ANNUAL REPORT

2011

Profile of the Interroll Group

The Interroll Group is acknowledged as one of the world's leading specialists within the field of internal logistics. Headquartered in Sant'Antonino, Switzerland, the exchange-listed company employs around 1,500 people at 28 enterprises around the globe. Among the company's 23,000 customers worldwide are plant manufacturers, system integrators, multinational corporations and end-users. Designed as space-saving and energy-efficient solutions, Interroll products perform key functions in material handling systems from production through to distribution: Drum Motors for belt conveyors, Rollers and RollerDrives for conveyor units, flow storage modules for pallet and container racking systems at distribution centres, Crossbelt Sorters, Belt Curves and other conveyor modules. The main fields of application include the food industry, airport logistics, courier/express/postal services, distribution centres and industrial manufacturers operating in various segments of the market.

www.interroll.com

KEY FIGURES OF THE INTERROLL GROUP

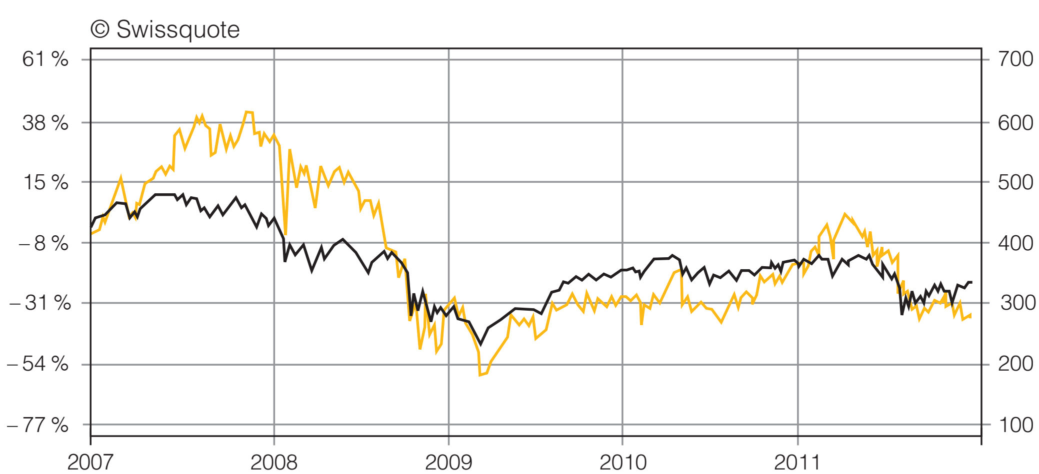
in CHF million, if not noted differently	**2011**	2010	2009	2008	2007
Incoming orders/net sales					
Total incoming orders	288.7	285.2	238.9	347.8	375.9
Drives	95.1	97.9	82.9	114.7	124.1
Rollers	83.2	79.1	73.3	104.0	108.7
Conveyors & Sorters	42.8	52.1	33.6	61.5	64.8
Pallet- & Carton Flow	50.8	53.9	44.3	77.7	73.2
Total net sales	271.9	283.1	234.0	357.9	370.9
Profitability					
EBITDA	36.2	35.8	18.8	58.2	67.5
in % of net sales	13.3	12.6	8.0	16.3	18.2
EBITA	25.7	24.8	8.0	48.0	56.6
in % of net sales	9.5	8.8	3.4	13.4	15.3
EBIT	20.4	20.4	3.1	43.4	45.2
in % of net sales	7.5	7.2	1.3	12.1	12.2
Result	18.2	14.4	5.7	33.8	31.9
in % of net sales	6.7	5.1	2.4	9.5	8.6
Cash Flow					
Operating cash flow	14.5	18.7	20.4	41.9	68.5
in % of net sales	5.3	6.6	8.7	11.7	18.5
Free cash flow	–5.6	–8.5	–6.0	18.6	42.7
in % of net sales	–2.1	–3.0	–2.6	5.2	11.5
Total investments/capital expenditures	19.6	26.4	22.9	22.4	24.0
Balance sheet					
Total assets	239.2	211.3	215.7	236.8	255.1
Goodwill in % of equity	6.3	7.3	8.3	7.9	9.2
Net financial assets (debts)	–17.6	–12.9	–4.2	4.4	–6.1
Gearing (net debts/equity)	0.12	0.10	0.03	–	0.05
Indebtedness factor (net debts/cash flow)	1.21	0.69	0.20	–	0.09
Equity	143.3	127.5	133.0	130.7	124.9
Equity ratio (equity in % of assets)	59.9	60.3	61.7	55.2	49.0
Return on equity (in %)	13.4	11.1	4.3	26.5	26.7
Other key figures					
RONA (Return on net assets, in %)	9.9	10.4	1.6	22.3	22.6
Average number of employees	1 340	1 255	1 206	1 315	1 275
Net sales per employee (in thousands CHF)	203	226	194	272	291
Productivity (Added value/total personnel expenses)	1.77	1.98	1.66	2.21	2.14

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).

		2011	2010	2009	2008	2007
Information on the Interroll share						
Number of registered shares		854 000	854 000	854 000	854 000	854 000
Number of average outstanding shares		791 452	775 724	771 475	762 323	780 715
Number of outstanding shares per (31.12.)		793 901	779 600	771 775	768 958	762 112
Market price: highest	CHF	450	371	320	581	632
Market price: lowest	CHF	271	267	173	215	420
Market price: per year end	CHF	279	368	307	256	581
Market capitalization per 31.12.	Mio. CHF	221.50	286.89	236.55	196.85	442.79
P/E Ratio	Ratio	12.25	19.79	41.37	5.82	13.15

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



	2011	2010	2009	2008	2007
Values per share (in CHF)					
Par value as per year end	10.00	10.00	15.00	20.00	30.50
Reduction of par value			5.00	5.00	10.50
Distribution out of reserves from capital contributions*	7.00	5.00			
Pay out ratio	30.45	26.89	67.48	11.36	23.77
Earnings per average share outstanding	22.99	18.59	7.41	44.00	44.17
Cash flow per average share outstanding (CHF 1)	18.34	24.09	26.43	54.94	87.77
Equity per share outstanding as per year end	180.48	163.49	172.36	170.01	163.89

* 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 11th, 2012.

CONTENTS


INTERROLL

HIGHLIGHTS 2011

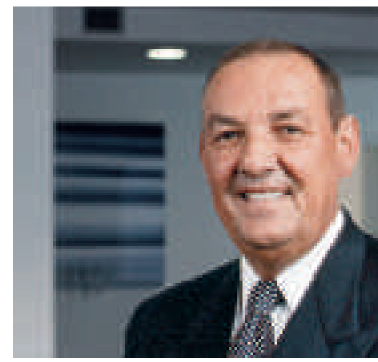
January	To strengthen its presence within the Australian market, Interroll acquires the business operations of its long-term local licensee partner.
February	Interroll's new easy-to-install cartridge solution for check-out counter motors is showcased to a large international trade audience at the EuroShop supermarket fair in Düsseldorf.
March	Interroll reports on an encouraging performance in the 2010 financial year, with significant increases in sales and higher profitability.
April	As part of a large-scale order for Procter & Gamble, Interroll is commissioned to supply dynamic storage technology for 19,500 pallet spaces.
May	At the CeMAT international trade fair for internal logistics, the Interroll RollerDrive EC310 wins the "MM Logistik" award from Vogel Business Media.
June	Interroll expands its market presence in Turkey by opening its own sales office in Istanbul.
July	As part of the SAP project, 13 Interroll companies in Europe go live on the new ERP system.
August	Mid-year report 2011: Interroll substantially increases profitability and margins in the first half of 2011.
September	In Suzhou, west of Shanghai (China), Interroll celebrates the opening of its new regional Centre of Excellence for the Asia/Pacific region.
October	Interroll China receives the "MM Maschinenmarkt" magazine award in recognition of its leading role in the materials handling industry in China.
November	At Europe's leading trade show for electrical automation, the SPS IPC Drives in Nuremberg, Interroll launches its new frequency inverter for drum motors for enhanced performance of conveyor belt systems.
December	As the year draws to a close: Interroll's Synchronous Drum Motor wins the 2012 International FoodTec Award in gold from the German Agricultural Society (Deutsche Landwirtschafts-Gesellschaft e. V.).


INTERROLL

REPORT BY THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

Dear Shareholders and Business Associates,

Interroll performed well during the 2011 financial year and was able to enhance its market position worldwide. In terms of local currency, sales revenue rose by 7.5 % compared with 2010. The adverse impact of foreign currency translation, particularly with regard to the US dollar and the euro, resulted in sales revenue of CHF 271.9 million (2010: CHF 283.1 million) expressed in the currency of consolidation. Net profit was up significantly by 26.1 % year on year from CHF 14.4 million to CHF 18.2 million.



Kurt Rudolf
Chairman of the Board of Directors

Benefiting from major investment over the past five years, Interroll gained additional market share worldwide in the period under review. All product groups contributed to this favourable development. Individual products recorded significant gains in market share, including the next-generation 24 V motorised rollers.

In brief
Interroll performed well during the 2011 financial year and was able to enhance its market position worldwide. In terms of local currency, sales revenue rose by 7.5 % compared with 2010. Net profit was up 26.1 % year on year from CHF 14.4 million to CHF 18.2 million.

New corporate structure established successfully

The new corporate structure introduced at the start of 2011 proved to be highly successful early on in the year under review. As a result of restructuring, we were able to increase market penetration and provide our customers with an extended range of efficient key products in the field of internal logistics. The new structure makes Interroll more accessible and systematically aligns all sales activities towards the requirements of different customer groups: system integrators, equipment manufacturers and users.

Paul Zumbühl
Chief Executive Officer

Interroll also intends to leverage the new structure in order to unlock potential for future growth and take advantage of the structural changes witnessed within the market.

The new structure makes the internal organisation more transparent, standardises processes of innovation and pools production technologies. This ensures that the product range is available globally at a consistently high quality. Interroll Centres of Excellence in Europe, the United States and Asia, together with installation and service operations in various countries worldwide, enhance the benefits to customers by cutting delivery times, as well as through applications engineering and servicing.

Growing brand awareness

Our customers' client base is recognising the benefits of Interroll products to an increasing extent. These clients include multinational corporations like Red Bull, Procter & Gamble, Amazon, Coca-Cola, UPS and Frito Lay. Positive experience of working with Interroll on a project in 2009 prompted Red Bull in Thailand to order dynamic storage solutions from Interroll again in 2011 for a new distribution centre. In Germany, Interroll won a major contract for dynamic storage technology in the year under review for use in a distribution hub for Procter & Gamble. The Chinese postal service opted for the Interroll crossbelt sorter due to its high level of energy efficiency and minimal maintenance requirements.

In addition to distribution centres and providers of postal, courier and express delivery services, Interroll products are primarily deployed in growth markets such as the food industry, airport logistics and various industrial sectors. Customers benefit from easy-to-integrate, plug-and-play products for all primary interfaces within the area of internal logistics. These energy-efficient solutions are provided under the single Interroll umbrella brand.

As various awards in the year under review demonstrate, Interroll is increasingly regarded as an innovation partner when it comes to materials handling solutions. Interroll was presented with the iF Product Design Award 2011 for its new control modules that are designed to enhance the energy efficiency of container conveyor systems. In May 2011, the new RollerDrive motorised rollers were awarded an MM Logistik Award by Vogel Business Media at CeMAT in Hanover (Germany), the world's no. 1 trade show for internal logistics. In late 2011, the German Agricultural Society (DLG) announced that the Interroll Synchronous Drum Motor was a winner of the International FoodTec Award 2012 in Gold.

In conjunction with Leibniz Universität Hannover (Germany) and Southeast University Nanjing (China), Interroll – as competence partner – launched a scientific study in the year under review into the sustainable building and operation of distribution centres. The aim of the study is to create a simulation tool that calculates benchmark data for distribution centres. The program is designed to identify possible long-term improvements for new-build and upgrade projects and support investment decisions in a professional, practical way. By simulating projects, Interroll aims to offer its customers and operators of distribution centres worldwide real added value. The program is scheduled for completion in the current financial year. The project also serves to raise market awareness of Interroll dynamic storage technology and its benefits with regard to handling fast-moving merchandise, and to promote sales.

Strategic projects implemented

Alongside innovation, Interroll pressed ahead with its planned strategic projects and activities in the year under review, which as well as the organisational realignment included further expansion of the global network and the introduction of SAP. The latter proved to be a demanding project, with Interroll now having attained the first intermediate target when the system successfully went live at 13 companies in 10 European countries. Preparations for the next stage of the SAP roll-out were speedily initiated. This major project is highly resource-intensive and requires a high level of commitment from employees worldwide. The follow-on project is meticulously utilising findings from the first phase of implementation to enable the tool – which is very important to the company's future – to be rolled out effectively across the entire Group.

In the period under review, Interroll continued to apply Kaizen methodology at its centres of excellence for products. The principle of continual improvement has been introduced at the regional Centre of Excellence for Asia and at the Centre of Excellence for Subsystems and Conveyor Modules in Sinsheim (Germany), where Crossbelt Sorters, Belt Curves, Roller and Belt Conveyor Modules are produced. The Kaizen concept forms part of ongoing efforts to boost productivity and lower costs.

A stronger geographic network

In September 2011, Interroll officially opened the new regional Centre of Excellence for Asia/Pacific in China. The new facility in Suzhou (west of Shanghai) has four times more production space than before to enhance Interroll's customer service offering in China, other Asian markets and Australia. With its own production and assembly facility covering the entire product range, as well as the expertise to provide applications engineering, the company is able to extend its customer services, streamline delivery periods and guarantee on-time delivery even with regard to large-scale projects. Employing more than 150 people, the company has a production area of 10,000 square metres across two factory buildings. Over 160 customers, partners, representatives of the authorities and associations, guests of honour and journalists from China, Japan, Korea and Thailand attended the opening ceremony.

In order to improve market penetration in Australia, Interroll took over the business activities of a long-standing local partner at the beginning of 2011, consolidating two existing sites into one. In Turkey, Interroll established its own local sales office in the year under review. A branch of Interroll was also opened in Jakarta (Indonesia).

Distribution of reserves from capital contributions

In view of the financial stability of the company and the encouraging results achieved during the financial year now ended, the Board of Directors will propose to the Annual General Meeting of Shareholders on 11 May 2012 a distribution of CHF 7.00 per registered Interroll share (2011: CHF 5.00 per registered Interroll share) out of reserves from capital contributions. This distribution of reserves from capital contributions (in place of a dividend) is usually tax-exempt for shareholders.

Thanks to our employees

The Board of Directors and Group Management would like to thank all members of staff for their above-average commitment in the year under review. It is a testament to the efforts of each one of them that the new structure was rolled out successfully. In addition to performing their day-to-day duties, the European operations also had to take on the strategic SAP project. Every staff member contributed to the encouraging results.

Outlook

Despite a good start to the new year, with economic conditions remaining volatile Interroll is adopting a watchful approach to the immediate future. We do not expect the situation to fundamentally improve during the current financial year: foreign exchange fluctuations are likely to continue along with rising commodity prices in some areas and the prospect of political upheaval. Our newly reorganised corporate structure accords with our long-term growth strategy, helping further strengthen our market position and increase market share, as well as allowing us to leverage market opportunities more effectively. We will continue to expand our global network in a targeted manner and to forge ahead with our activities in the United States and Asia. Tight cost management, ongoing increases in productivity and a solid financial base are other priorities. We will proceed with strategic projects as planned. Other investment in innovative products offering real added value for customers is also envisaged and is aimed at securing the future of the business.

Kurt Rudolf
Chairman of the Board of Directors

Paul Zumbühl
Chief Executive Officer

REVIEW OF THE FINANCIAL YEAR

Sales and order intake

Interroll can look back on an encouraging financial year, having captured additional market share around the globe and having strengthened its position in the business arena. Expressed in local currency, net sales rose by 7.5 % compared to the previous year. As a result of unfavourable foreign exchange effects, attributable primarily to the US dollar and euro, net sales in the currency of consolidation totalled CHF 271.9 million (2010: CHF 283.1 million). The negative effects associated with foreign exchange movements vis-à-vis the Swiss franc can be lessened slightly by the fact that the company manufactures and markets its products in various currency areas.

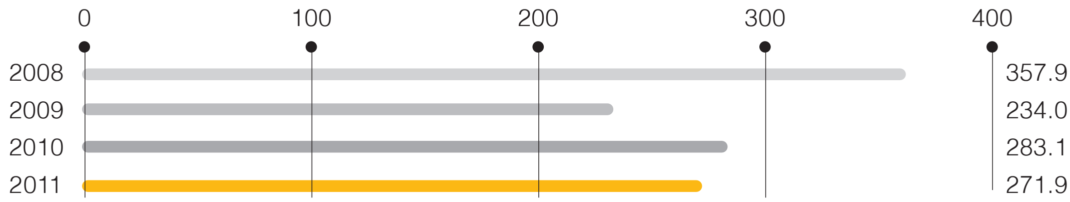
Order intake rose from CHF 285.2 million in 2010 to CHF 288.7 million at the end of 2011. Expressed in local currency, this corresponds to growth of 13 %.

Having spiralled during the first half of 2011, commodity prices stabilised over the course of the second six months. To some extent, Interroll managed to offset this trend by adjusting its own market prices. Above all, however, additional productivity improvements proved decisive within this area. At Interroll's Centres of Excellence, Kaizen methods are a major contributor to ongoing productivity gains. Kaizen is aimed at significantly improving a company's efficiency levels. The emphasis is on continuous optimisation in small steps and with small-scale capital investments in order to reach the specified goals.

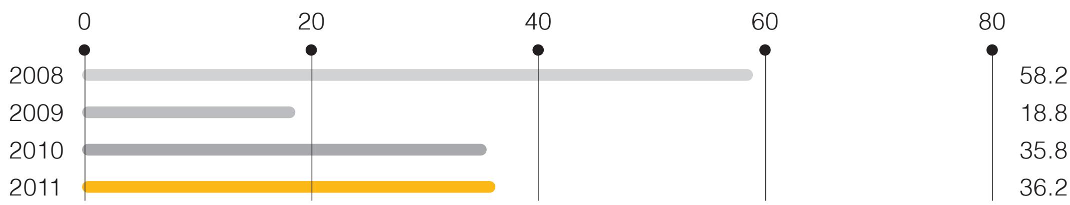
Result

Earnings before interest, taxes, depreciation and amortisation (EBITDA) edged up by 1.3 % year on year, reaching CHF 36.2 million at the end of 2011 (2010: CHF 35.8 million); the EBITDA margin rose from 12.6 % to 13.3 %. Earnings before interest and taxes (EBIT) remained at CHF 20.4 million, while the EBIT margin rose from 7.2 % to 7.5 %. For the first time, the EBIT figure included amortisation relating to SAP, amounting to CHF 1.2 million for the second half of 2011. Profit for the year increased by a considerable 26.1 %, up from CHF 14.4 million to CHF 18.2 million.

