

**INTERROLL ANNUAL REPORT 2014**



ANNUAL REPORT 2014

**INSPIRED BY**  
**BY EFFICIENCY**  
**EFFICIENCY**

**335.3 MILLION**  
**NET REVENUE**  
**25.4 MILLION**  
**EBIT**  
**27.8 MILLION**  
**CASH FLOW**

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# KEY FIGURES

in CHF million, if not stated differently

	2014	2013	2012	2011	2010
<b>Incoming orders / net sales</b>					
Total incoming orders	350.7	318.8	302.6	288.7	285.2
Drives	114.9	109.4	99.3	95.1	97.9
Rollers	81.2	75.4	80.4	83.2	79.2
Conveyors & Sorters	79.8	71.2	69.3	42.8	52.1
Pallet & Carton Flow	59.4	60.3	58.1	50.8	53.9
<b>Total net sales</b>	<b>335.3</b>	<b>316.3</b>	<b>307.2</b>	<b>271.9</b>	<b>283.1</b>
<b>Profitability</b>					
EBITDA	44.1	45.4	41.1	36.2	35.8
in % of net sales	13.2	14.3	13.4	13.3	12.6
EBITA	33.2	34.0	30.3	25.7	24.8
in % of net sales	9.9	10.7	9.9	9.5	8.8
EBIT	25.4	27.2	24.8	20.4	20.4
in % of net sales	7.6	8.6	8.1	7.5	7.2
<b>Net profit</b>	<b>19.1</b>	<b>20.5</b>	<b>19.4</b>	<b>18.2</b>	<b>14.4</b>
in % of net sales	5.7	6.5	6.3	6.7	5.1
<b>Cash flow</b>					
Operating cash flow	27.8	44.5	38.2	14.5	18.7
in % of net sales	8.3	14.1	12.4	5.3	6.6
<b>Free cash flow</b>	<b>12.0</b>	<b>5.0</b>	<b>30.2</b>	<b>-5.6</b>	<b>-8.5</b>
in % of net sales	3.6	1.6	9.8	-2.1	-3.0
<b>Total investments / capital expenditure</b>	<b>16.8</b>	<b>39.8</b>	<b>10.6</b>	<b>19.6</b>	<b>26.4</b>
<b>Balance sheet (31.12.)</b>					
Total assets	278.2	258.2	227.6	239.2	211.3
Goodwill	17.6	16.0	9.0	9.0	9.3
Net financial assets (debts)	23.9	20.2	8.7	-17.6	-12.9
Gearing (net debt / equity)				0.12	0.10
Indebtedness factor (net debt / cash flow)				1.21	0.69
<b>Equity</b>	<b>200.3</b>	<b>187.2</b>	<b>157.6</b>	<b>143.3</b>	<b>127.5</b>
Equity ratio (equity in % of assets)	72.0	72.5	69.3	59.9	60.3
Return on equity (in %)	9.9	11.9	12.8	13.4	11.1
<b>Other key figures</b>					
RONA (Return on Net Assets, in %)	9.8	12.2	12.6	9.9	10.4
Average number of employees	1 675	1 488	1 420	1 340	1 255
Net sales per employee (in thousands CHF)	200	213	216	203	226
Productivity (added value / total personnel expenses)	1.86	1.95	1.92	1.77	1.98

# ABOUT INTERROLL

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

Core industries are courier, parcel, express and postal services, airports, food processing as well as distribution centers. Our products are in daily use at amongst others well-known global brands such as Amazon, Bosch, Coca-Cola, Coop, DHL, FedEx, Peugeot, PepsiCo, Procter & Gamble, Siemens, Walmart and Yamaha.

Interroll is engaged in global research projects on logistics efficiency and actively supports industry associations in developing standards. Headquartered in Sant’Antonino, Switzerland, Interroll operates a worldwide network of 31 companies with around 1,800 employees. The company was founded in 1959. Since 1997, Interroll Group has been listed on the SIX Swiss Exchange and included in the SPI index.

[www.interroll.com](http://www.interroll.com)

## INTERROLL PRODUCT GROUPS

**ROLLERS**



**DRIVES**



**CONVEYORS & SORTERS**



**PALLET & CARTON FLOW**



# HIGHLIGHTS OF THE FINANCIAL YEAR 2014



**EFFICIENT AND FLEXIBLE DELIVERY OF CUSTOMERS OUT OF ATLANTA**

**ATLANTA**

Opening of the regional Center of Excellence in Atlanta, USA

**SHANGHAI**

Opening of the Asian headquarter in Shanghai, China

**PARTNERSHIP WITH GEORGIA TECH**

Partnership with Georgia Tech Supply Chain & Logistics Institute, USA, started

**SUCCESSFUL LAUNCH OF THE MODULAR CONVEYOR PLATFORM**

**WORLD PREMIERE**

World premiere of the new modular conveyor platform at CeMAT in Hanover, Germany

**AWARD**

Global Impact Award for foreign direct investments of Metro Atlanta Chamber, USA, received

**PORTUGAL**

Start of own sales activities in Portugal

**ASYNCHRONOUS DRUM MOTORS**

Approval of asynchronous drum motors by the U.S. Department of Agriculture (USDA)

# Q1

# Q2



### MULTIPROFILE OFFERS MORE FLEXIBILITY FOR CUSTOMERS

#### ACQUISITION

Acquisition of Pert Engineering in Shenzhen, China

#### MARKET LAUNCH

Worldwide market launch of Interroll Multiprofile for drum motors



### NEW BUILDING IN BAAL STRENGTHENS COMPETITIVENESS

#### AWARD

Coup de Cœur-Award for Interroll High Performance Divert HPD received at Manutention trade show in Paris, France

#### NEW BUILDING

Groundbreaking for extension of global Center of Excellence for Drum Motors in Baal/Hückelhoven, Germany

#### SAUBER F1

Extension of partnership with the Sauber F1 team

#### BRAZIL

Major order for 6 sorters for Brazil Post

# Q3

# Q4



# STRONGLY SUCCESSFUL INTO THE FUTURE BY FOCUSING ON CUSTOMERS AND OFFERING INNOVATIVE SOLUTIONS

**Paul Zumbühl** (left)

CEO

**Kurt Rudolf** (right)

Chairman of the Board of Directors



Dear Shareholders, Customers and Business Partners,

Interroll has grown from being an internationally active company to become a globally networked Group in recent years. And 2014 clearly ranks as one of our most important years. We continued to increase our investments in product innovations, infrastructure, and market expansion and achieved important strategic goals as planned.

These include, first and foremost, the market launch of our modular conveyor platform in May 2014. We have received extremely positive feedback from our customers on this high-performance solution and have already taken some very interesting orders. And interest remains high. Up until now we have only been marketing the platform in Europe. America and China will follow in the second half of 2015. We therefore expect to see the positive development continue in the product group Conveyor Modules.

Of course, this also includes consolidation of our plants in North America, which has now been completed. The relocation of production of subsystems and flow storage modules from Jeffersonville in the United States and flow storage production from Concord, Canada, to the new regional Center of Excellence in Atlanta and to our plant in Newmarket, Canada, has now been concluded. This means we will be able to reap the full benefits of the synergies we discussed last year and, even more importantly, serve our customers in the region more efficiently and more quickly.

We also opened our new Asian headquarters in Shanghai in March. The Chinese sales force, which used to be based in Suzhou, is now based here. This measure also enables us to serve our customers better and faster, a competitive factor that is not to be underestimated in today's competitive market.

And with Pert Engineering in China, we acquired a manufacturing company in September of 2014 that already very successfully manufactures Portec belt curves in high quality for the Asian market. This acquisition has proven to be a valuable strategic addition to our acquisition of Portec in the United States in 2013. Integration of the company is currently proceeding as planned.

We have also taken further important steps in Europe. For example, we modified the production layout at our Center of Excellence for drum motors in order to be able to offer our customers faster delivery. The launch of our modular conveyor platform also called for us to reorganise manufacturing at the Center of Excellence for modules and subsystems. Furthermore, we started expanding the Center of Excellence for drum motors

in November 2014 and plan to unite our Academy, the Research Center and rubber coating under a single roof at a much larger complex by the fall of 2015.

We made further progress with the continued implementation of SAP in 2014. In the meantime, 27 of our companies are now using SAP and we are in a position to serve our customers more effectively and roll out new products globally much faster. This too enables us to strengthen our market position with respect to the competition.

We made all of these strategic investments in 2014 from a position of economic strength. As expected, the increased investment activity had an impact on our income statement. This is a short-term effect, nevertheless it lays the foundation for sustainable growth that all of you, our dear shareholders, will benefit from.

## ***“In 2014 we reached important strategic goals.”***

We concluded financial year 2014 with solid earnings. Order intake rose by 10% to CHF 350.7 million and sales increased by 6% to CHF 335.3 million. Although we made substantial investments into our future, our EBITDA decreased only slightly by 2.8% to CHF 44.1 million. Our EBITDA margin also slipped slightly to 13.2% after 14.4% in 2013.

