board of Directors								
2010		**425**	**–**	**56**	**–**	**481**	**222 368**	**34.36**
2009		**400**	**–**	**51**	**–**	**451**	**222 008**	**36.50**

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.

The Board of Directors does not hold any options to buy shares of INTERROLL HOLDING LTD.

4.4 Compensation of and shares held by the Group Management

The compensation of the members of the 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 COMPENSATION				
	FIX	VARIABLE*	SHARES**	OPTIONS	SOCIAL SECURITY	OTHER BENEFITS	**TOTAL COMPENSATION**
CEO (highest)							
2010	595	826	273	–	387	41	2 122
2009	595	432	260	–	389	41	1 717
Other members							
2010	1 589	532	80	–	500	74	2 775
2009	1 517	451	82	–	494	75	2 619
Total Group Management							
2010	**2 184**	**1 358**	**353**	**–**	**887**	**115**	**4 897**
2009	**2 112**	**883**	**342**	**–**	**883**	**116**	**4 336**

* 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 reivew 1 550 (previous year: 1 550) own shares were attributed. The shares may not be sold for a period of five years as of grant date (previous year: five years). Share based payments correspond to tax values.

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

	SHARES AS OF 31.12.		OPTIONS AS OF 31.12.	
	2010	**2009**	**2010**	**2009**
Paul Zumbühl	11 398	10 198	10 000	10 000
Ralf Garlichs	–	–	2 500	2 500
Didier Lermite	–	–	2 970	2 970
Heinrich Droste	532	532	2 970	2 970
Jürg Häusermann	950	600	3 340	3 340
Kwang-Heng Seng	220	220	1 200	1 200
Total	**13 100**	**11 550**	**22 980**	**22 980**

5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

Appropriation of available earnings

The Board of Directors proposes to the general assembly to appropriate the available earnings as per end of the year under review as follows:

in thousands CHF	2010	2009
Result	–6 315	19 970
Available earnings carried over from previous year	64 826	43 868
Change of reserve for own shares	4 427	988
To be carried forward	**62 938**	**64 826**
Appropriation to reserves from capital contributions*	–4 504	–
To be carried forward	**58 434**	**64 826**

* The appropriation to reserves from capital contributions has not yet been confirmed by the Swiss Federal Tax Authorities.

Distribution out of reserves from capital contributions

The Board of Directors proposes to the general assembly the distribution out of reserves from capital contributions in of CHF 5 per share (previous year: capital reduction CHF 5). If the distribution is aproved, the respective settlement will be processed in the subsequent week to the general assembly 2011.

in thousands CHF	2010	2009
Reserves from capital contributions carried over from previous year	19 078	19 078
Appropriation from available earnings*	4 504	–
Distribution of CHF 5 per share (free of withholding tax)**	–4 270	–
Reserves from capital contributions to be carried forward	**19 312**	**19 078**

* The appropriation to reserves from capital contributions has not yet been confirmed by the Swiss Tax Authorities.

** All shares held by Interroll Holding AG 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 4,27 million.

6 REPORT OF THE STATUTORY AUDITOR

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of INTERROLL HOLDING LTD, Sant'Antonino

As statutory auditor, we have audited the accompanying financial statements of INTERROLL HOLDING LTD, presented on pages 122–133, which comprise the balance sheet, income statement, statement of changes in equity and notes for the year ended December 31st, 2010.

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 December 31, 2010 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

KPMG AG

Herbert Bussmann
Licensed Audit Expert
Auditor in Charge

Samuel Dini
Licensed Audit Expert

Lugano, March 3rd, 2011

Interroll Holding Ltd.
Via Gorelle 3
6592 Sant'Antonino, Switzerland
Tel. +41 91 850 25 25
Fax +41 91 850 25 05
www.interroll.com
www.interroll.com/ir (Investor Relations)

Contact

Paul Zumbühl
CEO
Tel. +41 91 850 25 25
investor.relations@interroll.com

Impressum

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Interroll Holding Ltd., Investor Relations
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This annual report is also available in German.
The German version is binding.