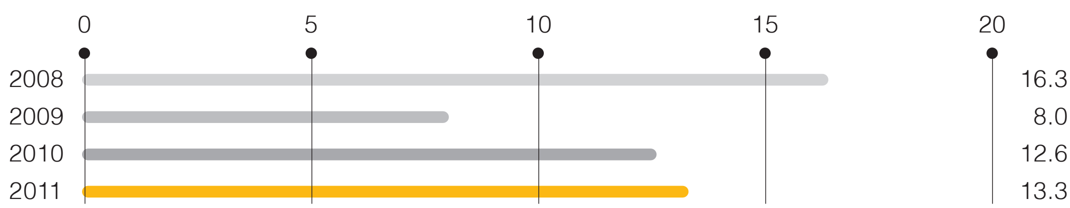
Net sales Interroll Group in CHF million



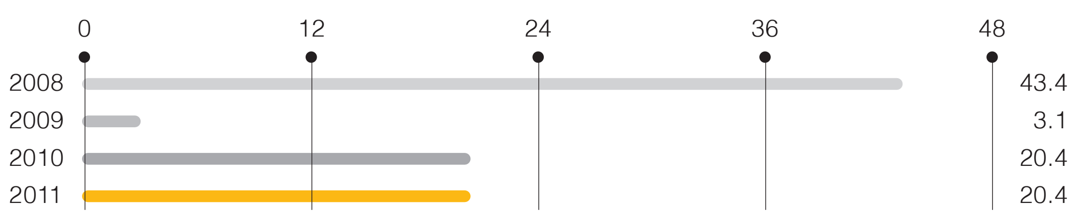
EBITDA in CHF million



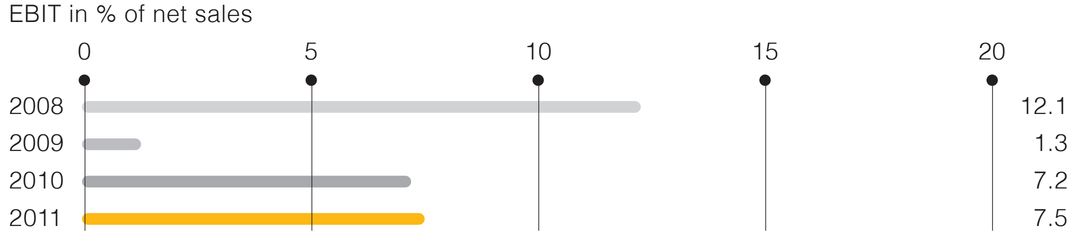
EBITDA in % of net sales



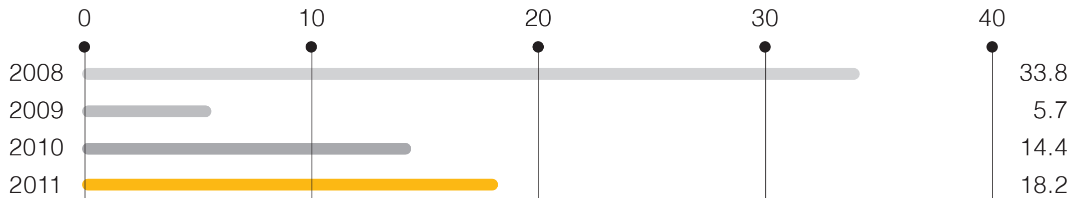
EBIT in CHF million



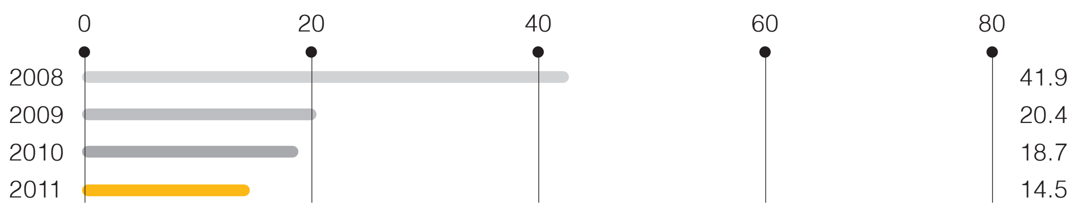
EBIT in % of net sales



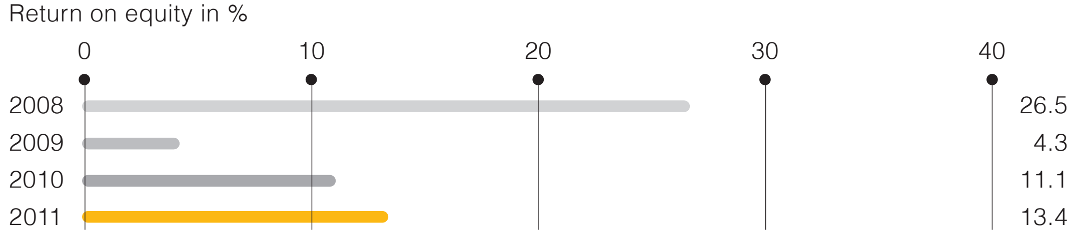
Result in CHF million



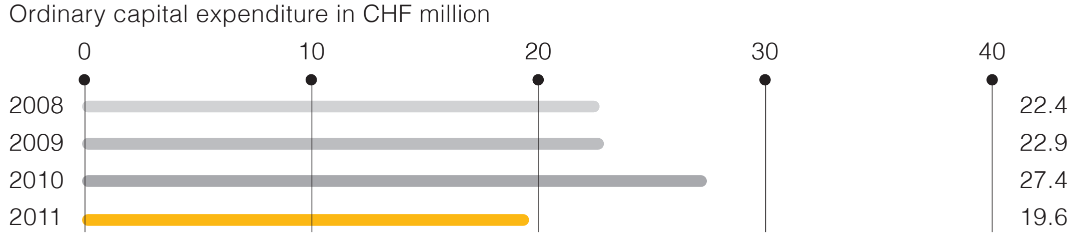
Operating cash flow in CHF million



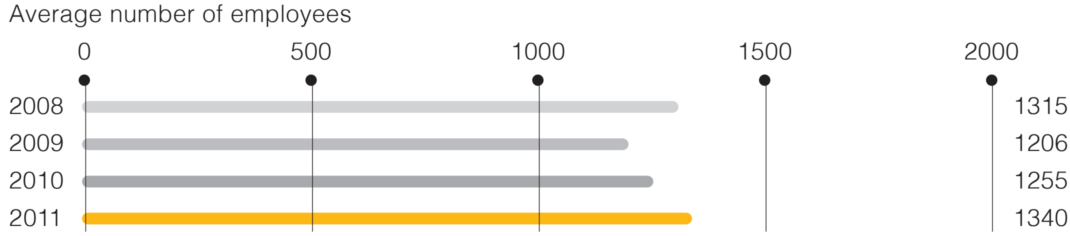
Return on equity in %



Ordinary capital expenditure in CHF million



Average number of employees



Financial position

The financial position of the Interroll Group remains solid, as illustrated by the balance sheet figures for the year under review. At the end of 2011, equity amounted to CHF 143.3 million (end of 2010: CHF 127.5 million); the equity ratio stood at 59.9 % (end of 2010: 60.3 %). Investments in non-current assets totalled CHF 19.6 million in the reporting year. They included, primarily, the continued roll-out of an SAP project that is of particular strategic importance to the company, as well as final extension work on the Centre of Excellence for Conveyor Rollers in Wermelskirchen (D) and the replacement of production systems.

Current assets increased on the back of revenue growth and as a result of the significant level of order backlog and was one of the reasons for the rise in net debt (from CHF 12.9 to CHF 17.6 million). Cash flow from operating activities totalled CHF 14.5 million (2010: CHF 18.7 million).

Overview according to product groups

As part of the newly introduced Group structure, which came into effect at the beginning of 2011, Interroll discontinued the use of business units and made appropriate adjustments to Group management. This decision had been announced by the company as early as 22 October 2010 (cf. Interroll Annual Report 2010, Corporate Governance section). Instead of business units, the Group now focuses on its revenue-generating product groups. Investment funds and HR resources are allocated to these strategic product groups solely on the basis of their market potential.

Product group “Drives”

The Drives product group (motors and drives for conveyor systems) generated sales of CHF 95.1 million in the year under review (2010: CHF 97.9 million). Expressed in local currency, sales rose by 8.4 %. Order intake stood at CHF 98.0 million, compared to CHF 100.7 million in the previous year. The company’s RollerDrive EC310 and Synchronous Drum Motor, both of which are new products featuring recently developed intelligent control units, continued to capture market share over the course of the reporting period. As sales volumes have shown, Interroll’s RollerDrive EC310 meets the full range of market requirements. Designed for energy-efficient conveyor systems, the RollerDrive was even honoured with the MM-Logistik Award at the world’s leading

Product group “Drives” (left) and product group “Rollers”.

logistics trade fair CeMAT in Germany. What is more, the new control units used in conjunction with this product received the coveted iF Product Design Award 2011. The professional solution for 24 V drive technology represents an end-to-end concept and has the potential to emerge as a benchmark within the industry. At the same time, the new Synchronous Drum Motor is gradually establishing itself within the market, particularly in the area of food production, in automated industrial applications and in the field of logistics. The new generation of Drum Motor has been engineered to handle a wide range of conveyor movements and is thus tailored to the requirements of fully managed throughput performance.

In the United States, Interroll continued to press ahead with its efforts to penetrate the food production market and secured new accounts for Drum Motors.

The solution developed specifically for checkout systems – including Drum Motors that are pre-assembled in ready-to-install cartridges – was one of the highlights of the global Euroshop trade fair. The cartridge-based solution generated encouraging sales in Europe and partially offset the contraction in the company's US business within the area of conventional Drum Motors for checkout systems. The Centre of Excellence for Checkout Counter Motors, based in Denmark, developed very well in the period under review and shows encouraging business potential for the future.

Product group "Rollers"

Sales generated by the Rollers product group grew from CHF 79.2 million in 2010 to CHF 83.2 in 2011. Expressed in local currency, sales significantly rose by 16 %. In parallel, order intake expanded year on year, from CHF 81.8 million to CHF 86.7 million. In Europe, Interroll saw Roller sales rise by 7 %, while the Asian market generated growth of 12.7 %. In the United States, meanwhile, the Group managed to secure a new contract as an outsourcing partner for the production of conveyor rollers. Interroll produces approx. 10 million conveyor rollers each year and is acknowledged as the world's leading manufacturer of specialist rollers. This is a tribute to Group investments of more than CHF 10 million at the Centre of Excellence in Wermelskirchen (D) over the last three years as well as the considerable market success of Interroll-engineered rollers. The rollers are manufactured on a just-in-time basis and can be delivered worldwide within 24 hours – even in the case of small batch sizes of just two to three conveyor rollers. Delivering higher speeds and enhanced running smoothness, the new conveyor roller generation has established itself well within the marketplace.

Product group "Conveyors & Sorters"

Sales within the Conveyors & Sorters product group stood at CHF 42.8 million at the end of the year under review (2010: CHF 52.1 million). At CHF 51.2 million, order intake was slightly up on the previous year's figure (2010: CHF 51.0 million); expressed in local currency, it grew by 12.4 %. Online trading has been identified as one of the key growth drivers for Sorters, as this area of business is dependent on efficient distribution centres for dispatch and returns handling. The newly established regional Centre of Excellence in China celebrated a major milestone in 2011. The very first Sorter assembled at the site is destined for the Chinese postal service. The subsidiaries in Korea and Brazil secured initial contracts for Sorters. Meanwhile, Singapore Post took delivery of an Interroll Sorter.


Product group «Pallet & Carton Flow» for flow storage and commissioning (left) and product group “Conveyors & Sorters” with crossbelt sorters, belt curves (picture on the right) and other conveying units.

Within the area of airport security, Interroll companies based in the US secured large-scale contracts for Intelliveyor conveyor modules designed to increase passenger throughput within the security zones. Interroll also acquired another conveyor system project within the security segment for newly established Berlin-Brandenburg Airport.

Product group “Pallet & Carton Flow”

The Pallet & Carton Flow product group generated sales of CHF 50.8 million in the financial year under review (2010: CHF 53.9 million). Expressed in local currency, sales rose by 4.3 %. Order intake totalled CHF 52.8 million, which corresponds to an increase of 13.2 % expressed in local currency.

In Europe, business relating to Carton Flow products was close to the level recorded in 2008. Within this area, the company’s new roller tracks for improved throughput of totes in picking racks captured a significant share of the market. Manufactured in Canada, Pallet Flow and Carton Flow products supplied to the US came under increased pressure as a result of the unfavourable exchange rate. In response, Interroll is currently assessing the possibility of relocating central production from Canada to the United States and retaining a production site in Canada to serve the local market.

The dynamic storage contracts secured by Interroll in connection with projects at Red Bull and Procter & Gamble are to be seen as a solid foundation for future business development. With references such as these, the company looks set to benefit from growing demand for Interroll-engineered material handling solutions among customers served by system integrators and plant manufacturers.

Interroll again attended the world’s leading trade fair for internal logistics, CeMAT, where it showcased a range of new products tailored to the needs of high-performance distribution logistics of the next generation. These include new dynamic storage modules, safety separators and speed controllers for large-scale volumes in pallet flow storage systems. Working in close cooperation with universities in Germany and China, Interroll launched an academic research project relating to distribution centres. As part of this project, those involved will develop a special evaluation program that is capable of calculating various scenarios for the optimisation of new facilities and refurbished centres, as well as providing relevant data in support of investment decisions and outlining the benefits of Interroll flow storage solutions.

Product management and innovation

As part of the company's new organisational structure, the area of global product management, which is of particular strategic importance, was brought together as a team and assigned to Dietmar Hager as Head of Global Product Management. Having covered various product segments within the company and having held a number of managerial posts, Dietmar Hager possesses demonstrable experience relating to Interroll. The Head of Global Product Management reports directly to the Head of Global Products & Technology at Group Management level.

Based in Wassenberg, to the west of Düsseldorf, the Interroll Research Centre (IRC) launched a research study into the development of 24 V RollerDrives of the next generation. The IRC also completed its new concept for a new roller curve for light-duty applications, which is to be implemented at production level by the Centre of Excellence for Convey Rollers over the course of the year. The IRC is focused entirely on innovation and is responsible for developing new products, methods and technology in close cooperation with the Interroll Centres of Excellence, the Global Product Management team and Sales.

Its R&D efforts are governed by issues such as energy efficiency, hygiene standards, the use of new materials, system intelligence and noise levels, the aim being to develop solutions that deliver tangible benefits in key areas within the field of internal logistics. The IRC underwent restructuring in the period under review, with the express purpose of streamlining its research activities.

Innovation from the Interroll Research Centre located in Wassenberg (Germany). Hygiene: High-pressure washdown in the food processing industry.

REVIEW OF REGIONAL PERFORMANCE

Europe, Middle East, Africa

Interroll's overall performance in Europe was very successful in the period under review. Expressed in the currency of consolidation, the Interroll in Europe generated sales of CHF 181.4 million (2010: CHF 188.7 million), which represents 66.7 % of Group sales. Expressed in local currency, sales rose by 6.6 %. Order intake stood at CHF 198.8 million, compared to CHF 186.3 million in the previous year.

Projects such as the major contract for a dynamic storage solution to be implemented by Procter & Gamble in Southern Germany allowed Interroll to capture additional market share in Europe. In Eastern Europe, Interroll entered into negotiations concerning further large-scale dynamic storage contracts.

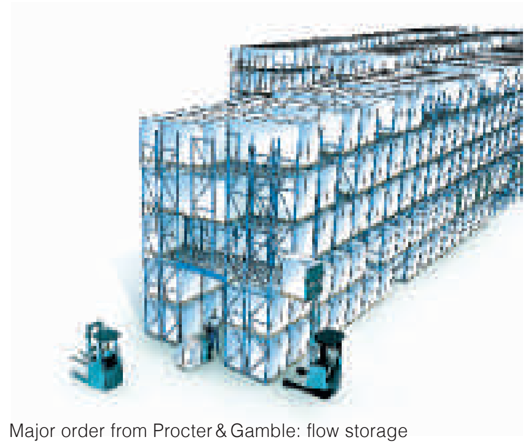
Inaugurated towards the end of 2010, the new Centre of Excellence for Conveyors & Sorters in Sinsheim (D) was already operating at a high level of capacity utilisation in the year under review. The company's internal organisational structures are being streamlined in accordance with Interroll standards in order to further reduce throughput and delivery times. Drawing on its specialist expertise regarding Sorters, Conveyor Modules and Subsystems, the Sinsheim site directs and supports the regional Centres of Excellence in the US and China. The Centre of Excellence for Technopolymer Products (Sant'Antonino/Switzerland) also pressed ahead with a number of significant measures aimed at aligning production processes according to Kaizen principles. The same applies to Baal in Germany, where the Centre of Excellence for Industrial Drum Motors is based.

In opening its own sales office in Istanbul in 2011, Interroll has significantly strengthened its market presence in Turkey from a strategic perspective. As well as offering customers in Turkey a more extensive product and service portfolio, the company has also established an important springboard for business in the Near and Middle East. In taking this step, Interroll has responded to the ever growing demand for professional services and just-in-time product solutions throughout the region, e.g. Drum Motors and Rollers for belt conveyor systems and conveyor modules. Additionally, the portfolio includes modules for highly efficient dynamic storage and carton flow systems, which have generated significant interest in view of their technological advantages and rapid return on investment.

In France, Interroll secured its first Sorter contract and captured additional market share with regard to its new Synchronous Drum Motor technology.

Interroll China's new facility, inaugurated in September 2011 (picture on the right), boasts a production area almost quadrupled to 10,000 sq.m.

Interroll opened its own sales office in Istanbul, Turkey, in 2011.



Major order from Procter & Gamble: flow storage modules for around 20,000 pallet positions.

Americas

Expressed in the currency of consolidation, sales revenue attributable to this region totalled CHF 59.0 million (2010: CHF 64.5 million), which represents 21.9 % of Group sales. Expressed in local currency, this corresponds to growth of 5.9 %. The US market developed well over the course of the year. Having secured new contracts for Drum Motors, Interroll captured additional market share in the US food industry. Interroll also negotiated two follow-up orders with online retailer Amazon. This was complemented by a Sorter contract from a leading courier operator. In the United States, business within the area of Drum Motors for checkout systems fell short of expectations. Having said that, this was offset to a certain extent by more buoyant sales from the new plug-and-play cartridge solution. The fledgling Interroll company in South America moved forward at an encouraging pace, securing its first Sorter contract in the period under review. The Sorter is to be used by the distribution centre of a textile company. Interroll Brazil is planning to relocate to larger business premises closer to the centre of São Paulo over the course of the year in order to seize additional market opportunities.

Asia/Pacific

Sales generated in Asia totalled CHF 31.5 million which corresponds to 11.4 % of Group sales. Interroll China supplied a large consignment of Belt Curves and produced its first Sorter for the Chinese postal service. With its new facility in Suzhou (to the west of Shanghai), Interroll China has now evolved into a regional Centre of Excellence for Asia/Pacific. Benefiting from the significant expansion of its infrastructure, Interroll is able to manufacture and assemble the Group's entire product range in China. The portfolio is complemented by application engineering services. The broader scope of customer service translates into greater efficiency with regard to delivery schedules and reduces the lead time required for larger projects. The grand opening of the new facility in September 2011 was well attended. More than 160 invited guests visited the new plant at Suzhou Industrial Park. Elselike other Interroll Centres of Excellence, production processes at Interroll China are also subject to continuous improvement according to Kaizen principles. Interroll also managed in Thailand to expand its market share. On the back of a successful flow storage project in 2009, featuring Interroll technology, Red Bull placed a follow-up order for a pallet flow solution at its new distribution centre. Interroll appointed successors being responsible for the markets in South Korea and Japan. Having gone into scheduled retirement, the General Managers were replaced by the next generation of professionals with a proven track record in engineering. Interroll South Korea secured its first Sorter contract in the period under review. Interroll established its own sales office in Jakarta in order to tap into the burgeoning Indonesian market.

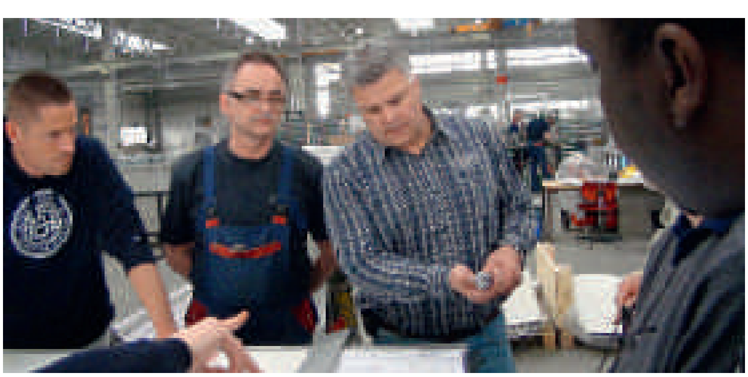
EMPLOYEES

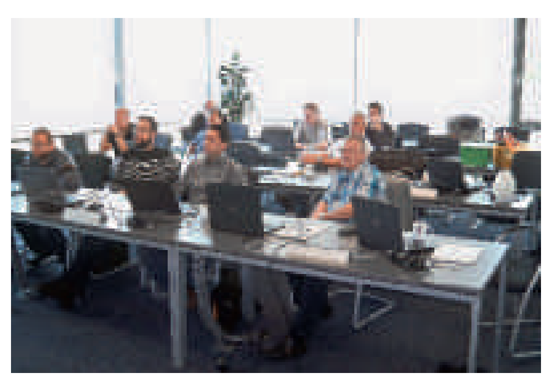
At a corporate level, the year under review was dominated by the introduction of the Group's new organisational structure. It is a testament to the exceptional, hands-on commitment of our employees around the globe that we were so successful in achieving this strategic objective. The measures to be implemented proved particularly challenging to our sales teams, who had to familiarise themselves with the company's new marketing approach within the shortest of time frames. The company's product portfolio is marketed to specific customer groups in accordance with their principal requirements: system integrators, plant manufacturers and operators of internal logistics systems. In order to ensure the swift and effective execution of this "paradigm shift", a number of workshops were also organised at the Interroll Group headquarters in Sant'Antonino.

In Europe, the SAP project called for a committed contribution by all those involved. The first milestone was achieved at the beginning of July 2011: in line with the schedule set out for the project, some 500 members of staff from 13 Interroll companies in ten European countries were able to use SAP for the first time. An international team of SAP experts based at Interroll's headquarters in Sant'Antonino, Switzerland, provide dedicated support for all matters relating to the new ERP system.

Education and training

In addition to providing training courses in Europe, the Interroll Academy significantly extended its portfolio in Asia in the year under review. Among the new additions to the programme were seminars focusing on the recently launched Synchronous Drum Motor. Staff in Europe thus have extensive access to training courses relating to products within the "Drives" and "Rollers" product groups and the associated intelligent control units. In Asia, meanwhile, the company's training programme on Drum Motors was complemented by courses (in Chinese and English) focusing on conveyor rollers. In total, the Interroll Academy conducted 19 training courses, which corresponds to 82 days of training in total. At the end of 2011, the Academy was serving more than 700 registered users via its distance-learning platform. The online courses cover a range of subjects, from technical issues to the use of Microsoft Office applications, language skills and a "video of the week". At the beginning of the year under review a monthly e-newsletter was added to the list of services provided for employees within the Group.





The Interroll Academy rounds off its trainings with online courses.

GROWTH DRIVERS

Interroll's markets offer attractive prospects for growth. In the medium and long term, a whole series of global megatrends should generate greater potential demand for Interroll solutions.

Population growth

The global population continues to expand and is set to reach eight billion by the year 2025. All these people need to be supplied with food and other goods, and this in turn creates the need for a functioning infrastructure in their countries. Above all, population growth in major conurbations places great demands on the distribution of goods and not just in the food industry. The demand for innovative baggage/freight conveyor solutions and safety technology rises every time a new airport is built, and in India alone there are plans to build or expand five hundred airports by the year 2020.

Globalization

With regard to global trade, there will be a further move towards differentiation in the division of labour. This trend will not only boost trade but also intensify competition. In order to safeguard and expand their market position, companies will have to make ongoing improvements to their production, processing and logistics systems. Crucially, achieving this will require intelligent intralogistics. According to expert assessments, emerging countries are set to play a bigger role as sales markets for the established industrialised states and not simply remain a source of goods and materials. Functioning logistical structures will play a vital role as the backbone of future ERP systems.

Sustainability

Sustainability, resource scarcity and climate change are some of the biggest issues we face today. More and more companies are taking steps to protect the environment by using resources more efficiently and reducing their energy profile. They are also demanding similar action from their suppliers. In our globalised world, the challenge is to organise the movement of goods and people on an ever-bigger scale in a way that is compatible with our resources. CO_2 emissions can be reduced significantly using energy-saving technology. As a leader in the field of innovation and technology, the Interroll Group is well placed to take advantage of this market context.

Internet shopping

The expansion of broadband networks in the industrialised world and in the major cities of the developing world allows more and more people to order the products they need online. This boom in online trading not only generates more revenue; it also provides a challenge to manufacturers, retailers and the logistics industry in terms of procurement, storage, sorting, shipping and returns management. Efficient warehouse logistics are crucial if companies are to deal with increasing product diversity and faster throughput.