We will be proposing the reduction of the nominal share value by CHF 9.00 from CHF 10.00 to CHF 1.00, dear shareholders, at our Annual General Meeting on 8 May 2015.

As part of implementation of the Minder Initiative, we will be recommending a number of changes to our Articles of Association at the Annual General Meeting. A comprehensive list will be published in the Investor Relations section of our website [www.interroll.com](http://www.interroll.com).

From an operational perspective, we look back on a very successful year. We achieved an important success by receiving an order for six sorters from Brazil Post through our U.S. partner NPI (National Presort Inc.) for delivery between 2015 and 2017. At the same time, we also received another new order for additional sorters from China Post. These repeat orders also from other customers clearly show the confidence they have in our products and that we are on the right track.

All employees of Interroll work hard to achieve this each and every day. We could never achieve this success without them. For this reason, our thanks go out

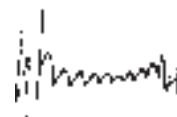
to all employees for their strong commitment and the expertise they show for our company. Many of these individuals have been with us for years or even decades.

We therefore look forward to the future with optimism. 2015 will be a challenging year, however. We will continue to work on our platform strategy in order to be able to offer our customers even more well matched solutions. Our customers are in need of products that offer fast return on investment and thus flexibility. The topic of energy efficiency is also at the top of our list. And, of course, continued automation based on intelligent products that can be controlled and thus have a positive effect on the energy balance. We need products that are technologically mature, yet easy to operate. We at Interroll consider manufacturing to be one of our core strengths. Our goal is to give our customers the chance to make changes at the latest possible point in time and provide them with customised solutions with extremely short delivery times.

The global availability of our innovative products, our proven quality and our fast delivery times, but also the continued globalisation of our company will continue to provide the basis for our success. We also plan to continue expanding our leading market and technological position in the area of internal logistics in the years to come. In fact, we have laid the cornerstone for achieving this in recent years. We will continue to pursue our strategy in a consistent manner and continue to convince you of our achievements.

We would like to thank you for the trust and loyalty you showed us again in 2014. Furthermore, we thank our customers and business partners for the trustful cooperation.

Sant'Antonino, 20 March 2015



**Kurt Rudolf**  
Chairman of the Board  
of Directors



**Paul Zumbühl**  
CEO

# GROUP MANAGEMENT

*From left to right*

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**Daniel Bättig**

*Chief Financial Officer (CFO)*

**Tim McGill**

*Executive Vice President Americas*

**Jens Karolyi**

*Senior Vice President  
Corporate Marketing & Culture*

**Dr. Christoph Reinkemeier**

*Executive Vice President Global Sales & Service*

**Paul Zumbühl**

*Chief Executive Officer (CEO)*

**Dr. Ralf Garlichs**

*Executive Vice President Products & Technology*

**Dr. Ben Xia**

*Executive Vice President Asia*



## PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE GROUP MANAGEMENT

### PAUL ZUMBÜHL

(born 1957, Swiss)

Paul Zumbühl studied engineering sciences at the University of Applied Sciences Lucerne, Switzerland, and holds a degree as Dipl.-Ing. He also holds an MBA from the Joint University Program of the universities of Boston, Berne and Shanghai. He participated in an AMP at the Kellogg Business School of Northwestern University, Evanston/Chicago and holds a Swiss Federal Marketing Management Diploma (Eidg. Dipl.) After working for Symalit AG as Sales Manager/Engineer, he held several management positions and was Managing Director of Sarna Group. From 1994 until 1999 he was the CEO of Mikron Plastics Technology and a member of the Executive Management Board of Mikron Group. In January 2000 he joined Interroll Group as Chief Executive Officer (CEO). Paul Zumbühl is a Board member of the Swiss companies Looser Holding AG and Schlatter Holding AG.

### DANIEL BÄTTIG

(born 1964, Swiss)

Daniel Bättig holds an Executive MBA from the Graduate School of Business Administration (GSBA), Zurich, Switzerland and a Bachelor in Business Economics from the Fachhochschule Nordwestschweiz (FHNW), Olten, Switzerland. Furthermore, he is a Certified Public Accountant with the Swiss Institute of Certified Accountants and Tax Consultants. In the beginning of his career he held various positions in finance with Von Roll Holding AG in Switzerland, Brazil and the USA. After working for Südelektra Holding AG as the Group Chief Accountant he joined the Executive Management Board of Swiss Post International as CFO and later Head of International Mail. Since 2013 he has been the Chief Financial Officer (CFO) of Interroll Holding AG and a member of the Interroll Group Management.

### DR. RALF GARLICHS

(born 1962, German)

Dr. Ralf Garlichs studied mechanical engineering with a focus on production engineering at the University of Hanover, Germany, and holds a PhD degree (Dr.-Ing.). After working for Festo Tooltechnic as Head of Production and Logistics he joined the Winkelmann Group where he held several management positions. He joined Interroll Group in 2006 as Executive Vice President "Drives & Rollers." Since 2011 Ralf Garlichs has been Executive Vice President Products & Technology and a member of the Interroll Group Management.

### JENS KAROLYI

(born 1970, German)

Jens Karolyi studied business administration at the Universities of Bamberg and Giessen, Germany. He started his career with Ericsson where he held various management positions in Marketing, Branding and Communications and was based in Stockholm, Zurich and Düsseldorf. In 2007 he was promoted to Vice President Marketing & Communications Northern Europe. In 2011 he joined Interroll Group as Vice President Corporate Marketing and member of the Interroll Group Management. In February 2015 he took over additional responsibilities as Senior Vice President Corporate Marketing & Culture.

### TIM MCGILL

(born 1955, British)

Tim McGill majored in English literature at the Brockenhurst College in Hampshire, Great Britain. He joined Interroll Canada in 1990 as Sales Director having previously been employed by Brammer, Europe's leading supplier of quality industrial maintenance, repair and overhaul products in a series of roles with increasing management responsibility. After having been President of Werner Precision Rollers Canada for one year, he rejoined Interroll in 1996 as President of Interroll Canada. He was promoted Head of Interroll Dynamic Storage North America in 2000. Since 2011 he has been acting as Executive Vice President Americas and is a member of Interroll Group Management.

### DR. CHRISTOPH REINKEMEIER

(born 1966, German)

Dr. Christoph Reinkemeier studied business administration with a focus on industrial marketing at the University of Münster, Germany, and holds a PhD degree (Dr. rer. pol.). After working for E.On AG as Project Manager of corporate development he held several management positions at Ista International GmbH. From 2007 until 2010 he was CEO for North and South America at Deckel Maho Gildemeister (DMG) America Inc. In 2011 he joined Interroll Group as Executive Vice President Global Sales & Service and member of Interroll Group Management.

### DR. BEN XIA

(born 1966, Chinese)

Dr. Ben Xia, graduated as B.Sc. in electrical engineering at the Shanghai Jiaotong University, China. Further on, he studied electrical machinery at the Moscow Power Engineering Institute, Russia, and holds a PhD degree in electrical engineering (Dr.-Ing.). He also passed the Advanced Management Programme for Senior Executives at the China Europe International Business School (CEIBS) in Shanghai, China. After working for Pirelli Cables Asia-Pacific as Marketing Manager, he held positions as General Manager of Shanghai Citel Electronics Co. Ltd. and Managing Director of Vanderlande Industries North Asia. In 2013 he joined Interroll Group as Executive Vice President Asia and member of Interroll Group Management.

# INTERROLL ON THE CAPITAL MARKET

## INVESTOR INFORMATION

Interroll share information		2014	2013	2012	2011	2010
Number of registered shares		854.000	854.000	854.000	854.000	854.000
Number of average outstanding shares		849.170	826.920	799.090	791.452	775.724
Number of outstanding shares as of 31.12.		849.830	850.151	802.282	793.901	779.600
Share price highest	CHF	582.50	490	360	450	371
Share price lowest	CHF	490	333	270	271	267
Year-end share price as of 31.12.	CHF	525.50	490	333	279	368
Market capitalization as of 31.12.	CHF million	448.78	416.57	267.16	221.50	286.89
Par value as of 31.12.	CHF	10.00	10.00	10.00	10.00	10.00
Reduction of par value		9.00				
Distribution out of reserves from capital contributions	CHF		8.8	8.0	7.0	5.0
Pay out ratio		40.09	35.43	32.98	30.45	26.89
Earnings per average share outstanding	CHF	22.45	24.84	24.25	22.99	18.59
P/E Ratio		23.41	19.73	13.72	12.14	19.79
Cash flow per average share outstanding	CHF	32.69	53.79	47.78	18.34	24.09
Equity per share outstanding as of 31.12.	CHF	235.73	220.25	198.64	180.48	163.49

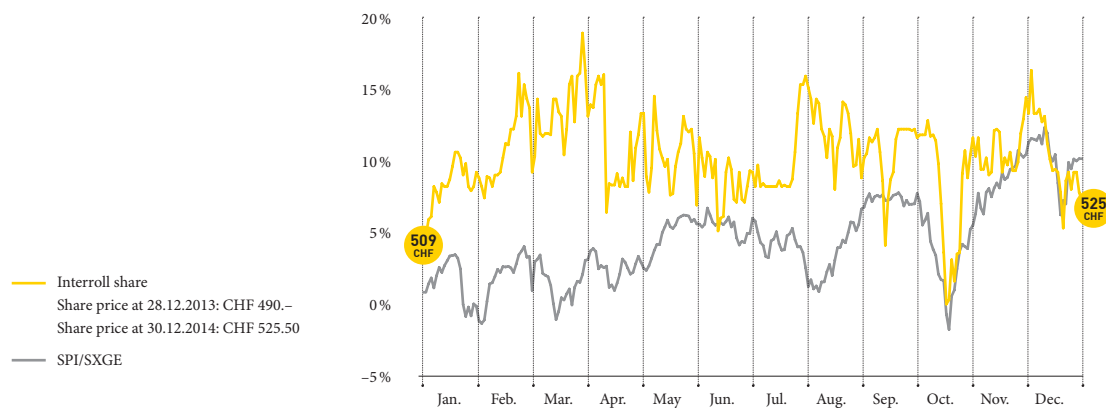
IPO: 1997 | Stock Exchange: SIX Swiss Exchange |

Market segment: Main Standard | Index: SPI

ISIN: CH0006372897 | Security identification symbol: INRN |

Security identification number: 637289

## Share price performance Interroll





### SWISS EQUITY MARKET SHOWED A VERY POSITIVE DEVELOPMENT

Overall, international equity markets developed very positively in 2014. Reasons were the expansive monetary policy of the central banks, decreasing fears of a collapse of the Eurozone and the positive expectations of investors regarding the economic development. In contrast, geopolitical developments like the Ukraine crisis or the rise of IS in Iraq led to uncertainties.

The Swiss financial market also showed a positive development albeit with some volatility during the year. The Swiss Market Index (SMI) achieved a plus of around 10% from January to December.

### INTERROLL SHARE CLEARLY GAINED MOMENTUM

The Interroll share showed a further strong upward trend in 2014. After a year-end closing price of CHF 490.00 in 2013, the share closed at CHF 525.50 on 30 December 2014. This corresponds to a rise in the share price of 7.1%. This good performance reflects the very sound fundamental position of the company.

### STABLE SHAREHOLDER STRUCTURE

Around 23% of Interroll shares are held by the founding family Specht and another main shareholder. As of 31 December 2014, the shareholding of the Group management was unchanged at 2.2%. Information about the significant shareholders can be found on page 122. Based on the SIX definition, the company's free float is around 48%.

### ACTIVE INVESTOR RELATIONS WORK

In 2014, we continued our ongoing communication with institutional investors, private investors and analysts in order to strengthen and further develop the perception of the Interroll share as an attractive growth stock. Our strategic aim is focused on sustainable growth and sustainable margins.

We publish information relating to the Interroll share on our website [www.interroll.com](http://www.interroll.com). Financial reports, presentations and other documents are available for downloading. Interested parties can register for our mailing list or request our standard publications. All key financial market data is published there as well.

Shareholder structure in %  
as at 31 December 2014



■ Fixed shareholding 52 %  
■ Free float 48 %

Geographical distribution of the  
identified shareholder base as per share  
register in % as at 31 December 2014



■ Switzerland 60 %  
■ EMEA region excluding Switzerland 37 %  
■ Rest of the world 3 %

## WITH OUR GLOBAL FOCUS, WE WILL CONTINUE TO GENERATE SUSTAINABLE GROWTH.

Interview with **JENS KAROLYI**  
Senior Vice President Corporate Marketing & Culture  
and Member of Group Management



**Interroll was founded as a 2-man company 55 years ago. Today it is a global group with 31 companies around the world. What are the pillars of its continued growth?**

Interroll's strategy was clear from the very beginning – to concentrate on intralogistics, production and doing business with system integrators and OEMs. Our sustained development can be characterised by constantly learning within the organisation, continuous optimisation and strong branding.

**What convinced Interroll to establish an international presence back at an early point in time?**

The company has experienced strong growth alongside its customers. Our customers' businesses are becoming increasingly international and we see excellent opportunities to grow abroad. Intralogistics is also becoming more and more important. Whereas it was considered to be a cost factor only a few years ago, internal logistics that functions properly has now become a competitive advantage. It is a strategic, highly regarded process that has helped companies such as Amazon and Zalando to become so successful.

**The company has invested quite strongly in recent years. Is this already having a positive effect?**

Interroll is definitely on a global growth course. We have invested not only in products and sites or acquisitions, but also quite strongly in our own team – in developing expertise, in many new employees who strengthen Interroll on a global basis with their experience. At Interroll, we call this a “Culture for Growth,” a culture in which the idea of growth is extremely important.

**What exactly does “Culture for Growth” stand for?**

We have invested very strongly in the future and follow the markets that offer the respective growth potentials. At the same time, we also want to strengthen this message to our team from the inside. We want all of our employees to be able to identify with it and understand how they personally can contribute to this growth.

**But what about the competition? What environment does Interroll find itself in here?**

There are many differences between us and the competition. For one, we are more or less globally present. You will see that we have sites wherever our customers are active. We manufacture in the region for the region. This pays off for both small and large global customers. Large customers can be sure that they will find with us the same partner everywhere. Smaller customers, on the other hand, benefit from Interroll's global experience and presence.

We offer important products for use in intralogistics – from the conveyor roller to modules and sub-systems, dynamic storage systems, drives and drum motors. No other competitor currently offers as broad a product range at the global level as we do.

**And do you consider that to be an advantage or does that also make Interroll vulnerable to attack?**

I think that does make us vulnerable in some ways. Therefore, it is all the more important that we maintain a distinctive profile on the market. And this is definitely our strategy. We supply key products for internal logistics. We are experts on manufacturing, not system integrators. This makes us a neutral vendor, not a competitor for our customers.

***“Interroll is on a global growth course and we have invested strongly in products, sites, but also in our own team.”***

**You introduced the loyalty programme “Rolling On Interroll” in 2014. How do customers benefit from this programme?**

Many of our customers have been relying on us and our high-quality products for years, if not decades. With “Rolling On Interroll,” these customers should reap even greater benefits from our expertise. This can be achieved by attending training courses at our Academy, joint workshops together with our Global Product Managers or other advantages that are quite typical of loyalty programmes. We invite all of our customers to attend, but are well aware that it is even more exciting for customers who use our products in mission-critical applications based on a strong sense of conviction.

**The marketing approach has mainly been focussed on the end user in recent years. Isn't that a contradiction?**

By no means. This approach is intended to support our customers, in other words system integrators and OEMs, with the sales process and show them what a strong partner they have in Interroll. We use that nice word “emancipate” to describe this in marketing.

**What does it mean?**

We also provide end users with our expertise, know-how and our global focus. We want them to see the benefits our products offer through our marketing activities, but also to learn about the technological possibilities that are available, what pays off, and what applications are possible under certain circumstances.

And, of course, we trigger that so-called pull effect through our “end user marketing.” Ideally, this means that we get end customers excited about our solutions, convince them with reference projects, some of which we could call lighthouse projects, and then encourage them to specify our products for their projects. In other words, they state very clearly in their bids for tender that Interroll products are to be used to perform certain tasks.