> Read more about these trends in the following chapters.

POPULATION GROWTH

The earth's population is currently growing by 80 million people every year, and, in October 2011, the UN officially welcomed the birth of the world's seven billionth baby. Within the next ten years, India (current population 1.2 billion) is set to overtake China (current population 1.3 billion) as the most populous country in the world. The UN estimates that, by 2025, the earth's population will have increased to 8 billion, with the 9 billion mark being hit by 2050.

This growth is mainly being driven by the high birth rates in Asia and Africa, where the major cities are experiencing massive population explosions. Soaring population numbers are also fuelling demand for everyday commodities. One of these is food, which needs to be distributed with greater speed and efficiency. In the industrialised nations, there is a growing trend towards convenience products and portion packaging for food, whereas the emerging countries are more focused on improving standards of hygiene. This opens up a large market for modern conveyor systems that will help to meet these needs.

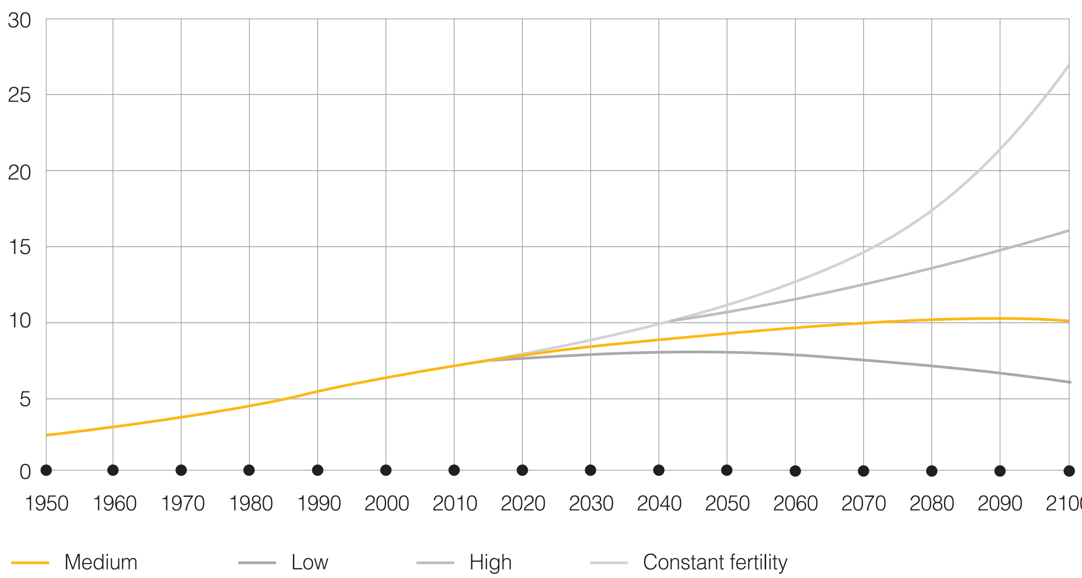
Growing consumerism in emerging countries

While the industrialized nations are battling with their debt crises, the emerging countries, with their huge populations, are booming. Millions of people are working their way up the social ladder and beginning to reap the rewards associated with a higher disposable income. In Brazil, around half of the population can now be described as middle or upper-class, and their consumer needs and desires are growing accordingly. A well-developed logistics infrastructure is essential for the efficient distribution of these goods.

International air travel keeps on growing: Beijing International Airport underwent huge expansion in 2008, but with 74 million passengers passing through its doors in 2010, it is already close to reaching its capacity of 76 million. By 2015, the Chinese government is planning to build 45 new airports, extend a further 88 and relocate another 20. In its "Vision 2020", the Indian government is aiming to build or expand around 500 airports, at an estimated cost of 50 billion US dollars. This will increase international demand for freight and baggage handling systems. Freight security requirements are also increasing, which also serves to intensify demand for freight handling systems.

Transport and logistics companies and the processing industry are being put under pressure to find new solutions. They need to ensure that the increasing volumes of goods can be transported efficiently, smoothly and safely, that they are properly warehoused and processed and that they are delivered to their consignees on time and in good condition. The Interroll Group is helping companies approach these challenges in a professional way.

Population of the world in billions, 1950–2100, according to different projections and variants

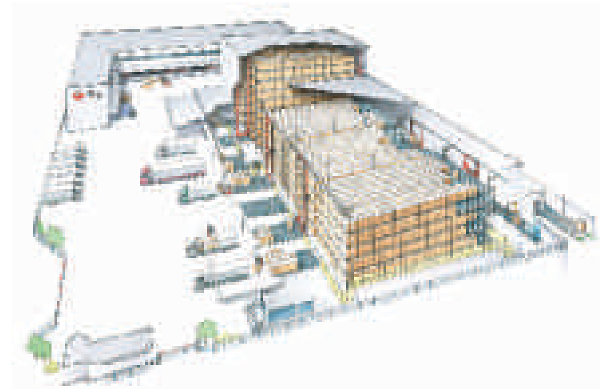


Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat (2011). World Population Prospects: The 2010 Revision. New York: United Nations

GLOBALISATION

International trade transcends the borders that divide the countries and regions of the world. It has led to a new division of labour in the global marketplace. Many products are no longer being manufactured in the industrialised countries of the West. For years now, retailers and consumer goods firms have been buying the bulk of their products from foreign manufacturers. Statistics show that the world's merchandise trade increased 29-fold between 1950 and 2007 (source: Federal Office for Political Education – Bundeszentrale für politische Bildung, Bonn). This trend is likely to continue in view of the way international trade is becoming increasingly interconnected.

This increase in trade has also brought with it an increase in competition. In their domestic markets, businesses are no longer simply faced with local competitors; they now have to cope with competitors from all over the world, many of whom often have the advantage of much lower production costs. In order to safeguard and strengthen their market position, companies find themselves obliged to streamline their handling and distribution processes. Intelligent solutions delivered by Interroll contribute to the optimisation of internal logistics processes and clearly offer added-value, including short returns on investment and a reduction in overall costs.



Interroll flow storage in Shanghai, China (left), and Seoul, South Korea.

Logistics infrastructure for fast-growing cities

Experts believe that, in future, the newly industrialised countries will not only supply goods to the Western industrialized nations but will themselves become sales markets. There is already a growing middle class in China. These people have money in their pockets, and they are keen to spend it on Western brands. The Chinese government is also trying to boost domestic consumption. According to a 2011 study carried out by PricewaterhouseCoopers International Limited (PwCIL) entitled "Logistics in China: An All-Inclusive Market?", logistics will be the catalyst for this expansion. Industry experts are working on the assumption that, by 2015, China will have overtaken the USA as the world's largest food market. In China, it has taken just ten years for new retail formats such as supermarkets, hypermarkets and convenience stores to establish themselves alongside more traditional types of stores, particularly in the major cities. Retailers are now starting to roll out these formats into the country's more remote provinces.

This kind of rapid expansion in the newly industrialised countries has one primary requirement: functioning logistics structures and processes that form the basis of inventory management systems. Interroll is systematically pursuing a globalisation strategy in order to tap into this potential for growth. Since 2000, it has set up ten local production and service facilities in its key markets around the world, including Japan, Korea, India, Brazil, China and Turkey.

SUSTAINABILITY

Protection of the environment, the scarcity of resources and climate change are some of the most pressing issues facing our society today. Sustainable development means preserving an intact ecological, social and economic system so that it is possible to meet the needs of the present without compromising the ability of future generations to meet their own needs. This has now become a global challenge.

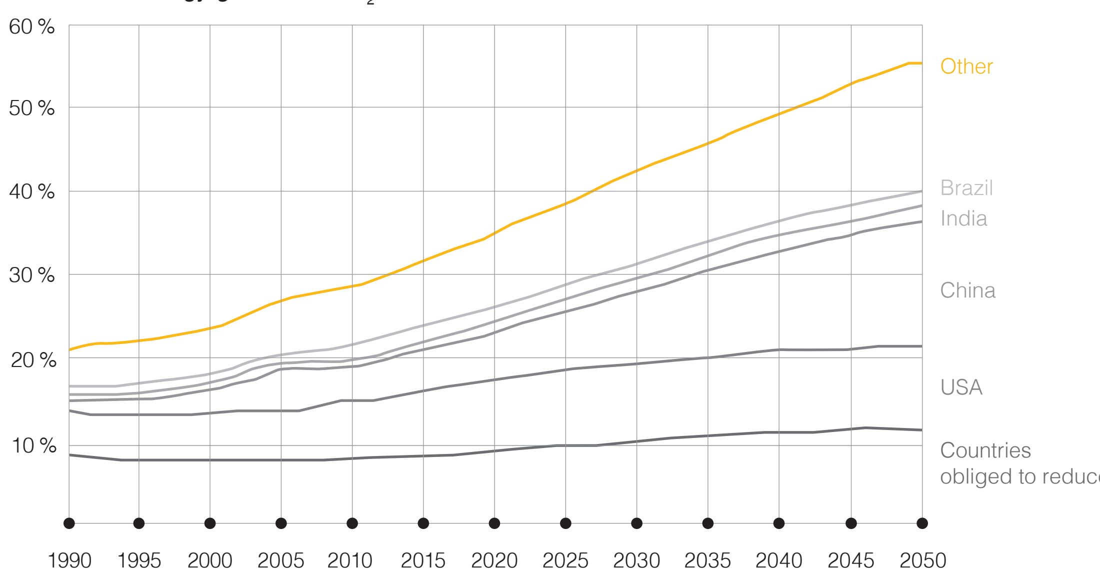
The need for action in the logistics sector

In the EU alone, around one-fifth of carbon dioxide (CO_2) emissions are currently produced by the logistics sector, and the trend is upward. Globalisation, the boom in e-commerce and rapid population growth in the emerging countries mean that there are more and more goods in circulation.

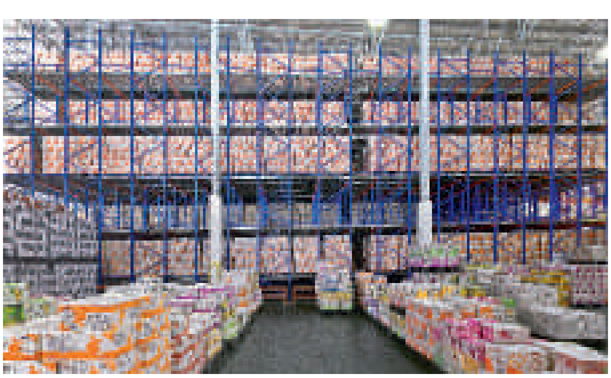
According to forecasts by the Research Institute for Innovative Technology for the Earth, over the next few decades, emerging nations such as China, India and Brazil will produce more greenhouse gases than the industrialised nations as a result of their booming economies (see chart).

Sustainability is a major social trend. In future, we can expect to see a plethora of rules and regulations being imposed on businesses and consumers alike. But many companies are already taking steps to protect the environment, use resources more efficiently, save energy and avoid waste, and they are increasingly expecting their suppliers and business partners to do the same. Introducing such measures to improve sustainability and save resources not only helps them reduce costs, but also helps to increase their competitiveness and improve their lending profiles.

Forecast of energy-generated CO_2 emissions worldwide



Source: Research Institute of Innovative Technology for the Earth, RITE



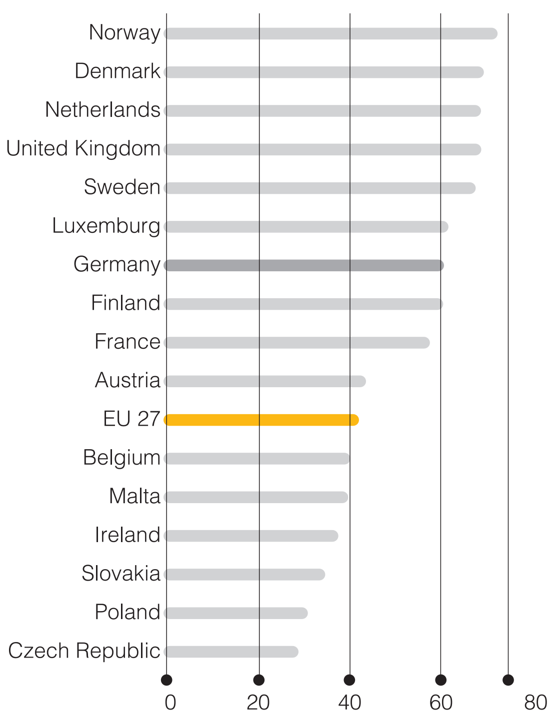
In an Interroll flow storage application pallets roll from the loading to the unloading side – safely and using gravity force. Interroll RollerDrives EC310 recover brake energy.

New materials-handling technologies help to save energy

Sustainability in logistics will play a key role in the future. In a globalised world, the challenge is how to move growing numbers of goods from A to B in an efficient and energy-saving way. In terms of transportation, CO_2 emissions can be lowered by increasing efficiency and reducing volumes. According to research carried out by the Fraunhofer Institute for Material Flow and Logistics (IML) in Dortmund, energy savings of up to one-third can be made by improving drivetrain technologies. With its overall focus on the efficient use of resources, the Interroll Group is perfectly placed to profit from this trend towards sustainability.

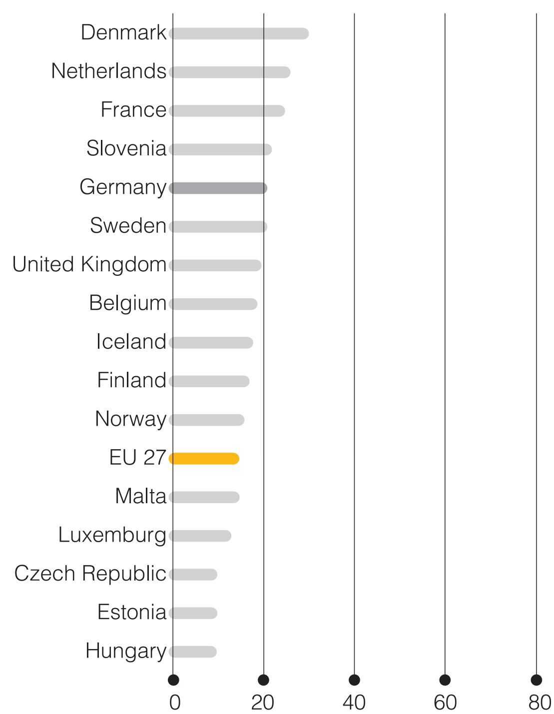
> Chart refers to the following chapter “Internet shopping”

Percentage of people shopping online (in %), 2010[1]



[1] Percentage of people who ordered or purchased goods and services for private purposes through the internet. Survey conducted among people between 16 and 74 years of age.

Percentage of people selling online (in %), 2010[2]



[2] Percentage of people who sold products and services through the internet (ex. through auctions)

BITKOM; Basis: Eurostat

INTERNET SHOPPING

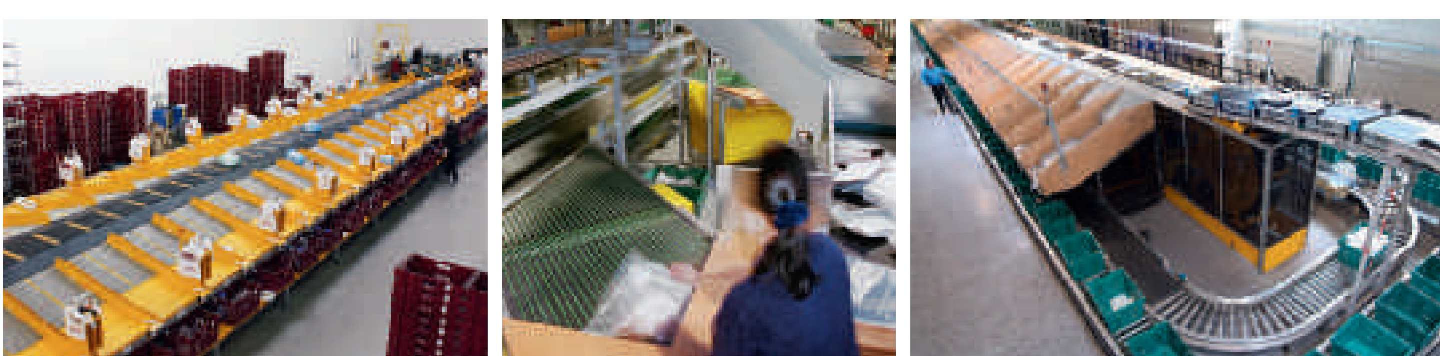
Fast data transfer is the digital lifeline of international business. Companies are connected to their subsidiaries, partners and customers and can increasingly run their businesses digitally – around the globe. The internet is growing in importance as a sales channel. There is a huge selection of goods on offer; the products can be presented in multimedia fashion using a range of formats, colours and forms, including photos, videos and additional information. The online shop is open 24/7 and the goods are generally dispatched within one or two days. According to surveys conducted by the technology association BITKOM, the Norwegians are the most active online shoppers, at 71 %, followed by the Danes, with 68 % of the population shopping online (see chart).

Online shops need professional logistics solutions

More and more people are now able to shop online for goods and services, thanks to the spread of the broadband network in industrialised nations and the major cities of the developing world. According to the China Internet Network Information Center (CNNIC), over the last year the number of internet users in China hit 513 million, an increase of 12 %. This places it well ahead of the USA, which has around 250 million users. However, when it comes to e-commerce, with 145 million customers, China is lagging slightly behind the USA's figure of 170 million. A study by Boston Consulting suggests that this will change over the next few years. It claims that by 2015, China will have 329 million online shoppers – more than any other nation in the world. The internet offers access to products that are not available in local shops, and brick-and-mortar businesses are often not in a position to adequately cover larger areas.

The rapid spread of the internet is leading to a boom in the global e-commerce market, thanks to the worldwide penetration of mobile technology which allows people to shop while they are on the move. It has also been boosted by social shopping services such as Groupon, which offers its members discounts on specific goods. The US-based financial services firm JP Morgan has predicted that, this year, global e-commerce revenue will reach 963 billion US dollars.

The boom in online shopping is not only increasing revenues but it is also presenting manufacturers, retailers and the logistics sector with new challenges when it comes to procurement, warehousing, sortation, dispatch and returns management. The number of products on offer is growing, while warehouse space at the point of sale is shrinking. This means it is absolutely essential to find efficient warehousing and distribution solutions.



Online orders need quick and accurate sortation processes for fast-moving food and non-food goods.

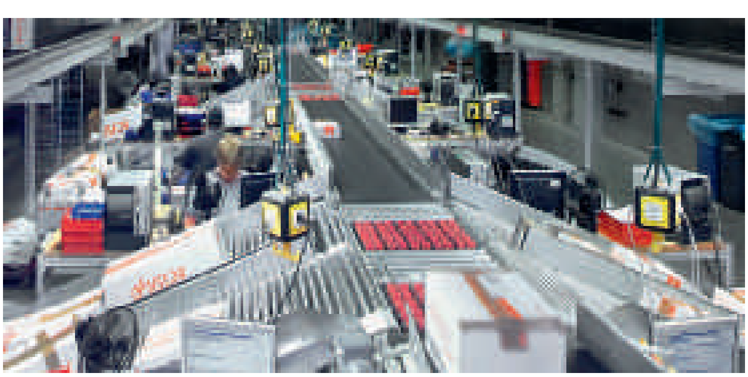
RETURNS MANAGEMENT ASSUMES GROWING SIGNIFICANCE

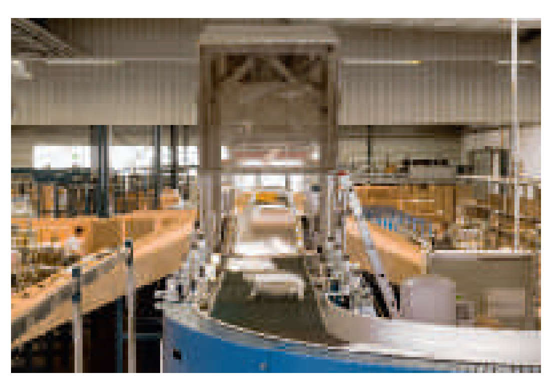
E-commerce is one of the economy's driving forces. The US-based financial services firm JP Morgan has predicted that, this year, global e-commerce revenue will reach nearly one billion US dollars. But online shopping brings with it a high volume of returns, which vary depending on the specific sector and the particular laws of each country. Textiles have a particularly high returns rate. Almost half of all textile goods ordered are returned by the customer. By contrast, the rate for electronic goods and computers is between 10 and 15 %. Professional returns management, involving the creation of an additional goods inward procedure, presents a major challenge for online retailers.

The challenge of high returns rates

Internal logistics plays a key role in this respect and is an important factor when competing for customers. Industrialised countries and emerging nations alike need to make considerable investment in expanding and improving their warehousing solutions. According to a study carried out by Boston Consulting, by 2015, China will have 329 million online shoppers – more than any other country in the world. The internet offers access to products that are not available in local shops, and brick-and-mortar businesses are often not in a position to adequately cover larger areas. But China's boom in online shopping will also inevitably lead to high volumes of returns.

Online shopping boosts the business of delivery companies, whether they are handling orders or returns. Many countries have privatized their state-owned postal services, which now have to compete for business with up-and-coming private delivery companies. They both find themselves having to consolidate their market positions through increased automation of their sortation and distribution processes.





DHL runs return logistics operations on behalf of various mail-order companies.

Around the globe, systems integrators, parcel services and mail-order companies such as Amazon place their trust in Interroll solutions

These companies can optimise their processes using modular systems with intelligent sortation technology that is capable of handling both incoming and outgoing goods. Interroll is able to supply a complete modular system to provide online shops with an efficient and cost-effective solution to their logistics and returns management challenges. Large global systems integrators, parcel services and mail-order companies such as UPS and Amazon rely on Interroll's sortation solutions. They find that Interroll can supply the right sorters to meet all their needs and help them to manage their returns more effectively. Interroll provides cost-effective sortation and recovery solutions that speed up the goods inward process. The same equipment can be used for sorting outgoing goods and can also be used for picking, if required. Moreover, the mechanically-driven sorters require low levels of investment, are inexpensive to operate and maintain, and benefit from low energy consumption.