**What do you mean when you refer to lighthouse projects? Can you give us a few examples?**

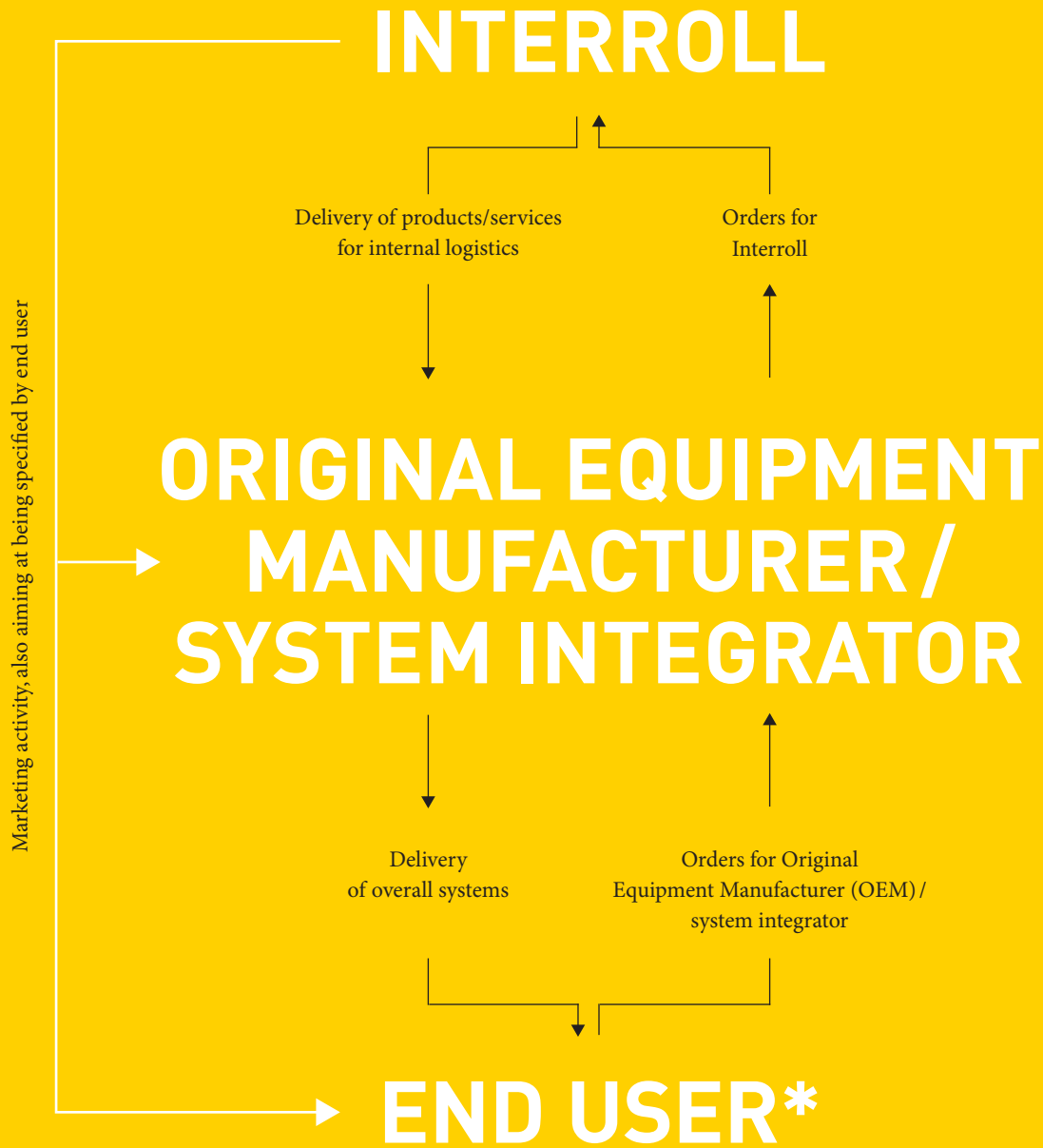
For me, lighthouse projects are projects that are of global relevance that were possibly realised together with a customer or user who also happens to be known for innovation or some form of leadership in a specific market. They set the agenda in a certain way or for certain trends and inspire other companies to implement the same or similar measures. For me, such a lighthouse project was for example started by Hermes Fulfilment, a company that belongs to Otto Group. They are replacing their conventional 400 volt drives with our 24 volt drives. This is being done as part of the Otto Group's climate protection programme with which the entire group has to save 50 percent of its energy by 2020. This is a very ambitious project and we are pleased to be able to contribute to it with our products.

**What inspires you about Interroll?**

The customer orientation, power of innovation and global presence. Our main focus is always on the customer. We don't develop and improve our products and solutions merely for their own sake, but rather always keep our eye on our customers' applications.



# OUR BUSINESS



- \* In particular**
- Courier, express, parcel services
  - Airport logistics
  - Food industry
  - Distribution

### **WE ARE A LEADING PRODUCT SUPPLIER IN ATTRACTIVE END-MARKETS**

As global market leader and technological front runner in key products for internal logistics we supply some 23,000 customers around the world with high-quality and often mission-critical products and solutions within our four product groups – Rollers (conveyor rollers), Drives (motors and drives for conveyors), Conveyors & Sorters (conveyor and sorter systems) and Pallet & Carton Flow (dynamic storage).

We are focussed on the industries of courier, express and postal services, airports, food processing and distribution as well as on special applications in the packaging industry and other industries. Our products include easy-to-integrate drive solutions such as drum motors for belt conveyors, conveyor rollers and direct current (DC) drive rollers for roller conveyors, zero-energy flow storage modules for compact pallet/carton storage systems at distribution centers, cross-belt sorters and belt curves.

### **WE FOCUS ON HIGH ADDED VALUE FOR OUR CUSTOMERS AND END-CUSTOMERS**

As production experts we supply system integrators, OEMs and plant manufacturers worldwide. We stand out due to decades of expertise and a high global availability of consistently high-quality products and fast delivery times.

Creating benefits for the end user, i.e. the customer of our customer, is our central priority. Our marketing effort, which not only aims at our customers but also at the end user, pursues two goals: on the one hand we would like to support our partners in their sales process, on the other hand we want to show the advantages our products offer to the end user. Our products deliver a return on investment after two years on average. This is one of the reasons why they are often specified through the end user.

### **OUR STRENGTHS ARE OUR EXPERIENCE AND TECHNOLOGICAL EXPERTISE**

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

This combination forms the basis for strong customer satisfaction and provides the foundation for success in our business over the long term.

### **MEGATRENDS FAVOUR THE LONG-TERM DEPLOYMENT OF OUR PRODUCTS AND SOLUTIONS**

Requirements like greater product diversity, less packaging and simpler operation of products in the conveying process are changing continuously and are the basis of changes of customer requirements. Megatrends like globalisation and urbanisation, more pronounced networking, rising mobility and the greater individualisation present our customers and their clients with fresh challenges. E-commerce keeps on growing and poses increasing challenges to an efficient logistical process. We are proactively supporting our customers with a broad range of tailor-made solutions to meet these challenges.

### **OUR SUCCESS FACTORS ARE A GLOBAL PRESENCE, PROVEN RELIABILITY AND A TALENT FOR INNOVATION**

We are active with 31 companies worldwide which are linked to each other via SAP. In the last years we have steadily built up our production and sales presence in emerging markets with good growth prospects to participate in the growing demand for logistic solutions. With the acquisition of Pert Engineering in China in 2014, we further strengthened our presence in Asia.

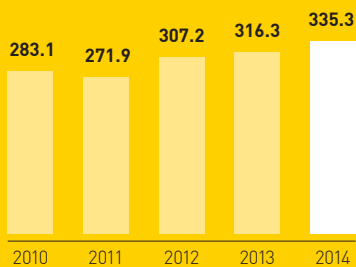
We continuously demonstrate our power of innovation. The launch of the modular conveyor platform in May 2014 was the largest product launch in the history of Interroll. The platform can be flexibly adjusted to suit different customer and user-specific demands. It offers customers important advantages ranging from quick planning and installation to short delivery times, high flexibility and higher throughput, not to mention lower energy consumption and a fast return on investment.

### **WE ARE CONTINUALLY OPTIMISING OUR PRODUCTION PROCESSES AND COST STRUCTURES**

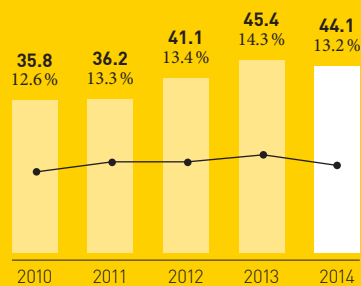
Our strategic goals are to position ourselves as the clear technological front runner and global market leader, while steadily increasing market share. Along with a strict cost discipline and continual improvements to processes across all functions and regions, this leads to a sustainable profitability and strengthens our cash flow. In the meantime, SAP has already been installed in 27 of our companies worldwide and supports our aim to harmonise processes even more. We want to keep and even increase our healthy margin in the long-term. To remain competitive, we will continue to pursue the Cost Fitness Programme that we launched worldwide a few years back.

# OVERVIEW OF FINANCIAL POSITION, EARNINGS AND CASH FLOWS

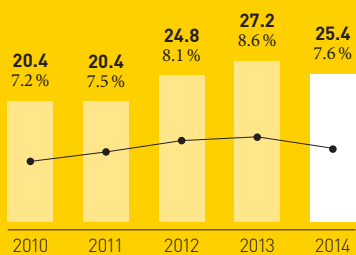
## NET SALES



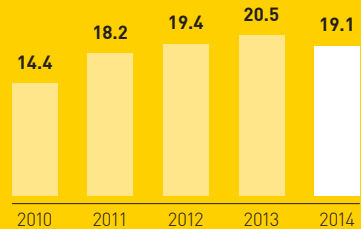
## EBITDA AND EBITDA MARGIN



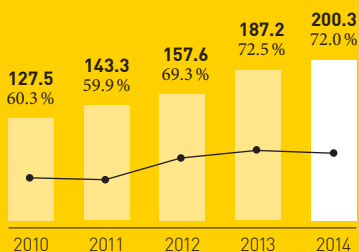
## EBIT AND EBIT MARGIN



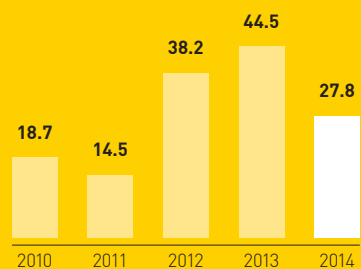
## NET PROFIT



## EQUITY AND EQUITY RATIO



## CASH FLOW



### **DYNAMIC GROWTH IN THE AREA OF LOGISTICS AND A RESOLUTE EXECUTION OF OUR STRATEGY HAD A POSITIVE IMPACT ON ORDER INTAKE AND SALES**

Order intake rose by 10.0% to CHF 350.7 million in 2014 (2013: CHF 318.9 million). Organic growth reached 7.4%. Adjusted for minor divestments, the acquisitions of Portec in the USA and Pert in China contributed 2.6% to this increase.

Net sales increased to CHF 335.3 million, 6.0% higher than in the previous year (2013: CHF 316.3 million). This increase can be attributed to both organic revenue growth of 3.6% and the successful integration of the acquisitions Portec and Pert which, adjusted for minor divestments in Europe, brought another 2.4% growth.

In terms of local currency, order intake rose quite strongly by 12.0% and net sales by 8.0%.

Because our production facilities are located in the respective markets they serve, costs accrue for the most part in the currency in which we generate sales. For this reason, it is possible to compensate for transaction risks caused by currency effects, which play only a minor role for our company.

However, Interroll Group experiences a significant translation risk from the conversion of sales mainly from the EUR, USD and CNY regions into the reporting currency CHF. The lower rates in 2015 will eliminate a good portion of the growth in revenue expressed in CHF. In local currency, growth will continue unabated, however.

### **EARNINGS NEGATIVELY IMPACTED BY ONE-TIME STRATEGIC INVESTMENTS**

We made significant strategic investments in long-term growth and sustainable profitability in 2014. Development costs and the introduction of our modular conveyor platform, but also the consolidation of our plants in the USA in connection with the acquisition of Portec in 2013 and the new Center of Excellence in Atlanta had a one-off negative impact on the financial year.

In spite of this, earnings before interest, taxes, depreciation and amortisation (EBITDA) only fell slightly by 2.8% to CHF 44.1 million in 2014 (2013: CHF 45.4 million). The EBITDA margin was 13.2% in 2014 (2013: 14.3%).

Amortisation in the amount of CHF 3.8 million for SAP (2013: CHF 3.6 million) was also taken into account in the reporting year. Amortisation on the customer values, patents and licenses we acquired increased to CHF 3.9 million in 2014 (2013: CHF 3.2 million). Portec's values were amortised for a full year for the first time.

Correspondingly, earnings before interest and taxes (EBIT) were also lower than last year. After CHF 27.2 million in the previous year, EBIT amounted to CHF 25.4 million in 2014. The EBIT margin for 2014 was 7.6% (2013: 8.6%).

Net profit amounted to CHF 19.1 million, somewhat lower than last year's figure of CHF 20.5 million.

### **TOTAL ASSETS REFLECT GROWTH AND AN ACQUISITION**

Total assets rose to CHF 278.2 million as of 31 December 2014 and were thus 7.7% higher than on the last day of 2014 (CHF 258.2 million). The increase was due to the acquisition of Pert on the one hand, but also to various asset additions. The initial inclusion of Pert in Interroll's scope of consolidation and the impact this had on assets and liabilities are shown in the notes to the consolidated balance sheet starting on page 61.

Shareholders' equity as of 31 December 2014 was CHF 200.3 million, 7.0% higher than the figure of CHF 187.2 million recorded as of 31 December 2013. The main factor behind the increase was net profit; on the other hand, the distribution out of reserves from capital contributions reduced equity. The equity ratio thus stood at 72.0%, compared to 72.5% as of 31 December 2013.

Despite the Pert acquisition in September 2014, which was paid for from cash and cash equivalents, net financial assets remained well within positive territory at CHF 23.9 million.

### **STRONG CASH FLOW UNDERSCORES SOUND FINANCIAL POSITION**

Sales increased by 15.3% in the fourth quarter of 2014 compared to the previous year. Operating cash flow declined to CHF 27.8 million (2013: CHF 44.5 million) as a result of higher net current assets.

Investments of CHF 15.4 million (2013: CHF 16.1 million) mainly related to the expansion of the new regional Center of Excellence in Atlanta, USA, the upgrade and renewal of machine assets and the SAP project.

Free cash flow increased in 2014 to CHF 12.0 million (2013: CHF 5.0 million).

# OVERVIEW BY PRODUCT GROUPS

## Sales by product groups

- 34 % Drives
- 24 % Rollers
- 24 % Conveyors & Sorters
- 18 % Pallet & Carton Flow

### SALES (CHF MILLION) DRIVES

114.9

#### References

- Itab
- Smiths Detection
- Triumph International
- Villeroy & Boch
- Walmart

### SALES (CHF MILLION) ROLLERS

81.2

#### References

- Dematic
- Knapp
- SSI Schäfer
- TGW
- Vanderlande

### SALES (CHF MILLION) CONVEYORS & SORTERS

79.8

#### References

- Amazon
- China Post
- Fedex
- Hugo Boss
- Smiths Detection

### SALES (CHF MILLION) PALLET & CARTON FLOW

59.4

#### References

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

# MEGATRENDS SUSTAINABLY CONTRIBUTE TOWARD THE USE OF OUR PRODUCTS AND SOLUTIONS

Globalisation and urbanisation, more and more networking, greater mobility, and increasing individualisation all lead to changes in consumer behaviour, as well as people's needs and values.

Today, many companies are expanding into new markets and offering their products and services on a global basis. According to the International Transport Forum (ITF), the global freight volume could well quadruple by 2050. They forecast a 125 percent increase in land freight in the OECD countries and a 430 percent increase in the non-OECD countries. The competitive pressure caused by increasing globalisation continues and it will be increasingly important for companies to be able to organise their processes efficiently and keep their costs under control.

The growing concentration of the population in metropolitan regions results in a higher volume and flow of goods. The United Nations' Department of Economic and Social Affairs estimates that the number of city dwellers will increase by 2.5 billion by the year 2050. Asia and Africa in particular will account for 90 percent of this growth. The demand for provision of goods, for instance the desire to have an even greater variety of products, is also growing. And hygiene requirements are also on the rise. According to an estimate from the World Health Organization (WHO), even in certain industrial nations, roughly 30 percent of the population is afflicted by food-related diseases. High-performance material flow systems help to meet these challenges.

Besides supermarkets, department stores and specialty stores, consumers are being increasingly supplied with goods by Internet trade. According to [statista.com](http://statista.com), approximately 2.9 billion people owned a computer with Internet access in 2014. E-commerce business will also continue to grow due to mobile Internet access via smartphones and the internal logistics processes are becoming more and more sophisticated due to the resulting highly complex distribution chains. Furthermore, vendors must cope with more and more returns. For example, the return rate in the area of textiles now even exceeds 50 percent in some areas. Only companies with a high-performance material handling solution are able to manage these challenges.

Supplying on a daily basis, transportation, everyday life and many other activities require energy. Furthermore, even more energy will be needed in the future. According to the forecasts of the International Energy Agency (IEA), the annual demand for energy on our planet could well increase by around one third by 2035. Higher energy efficiency is therefore becoming more and more important in protecting the environment. According to an IEA study, for example, the world's projected energy consumption could be reduced by 17 to 33 percent by 2050 by improving the energy efficiency of buildings, transportation and industrial processes. Internal logistics must also face up to this challenge that will be accompanied by stricter regulations and threshold values in the years to come.

All of these megatrends mean that customer requirements in the respective end markets will continue to change. We proactively help our customers to meet these challenges with our broad range of tailor-made solutions.

## PRODUCT GROUP DRIVES

The Drives product group comprises our 24 volt drive technology (RollerDrive), including the control systems, and our drum motors. By increasing our net sales by 5.0%, we managed to continue to grow here to CHF 114.9 million (2013: CHF 109.4 million). Order intake rose to CHF 113.6 million (2013: CHF 109.6 million).

### 24 volt RollerDrive

Today, Interroll is the world's leading manufacturer of motor-driven 24 volt conveyor rollers that are particularly efficient solutions for enabling material flow. Thanks to their low energy consumption, reductions in noise and their easy installation and maintenance, our customers are able to remain competitive and organise their internal logistics processes efficiently. RollerDrive can be used to build completely new conveyor systems or gradually modernise existing machinery and thus give the end customer high planning flexibility.

Customers around the world appreciate the advantages that 24 volt technology offers and we were able to increase order intake in this product group quite significantly in all three regions. An increase of nearly 15% in Asia-Pacific shows that consciousness of using drives that save energy is growing in this region as well.

### 24 VOLT DRIVE TECHNOLOGY AT HERMES FULFILMENT



***“We installed this technology in order to save energy. At the same time, however, we noticed in tests how quiet it is. This is a success we never really expected and are quite pleased about. Furthermore, we have found that maintenance can now be performed much more easily.”***

Michael Schekatz, Head of the Technical Services Department at Hermes Fulfilment and responsible for sustainability

Hermes Fulfilment, an Otto Group company that manages all services along the supply chain for European distance dealers at its four own logistics centers, introduced a master plan on climate protection in 2006. As part of this energy-saving program, the company is replacing its conventional 400 volt technology with energy-saving 24 volt drive technology from Interroll.