USING RESOURCES EFFICIENTLY HELPS COMPANIES REMAIN COMPETITIVE

The latest market trends are having a positive impact on Interroll's business, as demonstrated not only by the favourable knock-on effects of returns management in e-commerce. Indeed, there is currently strong pressure to modernise across virtually all sectors – a fact that compels operators of logistics centres to take action. As well as needing to meet increasingly stringent technical requirements in relation to improving working conditions and protecting the environment, for example, the pressure of competition in general makes it necessary to put effective measures in place to save energy, time and space.

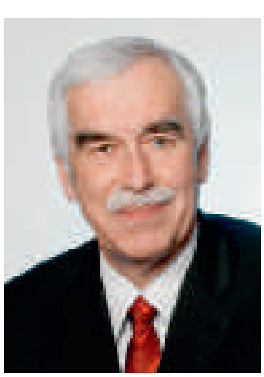
Helping companies tackle this challenge is Interroll's core mission – expressed in the slogan "Inspired by Efficiency". Products and solutions provided by Interroll enable companies to do business more profitably, reduce their environmental footprint and generate sustainable growth.

A modular platform for maximum efficiency

Based on its modular platform strategy, Interroll provides tailored solutions which excel in terms of efficiency and cost-effectiveness. An investment in an Interroll solution will typically pay for itself in a maximum of two to three years. Interroll's approximately 23,000 customers worldwide also benefit from an ongoing continual process of innovation. With operations worldwide, the Interroll Group continuously feeds expertise and applications knowledge acquired on countless reference projects into ongoing product development.

International cooperation with universities

To improve efficiency for its customers even further, Interroll has tasked Leibniz Universität Hannover (Germany) and Southeast University Nanjing (China) with developing a simulation application. This IT tool is designed to assist distribution centres handling fast-moving and moderately fast-moving merchandise when it comes to decision-making regarding the building of new structures and modernisation activities. It evaluates benchmark data such as throughput, the number of employees and operating costs, and generates reliable predictions with regard to the energy footprint, total cost of ownership and ROI time that are achievable. The research study is also aimed at raising market awareness of Interroll-developed flow storage technology and highlighting its benefits with regard to the efficient management of fast-moving goods, as well as promoting sales.




Prof. Dr.-Ing. habil Lothar Schulze (Leibniz Universität, Hannover, Germany) and Prof. Dr.-Ing. Lindu Zhao (Southeast University Nanjing, China) in charge of the scientific project of Interroll.

EXPANDING EFFICIENTLY: RETROFITTING INTERROLL SOLUTIONS

The right choice made in the past may not necessarily be the best option today. Keeping pace with the competition means recognising the need to regularly review your company's intralogistics solution. In addition to changes associated with technological progress, there are many reasons for adapting existing solutions. Over time, business processes will change, product structures will evolve and increased orders in smaller batch sizes, for example, may call for a completely different way of working.

Modernisation rather than building new structures

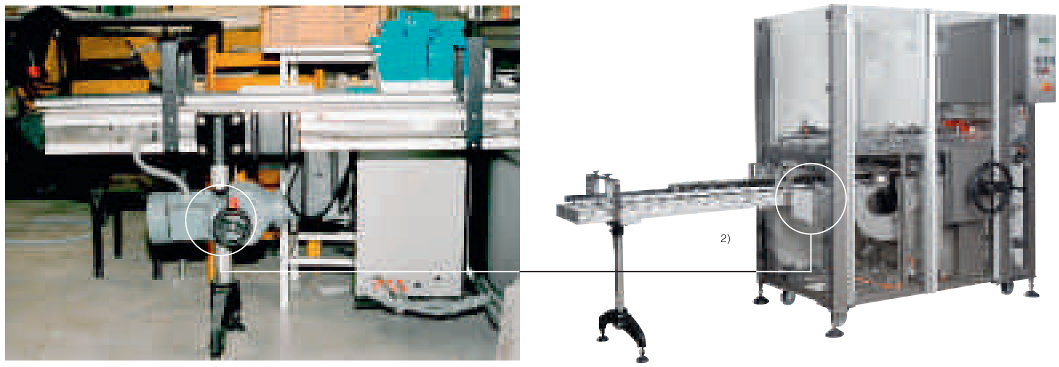
As a rough guide – and depending on the industry – warehouses often become outdated in just seven to ten years. Factors here include changing requirements, the fact that technical components are no longer considered state-of-the-art solutions and general wear and tear as a result of operations. Operating and process costs subsequently rise, while flexibility and competitiveness decline. In many countries, there is added pressure to take action to improve the energy efficiency of existing facilities based on new legislation.

Responding to these requirements appropriately does not always involve having to completely redesign and build distributing systems. Updating, extending or retrofitting equipment in a timely manner represents a cost-effective alternative to constructing expensive new facilities. Modernisation activities allow potential for optimisation of up to 30 % to be exploited. This relates not just to improvements in stock availability and a reduction in labour costs – with smart retrofit concepts designed to meet future challenges it is possible to achieve significant gains in efficiency and flexibility, as well as substantial energy savings.

Making better use of the available space

One example is Interroll's involvement in installing a flow storage system for pallets as part of a retrofit project for the US conglomerate Procter & Gamble at the logistics centre of its production site in Crailsheim near Stuttgart (Germany). In order to speed up the flow of goods and significantly increase warehouse occupancy, the existing pallets and drive-in racks were replaced with rack technology and dynamic storage solutions provided by Mecalux/Interroll. The compact, space- and energy-saving storage blocks store merchandise on unmixed pallets and on a first in, first out basis in gravity roller lanes that are six Euro pallets deep. To optimise the flow of goods, pallets are stored dynamically even as the goods are being received and when being prepared for loading in the dispatch area. With a 4 % channel incline, Interroll dynamic storage modules make use of gravity, allowing pallets to roll from the loading point to the unloading side with high precision and in an energy-neutral way. This also enables merchandise to be stored in transit between racks, thereby increasing storage capacity to 170 %.

Another example highlights the benefits of retrofitting a high-tech Sorter solution. At its logistics centre in Pforzheim (Germany), mail-order company Klingel replaced its old system with a high-tech crossbelt Sorter solution while continuing to run its business throughout the process. As a consequence, the home shopping retailer was able to achieve the increase in throughput that it wanted by installing a space-saving, compact sorter configuration at its existing site. Every hour, the system sorts up to 8,000 bags and parcels weighing between 0.2 and 10 kg. These kinds of scalable conveyor sorter solutions can be integrated into existing facilities with ease and can be



Before (left) and after: Cumbersome external drive station[1] replaced by space-saving built-in Interroll Drum Motor[2].

tailored precisely to the user's range of merchandise and business processes as regards the features to be incorporated. Their integration into retrofit projects boosts system availability and reduces maintenance costs and downtime.

When retrofitting, the use of efficiency-optimised drives, lightweight components and combinations of materials with low rolling resistance makes it easily possible to achieve double-digit percentage reductions in energy consumption. Optimisations made to the control hardware alone and to the drives and sensors in materials handling components result in considerable improvements. On older systems, these components have sometimes not been state-of-the-art for some time whereas the mechanical transport components often remain in good condition.

Improved performance, lower operating costs

By deploying Interroll RollerDrives, an intelligently managed conveyor system divided into zones can be set up without needing to alter the basic system structure to any great extent. With average throughputs of 600 to 1,000 containers per hour, a system modernised in this way will consume up to 50 % less power than a conventional version where the drive motor runs continuously irrespective of throughput. The positive impact on operating costs and system service life yields a return on investment in 12 to 36 months, depending on the specific operational situation.

Intelligently planned retrofit projects open up a number of options which allow optimal use to be made of time, space, labour, energy and materials within even a short period. As a one-stop shop, Interroll provides a complete portfolio of services ranging from assisting with project planning, offering consulting advice on strategic issues and plant design through to support on rapidly fitting key products for intralogistics.

Compared to building an entirely new storage and distributing system, the costs of retrofit projects are significantly lower. A further benefit over new installations is that retrofit projects can be carried out much more quickly, usually with minimal disruption to regular business operations.

THE STRATEGY: "INSPIRED BY EFFICIENCY"

The motto 'Inspired by Efficiency' refers not only to the benefits customers can expect from Interroll solutions; the company also places a strong emphasis on its own resource efficiency. For Interroll, the efficient use of resources is the main precondition for maintaining and consolidating its technological and innovative pre-eminence – and that benefits customers and investors alike. Thanks in no small part to this strategy, Interroll has been generating double-digit annual growth in per cent in profit for the past decade, with the exception of 2009, the year of the financial crisis.

Continual improvements to productivity

In order to utilise resources more effectively and ensure ongoing rises in productivity, Interroll has implemented Kaizen – a principle based on the continual perfecting of established solutions – at a number of its production facilities and Centres of Excellence. According to the Kaizen principle, managers and staff play an equal part in relevant improvement processes. At Interroll, the Kaizen approach is also applied extensively to the areas of sustainability and energy efficiency. The concept of sustainability needs to be widely understood and applied across many fields, rather than just affecting specific areas. At the same time, the focus must be on simple solutions.

Shift-based delivery reliability exceeds 98 %

Processes have been systematically reviewed and safety standards raised enormously; shift-based delivery reliability has risen to over 98 % in the conveyor rollers area. Moreover, a thoroughly rehearsed process extending from the supply chain to production and delivery is significantly reducing cost-intensive stock levels, which would otherwise amount to nothing more than dormant capital. Interroll is now gradually extending the kaizen approach from production level to the area of office administration.

Strategic investment in training

Interroll also founded the Interroll Academy with a view to optimising resources over the long term. By promoting the advancement of staff members, the internal training centre, which was set up in 2008, is helping the Interroll Group to implement its long-term growth strategy – and its success proves the concept is the right one. To a very high degree, Interroll has optimised and professionalised its internal know-how, thereby ensuring the needs of a wide range of customers can be met.

"THE ENDURANCE OF THE LONG-DISTANCE RUNNER"

Kaizen, an established principle in the Japanese culture of management and quality, also forms the basis of the Interroll Production System (IPS). Armin Lindholm (Managing Director of Interroll's Centre of Excellence for RollerDrives and Conveyor Rollers), Ralf Dorok (Head of Production, Process Planning and Health & Safety) and Peter Trapkowski (TPM Manager and Head of Maintenance) explained how the principle of Kaizen works in practice.

What is the principle behind Kaizen?
Armin Lindholm: Kaizen is a principle of management introduced by the Japanese automobile industry in the first half of the 20th century. The term is derived from the Japanese words kai (meaning "change") and zen ("for the better"). The basic idea is that small steps can lead to big changes.

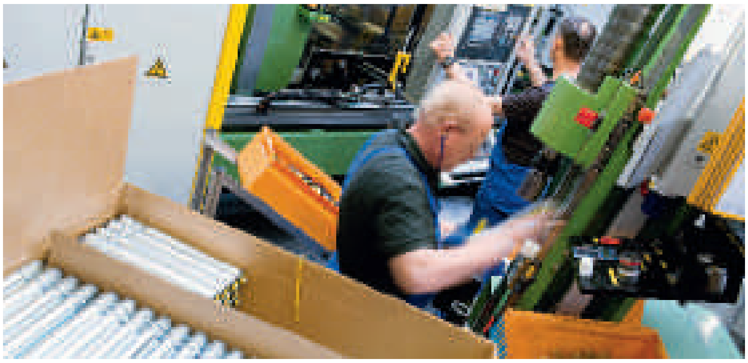
How does that approach actually improve processes in a company?
Peter Trapkowski: First of all, Kaizen is a strategy of improvement through small steps. This makes the process of change simpler while also raising acceptance and motivation amongst employees. Secondly, the integrated approach of Kaizen draws together the whole workforce and every aspect of a company that impacts on the bottom line – logistics, safety, quality, costs, technology and the environment. It also takes account of partners, suppliers and customers. Thirdly, Kaizen is not static. It is a dynamic concept that embraces profitability as part of the process.

So a company should be regarded from the viewpoint of its processes?
Armin Lindholm: Actually it's our employees who advance the processes – they come up with ideas for improvements and find new ways of working, and they consider themselves responsible for the outcomes. This means higher levels of motivation and discipline, which in turn enhances the general working environment and makes a company like Interroll a highly attractive employer as well as a very reliable business partner.

How was Kaizen implemented at Interroll?
Peter Trapkowski: As we know, companies often meet with internal resistance when they introduce new working practices. In many cases, opposition is based on ignorance or mistaken perceptions. That's why from the outset, we brought the machine operators and production engineers into the process along with the managers. After all, the employees are pivotal to the creation of value within the company.

What were the actual steps that you took?
Armin Lindholm: The first step was to tidy up the production areas properly and give the processes a clear and neat structure. This revealed the waste that had been in the system. We then carried on simplifying the processes while introducing solution platforms, thereby cutting set-up times significantly and making our purchasing procedure more efficient. We have implemented Kaizen methods in the office area too in much the same way.

So once a process has been set in motion, it can be left to its own devices?
Ralf Dorok: It's not quite that easy. In a lot of areas, improvements to productivity and a more efficient use of resources came about pretty much automatically, that's true. However, to maintain the




Kaizen at Interroll: Ralf Dorok (left), Armin Lindholm (centre), Peter Trapkowski (right) never get tired of improving processes.

standards of quality we have achieved, Interroll is still working with the Kaizen Institute and offering ongoing training to the various teams. We also carry out regular audits and workshops, both scheduled and unscheduled.

How are customers responding to the changes?

Armin Lindholm: Thanks to the improve ments we've made, Interroll customers can count on top-notch quality as well as reliable deliveries and exact quantities across all batch sizes – and customers are well aware of this. A number of companies have outsourced their production to us, and we are currently manufacturing Rollers for clients in Europe and the USA as an out-sourcing partner.

How do you see future developments?

Armin Lindholm: Kaizen has enabled us to introduce just-in-time production. Moreover, our production processes and the entire supply chain are very well coordinated. This means we are in a position to meet the needs of customers at all times, achieve maximum efficiency and even enhance the supply chains of our clients for the long term. There's still a long way to go – we intend to carry on finding things to optimise and realising improvements. The concept is all about corporate growth over the long term. Achieving our goals is not a sprint – we are going to need the endurance of a marathon runner.

ROLLERDRIVE EC310: EFFICIENT, FLEXIBLE AND RELIABLE

Particularly in e-commerce and just-in-time production processes, the time needed to process an order is a crucial parameter. Optimisations of this process call for efficient, reliable and flexible conveying technologies. The more stringent the throughput and "track and trace" requirements a system has to meet, the more accurately the installed technology has to work. Significant improvements can be realised in this area by splitting up a roller conveyor system into different zones. And this is precisely the underlying principle behind Interroll's innovative 24 V RollerDrive EC 310.

Demand-driven use of conveyor output

Instead of relying on one central motor to drive the entire conveyor, it is divided up into separately driven segments in lengths that vary according to requirements. The individual conveying zones are either interlinked with distributed control or activated as required via a higher-order controller. This means that the drive operates with reference to throughput. The system does not use any energy in those sections not conveying any containers. Rather, the drive is only in operation within those sections where conveying is currently required. Not only does this reduce energy consumption, it also decreases noise and wear.

Another benefit of Interroll's RollerDrive solution is that the absence of mechanical elements for power transmission to the roller conveyor segments reduces maintenance, while at the same time the service life of the system is extended. Depending on the mechanical components used, the RollerDrive concept can offer a service life three to four times higher than conventional solutions – a key variable for the total cost. To further improve the energy balance, the RollerDrive solution uses regenerative braking. The braking energy recovered from cyclical operation is passed on to other segments of the overall system. This substantially reduces the primary connected load of the accumulator conveyor and at the same time decreases the thermal load on the RollerDrive's brushless motor.


Decentralised intelligence in roller conveyors helps save energy.

High levels of system and operator safety

The new EC 310 RollerDrive also offers safety benefits. A distributed drive concept with a large number of small drives working at low power does not require extensive protection against unauthorised access or tampering by personnel, unlike a centrally driven system. In addition, the drive station itself and reversing device for the flat belt do not have to be protected against interventions. Moreover, systems with 24 V DC power are in themselves safe and therefore subject to less restrictive safety regulations.

Lower power consumption

Even when used in curved belts, the RollerDrive EC 310 – with its motor integrated into the roller – offers considerable benefits. Instead of using complicated and energy-wasting reversing devices, this solution employs power transmission from roll to roll via PolyVee belts. Whereas conventional roller conveyor curves are usually driven by a 250 watt motor, the RollerDrive at around 30 watts consumes much less power. Depending on application, RollerDrives can also be used with various gear transmission ratios, for example in order to operate at a lower speed but have more torque available.

Faster ROI

When it comes to renovating an existing system, the RollerDrive solution is generally the ideal basis for a future-proof retrofit concept. In most cases it will suffice to install new RollerDrives instead of the non-driven rolls and to dismantle the central drive, the associated reversing unit and the supporting rollers. Often, existing carrier rollers can be re-used. This means that Interroll's EC 310 RollerDrives provide a solution with a manageable investment volume that can allow an existing system to be run for a large number of extra years safely and with good uptime availability. Accumulation conveyors with Interroll RollerDrives feature much lower operating costs compared with conventional technologies and an ROI time of on average two to three years.

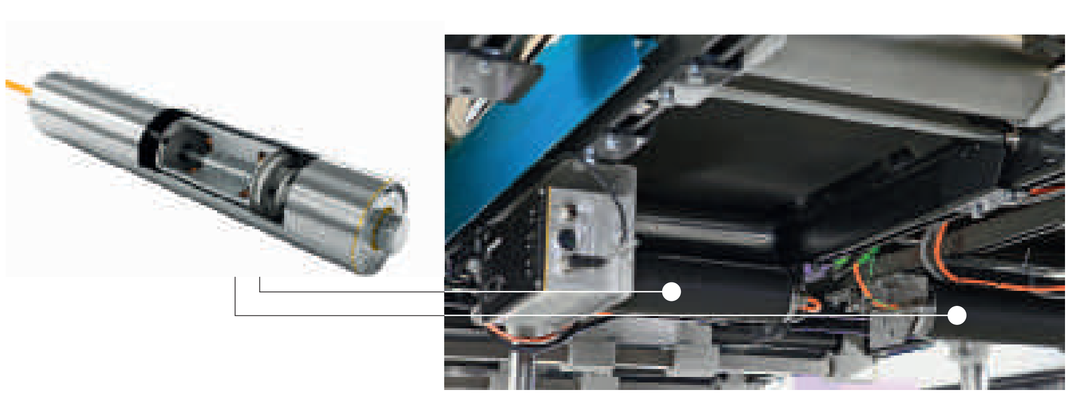
SYNCHRONOUS DRUM MOTORS FOR MAXIMUM ENERGY EFFICIENCY

Around 70 % of industrial energy consumption is caused by electric motors. Due to rising power costs, improving the energy efficiency of such drives is one of the most promising ways to reduce production costs. The German Environment Ministry, for instance, estimates that, in Germany alone, electricity consumption could be reduced by about 27 billion kilowatt hours by the year 2020 through the use of more efficient electric motors.

Thanks to their design, Interroll drum motors stand out for their extremely low power loss. The new Synchronous Drum Motors are the epitome of high performance, boasting an efficiency rate of well over 90 % (motor). Due to their comparatively low power consumption of less than 0.75 kW, these motors do not need to be tested for compliance with IEC 60034-30 standards relating to the efficiency of low-voltage three-phase motors. However, this is merely academic, as they fulfil the aforementioned requirements with ease, achieving the IE3 efficiency class (premium efficiency) or the even stricter IE4 class.

According to an independent study by the Technical University Aalborg (Denmark), an asynchronous drum motor driving a conveyor belt with a 50 kg load (maximum load) consumes around ***32 per cent less primary energy*** than a geared motor with identical capacity. When used to move an empty conveyor belt, the ***potential savings are as high as 47 %.*** This gives rise to further potential savings. As there is significantly less power being lost and converted into heat, ***less energy also has to be consumed for cooling purposes*** – by for instance air conditioning systems in the foodstuffs industry.

The fact that such aspects are more than worthy of consideration is evident from a comparison of the various drive concepts. For instance, the Synchronous Drum Motor under full load at an ambient temperature of 20 °C reaches a maximum surface temperature of 45 °C at the most, while classic geared motors can reach up to 70 °C. Savings can also be made with the Synchronous Drum Motor under normal operating conditions. The completely enclosed casing, for instance, and the compact design of the drum motors means the need for cleaning is reduced by about 30 %. This leads to ***significant savings in cleaning time*** and the related cost of hot water or steam.



Interroll Synchronous Drum Motors require little space only.

As far as technical performance is concerned, the new Synchronous Drum Motors stand out for their consistently high torque across almost the entire speed range, right through to the maximum rpm, which corresponds to the nominal rating. They make it easier to develop dynamic applications such as pick-and-place, inward transfers or merges, as side mounting is no longer required. When used with a corresponding sensor system, like an integrated encoder, a ***very high degree of precision*** can also be achieved. The benefits of the Synchronous Drum Motor also include spin-off ***savings in the overall operating costs*** of applications requiring servo technology. This includes packaging lines with the need for precisely timed intervals between conveyed goods – so-called smart belts – or lines with dynamic positioning.

This new addition to the Interroll product range of a Synchronous Drum Motor is one of the most powerful and energy-efficient conveyor-belt drives ever developed. It combines the benefits of the drum motor with the superior efficiency of the synchronous servo motor. The end result is an ***extremely compact and dynamic drive with outstanding energy efficiency of around 85 % (motor and gears).*** The fail-safe record and long service life of drum motor technology also speak for the concept. This is a complete, all-in-one design, with all mechanical components of the motor incorporated inside the drum. As well as an electric motor, this includes the gears and an optional feedback system for closed-loop operation and brakes or mechanical backstops. The fully encased design also ensures excellent protection from any outside influences.