## CONVEYOR ROLLERS AT PAUL ANDERL GMBH



***“Today, we are able to sort our empties much faster and can cope much better with seasonal peaks.”***

Bernhard Oppacher, Operations Manager Logistics, beverage wholesale  
Paul Anderl GmbH

Non-driven conveyor rollers are in use in the sorting plant for empties of Paul Anderl, Germany, which is operated by gravity.

#### **Drum motors**

In developing our asynchronous and synchronous drum motors, we not only place a great deal of importance on making sure that they are extremely durable, reliable and low on maintenance, but also on achieving the highest possible energy efficiency. Because the entire drive unit is found inside the drum capsule, it takes up less space and meets the requirements of the international protection classes IP66 and IP69k.

Our drum motors that are specially designed for conveyor applications in supermarkets are perfectly suited for meeting the special requirements of check-out desks and reverse vending machines and are quick and easy to install. Furthermore, they can be integrated into existing installations very easily. In Europe, in particular, we managed to increase our order intake by nearly 13% in this segment.

We also pay particularly close attention to hygiene requirements. Interroll drum motors for the food industry stand up to intensive cleaning processes without breaking down. For example, our synchronous drum motors meet the material requirements that the USDA/FDA and the EU ordinance EG 1935/2004 make on use in the area of food. They are the only drum motors that have been certified for use in hygienic industrial applications by the European Hygienic Engineering & Design Group (EHEDG) following in-depth testing.

## **PRODUCT GROUP ROLLERS**

The Rollers product group includes all non-driven conveyor rollers. Net sales for this product group amounted to CHF 81.2 million, 7.7% higher than in the previous year (2013: CHF 75.4 million). Order intake was CHF 84.6 million in 2014 (2013: CHF 75.1 million).

The demand for our high-quality conveyor rollers was extremely gratifying in all regions. Particularly in Eastern Europe and America, we were able to achieve strong growth in excess of 30% and nearly 29% respectively with respect to order intake. Our intensified market activities in China are also bearing fruit and we managed to also increase our order intake in this country by close to 30%.

The 500 million conveyor rollers we have manufactured make us one of the leading suppliers in this area. Thanks to our platform we can offer a variety of 60,000 different types of conveyor rollers for every application. Thanks to our short delivery times, our customers can remain flexible when it comes to purchasing and must maintain only low stock levels. Operational reliability is guaranteed thanks to consistently high product quality. The Kaizen philosophy was introduced at roller manufacturing in Wermelskirchen, Germany, several years ago and we are an official benchmark partner and reference operation of the Kaizen Institute. This means we offer the highest reliability and security for our customers' supply chains. Our conveyor roller manufacturing is designed to accommodate very small quantities and approximately 47 percent of our order positions in Wermelskirchen have a lot size of less than 10 units. Our customers are thus able to react to short term project changes in a flexible and efficient manner.



## PRODUCT GROUP CONVEYORS & SORTERS

Our Conveyors & Sorters product group encompasses subsystems and modules that are used in key positions in the field of internal logistics. These include cross-belt sorters, belt curves, roller and belt conveyors, but also the new modular conveyor platform. We once again managed to exceed last year's high sales. At CHF 79.8 million, sales were 12.1 % higher than in the previous year (2013: CHF 71.2 million). Order intake stood at CHF 95.9 million and thereby 36.4 % higher than in the previous year (2013: CHF 70.3 million).

The launch of our new modular conveyor platform at CeMAT in Hanover in May 2014 was the most important product introduction in the 55-year history of Interroll. Customers realise what advantages our platform offers when it comes to managing fluctuations in the flow of goods, managing changes in order structures and product assortments both quickly and efficiently. Conveyor systems can be retrofitted at any time and changes can be made while the system is in operation. We already received lucrative orders during the rollout phase of market introduction in Europe and expect the order situation to continue to develop positively. We are currently preparing to introduce this product in America and China in the second half of 2015.

Sorting is considered to be the most costly area of internal logistics next to picking. The capital recovery times (return on investment, ROI) of two years on average for Interroll solutions are significantly shorter than those of competitive solutions. This represents a key advantage, especially in an environment dominated by fast-changing offers and product portfolios.

Our solutions have been helping customers to master the growing demands that have resulted from the trend towards automation. For example, material handling solutions that feature crossbelt sorters are capable of processing extremely large quantities of bulk goods and huge product varieties quite easily. Furthermore, they are known for their quiet operation and how little space they take up.

Thanks to increasing automation in the Asia-Pacific region, we managed to grow by increasing our order intake in this region by an impressive 41 %. Furthermore, the Americas region also developed very positively in 2014.

### CROSSBELT SORTER FOR CHINA POST



***“In 2014 we ordered seven crossbelt sorters in order to be able to increase our efficiency in the area of material flow and sorting of packages, but also our speed of delivery quite noticeably – a challenge that pretty much all leading Chinese CEP service providers must battle with to at least some degree.”***

Jingxin Li, General Manager of China Post Science & Technology Co. Ltd.

In 2014, the Chinese Post successfully put seven crossbelt sorters from Interroll into operation to improve processing of packages in peak periods.

## PRODUCT GROUP PALLET & CARTON FLOW

The Pallet & Carton Flow product group includes our dynamic storage solutions for pallets and parcel packaging based on the FIFO principle (First In, First Out) or LIFO (Last In, First Out). Net sales of CHF 59.4 million were slightly below the previous year's level (2013: CHF 60.3 million). Order intake declined to CHF 56.6 million due to the fact that the orders received in 2013 (CHF 63.9 million) included a one-time order from Red Bull Thailand worth approximately CHF 6.5 million.

In contrast to other solutions, there is no need to supply power to these dynamic storage systems. Flow storage utilises the effect of inclined planes. The pallets and other types of packages are thus able to move in the desired direction on their own due to gravity. According to a study conducted by the German firm Intralenco, significant monthly cost savings of up to 28% per pallet space result with pallet warehouses that have medium to high turnover rates compared to competitive solutions. Another study conducted by the Leibniz University in Hanover, Germany, under the scientific direction of Prof. Dr.-Ing. Lothar Schulze in cooperation with the Southeast University in Nanjing, China, also confirms that flow storage is known for its high energy efficiency and environmental compatibility.

We received several lucrative orders in 2014, especially in Northern and Southern Europe, and managed to increase our order intake by nearly 10% in the EMEA region.