HOUSEHOLD GOODS

Andrade Distribuidor in Arapiraca markets perfumery products, toiletries, household goods and foodstuffs, general merchandise and stationery items. To increase its distribution rates, the Brazilian company modernised its distribution centre at its headquarters in Arapiraca, without having to incorporate any additional storage space.
Interroll built a maintenance-free, zero-energy Carton Flow rack into the existing pallet rack system.
The picked cartons reach the palletising zone on roller conveyors fitted with Interroll RollerDrives. The maintenance-free, low-noise, space-saving design and superior safety features made it preferable to a solution with 380 V geared motors.

"This Interroll solution is extremely energy efficient, remarkably compact and quiet. With Interroll Carton Flow we have achieved a significant improvement in our picking rates."

Celso Pessoa, Owner of Andrade Distribuidor, Brazil

ANDRADE DISTRIBUIDOR

Application	Conveyed goods	Objective	Integrated Interroll products	User benefits
Distribution centre	Household items, foodstuffs, merchandise in cartons	Improve utilisation of existing distribution centre	Carton Flow combined with Intelliveyor tote conveyors	Energy-efficient, space-saving solution


Red Bull


Red Bull
ENERGY DRINK

BEVERAGES

Positive experience with Interroll dynamic storage technology installed in a distribution centre in 2009 inspired Red Bull to commission Interroll again in 2011 to supply a dynamic pallet system for a new warehouse.

The new distribution centre in Bangkok offers a total of 12,670 pallet spaces for flow storage based on the FIFO principle (first in - first out) and top-up storage with Interroll Cart Pushback based on the LIFO principle (last in - first out).

The flow storage channels in the FIFO area can take 16 pallets each, while the Cart Pushback top-up units have channels capable of taking 4 to 5 pallets. This allows for optimal space utilisation in this area of the warehouse, with only two aisles required to load or unload the three rows of top-up units.

"From its starting point, we have supported the project with our know how and expertise from many other applications."

Grisorn Nakapong, Managing Director Interroll (Thailand) Co. Ltd., Thailand

RED BULL

Application	Conveyed goods	Objective	Integrated Interroll products	User benefits
Beverage distribution	Beverage pallets	Successful completion of a new project with a tried and tested partner	FIFO and LIFO dynamic storage modules	Space-saving, compact pallet storage within a readily available system


INTERROLL

SALMON

MerAlliance, France's number one supplier of salmon specialities, has leveraged the benefits of the new Interroll Synchronous Drum Motor. Its production unit uses the belt conveyor drive in a new processing line for smoked salmon slices. The processing plant combines slicing machinery with PU belt conveyors that are driven by the Synchronous Drum Motors in a precise and quiet start-stop sequence. This ensures the carton carriers are pulsed in a perfectly timed sequence and the salmon slices never slip off the carriers.

"Our new processing line has significantly increased its productivity despite the limited space it has to work with and the strict cleaning procedures. The Interroll Synchronous Drum Motors are ideal for such an application. They make the conveyor movements completely controllable in a precisely positioned, stop-and-go operation and they work quietly and reliably too."

Antoine Aveline, industrial engineer with MerAlliance, France

MerAlliance/Armoric

Application	Conveyed goods	Objective	Integrated Interroll products	User benefits
Food processing	Sliced salmon on carton carriers	Install high-frequency stop-and-go belt conveyors in an area with limited space	Interroll Synchronous Drum Motors as belt drives	Space-saving, hygienic belt drives

Corporate Governance

CONTENTS

1 INTRODUCTION

The corporate governance report 2011 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange 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 operational management 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 in 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 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 – "Consolidated statement of changes in equity") and in the respective notes.

Changes in capital

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

Limitations on transferability and nominee rights

Information about limitations on transferability and other nominee rights of the shareholders is dis closed in chapter 8 ("Shareholders' participation rights") of the report on 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 on this plan is disclosed in 7.1 of the Notes to the financial statements of the Interroll Group.

4 OPERATIONAL MANAGEMENT STRUCTURE

The Interroll Group consists of one single business unit. The complete product range is sold in all markets through local sales organisations. Interroll caters to the needs of its customers (system integrators, plant manufacturers, end users) by offering a tailor-made product portfolio and expert consultancy. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Center, which is centrally located, develops new application technologies and new products. The manufacturing units continue to explore new opportunities to develop further the product ranges they focus on.

The Group Management and the Interroll management structure are organized by functions (overall management, Products & Technology, Global Sales & Service, marketing, finance and IT). The financial management of the Group by the Board of Directors is, on the one hand, based on turnover of the product groups and geographical markets and, on the other hand, on the reporting of the consolidated financial statements. In addition, Group Management assesses the achievement of financial and qualitative targets and other key performance indicators of all subsidiaries.

BOARD OF DIRECTORS

Chairman
Kurt Rudolf

Vice chairman	Audit Committee	Compensation Committee	Other members
Urs Tanner	**Philippe Dubois**	**Kurt Rudolf**	**Marco Ghisalberti**
	Paolo Bottini	**Prof. Dr. Horst Wildemann**	**Ingo Specht**

GROUP MANAGEMENT

Chief Executive Officer
Paul Zumbühl

Chief Financial Officer
Jürg Häusermann

Corporate Marketing
Jens Karolyi

Corporate IT
Christian Hähni

Global Sales & Service
Dr. Christoph Reinkemeier

Products & Technology
Dr. Ralf Garlichs

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

INTERROLL RESEARCH CENTER (IRC), GLOBAL PRODUCT MANAGEMENT

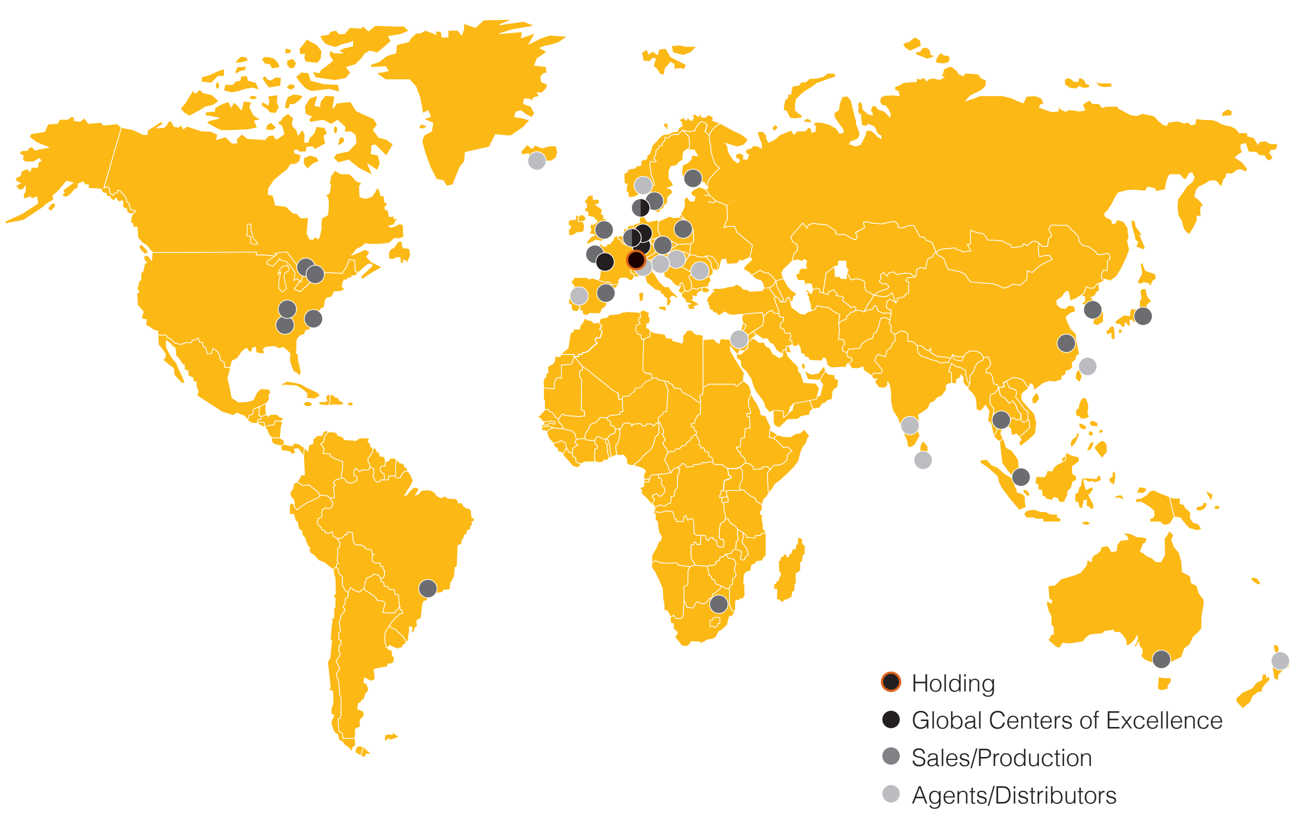
The Interroll Research Center (IRC) develops in close cooperation with the Centers of Excellence, Global Product Management and Global Sales new products, techniques and technologies.

Functional unit	Managed by	Company
Research & Development	Dr. Thomas Wolters, a.i.	Interroll Holding GmbH, Wermelskirchen (DE)
Global Product Management	Dietmar Hager	Interroll Holding GmbH, Wermelskirchen (DE)

GLOBAL CENTERS OF EXCELLENCE

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

Products	Managed by	Company
Rollers, RollerDrives	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

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

Production companies

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

The sales and service subsidiaries and the sales regions are managed by 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 Rep., Balcany, Hungary	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	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
	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 Assembly	Brazil, Argentina	D. Hahn	Interroll Logística Ltda., Pindamonhangaba/São Paulo (BR)
Asia Pacific	Sales and Production	China	S. Foong	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
	Sales and Service	South Korea	N. Kim	Interroll Korea Corp. Seoul (KR)
	Sales and Service	Japan	Y. Kawakubo	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)

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), consisted of seven members at year-end 2011:

Name	**Year of birth** **Nationality**	**Function** **Committee membership**	**Initial election**	**Elected until**
Kurt Rudolf	1942 Swiss	Chairman since 2006 Compensation committee since 2006	2001	2013
Urs Tanner	1951 Swiss	Deputy chairman since 2009	2008	2014
Paolo Bottini	1965 Swiss	Member Audit committee since 2003	2003	2012
Philippe Dubois	1950 Swiss	Member Audit committee since 2003	2003	2012
Dr. Horst Wildemann	1942 German	Member Compensation committee since 1999	1999	2014
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 Bruna Ghisalberti or their direct first-generation descendants are entitled to nominate totally two representatives (one representative per family), as long as they hold at least 10 % each of the share capital. 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 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)

Professional background

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 2011: Member of the Board of Directors of Koras Ltd., Hasle-Rüegsau (CH)

Since 2011: Member of the Board of Directors of Belimed Ltd., Zug (CH)

Since 2011: Member of the Board of Directors of Plaston Ltd., Widnau (CH)

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

Professional background

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

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

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

PAOLO BOTTINI

Lic. iur., lawyer

Tax specialist (Eidg. dipl.)

Current activities

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

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

Professional background

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

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

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

PHILIPPE DUBOIS

Lic. iur. and lic. oec.

Current activity

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

Professional background

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 Republic of Germany
Award of the order of merit of Bavaria
Dipl.-Ing. in mechanical engineering and Dipl.-Kfm. in business administration at the universities of Aachen and Cologne (DE) and also of the universities of Southern California and Indianapolis (US)
Member of the Logistic Hall of Fame (since 2004)

Current activities

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

Professional background

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

INGO SPECHT (EXECUTIVE MEMBER)

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

Current activity

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

Professional background

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 consists of the Chairman, the Deputy Chairman and the other Members.

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

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 submits its proposals for the salary and bonus of the CEO, the Members of Group Management, and the compensation of the Board of Directors to the Board of Directors for decision. At the beginning of the year, it defines the targets to be attained for bonus payments to become applicable. In addition, the Compensation Committee is responsible for establishing the terms of the share ownership scheme.

Both committees meet as necessary. Any member is entitled to convene committee meetings. The members of the two committees are listed in the report on 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 year.

The meetings are convened by the Chairman of the Board of Directors. Each member of the Board of Directors may demand that a meeting be convened, specifying the item on the agenda to be discussed. In the business year 2011, the Board of Directors met on five 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	Member since
Paul Zumbühl	1957 Switzerland	Chief Executive Officer (CEO)	January 2000
Jürg Häusermann	1961 Switzerland	Chief Financial Officer (CFO)	November 2000
Dr. Ralf Garlichs	1962 Germany	Head of Products & Technology	July 2006
Dr. Ch. Reinkemeier	1966 Germany	Head of Global Sales & Service	January 2011
Jens Karolyi	1970 Germany	Head of Corporate Marketing	January 2011
Christian Hähni	1958 Switzerland	Head of Corporate IT	July 2007
Tim McGill	1955 Great Britain	Head of operations Americas	January 2011
Kwang-Heng Seng	1951 Singapore	Head of operations Asia	April 1988

Professional background and vested interests of the Group Management

PAUL ZUMBÜHL

Dipl.-Ing., Lucerne university of applied sciences, Lucerne (CH)
MBA, Joint University Program of the univ. in Boston, Berne, Shanghai
AMP, Kellogg Business School of Northwestern University, Chicago (US)
Marketing Management Diploma (Eidg. Dipl.)

Current activity

Since 2000: CEO, 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

Professional background

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

JÜRG HÄUSERMANN

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

Current activity

Since 2000: CFO, Interroll Group

Professional background

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

DR. RALF GARLICHS

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

Current activity

Since 2011: Head of Products & Technology, Interroll Group

Professional background

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

DR. CHRISTOPH REINKEMEIER

Dr. (System technologies), University of Münster (DE)

Current activity

Since 2011: Head of Gobal Sales & Service, Interroll Group

Professional background

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

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

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

JENS KAROLYI

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

Current activity

Since 2011: Head of Corporate Marketing, Interroll Group

Professional background

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

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

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

Professional background

2003–2007: CIO at Walter Meier Holding Ltd., Schwerzenbach (CH)
1995–2003: Management Consultant at KPMG und SAP

TIM MCGILL

Bachelor in English, Brockenhurst College, Hampshire (GB)

Current activity

Since 2011: Head of operations Americas, Interroll Group

Professional background

2000–2010: Head of Interroll Dynamic Storage North America, Newmarket (CA)
2000–2010: Head of Interroll Canada, Newmarket (CA)
1996–2000: Head of Werner Precision Rollers Canada, Concord (CA)
1976–1995: Several management positions at Brammer UK, Europe

KWANG-HENG SENG

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

Current activity

Since 2011: Head of operations Asia, Interroll Group

Professional background

1988–2010: Head of New Markets of Interroll Group
1988–2010: Managing Director Interroll (Asia) Pte. Ltd., Singapore (SG)
1986–1988: Division Manager, Guthrie (Singapore) Pte. Ltd., Singapore

Management contracts

There are no management contracts with third parties.

10 COMPENSATION, SHAREHOLDINGS AND LOANS

Content and method of determining the compensation of the 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.

Content and method of determining the compensation of the Group Management

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.

The compensation is determined in accordance with the global responsibility, the individual and concrete contribution that adds value to the long term strategic development of the Group and on the complexity of the area of responsibility. There are individual remuneration agreements with each member of Group Management. The target remuneration of each member of the Group Management consists of a fixed and of a variable component.

The variable component ranges between 10 % and 60 % of total compensation, depending on the function and the general business performance. There are two key criteria for defining the variable compensation component of each member of Group Management: the total Group result or the result for which the member is responsible, and the achievement of individually defined objectives such as the launch of new products, increase of market share, successful development of strategic projects, the development of new markets, etc. The individual objectives range from 20% to 70% of the variable remuneration component. The percentage depends on the function (operational management or central function) and on the strategic position of the company or operational unit. The basic key performance indicators for the Group are the revenue development, the increase in productivity and the EBIT. If a member does not achieve the agreed objectives due to external facts beyond his influence, the Compensation Committee may, as an exception, deviate from the compensation agreement in favour of the member of Group Management.

Adjustments to the fixed remuneration component can only be agreed upon after a term of three to four years and are subject to individual performance assessments and changes in the scope of responsibility. The fixed compensation component is paid in cash. The variable component is either fully paid in cash or partly or even fully paid in shares. The payment method is individually determined with each member of Group Management. A part of the shares assigned may be blocked over a period of three to five years.

In March 2006, Group Management and forty senior employees holding a management position at that date were offered to participate in a share option scheme. 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 allocated 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 Group Management. A member of Group Management pays a fourth or a third of the saving portion. The rest is paid by the employer. In addition, each member of Group Management has a company car at his disposal or, alternatively, an equivalent monthly allowance is paid. Beyond that no other significant compensation is made.

Compared with the previous year, the total compensation of Group Management did not change significantly based on the new organisational structure and new composition of this body introduced on 1.1.2011. The fixed remuneration components of the existing members of Group Management remained unchanged, year on year, and adjustments within the variable components were insignificant.

Whenever deemed appropriate, external support and/or international compensation benchmark studies will be referred to for the definition of the pay and benefits scheme.

Loans to governing bodies

INTERROLL HOLDING LTD. and its subsidiaries have not granted any loans, advances or credits to members of the Board of Directors or of the Group Management in both years under review.

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

There is a 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 ten 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

With decision of the general assembly of May13th, 2011, INTERROLL HOLDING LTD. has appointed PricewaterhouseCoopers (PwC) to be its new auditing company. PwC was elected to a term of one year. Also a new auditor in charge assumed the responsibility for the Group audit in 2011.

Audit fees

The audit fees paid by the Interroll Group to PwC for the business year 2011 amounted to CHF 0.35 million in 2011 (audit fees paid to KPMG in 2010: CHF 0.47 million).

Additional fees

In 2011, PwC branch offices received a total of CHF 0.06 million for tax and other consulting services (fees for such services paid to KPMG in 2010: CHF 0.2 million).

Supervisory and control instruments pertaining to the audit

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

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 and financial reports are available from www.interroll.com/ir.
Financial reports can be downloaded as PDF documents from www.interroll.com/en/investor_relations/
The half-yearly and annual reports are also sent in print to all shareholders on the publication date.

Financial Report of Interroll Group

TO THE SHAREHOLDERS' MEETING
OF INTERROLL HOLDING LTD.

BUSINESS YEAR 2011

March 5th, 2012

CONTENTS

Financial Report

CONTENTS

1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2011	in %	31.12.2010	in %
ASSETS					
Property, plant and equipment	6.1	82 107		82 945	
Intangible assets	6.2	40 687		37 988	
Financial assets		932		912	
Deferred tax assets	7.6	715		821	
Total non-current assets		**124 441**	**52.0**	**122 666**	**58.1**
Non-current assets held for sale	6.1	950		1 088	
Inventories	6.4	45 100		31 510	
Current tax assets		528		650	
Trade and other accounts receivable	6.5	57 654		45 239	
Cash and cash equivalents	6.6	10 522		10 110	
Total current assets		**114 754**	**48.0**	**88 597**	**41.9**
Total assets		**239 195**	**100.0**	**211 263**	**100.0**
EQUITY AND LIABILITIES					
Share capital		8 540		8 540	
Group reserves		178 601		158 918	
Translation reserve		– 43 856		– 40 001	
Total equity	6.9 – 6.10	**143 285**	**59.9**	**127 457**	**60.3**
Non-current financial liabilities	6.11	5 271		5 600	
Deferred tax liabilities	7.6	2 441		3 130	
Provisions	6.13	6 211		7 298	
Total non-current liabilities		**13 923**	**5.8**	**16 028**	**7.6**
Current financial liabilities	6.11	22 850		17 388	
Current tax liabilities	7.6	9 264		13 255	
Trade and other accounts payable	6.15	49 873		37 135	
Total current liabilities		**81 987**	**34.3**	**67 778**	**32.1**
Total liabilities		**95 910**	**40.1**	**83 806**	**39.7**
Total liability and shareholder’s equity		**239 195**	**100.0**	**211 263**	**100.0**

* See notes to the consolidated financial statements.

1.2 Consolidated income statement

in thousands CHF	see notes*	2011	in %	2010	in %
Sales		**271 932**	**100.0**	**283 069**	**100.0**
Material expenses		– 123 657	– 45.5	– 115 808	– 40.9
Personnel expenses	7.1 & 6.14	– 83 908	– 30.9	– 84 281	– 29.8
Increase/(Decrease) in work in progress, finished products and own goods capitalized		10 566	3.9	– 3 400	– 1.2
Other operating expenses	7.3	– 48 908	– 18.0	– 53 509	– 18.9
Other operating income	7.4	10 193	3.7	9 692	3.4
Operating result before depreciation and amortisation (EBITDA)		**36 218**	**13.3**	**35 763**	**12.6**
Depreciation	6.1	– 10 497	– 3.9	– 10 912	– 3.9
Operating result before amortisation (EBITA)		**25 721**	**9.5**	**24 851**	**8.8**
Amortisation	6.2	– 5 320	– 2.0	– 4 464	– 1.6
Operating result (EBIT)		**20 401**	**7.5**	**20 387**	**7.2**
Finance expenses		– 1 234	– 0.5	– 1 550	– 0.5
Finance income		1 316	0.5	1 589	0.6
Finance result, net	7.5	**82**	**0.0**	**39**	**0.0**
Result before income taxes		**20 483**	**7.5**	**20 426**	**7.2**
Income tax expense	7.6	– 2 290	– 0.8	– 6 003	– 2.1
Result	6.10	**18 193**	**6.7**	**14 423**	**5.1**
Values per share (in CHF)					
Non-diluted earnings (result) per share	6.10	22.99		18.59	
Diluted earnings (result) per share	6.10	22.86		18.59	
Paid out reduction of par value in the previous year		–		5.00	
Distribution out of reserves from capital contributions in 2011		5.00		–	

1.3 Consolidated statement of comprehensive income

	2011	2010
Result	**18 193**	**14 423**
Currency translation differences	– 3 855	– 19 579
Other comprehensive income, net of taxes	**– 3 855**	**– 19 579**
Total comprehensive income for the period	**14 338**	**– 5 156**

* See notes to the consolidated financial statements.

1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2011	2010
Result		**18 193**	**14 423**
Depreciation, amortisation and impairment	6.1 & 6.2	15 817	15 376
Loss/(gain) on disposal of tangible and intangible assets	7.3 & 7.4	11	488
Financing result, net	7.5	–82	–39
Income tax expense	7.6	2 290	6 003
Changes in inventories		–14 544	2 530
Changes in trade and other accounts receivable		–13 153	–10 583
Changes in trade and other accounts payable		13 730	–5 307
Changes in provisions, net	6.13	–828	1 807
Income tax paid		–6 867	–4 858
Personnel expenses on share based payments	7.1	774	1 234
Other non-cash income		–828	–2 385
Cash flow from operating activities		**14 513**	**18 689**
Acquisition of property, plant and equipment	6.1	–11 885	–19 823
Acquisition of intangible assets	6.2	–7 734	–7 591
Acquisition of financial assets		–66	–171
Proceeds from disposal of property, plant and equipment		317	189
Settlement of loans receivable		44	107
Acquisition of subsidiaries, net of cash acquired	4	–931	–
Interests received		111	105
Cash flow from investing activities		**–20 144**	**–27 184**
Free cash flow		**–5 631**	**–8 495**
Reduction of par value		–	–3 884
Distribution out of reserves from capital contributions, net		–3 966	–
Purchase of own shares		–1 294	–
Sale of own shares		5 873	2 163
Proceeds from financial liabilities		7 052	13 453
Repayment of financial liabilities		–784	–315
Interests paid		–570	–474
Cash flow from financing activities		**6 311**	**10 943**
Translation adjustments on cash and cash equivalents		–268	–725
Change in cash and cash equivalent		**412**	**1 723**
Cash and cash equivalent at January 1		10 110	8 387
Cash and cash equivalent at December 31	6.6	**10 522**	**10 110**

* 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	RETAINED EARNINGS	TOTAL EQUITY
Balance at January 1, 2010		**12 810**	**28 145**	**–32 386**	**–20 422**	**144 877**	**133 024**
Result						**14 423**	**14 423**
Translation adjustments					–19 579		–19 579
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	6.9		–893	3 132			2 239
Balance at December 31, 2010		**8 540**	**27 577**	**–27 959**	**–40 001**	**159 300**	**127 457**
Result						**18 193**	**18 193**
Translation adjustments					–3 855		–3 855
Other comprehensive income, net of taxes		**–**	**–**	**–**	**–3 855**	**–**	**–3 855**
Total comprehensive income		**–**	**–**	**–**	**–3 855**	**18 193**	**14 338**
Appropriation to reserves from capital contributions			4 504			–4 504	–
Distribution from reserves from capital contributions, net			–3 966				–3 966
Share based payments	7.1 & 7.6		–276	1 050			774
Sale of own shares incl. tax effects	6.9		–1 209	7 185			5 976
Purchase of own shares incl. tax effects	6.9			–1 294			–1 294
Balance at December 31, 2011		**8 540**	**26 630**	**–21 018**	**–43 856**	**172 989**	**143 285**

* 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 2011 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, 2011, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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 2011, the following amendments resp. new standards and interpretations were enacted. None of them and neither the improvement project 2010 had a major impact on the financial statements of the Interroll Group:

- Amendment of IAS 24 (effectove as per 1.1.2011, disclosures on related party transactions)
- Amendment of IAS 32 (effective as per 1.2.2010, presentation of financial instruments)
- Amendment of IFRS 1 (effective as per 1.7.2010, first time adoption of IAS/IFRS)
- Amendment of IFRIC 14 (effective as per 1.1.2011, interpretation to IAS 19)
- New: IFRIC 19 (effective as per 1.7.2010, extinguishing financial liabilities with equity instruments)

Future new or revised IAS/IFRS standards and interpretations

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

- New: IFRS 9 (effective as per 1.1.2015, financial instruments)
- New: IFRS 10 (effective as per 1.1.2013, consolidated financial statements)
- New: IFRS 11 (effective as per 1.1.2013, joint arrangements)
- New: IFRS 12 (effective as per 1.1.2013, disclosure of interests in other entitites)
- New: IFRS 13 (effective as per 1.1.2013, fair value measurement)
- Amdendment of IAS 1 (effective as per 1.7.2012, presentation of other comprehensive result)
- Amdendment of IAS 12 (effective as per 1.1.2012, deferred income tax)
- Amdendment of IAS 19 (effective as per 1.1.2013, pension costs)
- Amdendment of IAS 27 (effective as per 1.1.2013, separate financial statements)
- Amdendment of IAS 28 (effective as per 1.1.2013, investments in associates and joint ventures)
- Amdendment of IFRS 7 (effective as per 1.7.2011, financial instruments)

As per amendment of IAS19, actuarial gains or lossses from pension liabilities/assets must be debited or credited to the other comprehensive income at the date of their origine. This will have an impact on the Group's equity in the same dimension as actuarial gains or losses from pension liabilities/assets incurred over the past years. It will not change the value of the equity at a material amount.

The Group Management currently analysis potential impacts on the other new or amended standards and interpretations. 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 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 non-controlled interests of the entity acquired, the fair value of equity instruments held already held before over the balance of assets, liabilities and contingent liabilities at fair value. For the valuation of non-controlled interests there are options per transaction. Either the non-controlled interests is valued at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlled interests. An eventual negative goodwill is immediately recognized in the income statement after review of the fair value of the net assets acquired and eliminated against the purchase price. The goodwill is subject to a yearly impairment test or even before if indications for an early impairment test exist.

Changes in the amount of holding which do not result in a loss of control are considered to be transactions with equity holders. Any difference between the acquisition price paid resp. the consideration received and the amount, by which the non-controlled interests 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 income statement and in the statement of comprehensive income under share of profit and loss of associates. Goodwill included in the purchase price, representing any excess of consideration over the Group's share in net assets of the associate, is recognised as part of the investment's carrying amount. Dividends received during the year reduce the carrying amount of such investments.

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

Foreign currency translation

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

Transactions in consolidated entities where the transaction currency is different from the functional currency of the entity are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising on settlement of these transactions are included in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at year end (closing date). Any gains or losses resulting from this translation are also 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)		
	2011	**2010**	**Change in %**	**31.12.2011**	**31.12.2010**	**Change in %**
1 EUR	1.233	1.373	–10.2	1.216	1.252	–2.9
1 USD	0.882	1.040	–15.2	0.940	0.934	0.6
1 CAD	0.893	1.007	–11.3	0.920	0.939	–2.0
1 GBP	1.418	1.602	–11.5	1.455	1.458	–0.2
1 SGD	0.703	0.765	–8.1	0.723	0.728	–0.7
1 CNY	0.136	0.154	–11.3	0.149	0.142	5.2
1 JPY	0.011	0.012	–6.7	0.012	0.012	5.2
1 PLZ	0.299	0.343	–12.9	0.273	0.316	–13.8
100 KRW	0.080	0.090	–11.0	0.081	0.083	–2.8
1 THB	0.029	0.033	–12.2	0.030	0.031	–4.5
1 ZAR	0.122	0.142	–14.2	0.116	0.142	–18.2

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.

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 through the income statement as of balance sheet date. Unrealised gains and losses are included in the financial 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 accumulated depreciation and any impairment losses. Non-current assets acquired by way of finance leases are recognised at the lower of the present value of future minimum lease payments and fair value, and depreciated accordingly. The related leasing liabilities are presented at their present value.

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

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

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

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

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

Intangible assets

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

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

Acquired customer relationship are customer values identified within the scope of IFRS 3. They are amortised based on their estimated melt off being a period of 5–10 years. In markets in which Interroll holds a solid market position, customer value is amortised over 10 years. A shorter 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 an impairment exist, a calculation of the recoverable amount is performed (impairment test). Goodwill, other intangible assets with an indefinite useful lifetime and intangible assets which are not yet available for use, the recoverable amount is calculated regardless of the existence of indications. If the carrying value of such an asset or the cash generating unit to which such an asset belongs to exceeds the recoverable amount 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 recoverable amount is the higher value of fair value less selling costs and value in use. The estimated future discounted cash flows are evaluated to determine the value in use. The discounting rate applied corresponds to a pre-tax rate which reflects the risk related the assets. If an asset does not largely generate independent cash flows the recoverable amount of the cash generating unit is calculated to which the asset concerned belongs to.

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

Non-current assets held for sale

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

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) Retained earnings
Retained earnings contains not distributed profits.

Revenue recognition, income from services

Revenue is generally recognised upon delivery (transfer of risk and use), depending on the size and the complexity of the order, when technically approved by the customer. The Group establishes appropriate warranty provisions relating to rendered services in order to cover expected claims. Services which the Interroll Group performs in direct relation to its core products sold are recognised upon delivery in net sales. The Group performs services to third parties in connection with administrative tasks and freight. Furthermore, the Group grants distribution licenses to selected franchisees. Revenue resulting from these services are disclosed as other operating income in the income statement.

Material expenses

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

Product development

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

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.

Financial result

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

Income tax expense

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

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

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

Derivative financial instruments

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

Changes in fair value are recognised as follows:

a) Fair value hedges

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

b) Cash flow hedges

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

As per 1st January 2011 the Interroll Group has simplified its operational management structure and has given up its former divisional structure. With the new operational structure, previous segments were suspended and the Group Management was realigned.

The Interroll Group consists now of one single business unit. The complete product range is sold in all markets through the respective local sales organisation. The customer groups being OEM's (original equipment manufacturers), system integrators and endusers are taken care by tailor-made product offerings and differentiated consulting levels. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Center, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously develop further the current product ranges they are focused on.

The Group Management and the Interroll management structure are organized by functions (overall management, Products & Technology, Global Sales & Services, marketing, finance and IT). The financial management of the Group by the Board of Directors is effected on one hand by turnover of the product groups and geographical markets and on the other hand by the reporting of the consolidated financial statements. The Group Management additionally assesses the achievement of financial and qualitative targets of all legal entities.

Based on the new management structure, financial reporting to the chief operating decision makers is carried out in one reportable segment since January 1st, 2011. The previous period was adjusted accordingly.

3 RISK MANAGEMENT

3.1 Operational and strategic risk management

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

A systematic operational and strategic risk analysis is performed annually by 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.

3.2 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 reduces financial risks in close co-operation with the Group's operating units and reports at regular intervals to the Audit Committee.

The following sections provide a summary of the scope of individual risks and on the targets, principles and processes implemented for measuring, monitoring and hedging financial risks. Additional information on the financial risks is included in the notes to the consolidated financial statements (see note "6.8 – 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 risks arising from various currencies. Foreign exchange risks arise from future commercial transactions and from recognised assets and liabilities. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group operates an internal monthly "Netting" process. Net exposure resulting from assets and liabilities recognised is partially reduced using forward currency contracts. Such contracts are entered into only with high-credit-quality financial institutions. Furthermore the decentralised structure of the Group contributes to a substantial reduction of foreign currency exchange risks.

b) Interest rate risk

Financial assets and liabilities contain interest bearing loans at either a fixed or a variable rate. Relating interest risks are disclosed in 6.8.

c) Price risk

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

Credit Risk

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

Customers exceeding EUR 5000 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.

3.3 Capital risk management

Objectives and principles of capital management

It is the objective of the Interroll Group to safe-guard its going concern by the definition and adherence to a strong base of equity. Such equity level is defined based on the operational and balance sheet risk of the Group. Refunding of the Group shall be adapted to the asset structure and allow further growth of the business. The distribution of a regular portion of the profits achieved shall be possible based on the realisation of an appropriate return on equity.

Equity ratio targets and pay-out ratio

Based on above targets and base principles, 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.

Key figures to capital management

The following table discloses some essential key figures in regards to capital risk management. Further information can be found in the cover sheets of this annual report.

in thousands CHF, if not noted differently	**2011**	**2010**
Total assets	239.2	211.3
Net financial debts	17.6	12.9
Gearing (net debts/equity)	**0.1**	**0.1**
Operating cash flow	14.5	18.7
Indebtedness factor (net debts/cash flow)	**1.2**	**0.7**
Equity	143.3	127.5
Equity ratio (equity in % of assets)	**59.9**	**60.3**
Result	18.2	14.4
Return on equity (in %)	**13.4**	**11.1**
Non-Diluted Earnings per share	23.0	18.6
Distribution per share	7.0	5.0
Pay out ratio (in %)	**30.5**	**26.9**

4 CHANGES TO THE SCOPE OF CONSOLIDATION

Changes in the business year 2011

As per 1 January 2011 the business activities of the former licensing partner in Australia (CSA Conveyors) were acquired by the existing Interroll entity in Australia. Intangible and tangible assets at fair value amounted to CHF 1.1 million whereof half was paid in November 2010 and the other half in January 2011.

Changes in the business year 2010

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

Allocation of net assets acquired

	2011	**2010**
in thousands CHF	**Fair value**	**Fair value**
Property, plant and equipment	170	–
Intangible assets	875	–
Total non-current assets	**1 045**	**–**
Inventory	331	–
Total current assets	**331**	**–**
Total assets	**1 376**	**–**
Deferred tax liabilities	262	–
Total liabilities	**262**	**–**
Total net assets acquired	**1 114**	**–**
Goodwill acquired	–	–
Total acquisition costs	**1 114**	**–**

The full amount is in relation to the acquisition of CSA Conveyors and was settled in cash.

Cash flow from acquisitions

in thousands CHF	**2011**	**2010**
Settled in cash for the acquisition of CSA Conveyor	– 1 114	–
thereof already settled in the previous year	570	–
Settlement of outstanding acquisition price from previous years	– 387	–
Net cash used in acquisitions	**– 931**	**–**

The settlement of an outstanding acquisition price was the last installment related to the acquisition of BDL France dated back in year 2006.

Further notes to acquisitions

Intangible assets taken over from the former licence partner in Australia mainly consists of customer relations. Business activities from the acquired business contribute to CHF 2.8 million to the current year’s Group's sales. Its effect onto the Group’s result is immaterial.

5 SEGMENT INFORMATION

Sales and non-current assets by geographical markets

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

	SALES				NON-CURRENT ASSETS			
in thousands CHF	**2011**	in %	2010	in %	**2011**	in %	2010	in %
Other Europe, Middle East, Africa	124 196	44.7	137 460	48.6	15 291	12.5	17 040	14.1
Germany	52 251	19.2	46 219	16.3	57 388	46.7	58 341	48.2
Switzerland	4 928	1.8	5 001	1.7	37 107	30.2	31 682	26.2
Total Europe, Middle East, Africa (EMEA)	**181 375**	**66.7**	**188 680**	**66.6**	**109 786**	**89.4**	**107 063**	**88.5**
USA	42 989	15.8	52 774	18.6	6 672	5.4	7 447	6.2
Other Americas	15 997	5.9	11 725	4.2	2 172	1.8	2 791	2.3
Total Americas	**58 986**	**21.7**	**64 499**	**22.8**	**8 844**	**7.2**	**10 238**	**8.5**
Total Asia and Pacific	**31 571**	**11.6**	**29 890**	**10.6**	**4 164**	**3.4**	**3 632**	**3.0**
Total Group	**271 932**	**100.0**	**283 069**	**100.0**	**122 794**	**100.0**	**120 933**	**100.0**

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

Material sales with specific customers

Sales is realized with more than 10 000 customers. There is no customer achieving a turnover of more than five per cent of Group sales.

Sales by product group

Sales realised in the first half year by product group is presented as follow:

in thousands CHF	**2011**	in %	2010	in %	2009	in %
Drives	95 132	35.0	97 917	34.6	82 871	35.4
Rollers	83 212	30.6	79 086	27.9	73 253	31.3
Conveyors & Sorters	42 758	15.7	52 145	18.4	33 550	14.3
Pallet- & Carton Flow	50 830	18.7	53 921	19.0	44 313	18.9
Total Group	**271 932**	**100.0**	**283 069**	**100.0**	**233 987**	**100.0**

6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Movements of property, plant and equipment

in thousands CHF	LAND & BUILDING		PRODUCTION EQUIPMENT & MACHINERY		OFFICE EQUIPMENT & MOTOR VEHICLES		ASSETS UNDER CONSTRUCTION		**TOTAL PROPERTY, PLANT AND EQUIPMENT**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cost										
At 1.1.	**73 013**	**69 958**	**84 425**	**91 536**	**9 168**	**10 184**	**2 799**	**3 379**	**169 405**	**175 057**
Currency translation adj.	–1 720	–10 641	–1 138	–8 234	–177	–886	–71	–422	–3 106	–20 183
Additions	4 248	11 831	5 093	4 716	1 320	1 200	1 224	2 076	11 885	19 823
Disposals	–71	–394	–1 495	–3 442	–1 529	–1 294	–	42	–3 095	–5 088
Reclassifications	–688	2 259	1 144	–151	–19	–36	–1 953	–2 276	–1 516	–204
Changes in the scope of consolidation**	–	–	168	–	2	–	–	–	170	–
At 31.12.	**74 782**	**73 013**	**88 197**	**84 425**	**8 765**	**9 168**	**1 999**	**2 799**	**173 743**	**169 405**
Accumulated Depreciation & impairments										
At 1.1.	**–22 404**	**–23 509**	**–57 123**	**–58 431**	**–6 933**	**–7 538**			**–86 460**	**–89 478**
Currency translation adj.	470	3 420	700	5 200	136	576			1 306	9 196
Depreciation	–2 756	–2 700	–6 730	–7 125	–1 011	–1 087			–10 497	–10 912
Impairment losses	–	–	–	–	–	–			–	–
Disposals	18	368	1 413	3 082	1 363	1 080			2 794	4 530
Reclassifications	1 110	17	92	151	19	36			1 221	204
At 31.12.	**–23 562**	**–22 404**	**–61 648**	**–57 123**	**–6 426**	**–6 933**			**–91 636**	**–86 460**
Property, plant and equipment at 31.12.	**51 220**	**50 609**	**26 549**	**27 302**	**2 339**	**2 235**	**1 999**	**2 799**	**82 107**	**82 945**
Thereof finance leases*	–	–	–	12	–	–			–	12
Capital commitments	–	5 246	567	1 310	–	39			567	6 595
Insurance value***	91 638	91 701	120 296	116 638	–	–			211 934	208 339

* 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 non-current assets held for sale

The building put onto sale in Denmark was finally sold at a price of CHF 0.5 million. The property with a book value of CHF 0.5 million was reclassified in 2009 from fixed assets to assets held for sale due to local restructuring. At year end 2011, a letter of intent was signed to sell a part of the property in Wassenberg (DE). Thus, CHF 0.3 million were reallocated from tangible assets to assets held for sale. The building for sale in Spain is subject to current negotiations.

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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Cost										
At 1.1.	**12 407**	**14 112**	**19 363**	**12 161**	**14 154**	**19 183**	**20 666**	**24 650**	**66 590**	**70 106**
Currency translation adj.	–233	–1 705	–37	–228	–362	–2 828	–553	–3 984	–1 185	–8 745
Additions	–	–	7 734	7 591	–	–	–	–	7 734	7 591
Disposals	–	–	–926	–146	–19	–2 201	–	–	–945	–2 347
Reclassifications	–	–	–6	–15	–	–	–	–	–6	–15
Changes in the scope of consolidation*	–	–	–	–	–	–	875	–	875	–
At 31.12.	**12 174**	**12 407**	**26 128**	**19 363**	**13 773**	**14 154**	**20 988**	**20 666**	**73 063**	**66 590**
Accumulated Amortisation & impairments										
At 1.1.	**–3 126**	**–3 126**	**–3 513**	**–3 362**	**–12 115**	**–14 860**	**–9 848**	**–9 233**	**–28 602**	**–30 581**
Currency translation adj.	–	–	28	188	317	2 307	277	1 705	622	4 200
Amortisation	–	–	–1 516	–381	–1 553	–1 763	–2 251	–2 320	–5 320	–4 464
Disposals	–	–	899	27	19	2 201	–	–	918	2 228
Reclassifications	–	–	6	15	–	–	–	–	6	15
At 31.12.	**–3 126**	**–3 126**	**–4 096**	**–3 513**	**–13 332**	**–12 115**	**–11 822**	**–9 848**	**–32 376**	**–28 602**
Total intangible assets, net at 31.12.	**9 048**	**9 281**	**22 032**	**15 850**	**441**	**2 039**	**9 166**	**10 818**	**40 687**	**37 988**
Capital commitments	–	–	752	798	–	–	–	–	752	798

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

Goodwill: impairment test

The impairment tests are generally based on a three year plan and on the present value of future (pre-tax) cash flows (value in use) determined using a discount rate of 10.7 % (previous year: 9.1 %). The growth rate and the discount rate were defined as key assumptions. No further growth 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. The growth rate was reviewed in regards to its sensitivity. This test lead to the conclusion that the discounted value of future cash flows exceeds the value of the current goodwill position even if no growth is assumed.

Goodwill changed in both years under review only as an effect of currency fluctuation.

Software

Out of the accumulated acquisition costs, CHF 22.9 million (previous year: CHF 15.4 million) relate to the set up, design and introduction of SAP. In the year under review the additions to this process management system amount to CHF 7.5 million (previous year: CHF 7.3 million). Capital commitments for software are related to the investment and development of SAP in both years.

SAP was launched mid 2011 for the two Centers of Excellence for Drum Motors and Rollers/ RollerDrive as well as for all European sales and service subsidiaries. Development costs incurred until that date in the amount fo CHF 19.5 million were capitalised mid 2011 and are subject to amortisation over 8 years. The Interroll Group has already started further developments to introduce this ERP in Asia, North America and in the center of Excellence for Supermarket Products. Respective investments amount to CHF 3.4 million. No amortisation has been recognised so far on this amount.

An impairment test with the same key assumptions as those used for the tests on the goodwill was performed for the intangible assets disclosed as software. 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 2011, an amortisation term of additional 4 years remains on the major portion of customer relationship. A review if indicators exist that point towards an impairment of customer relationship was performed. There are no signs that would indicate an impairment of this value.