### DYNAMIC STORAGE AT GETRAG FORD UK

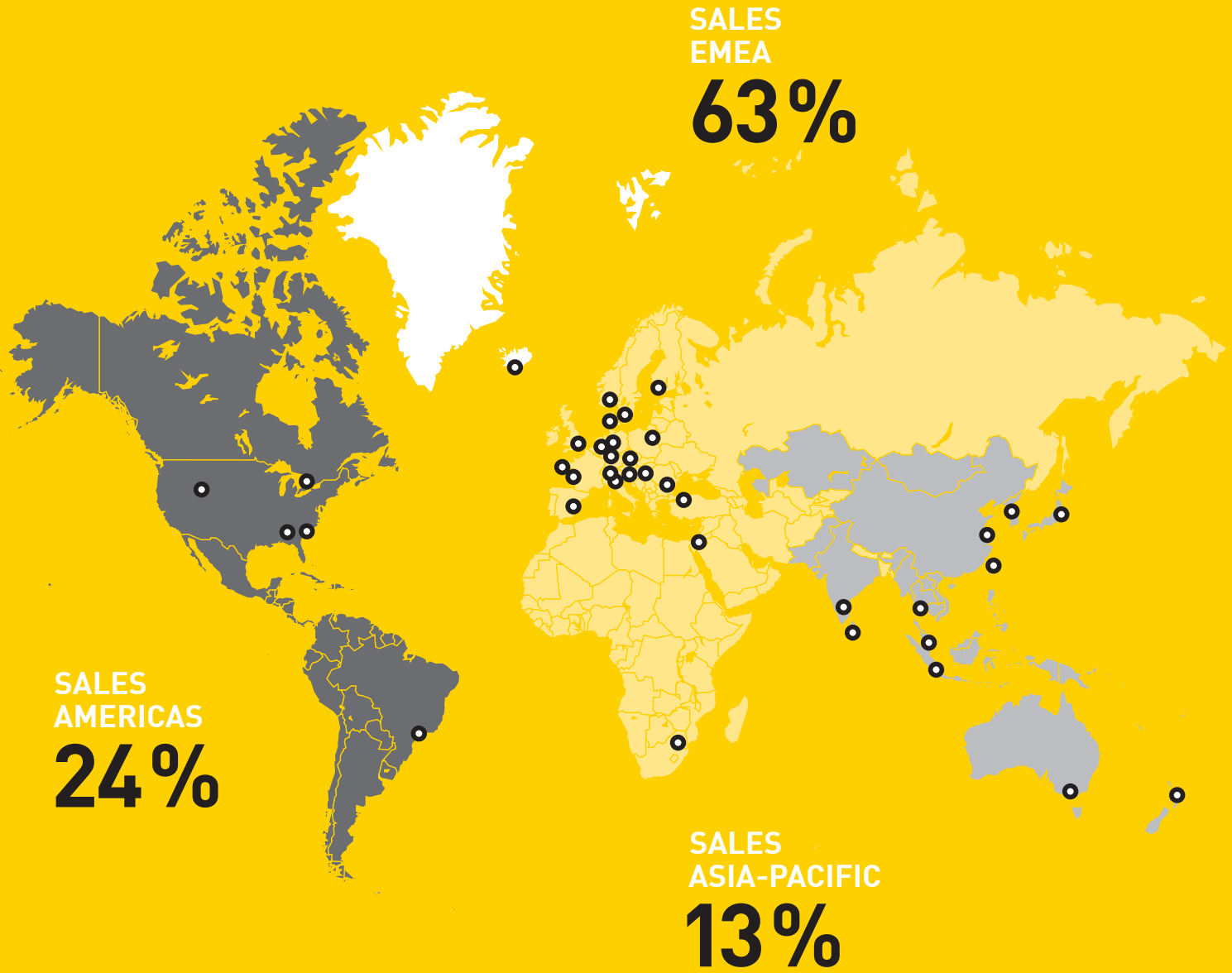


***“The new Interroll pallet flow system has now been set up closer to our production area and provides compact, space saving storage that allows for identical products to be grouped in a way that makes good sense. This in turn simplifies the location and order picking of parts to support production of some 1,600 to 2,000 gearboxes per day.”***

Neil Hodgkinson, Contract Manufacturing Engineer, Getrag Ford Transmissions UK.

Getrag Ford Transmissions recently had a dynamic storage system from Interroll installed as part of a large-scale investment in its Liverpool site (Halewood). The new Interroll pallet flow system offers space and energy saving FIFO storage (First In, First Out) for a total of 228 pallet positions in rack structure four pallets deep, three tiers high with 19 lanes. The project on optimising storage of structural components was part of a much more comprehensive lean logistics project aimed at centralising logistics within the plant.

# OVERVIEW BY REGION



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

## DEVELOPMENT DIFFERS IN THE THREE OPERATIONAL REGIONS

We continue to pursue our strategy of internationalisation by moving into new markets and attracting new customers. Performance varied considerably in the three regions of business: EMEA (Europe, Middle East and Africa), Americas and Asia-Pacific.



Sales development in the EMEA region  
in CHF million

### EUROPE- MIDDLE EAST-AFRICA

#### EMEA REGION DEVELOPED POSITIVELY

Net sales in the EMEA region developed positively in 2014. At CHF 210.2 million, this figure was 3.5% higher than the previous year (CHF 203.0 million). The EMEA region accounted for roughly 63% of total revenue (2013: 64%) due to accelerated expansion in the Americas and Asia-Pacific regions.

Sales developed quite differently in the various European regions. Interroll experienced solid growth in its main markets Germany and France and even stronger growth in Italy and Eastern Europe. We were quite pleased with the rise in order intake of close to 10% in Spain and the United Kingdom. Our companies in South Africa and Turkey are also developing positively. By contrast, the saturation point was temporarily reached in the internal logistics field in other regions, especially Scandinavia.

By forming our own sales unit in Portugal, we are now able to serve this market directly. The main focus here is on the areas food processing, e-commerce, postal and parcel delivery and security and logistics at airports.

## AMERICAS

### VERY PLEASING SALES PERFORMANCE IN THE AMERICAS

Revenue growth of 20.3 % in the Americas was driven by strong organic growth of nearly 10 % and the acquisition of Portec in July 2013. Net sales amounted to CHF 81.9 million in 2014 (2013: CHF 68.1 million). The region thus contributed roughly 24 % to our total revenue, compared to approximately 22 % the previous year.

We are also seeing an above-average development in Brazil. In November 2014, we signed a framework agreement with the Brazilian Post together with the US-based system integrator National Presort L.P. to supply a total of six sorters from 2015 to 2017. Due to the size of this order, the regional Center of Excellence in Atlanta is working together very closely with the global Interroll Center of Excellence for Subsystems in Sinsheim, Germany.

As we already reported in our Annual Report 2013, we plan to invest up to USD 40 million by 2015 on the basis of the good market prospects in North and South America. In fact, most of these investments have already been made. We also consolidated our companies in North America in 2014 by closing our plants in Jeffersonville, USA, and Concord, Canada. Furthermore, we bundled manufacturing at our regional Center of Excellence in Wilmington and at our new Center of Excellence in Atlanta, which officially opened in March 2014. In addition, we are in the process of developing the Portec site in Cañon City, Colorado, into a regional Center of Excellence.



Sales development in the Americas region  
in CHF million

## ASIA-PACIFIC

### DEVELOPMENT OF SALES IN THE ASIA-PACIFIC REGION IMPACTED BY A MAJOR ORDER RECEIVED IN 2013

The Asia-Pacific region continues to be of great importance to our growth potential. The rise in living standards in these emerging markets has led to greater demand for products and therefore the appropriate internal logistics. Net sales in 2013 amounted to CHF 45.2 million and included the large single order we received from Red Bull in Thailand that was valued at approximately CHF 6.5 million. With net sales of CHF 43.2 million in 2014, we managed to keep our sales at about the same level. This region accounted for roughly 13% of total sales in 2014 (2013: approximately 14%).

We also continued to execute our growth strategy in the Asia-Pacific region in 2014. We celebrated the official opening of our new Asian headquarters in Shanghai in March. In July, we acquired Portec Asia in Hong Kong and in September Pert Engineering (Pert) in Shenzhen, China. The company has achieved a leading market position and specialises in serving airport, distribution and logistics customers in the Asia-Pacific region. Pert has succeeded in using the Portec brand to establish long-term relationships with leading express package delivery services such as China Post EMS, SF Express and many other customers. Pert's solutions are also used in the baggage handling systems of large airports, for instance in Beijing or Shanghai Pudong. Through this acquisition, Interroll gains direct sales access for high-quality belt curves and other internal logistics solutions in continental China.

With Shenzhen being our fourth site in China we continue to execute our strategy of supplying our customers around the world with our global product portfolio more quickly by strengthening local manufacturing. We will continue to pursue Interroll's expansion in China through our four sites. We expect the boom in e-commerce and the food processing industry to continue in China and bring a steady rise in demand.

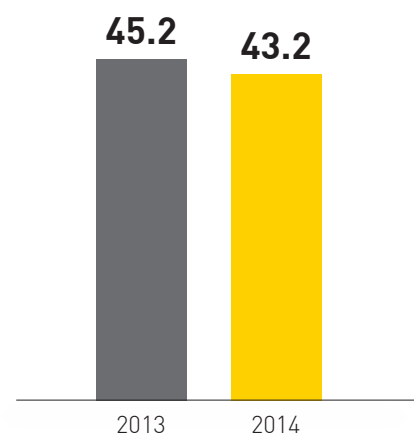
We increased our net sales in China by around 26.0% compared to the previous year. Here, we have worked very hard to continue expanding our customer base and repeatedly received orders from important customers such as the Chinese Post. Overall, seven Interroll crossbelt sorters were successfully put into operation with this customer in 2014.

The business also developed very positively in Australia in 2014.

Southeast Asia, on the other hand, clearly failed to meet our expectations due to several delays in projects. We still managed to receive lucrative sorter and dynamic storage orders from leading Indonesian and Malaysian retailers and international courier services, in particular. For example, Alfamart in Indonesia purchased conveyor technology from Interroll for the ninth time. Furthermore, we put the first Interroll crossbelt sorter into operation at City Link Express in Malaysia and Interroll's first dynamic storage system in Indonesia at Lotte, a leading confectionary manufacturer.

# +26%

**WE INCREASED OUR NET SALES IN CHINA BY AROUND 26.0% COMPARED TO THE PREVIOUS YEAR.**



Sales development in the Asia-Pacific region in CHF million



# CUSTOMER ORIENTATION AND POWER OF INNOVATION ARE OUR STRENGTHS

Interview with **DR. RALF GARLICH**  
Executive Vice President Products & Technology and  
Member of Group Management



## **Dr. Garlich – how important is innovation for Interroll?**

It is a crucial topic for Interroll's further development. Nevertheless, it can only be successful if it enables us to create added value for our customers through new products and solutions. Without innovation, we would experience stagnation, and that is clearly something that we as a market leader cannot afford.

## **How can employees, suppliers and partners contribute to driving innovations in a company?**

All innovations are based on ideas, which can then be converted into products or production processes. Here, it is important to listen – to our employees, but also our suppliers, and customers, of course. After all, they are our partners. And the more closely we listen to them and convert what they tell us into innovation, the more successful we will be.

## **Based on your own personal experience, is it possible to include customers in the innovation process?**

Yes, this is possible. All partners must ask themselves what they want the mutual future to look like and then decide what each side can contribute. And then we must work on developing solutions together. We have been doing this successfully with our modular conveyor platform amongst others together with Swisslog but also with other customers.