6.3 Assets pledged or assigned

in thousands CHF	31.12.2011	31.12.2010
Land & buildings	1 308	1 343
Production equipment and machinery	–	12
Inventory	–	939
Trade receivables	157	2 182
Total assets pledged or assigned	**1 465**	**4 476**

These assets are pledged respectively assigned to local credit lines granted (see Liquidity risk and credit facilities in note 6.8).

6.4 Inventories

Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2011	31.12.2010
Raw materials	27 402	23 503
Work in progress	18 343	7 712
Finished products	1 241	2 154
Valuation allowance	–1 886	–1 859
Total inventory, net	**45 100**	**31 510**

Developement of valuation allowance on inventory

in thousands CHF	2011	2010
Balance as per 1.1.	**–1 859**	**–2 386**
Currency translation adjustment	70	253
Additions	–313	–343
Reductions	216	617
Total valuation allowance on inventory as per 31.12.	**–1 886**	**–1 859**

Information on the carrying amount of pledged inventory is disclosed in note 6.3.

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

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.

in thousands CHF	31.12.2011	31.12.2010
Trade accounts receivable from goods and services	53 739	43 862
Valuation allowance	–2 407	–3 019
Total trade accounts receivable, net	**51 332**	**40 843**
Foreign currency forward contracts*	–	3
Prepaid expenses and accrued income	1 338	1 103
Prepayments for inventories	1 001	688
Other accounts receivable	3 983	2 602
Total other accounts receivable, net	**6 322**	**4 396**
Total trade and other accounts receivable, net	**57 654**	**45 239**

* see note 6.8

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				31.12.2011				31.12.2010
	GROSS	VALUATION ALLOWANCE		NET	GROSS	VALUATION ALLOWANCE		NET
		INDIVIDUAL	COLLECTIVE			INDIVIDUAL	COLLECTIVE	
Not past due	34 619			34 619	29 331			29 331
Past due 1–30 days	11 676			11 676	9 781			9 781
Past due 31–60 days	3 432	–2		3 430	2 116	–385		1 731
Past due 61–90 days	1 046	–94		952	556	–556		–
Past due > 90 days	2 966	–1 095	–1 216	655	2 078	–826	–1 252	–
Total trade accounts receivable	**53 739**	**–1 191**	**–1 216**	**51 332**	**43 862**	**–1 767**	**–1 252**	**40 843**

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

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

in thousands CHF			2011			2010
		Valuation Allowance			Valuation Allowance	
	Total	individual	collective	**Total**	individual	collective
At 1.1.	**–3 019**	**–1 767**	**–1 252**	**–2 578**	**–1 391**	**–1 187**
Currency translation adjustment	120	84	36	442	233	209
Additions	–292	–292		–1 491	–1 217	–274
Alllowance used	388	388		536	536	
Allowance reversed	396	396		72	72	
At 31.12.	**–2 407**	**–1 191**	**–1 216**	**–3 019**	**–1 767**	**–1 252**

During the year under review, an amount of CHF 0.4 million (previous year: CHF 0.5 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.

Currencies in trade accounts receivable

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

in thousands CHF		31.12.2011		31.12.2010
		in %		in %
EUR	28 805	53.6	18 060	41.2
USD	8 424	15.7	9 401	21.4
CNY	3 822	7.1	3 268	7.5
GBP	1 881	3.5	2 635	6.0
ZAR	163	0.3	2 186	5.0
all other currencies	10 644	19.8	8 312	19.0
Total trade accounts receivables, gross	**53 739**	**100.0**	**43 862**	**100.0**

Regional break down of trade accounts receivables

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

in thousands CHF	31.12.2011		31.12.2010	
		in %		in %
Europe, Middle East, Africa	34 784	64.7	26 338	60.0
Americas	9 640	17.9	10 509	24.0
Asia and Pacific	9 315	17.3	7 015	16.0
Total trade accounts receivables, gross	**53 739**	**100.0**	**43 862**	**100.0**

At average, trade accounts receivables are 57 days outstanding (DSO). The respective value is 56 for Europe, 63 for Americas and 54 for Asia). In 2010, the DSO was 45 for the Group, 42 for Europe, 51 for Americas and 57 for Asia.

6.6 Cash and cash equivalents

Positions included in cash and cash equivalents

in thousands CHF	31.12.2011	31.12.2010
Cash on hand, bank and postal accounts	9 797	9 131
Short term deposits	725	979
Total cash and cash equivalents	**10 522**	**10 110**

Interest rates, currencies hold in cash and transfer limitations

The interest rates on cash and cash equivalents vary between 0 % (for CHF) and 5 % (for ZAR). The respective rates of 2010 were 0 % (CHF) and 5 % (ZAR) respectively .

Cash is held in the following currencies:

in %	31.12.2011	31.12.2010
EUR	20.0	41.0
CHF	1.0	1.0
USD	17.0	16.0
THB	21.0	16.0
JPY	9.0	–
KRW	7.0	–
ZAR	6.0	8.0
other currencies	19.0	18.0
Total cash and cash equivalents	**100.0**	**100.0**

Cash and cash equivalents of CHF 1.0 million (2010: CHF 1.1 million) at Interroll South Africa as well as at Interroll Brasil are subject to transfer limitations . These transfer limitations do not have any impact on their operating activities.

6.7 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	31.12.2011	31.12.2010
Cash and cash equivalents	10 522	10 110
Trade and other accounts receivable	56 653	44 548
Financial assets	932	912
Total financial assets at amortised costs	**68 107**	**55 570**
Foreign currency forward contracts*	–224	3
Total financial instruments at fair value	**–224**	**3**
Trade and other accounts payable	37 305	34 283
Financial liabilities	28 121	22 988
Total financial liabilities at carrying value	**65 426**	**57 271**

* see notes 6.5, 6.8 and 6.15

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

6.8 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					31.12.2011					31.12.2010
	USD	CHF	EUR	SGD	JPY	USD	CHF	EUR	SGD	CAD
Financial assets		70	2			2 989	68			1 226
Trade and other accounts receivable	4 040	1 278	7 178	2 498	2 131	5 899	1 222	2 194	1 132	511
Cash and cash equivalents incl. intercompany loans	715	18 474	382			3 957	20 748	997		748
Financial liabilities		5 000				841	5 000		364	
Trade and other accounts payable	3 645	4 029	6 853	2 291	109	2 818	2 585	4 520	3 493	51
Short term liabilities	728	10 940	70			21	6 200	43		845
Currency risks on the balance sheet (gross)	**9 128**	**39 791**	**14 485**	**4 789**	**2 240**	**16 525**	**35 823**	**7 754**	**4 989**	**3 381**
Elimination equal currency	–3 710	–37 063	–7 619	–133		–2 884	–25 611	–3 612	–1 101	–1 793
Currency risks on the balance sheet (net)	**5 418**	**2 728**	**6 866**	**4 656**	**2 240**	**13 641**	**10 212**	**4 142**	**3 888**	**1 588**
Natural Hedges	–223	–286	–593	–38			–1 183	–1 295		
FX forward contracts	–3 702	–	–656	–2 565	–1 116	–4 020	–	–1 393	–2 439	–678
Net currency risk exposure	**1 493**	**2 442**	**5 617**	**2 053**	**1 124**	**9 621**	**9 029**	**1 454**	**1 449**	**910**

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 only contains the material foreign currency risks. All others are regarded to be immaterial in both years.

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

Foreign currency forward contracts

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

in thousands CHF				31.12.2011			31.12.2010
Hedged currency	SELL/BUY	MATURITY	NOTIONAL AMOUNT IN CHF	FAIR VALUE	SELL/BUY	NOTIONAL AMOUNT IN CHF	FAIR VALUE
USD	USD/CAD	02–2012	2 467	–	USD/CAD	1 645	35
USD	CAD/USD	02–2012	1 235	1	USD/CHF	2 375	53
SGD	SGD/EUR	02–2012	1 363	–53	JPY/SGD	1 925	23
SGD	JPY/SGD	02–2012	1 202	–26	KRW/SGD	514	8
EUR	EUR/CHF	02–2012	656	9	CNY/EUR	642	–23
EUR	–				ZAR/EUR	751	–68
JPY	JPY/EUR	02–2012	1 116	–66	–		
CNY	CNY/EUR	02–2012	571	–41	–		
CAD	–				CAD/CHF	678	1
THB	THB/EUR	02–2012	985	–48	THB/EUR	626	–26
Total FX forward contracts				**–224**			**3**

* see notes 6.5 resp. 6.15

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

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. Asummed currency fluctuations would have the following effects on the foreign currency positions in the balance sheet:

in thousands CHF			31.12.2011			31.12.2010
CURRENCY PAIR	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Financial Assets	71	4416	–	68	2989	–
Trade and Other Receivables	–2092	196	2663	–592	206	3775
Cash and Cash Equiv. incl. IC-Loans	18459	3666	611	20083	3449	467
Financial Liabilities	5000	–	–	5000	–	–
Trade and Other Payables	2010	–174	713	644	–53	688
Short Term and Current Liabilities	10940	657	5	6200	–	21
Gross Exposure per currency pair	**34388**	**8761**	**3992**	**31403**	**6591**	**4951**
Risks opposing each other	–32876	–967	–1437	–23688	106	–1417
FX forward contracts	–985	–	–2467	–	–2375	–1645
Net FX exposure per currency pair	**527**	**7794**	**88**	**7715**	**4322**	**1889**
Currency change in %	10	15	5	10	10	10
Effect on the result (+/-)	**53**	**779**	**9**	**772**	**432**	**189**
Income tax expense at 20.1 %	–11	–157	–2	–155	–87	–38
Net FX exposure after income taxes	**42**	**622**	**7**	**617**	**345**	**151**

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).

Interest risks

As per balance sheet date, the Group had interest bearing net financial liabilities of CHF 26.4 million (previous year: CHF 20.5 million, see also note 6.11). 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 cash flow hedges to hedge currency risks and because there are no assets held for sale at a fix interest rate. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in thousands CHF				**31.12.2011**				**31.12.2010**
Financial assets	NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS + 100	– 100	NOM. INT. RATE IN %	BOOK VALUES	BASIS POINTS + 100	– 100
fix int. rate	0–1.0	1 150				–		
Var. int. rate	0–2.0	445	4	–2	0–0.15	977	10	–1
Not interest bearing						2		
Total deposits		**1 595**	**4**	**–2**		**979**	**10**	**–1**
fix int. rate	2.0	62			2.0	482		
Var. int. rate		–			0.25–0.35	263	3	–1
Not interest bearing		–				167		
Total loans		**62**	**–**	**–**		**912**	**3**	**–1**
Cash on hand, bank and postal accounts		9 797				9 131	–	–
Trade and other receivables		56 653				44 548		
Total other financial assets		**66 450**	**–**	**–**		**53 679**	**–**	**–**
Total financial Assets		**68 107**	**4**	**–2**		**55 570**	**13**	**–2**
Financial liabilities								
fix int. rate	0–1.7	5 018			0.0–1.7	5 036		
Var. int. rate	0–1.9	22 779	–227	182	0.7–1.3	16 520	–165	143
Not interest bearing		–				–		
Total bank loans		**27 797**	**–227**	**182**		**21 556**	**–165**	**143**
fix int. rate	6.0	297			6.0	703		
Not interest bearing		27				313		
Total other loans		**324**	**–**	**–**		**1 016**	**–**	**–**
fix int. rate		–			5.0	4		
Total finance leases		**–**	**–**	**–**		**4**	**–**	**–**
Bank overdrafts		–			0.0–12.75	412		
Trade and other accounts payable		37 305				34 283		
Total trade and other accounts payable		**37 305**	**–**	**–**		**34 695**	**–**	**–**
Total financial liabilities		**65 426**	**–227**	**182**		**57 271**	**–165**	**143**
Net financial liabilities		**2 681**	**–223**	**180**		**–1 701**	**–152**	**141**

Sensitivity analysis to the interest risks

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. 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 0.22 million (previous year: CHF 0.15 million). The result would improve with an interest reduction of one percentage point by CHF 0.18 million (previous year: CHF 0.14 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 57.3 million (previous year: CHF 64.7 million).

In 2009, 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, 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 6.11 (see "Ageing of financial liabilities").

6.9 Information on shareholder's equity

Reconciliation from total issued shares to the outstanding shares

	2011	2010
Issued shares par value CHF 10.00 each (previous year: CHF 10.00)	**854 000**	**854 000**
Own shares held by the Group as per 1.1.	**74 400**	**82 225**
Purchase of own shares	3 149	–
Sale of own shares	–12 713	–6 085
Attribution of shares relating to bonus plan	–2 084	–1 740
Attribution of shares related to options exercised	–2 653	–
Own shares held by the Group as per 31.12.	**60 099**	**74 400**
thereof reserved for issuance under option program	45 965	52 965
thereof unreserved	14 134	21 435
Shares outstanding at 31.12.	**793 901**	**779 600**

6.10 Earnings per share

Non-diluted earnings per share

The non-diluted earnings per share in 2011 amount to CHF 22.99 (2010: CHF 18.59). The calclulation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding.

	2011	2010
Result attributable to the equity holders (in thousands CHF)	**18 193**	**14 423**
Shares outstanding as of 1.1.	**779 600**	**771 775**
Effect of the purchase of own shares	–2 076	–
Effect of the sale/attribution of own shares	11 828	3 949
Effect of the issue of shares under option plans	2 100	–
Weighted average of shares outstanding	**791 452**	**775 724**
Non-diluted earnings per share (in CHF)	**22.99**	**18.59**

Diluted earnings per share

The diluted earnings per share in 2011 amount to CHF 22.86 (2010: CHF 18.59). They are calculated by adjusting the weighted average number of ordinary shares outstanding to include all dilutive potential ordinary shares.

The potential ordinary shares resulting from the issue of options under the employee stock option plan (see note 7.1) had a dilutive effect due to the fact that the strike price (CHF 323) was below the average share price (CHF 358) during the year under review. This effect is outlined below. There was no dilutive effect in the previous year because the average price of CHF 317 was below the strike price.

	2011	**2010**
Result attributable to the equity holders (in thousands CHF)	**18 193**	**14 423**
Weighted average of shares outstanding	791 452	775 724
Dilutive effect of share options	4 521	–
Weighted average of shares outstanding (diluted)	**795 973**	**775 724**
Diluted earnings per share (in CHF)	**22.86**	**18.59**

6.11 Financial liabilities

Details to current and non-current financial liabilities

in thousands CHF	**31.12.2011**	**31.12.2010**
Bank overdrafts	–	412
Bank loans	22 850	16 501
Finance leases	–	4
Other loans	–	471
Total current financial liabilities	**22 850**	**17 388**
Bank loans	5 035	5 055
Other loans	236	545
Total non-current financial liabilities	**5 271**	**5 600**
Total financial liabilities	**28 121**	**22 988**

Net financial liabilities to equity ratio

in thousands CHF	31.12.2011	31.12.2010
Total financial liabilities	**28 121**	22 988
./. Cash and cash equivalents	**–10 522**	–10 110
Net financial liabilities	**17 599**	**12 878**
Equity	**143 285**	**127 457**
Net financial debt in % to equity	**12.28**	**10.10**

Loan structure

in thousands CHF					31.12.2011		31.12.2010	
	CUR-RENCY	EFFECTIVE AV. INTEREST RATE	INTEREST DUE FIX/VARIABLE	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
Fixed short term loan	CHF	0.65 %	V	2012	10 194	10 180	6 203	6 200
Fixed short term loan	CHF	1.33 %	V	2011		–	10 276	10 265
Fixed short term loan	EUR	0.70 %	V	2012	12 617	12 571		–
Fixed long term loan	CHF	1.70 %	F	2013	5 151	5 000	5 234	5 000
Other bank loans					134	134	93	91
Total bank loans					**28 096**	**27 885**	**21 806**	**21 556**
Finance Leases	EUR	5.00 %	F	2010			4	4
Total finance leases							**4**	**4**
Other loans	EUR	0 %–6.00 %	F	2012	236	236	1 067	1 016
Total other loans					**236**	**236**	**1 067**	**1 016**
Total Loans					**28 332**	**28 121**	**22 877**	**22 576**

Ageing of financial liabilities

The financial liabilities as per December 31, 2011 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	27 885	28 096	22 897	12	5 187	
Other loans	236	236			179	57
Trade/other accounts payable*	37 529	37 529	37 529			
Total financial liabilities	**65 650**	**65 861**	**60 426**	**12**	**5 366**	**57**

* 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, 2010 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	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.

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 end of February 2010.

Mortgage secured loans

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

6.12 Leasing liabilities

Finance leases

There was a remaining minor outstanding amount relating to Finance Lease which was fully due and paid in 2011. There were no liabilities relating to finance lease outstanding at year end 2011.

Operating leases

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

in thousands CHF	31.12.2011	31.12.2010
within 1 year	3 010	2 753
between 1 and 5 years	7 631	7 300
over 5 years	2 540	1 424
Total operating leases	**13 181**	**11 477**

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

6.13 Provisions

	WARRANTIES		OTHER PROVISIONS		TOTAL PROVISIONS	
in thousands CHF	2011	2010	2011	2010	2011	2010
At 1.1.	**5 661**	**4 650**	**1 637**	**1 653**	**7 298**	**6 303**
Currency translation adj.	–232	–598	–27	–214	–259	–812
Provisions made	2 283	4 280	350	451	2 633	4 731
Provisions used	–2 281	–1 890	–664	–207	–2 945	–2 097
Provisions reversed	–514	–781	–2	–46	–516	–827
At 31.12.	**4 917**	**5 661**	**1 294**	**1 637**	**6 211**	**7 298**

Warranty provisions

The Group companies normally grant a 24-month warranty. The warranty provision is recognised based on past experience as well as on specific projects. The warranty provision corresponds to roughly 1.8 % (previous year: 2.0 %) of net sales. The absolute reduction of warranty provision is based on the reduction of warranty cases for certain product groups. 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 that relates to a long term building rental contract that will be terminated before its final term and that was not used anymore as from late 2010. The impending loss corresponds to the rental amount for the periods during which the building no longer was used. The other provisions include pension liabilities according to IAS 19 in the amount of CHF 1.0 million (previous year: CHF 0.7 million).

6.14 Pension obligations and pension costs

General information to the pension plans of the Group

The pension costs for 2011 amounted to CHF 1.6 million (2010: CHF 1.8 million). Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are regarded as defined benefits plans in line with IAS 19. 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	2011	2010
Costs of the defined contribution plans	**–713**	**–927**
Current service costs, gross	–1 412	–1 005
Employee contributions	706	326
Interest costs	–354	–375
Amortisation of actuarial losses	–76	–55
Expected return on plan assets	226	281
Costs of the defined benefit plans	**–910**	**–828**
Total pension costs	**–1 623**	**–1 755**

The expected future contributions of the employer 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	2011	2010	2009	2008	2007
Present value of defined benefit obligation	–12 211	–12 151	–10 770	–9 478	–7 606
Fair value of plan assets	11 012	9 882	9 357	8 402	6 381
Pension liability	**–1 199**	**–2 269**	**–1 413**	**–1 076**	**–1 225**
Unfunded fair value of benefit obligations	–247	–239	–243	–205	–
Unrecognised net actuarial losses/(gains)	428	1 788	1 174	923	1 038
Unrecognised past service costs/(benefits)	64	68	–	–	–
Defined benefit obligation, net	**–954**	**–652**	**–482**	**–358**	**–187**
Experience adjustments					
– of plan liabilities	266	–102	–76	573	297
– of plan assets	–378	35	68	14	8

Roll forward of the defined benefit obligation

in thousands CHF	2011	2010
Benefit obligation as per 1.1.	**–12 390**	**–11 013**
Current service costs, net	–706	–679
Interest costs	–354	–375
Contributions from plan participants	–353	–326
Actuarial gains/(losses)	908	–628
Translation difference	8	–17
Insurance premiums	265	284
Benefits funded/(paid), net	164	364
Benefit obligation as per 31.12.	**–12 458**	**–12 390**

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	2011	2010
Fair value of plan assets as per 1.1.	**9 882**	**9 357**
Expected return on plan assets	226	281
Actuarial gains/(losses)	378	–35
Translation difference	–2	–19
Insurance premiums	–265	–284
Employer contributions	604	620
Employee contributions	353	326
Benefits funded/(paid), net	–164	–364
Fair value of plan assets as per 31.12.	**11 012**	**9 882**

Investment categories

in %	2011	2010
Equity securities	2.3	1.9
Debt securities	74.8	74.2
Real estate	17.3	17.6
Other investments	5.6	6.3
Total Investments in %	**100.0**	**100.0**

Roll forward of the unrecognised pension deficit

in thousands CHF	2011	2010
Unrecognised pension liabilities as of 1.1.	**–652**	**–482**
Pension costs	–910	–828
Contributions	604	620
Currency translation/plan expansion	4	38
Unrecognised pension liabilities as of 31.12.	**–954**	**–652**

Actuarial assumptions

in %	2011	2010
Discount rate	2.9	2.9
Expected return on plan assets	2.6	2.2
Expected benefit increases	0.0	0.5
Average future salary increases	1.5	1.5
Average fluctuation rate	10.0	10.0

6.15 Trade and other accounts payable

in thousands CHF	31.12.2011	31.12.2010
Trade accounts payable to third parties	14 123	14 717
Advances received from customers	12 344	2 852
Other liabilities	11 952	6 804
Accrued personnel expenses	6 861	6 440
Accrued interest	18	22
Other accrued expenses	4 351	6 300
Foreign currency forward contracts*	224	–
Total trade and other accounts payable	**49 873**	**37 135**

* 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	2011	2010
Wages and salaries	68 183	68 381
Social security costs	10 409	10 553
Pension costs (see note 6.14)	1 623	1 755
Other personnel related costs	2 919	2 358
Equity based personnel expenses to management personnel	774	1 234
Total personnel expenses	**83 908**	**84 281**
Thereof production related personnel expenses	34 617	41 653
Average number of employees	**1 340**	**1 255**

In the period under review 2 084 own shares (previous year: 1 740) were attributed to management members as part of their bonus scheme. In the year under review 1 200 shares (previous year: 1 550) have been blocked for sale for a period of five years as of grant date. The shares were valuated at the market value of the attribution date.

Option plan

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

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

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

	31.12.2011	attributed	exercised	expired	31.12.2010	attributed	exercised	1.1.2010
Outstanding options	**45 965**		**–4 347**	**–2 653**	**52 965**			**52 965**
option life until 30.09.2013	45 965				45 965			45 965
option life until 30.09.2011	–		–4 347	–2 653	7 000			52 965
thereof not excercisable	45 965				45 965			52 965
thereof exercisable	–		–2 653	–4 347	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 options included in the plan are not subject to any vesting condition.

7.2 Research and development expenditures

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

in thousands CHF	2011	2010
Research and development expenditures	**8 068**	**8 668**

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	2011	2010
Office and administration	6 833	5 884
Provisions and allowances, net	1 753	3 707
Non-income taxes	1 365	1 193
Consultancy, auditing	3 334	3 993
Marketing	4 332	4 311
Freight	8 388	8 467
Commissions, bad debt adjustments	1 965	3 535
Building rent	2 608	3 174
Building maintenance	3 741	2 219
Maintenance on machinery, tools and moulds	3 087	3 199
Travelling and transportation	5 168	4 857
Consumables for production	3 544	3 334
Insurances	608	618
Other expenses	2 171	4 530
Loss on disposal of property, plant and equipment/intangible assets	11	488
Total other operating expenses	**48 908**	**53 509**

7.4 Other operating income

in thousands CHF	2011	2010
Income from commissions, licences and freight	8 947	8 674
Income from services	1 029	934
Government grants received	217	84
Total other operating income	**10 193**	**9 692**

7.5 Financial result

in thousands CHF	2011	2010
Fair value changes of foreign currency forward contracts	–348	–1 072
Realised translation expenses	–239	–
Interest expenses	–647	–478
Financial expenses	**–1 234**	**–1 550**
Foreign exchange gains, net	1 081	993
Realised translation gains	53	–
Fair value changes of foreign currency forward contracts	–	427
Interest income	182	169
Financial income	**1 316**	**1 589**
Financial result, net	**82**	**39**

The result from realized cash flow hedges is presented in the other operating income/expenses (see notes 7.3 resp. 7.4). In both years under review, no cash flow hedges existed (see note 6.8). Realised translation expenses relate to the liquidation of Interoll DS Asia Pacific Co. Ltd. (Bangkok/ Thailand). Realised translation gains in 2011 relate to an equity-a-like write off of an intercompany loan owed by Interroll Japan Co. Ltd. (Tokyo/Japan).

7.6 Income tax expense

Components of income tax expense

in thousands CHF	2011	2010
Income taxes relating to the current period	4 757	5 188
Income taxes relating to past periods, net	–1 623	2 145
Current income tax expense	**3 134**	**7 333**
Due to temporary differences	–856	–1 675
Due to tax rate changes	–4	–86
Due to (recognition)/use of tax loss carry-forwards	65	331
Adjustments to deferred tax assets	–50	98
Other effects	1	2
Deferred income tax expense/(income)	**–844**	**–1 330**
Total income tax expense	**2 290**	**6 003**

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

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

Reconciliation of effective tax rate

in thousands CHF	2011	2010
Result before income taxes	**20 483**	**20 426**
Income tax expenses at the expected tax rate of 20.1 % (2010: 20.1 %)	4 117	4 106
(Non-taxable income)/non-tax deductible expenses, net	87	–1 534
(Reversal of)/write offs on deferred tax assets, net	–50	98
Tax rate changes, net	–4	–86
Effect from deviation to tax rates in Group companies	–119	889
(Tax credits)/tax charges on prior years' results, net	–1 623	2 145
(use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	–147	387
Other effects	29	–2
Effective (total) income tax expense	**2 290**	**6 003**

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	31.12.2011		31.12.2010	
	NOT ACTIVATED	ACTIVATED	NOT ACTIVATED	ACTIVATED
Expiry:				
2011			378	–
2012	90	–	394	–
2013	585	–	759	–
2014	561	–	597	–
2015	43	–	40	–
2016 and later	19 485	257	20 501	409
unlimited	5 572	2 567	3 631	2 490
Total	**26 336**	**2 824**	**26 300**	**2 899**
Tax benefit	9 278	699	9 433	777
Thereof unrecognisable	–9 278		–9 433	
Deferred tax assets from carried forward losses		**699**		**777**

A tax effect of CHF 0.8 million resulted from new tax losses carried forward of CHF 2.8 million. None of this effect was capitalized (previous year: new tax losses of 1.6 million with a tax effect of CHF 0.6 million, whereof the full amount 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 0.7 million has been capitalized in 2011 (2010: CHF 0.8 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	31.12.2011		31.12.2010	
	DEFERRED TAX		DEFERRED TAX	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Intangible assets	334	755	2 279	3 202
Property, plant and equipment	200	2 716	248	3 162
Financial assets	–	22	–	9
Inventory	239	122	271	139
Benefits of loss carry forwards	699	–	777	–
Receivables	88	302	144	210
Total assets	**1 560**	**3 917**	**3 719**	**6 722**
Long term debts	–	–	–	127
Provisions	813	297	1 156	473
Short term debts	118	36	218	84
Other Liabilities	34	1	4	–
Total liabilities	**965**	**334**	**1 378**	**684**
Set-off	–1 810	–1 810	–4 276	–4 276
Total net	**715**	**2 441**	**821**	**3 130**

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 0.7 million (previous year: decrease of CHF 1.1 million) corresponds to net deferred tax income recognised in the income statement of CHF 0.8 million (previous year: deferred tax income of CHF 1.3 million) and currency translation adjustements of CHF –0.1 million (previous year: CHF 0.2 million). In the year under review, deferred tax liabilities were additionnally increased by CHF 0.3 million due to acquisition through business combinations. There were no acquisitions in line with IFRS 3 in the previous year.

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.

Adjustment of presentation error of tax accruals from previous years

The Group regularly assesses the tax risks of its subsidiaries. Respective provisions and accruals to cover such risks were allocated to deferred tax liabilities in the past. This methodology lead to correct accruals and income statements. However, the presentation in the consolidated statement of financial position lead to a shift from “income tax liabilities” (short term liabilities) to “deferred tax liabilities” (long term liabilities).

The respective values of the previous year have been adjusted in these financial statements. This error in the presentation of the previous year’s statement of financial position had no effect on equity, balance sheet sum nor on the presented results and is to be regarded as immaterial. The error was never claimed by the previous group auditor. Due to its immaterial effect, extended disclosure as per IAS 1.39 has been refrained from.

The adjusted presentation lead to the following shift within statement of financial position and income statement:

in thousands CHF	31.12.2010		1.1.2010	
	BEFORE ADJUSTMENT	AFTER ADJUSTMENT	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
Deferred tax liabilities	10 580	3 130	10 476	4 259
other non-current liabilities	12 898	12 898	7 747	7 747
Total non-current liabilities	**23 478**	**16 028**	**18 223**	**12 006**
Current tax liabilities	5 805	13 255	6 359	12 576
Other current liabilities	54 523	54 523	58 087	58 087
Total current liabilties	**60 328**	**67 778**	**64 446**	**70 663**
Total liabilties	**83 806**	**83 806**	**82 669**	**82 669**

in thousands CHF	2010	
	BEFORE ADJUSTMENT	AFTER ADJUSTMENT
Current incom tax expense	6 100	7 333
Deferred income tax expens/(income)	–97	–1 330
Total income tax expense	**6 003**	**6 003**

8 OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS

8.1 Contingent liabilities and other commitments

The Interroll Group has committed to guarantees versus third party in the amount of CHF 0.5 million which are in relation with a project settlement. There are no further contingent liabilities in both years under review.

8.2 Related party transactions

Transactions with related parties

		VOLUME		OPEN PAYABLES	
in thousands CHF	Category	2011	2010	31.12.2011	31.12.2010
Purchase of materials	a	2 311	3 326	349	605
IT Investments/IT Services	a	614	820	16	46
Other costs	a+b	1 154	1 081	16	89
Total purchases		**4 079**	**5 227**	**381**	**740**

		VOLUME		OPEN RECEIVABLES	
in thousands CHF	Category	2011	2010	31.12.2011	31.12.2010
Sale of material	a	6 675	6 604	1 232	1 054
Other income	b	377	446	114	97
Total services		**7 052**	**7 050**	**1 346**	**1 151**

Definition of related parties

The Interroll Group defines and categorises its related parties 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 2011 to the Board of Directors of INTERROLL HOLDING LTD. is CHF 0.48 million (2010: 0.48 million). The detailed disclosure on the compensation to and shares owned by the Board of Directors 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	2011	2010
Salaries incl. bonus	3965	3910
Post-employment benefits	543	577
Other long term benefits	–	–
Equity based compensation	676	473
Total compensation to the Group Management	**5184**	**4960**

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

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

8.3 Subsequent events

The consolidated financial statements for the year 2011 were approved by the Board of Directors on March 5th, 2012 and are subject to further approval by the General Meeting of the Shareholders on May 11th, 2012.

No event has occurred between December 31st, 2011 and March 5th, 2012 which would reqiure adjustment to the carrying amount of the Group's assets and liabilities as of December 31st, 2011, 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 Lojistik Sistemleri	Istanbul (TR)	S	HD	TRY	1 000.0	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	HD	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 and 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	42 490.2	100 %
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD	51.2	100 %
Interroll (Thailand) Co. Ltd.	Bangkok (TH)	P/S	SGP/HD	THB	100 000.0	100 %
Interroll Japan Co. Ltd.	Tokio (JP)	S	HD	JPY	10 000.0	100 %
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP/HD	KRW	1 500 000.0	100 %

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

Owner: HD = INTERROLL HOLDING LTD., HDE = Interroll Europe BV, TI = Interroll SA, DHO = Interroll Holding GmbH, DKP = Interroll Joki AS, F = Interroll SAS, Saint-Pol-de-Léon, E = Interroll España SA, SGP = Interroll (Asia) Pte. Ltd., Singapur

Movements within the scope of concolidation in 2011

Mid 2011, Interroll founded Interroll Lojistik Sistemleri Tic. Ltd. Sti. which has taken over sales activities for Turkey and the mid east. In December 2011 Interroll DS Asia Pacific Co. Ltd in Bangkok/Thailand was definitely liquidated.

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 1, 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 1, 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.

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 consolidated financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes (pages 68 to 125), for the year ended December 31, 2011.

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

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Other Matter

The consolidated financial statements of INTERROLL HOLDING LTD for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on March 3, 2011.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Urs Honegger Audit expert Auditor in charge	Martin Graf Audit expert

Zurich, 5th March 2012

Financial statements of INTERROLL HOLDING LTD.

CONTENTS

1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

1.1 Balance sheet

in thousands CHF	see Notes*	31.12.2011	31.12.2010
ASSETS			
Cash and cash equivalents		5	753
Accounts receivable from Group Companies		819	429
Other receivables from third party		79	43
Own shares	3.6	17 138	24 698
Total current assets		**18 041**	**25 923**
Investments		213 169	212 974
Loans due from Group Companies	3.3	11 930	9 505
Total non-current assets		**225 099**	**222 479**
Total assets		**243 140**	**248 402**
EQUITY AND LIABILITIES			
Trade and other accounts payable Group Companies		337	231
Trade and other accounts payable from third party		109	79
Accrued Expenses		1 205	864
Total current liabilities		**1 651**	**1 174**
Loans due to Group Companies	3.4	2 209	11 929
Provision for loan assets and investment risks	3.5	110 771	110 771
Other provisions		804	804
Total non-current liabilities		**113 784**	**123 504**
Share capital	3.6	8 540	8 540
Share premium	3.6	19 616	19 078
General legal reserve		5 209	5 209
Reserve for own shares	3.6	21 018	27 959
Available earnings		73 322	62 938
Total shareholder's equity		**127 705**	**123 724**
Total liabilities and equity		**243 140**	**248 402**

* See notes to the financial statements.

1.2 Income statement

in thousands CHF	2011	2010
Investment income	10091	5877
Royalty income	2654	2731
Other operating income	728	4923
Financial income	607	3603
Total income	**14080**	**17134**
Investment expenses	–212	–18725
Administration expenses	–385	–339
Personnel expenses	–1685	–1325
Other operating expenses	–2989	–2638
Financial expenses	–860	–416
Total Expenses	**–6131**	**–23443**
Result before income taxes	**7949**	**–6309**
Income tax expenses	–2	–6
Result	**7947**	**–6315**

1.3 Statement of changes in equity

in thousands CHF	SHARE CAPITAL	* RESERVES FROM CAPITAL CONTRIB.	LEGAL RESERVE	RESERVE FOR OWN SHARES	AVAILABLE EARNINGS	TOTAL
as of 1.1.2010	**12810**	**19078**	**5209**	**32386**	**64826**	**134309**
Result 2010					–6315	–6315
Reduction of par value	–4270					–4270
Change of reserve for own shares				–4427	4427	–
At 31.12.2010	**8540**	**19078**	**5209**	**27959**	**62938**	**123724**
Result 2011					7947	7947
Distribution from approbration from capital contributions		–3966				–3966
Appropriation to reserves from capital contributions*		4504			–4504	–
Change of reserve for own shares				–6941	6941	–
At 31.12.2011	**8540**	**19616**	**5209**	**21018**	**73322**	**127705**

* The amount of reserves from capital contributions 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 financial income and financial expenses respectively. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the balance sheet date. Any gains or losses resulting from this translation are also included in the current year's income, except for unrealised gains which are deferred.

2.2 Principles of valuation

Cash and cash equivalents, Accounts receivable and payable

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

Own shares and options

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

Loans

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

Investments

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

Accrued expenses

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

3 NOTES TO THE FINANCIAL STATEMENTS

3.1 Own shares and options

In the year under review, the Company sold 12713 own shares at an average price of CHF 395 (previous year: 6 085 shares at an average price of CHF 356). In the year under review, the company acquired 3149 Aktien (none in the previous year). At year end 2011, the company held 60 099 own shares with a carrying amount of CHF 21.0 million (2010: 74400 own shares with a carrying amount of CHF 24.7 million). There is a reserve for own shares equal to the original cost of CHF 21.0 million (previous year: CHF 24.7 million). In the year under review, 45965 own shares are reserved to cover the management share option plan (at end of 2010, 52965 were reserved for such purpose, see note 7.1 of the consolidated financial statements). In the year under review 2653 shares (2010: none) were sold at the strike price of CHF 323 out of the share option plan.

2084 shares (previous year: 1740) with a carrying value of CHF 0.7 million (previous year: CHF 0.5 million) were attributed to employees.

3.2 Investments

An overview on the material either directly or indirectly held investments can be found in the Notes to the consolidated statements of the Interroll Group (see “8.4 – Scope of consolidation”).

3.3 Loans due from Group companies

The interest rates used were the following:	lowest	highest
In the year 2011	0.00 %	6.00 %
In the year 2010	0.00 %	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 11.9 million (2010: CHF 9.5 million). For CHF 2.8 million (previous year: CHF 4.2 million) a valuation allowance has been accounted for.

3.4 Loans due to Group companies

The following interest rates were used:	lowest	highest
In the year 2011	0.00 %	5.50 %
In the year 2010	0.00 %	5.00 %

The loans due to Group companies are normally redeemable with a notification period of three months. As of year end 2011, the total outstanding group loans amounted to CHF 2.2 million (2010: CHF 11.9 million).

3.5 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.

3.6 Shareholder equity

Composition of the share capital

The share capital consists of 854 000 fully paid-in registered shares with a par value of CHF 10.00 each (previous year: CHF 10.00). Each share entitles to equal dividend and voting rights.

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

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

	31.12.2011		**31.12.2010**	
Shareholder/Shareholder Group	NUMBER OF SHARES	PARTICIPATION IN %	NUMBER OF SHARES	PARTICIPATION IN %
D. Specht and family	108 845	12.75	108 645	12.72
B. Ghisalberti/E. Moreschi and family	112 743	13.20	112 743	13.20
N. Axmann and family	39 017	4.57	39 017	4.57
Sarasin Investmentfonds AG	83 594	9.79	85 215	9.98
Corisol Holding AG	22 013	2.58	43 832	5.13
Public (floating)	487 788	57.12	464 548	54.40
Total	**854 000**	**100.00**	**854 000**	**100.00**

Reserves from capital contributions (share premium)

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 2011, CHF 4.0 million was taken out of reserves from capital contribution and distributed to the share holders. CHF 4.5 million was reclassified from retained earnings to reserves from capital contribution. This appropriation of reserves has not yet been confirmed by the Swiss tax authorities.

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).

3.7 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)
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 OTHER DISCLOSURES ACCORDING TO SWISS LAW

4.1 Risk assessment

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

4.2 Internal control system

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

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

Interroll Group management assessed the effectiveness of the Group's internal control over financial reporting as of December 31, 2011. Based on its assessment, management has concluded that, as of December 31, 2011, the Interroll Group's internal control over financial reporting was effective based on those criteria (see notes to the consolidated financials statements "3 – Risk Management").

4.3 Compensation of and shares held by the Board of Directors

Compensation and shares held by the Board of Directors

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

in thousands CHF		CASH	SHARES/ OPTIONS	SOCIAL SECURITY*	OTHER BENEFITS	**TOTAL COMPENSATION**	SHARES HELD AS OF 31.12.	VOTING RIGHTS IN %
Kurt Rudolf								
2011	P, CC	150		17		**167**	800	0.11
2010	P, CC	150		17		**167**	800	0.12
Urs Tanner								
2011	VP	75		12		**87**	60	0.01
2010	VP	75		12		**87**	60	0.01
Paolo Bottini								
2011	AC	50		7		**57**	20	0.00
2010	AC	50		7		**57**	20	0.00
Philippe Dubois								
2011	AC	50		7		**57**	100	0.01
2010	AC	50		7		**57**	100	0.02
Horst Wildemann								
2011	CC	50		6		**56**	–	0.00
2010	CC	50		6		**56**	–	0.00
Marco Ghisalberti								
2011		50		7		**57**	112 743	14.97
2010		50		7		**57**	112 743	17.42
Ingo Specht								
2011		–		–		**–**	108 845	14.45
2010		–		–		**–**	108 645	16.79
Total Board of Directors								
2011		**425**	**–**	**56**	**–**	**481**	**222 568**	**29.56**
2010		**425**	**–**	**56**	**–**	**481**	**222 368**	**34.36**

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

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

Options held by the Board of Directors

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

4.4 Compensation of and shares held by the Group Management

Total compensation of 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 COMPENS.				
	FIX	VARIABLE*	SHARES**	OPTIONS	SOCIAL SECURITY	OTHER BENEFITS	**TOTAL COMPENSATION**
CEO (highest)							
2011	595	867	315	–	456	41	2 274
2010	595	826	273	–	387	41	2 122
Other members							
2011	1 468	624	234	–	337	71	2 734
2010	1 589	532	80	–	500	74	2 775
Total Group Management							
2011	**2 063**	**1 491**	**549**	**–**	**793**	**112**	**5 008**
2010	**2 184**	**1 358**	**353**	**–**	**887**	**115**	**4 897**

* 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. 1 200 of the shares (previous year: 1 550 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.

Despite the new Group organisation effective as from 1.1.2011 and the related changes in Group Management, the total compensation to the Group Management has not materially changed to the previous year. The fixed portion of the compensation of the existing members of the Group Management remained unchanged and the variable portion did only change immaterially.

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. Granted shares are valuated at market value according to Swiss law (OR). This value is reduced depending on the agreed blocking period on these granted shares.

The difference of total compensation between the two methods of CHF 0.18 million (previous year: CHF 0.16 million) is made up by business cars (CHF 0.05 million, previous year: CHF 0.04 million) and by share based payments (CHF 0.13 million, previous year: CHF 0.12 million).

Shares and options held by the Group Management

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.	
	2011	2010	2011	2010
Paul Zumbühl	12 598	11 398	10 000	10 000
Jürg Häusermann	950	950	3 340	3 340
Dr. Ralf Garlichs	–	–	2 500	2 500
Dr. Christoph Reinkemeier	–	n/a	–	n/a
Jens Karolyi	–	n/a	–	n/a
Tim McGill	2 036	n/a	1 800	n/a
Kwang-Heng Seng	220	220	1 200	1 200
Dr. Heinrich Droste	n/a	532	n/a	2 970
Didier Lermite	n/a	–	n/a	2 970
Total	**15 804**	**13 100**	**18 840**	**22 980**

Dr. Heinrich Droste and Didier Lermite have left the Group Management with the introduction of the new organisational structure of the Interroll Group.

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	2011	2010
Result	7 947	–6 315
Available earnings carried over from previous year	62 938	64 826
Change of reserve for own shares	6 941	4 427
Appropriation to reserves from capital contributions	–4 504	–
To be carried forward	**73 322**	**62 938**

Proposed distribution out of reserves from capital contributions

The Board of Directors proposes to the general assembly the distribution of reserves from capital contributions of CHF 7.00 per share (previous year: CHF 5.00). If the distribution is approved, the respective settlement will be processed in the subsequent week to the general assembly 2012.

in thousands CHF	2011	2010
Available capital contributions carried over from previous year	19 078	19 078
Appropriation from available earnings*	4 504	–
Distribution of CHF 5.00 in the year 2011	–3 966	–
Distributable reserves from capital contributions	**19 616**	**19 078**
Proposed distribution of CHF 7.00 per share in 2012**	–5 558	–
Reserves from capital contributions to be carried forward	**14 058**	**19 078**

* The appropriation to reserves as well as the total balance 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 5.98 million. Disclosed proposed distribution is based on oustanding shares as per 5th March 2012.

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 130 to 141), for the year ended December 31, 2011.

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, 2011 comply with Swiss law and the company's articles of incorporation.

Other Matter

The financial statements of INTERROLL HOLDING LTD for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on March 3, 2011.

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.

PricewaterhouseCoopers AG

Urs Honegger	Martin Graf
Audit expert	Audit expert
Auditor in charge	

Zurich, 5th March 2012

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

Concept and coordination:
Interroll Holding Ltd., Investor Relations
Layout/DTP:
Victor Hotz AG, Corporate Publishing & Print, Steinhausen

This annual report is also available in German.
The German version is binding.