## **Speaking of the modular conveyor platform – what makes it so innovative?**

Many different aspects. The basic idea is plug & play. Speed is an extremely important factor, not only at a construction site, but also when it comes to delivery. Here, you need a set of building blocks that can be put together like a Lego building set, which then allows you to meet customer demands by offering the shortest possible delivery times. And then, of course, our goal with the conveyor platform was to transfer customer demands into the individual modules in an optimal way. One demand, for example, was to offer conveyors with conveying speeds of two meters per second. This simply wasn't possible with our existing technology, therefore we developed new solutions for this. Our new High Performance Divert HPD that offers maximum system performance is yet another good example. It lowers the operating costs because it doesn't interrupt the material flow and can be operated using our energy-efficient drives and a master-slave concept that allows for multiple HPD cassettes to be operated by a single drive instead of their own drive unit.

**Interroll consequently pursues a platform strategy.**

**What is the rationale behind this?**

Platforms play an important role for us. Our goal is to develop as broad a product range as possible using only a small number of starting materials. We strive to manufacture specific solutions for our customers, yet keep the internal complexity low. While that might sound trivial, this needs to be controlled and monitored in our daily work. Considering the hundreds of customer requests we receive every day, we need specific processes that allow us to avoid high complexity as this would result in long delivery times, high costs and often losses in quality. And that is exactly what neither we nor our customers want.

**So have you developed platforms for all Interroll products?**

We realised the platform idea for the first time with our conveyor roller several years ago and continued to strongly pursue this idea with our conveyors. We are currently working on a project aimed at reengineering all of our drum motors and uniting the various generations and models in a single platform with short throughput times, manageable complexity and high quality, but also broad variety for our customers.

## *“Innovation has to add value for customers.”*

**Interroll already introduced the Interroll Production System under your leadership back in 2006. What are its main pillars?**

There are four main pillars: excellent processes, execution of the platform strategy, our global manufacturing organisation and the innovation process. This means that we transfer lean production ideas over to our own production, generate many solutions for our customers from a small number of starting materials and support our customers from our plants on all continents. And, of course, we conduct annual process audits to measure every single plant and determine to what extent the Interroll Production System is being used there and what progress still needs to be made.

**The market is aware that Interroll’s products are of high quality. Now you have adopted the zero defect strategy. Why?**

We want our customers to be able to depend one hundred percent on our products. Many of our customers sell our products all over the world and simply can’t afford to have a product breakdown and then provide service. For this reason, it is important to us as a supplier to constantly work on providing

faultless products. Today our quality is already quite high. Our customers also confirm this. But we still aren’t perfect.

**So what is the zero defect strategy all about?**

That is an interesting question. It doesn’t necessarily mean we must produce completely faultless products, although we obviously always work on minimising the number of defects in production. For example, the defect ratio on our drives for use in checkout desks was 0.004 % in 2013. We managed to lower it to 0.0034 % in 2014. Our main goal, however, is to avoid delivering any products that have defects. At the end of 2014, we visited top plants in Germany that are virtually free from defects together with an international team of 20 Interroll employees. And we really learned a lot. We are currently transferring this over to our plants and starting off with a few pilot projects. Construction and development must also be included in the process if we are to deliver faultless products. The products we supply today basically contain hardly any defects, however their construction might not be completely perfect. For this reason, we need to think about whether the innovation process needs to be changed accordingly or how we need to change the product design.

And this is where we come back to the platform strategy. Here we are working with proven components that we consistently install. The platform strategy therefore supports the topic of zero defect. And now that the zero defect strategy is part of the Interroll Production System, we will monitor its implementation while conducting our regular process audits.

**What is the most important aspect in implementing this type of strategy?**

People’s attitudes are most important here – seeking to avoid mistakes and if one is made then it is only made once and not more often. This means we not only need the proper methods, but also the right employees. Creating awareness of how we at Interroll deal with a defect and seeing to it that our strategy is understood and executed properly at all levels – that is the management task.



# CORPORATE RESPONSIBILITY

## INVESTMENT IN RESEARCH AND DEVELOPMENT FOR LONG-TERM SUCCESS



As an international market and technology leader, Interroll invests in research and development of new products and further development of its existing products and thus strengthens the company's sustained power of innovation. Highly effective quality management ensures the recognised and certified quality of the solutions we offer. We place great importance on meeting current legal requirements in an optimal way and anticipate future requirements when we develop our products.

The Interroll Research Center (IRC) in Germany is one of our most important facilities when it comes to steadily expanding our innovation leadership. By working together closely with the Interroll Centers of Excellence, the global product management team and sales, it constantly develops solutions that improve the internal logistics material flow. Its focus lies on topics such as energy efficiency, noise reduction, hygiene, the development of new materials and open automation solutions with distributed intelligence. Thanks to our many partnerships with leading universities such as the RWTH Aachen or the Technical University of Munich and industrial partners like the EHEDG Institute (European Hygienic Engineering & Design Group), we have a great deal of experience when it comes to all issues that pertain to conveyor technology and help our customers to meet the requirements they face in an efficient manner and thus make them more competitive.

Our IRC worked on the following important developments in 2014 together with the respective Centers of Excellence, to list just a few examples:

- Various types of conveyor belts from different manufacturers can be driven by using the Interroll Multiprofile for drum motors to offer our customers even greater flexibility.
- A new generation of drum motors reduces the noise level, particularly at high transport speeds, and thus contributes to ergonomic workplace design by reducing noise.
- We have been working on yet another solution that will allow for control modules to communicate directly with the PLC via conventional field bus systems such as Profinet or EtherCat to meet the trend towards programmable logic controller connections. This control system that is not specific to a certain manufacturer will enable us to offer our customers free programming via a PLC.

We protect many of our innovations globally with our many patents and other property rights.

Focus of our IRC (from top to bottom): noise reductions, energy efficiency, hygiene, automation solutions, new materials, distributed intelligence.



Interroll invests in continuous education to further qualify its employees.

## HIGH IDENTIFICATION OF OUR EMPLOYEES

People from more than 20 different countries work for Interroll Group. The number of employees has risen by approximately 50 percent in the last ten years. Our workforce is highly motivated and works very hard for the company and its success. This is also reflected in our low staff turnover rate.

Interroll will also continue to grow internationally in the future – both organically and by making acquisitions. We rely on well-trained employees at all levels of the company in order to be able to integrate new parts of the Group and collaborate effectively between sites. By training qualified employees, Interroll also invests in its own future. We continuously train our employees at our Interroll Academy. Targeted training courses were also held at our new sites and at the companies we acquired. Expert employees contribute their unique know-how and experience and at the same time benefit from their new colleagues' expertise. We thus encourage internal knowledge transfer, intercultural awareness, the formation of networks and the participants' individual development. In autumn 2014, we organised a one-week visiting programme in Germany for an international team of 20 employees. This group visited external companies which are best in class in their industries. With programmes like this we support the knowledge transfer from other industries and provide the opportunity for our employees to gain new experience which they can benefit from in their daily work.

We also seek to stand out from the competition more clearly by focussing on our company culture and by contributing to stronger identification of our employees with the company. More emphasis will also be placed on variety and diversity. In other words, our employees will act as brand ambassadors. They will be supported by special programmes for staff members, management tools and a number of new communications activities, both inside and outside Interroll.

Manufacturing companies like Interroll are in need of healthy and satisfied employees. For this reason, we contribute to our employees' health through a variety of different activities. For example, Health Days were held at our global Center of Excellence for conveyor rollers in Wermelskirchen, Germany. The employees here were given the chance to learn more about the topics nutrition, exercising and relaxation.

## FOCUSSED MARKETING ACTIVITIES

The Interroll Group has grown steadily over the last few years and awareness of the company in the market is now considerably higher.

Attendance of trade exhibitions is an important element of our marketing strategy. We showcased our products and solutions at 18 different global and many local events in 2014. Here, the launch of our modular conveyor platform at CeMAT in Hanover in May 2014 is clearly worthy of special mention. This proved to be the biggest product introduction in Interroll's history.

We direct our marketing activities either centrally or locally depending on the type of activity and the objective, but always in a strategic manner that focusses on certain topics. This ensures that we achieve better than average results and avoid high scatter losses. By arranging for the main corporate marketing team to work together closely with the local organisations, we make sure that the local market situation is also taken into consideration.

In our marketing activities we focus not only on our customers, the system integrators and OEMs, but also on end customers. On the one hand, this approach is intended to support our direct customers in their sales process. On the other hand, we want the end customers to see the benefits our products offer.

The customer loyalty programme "Rolling On Interroll" was successfully launched in 2014, 55 years after Interroll was founded. The mechanical engineering companies and OEMs that participate in it clearly show that they rely on Interroll's expertise and technology by displaying the respective sign on their machinery. We reward them for their loyalty by admitting them to our training programmes, supporting their advertising and exhibition budgets and by organising joint seminars.

Furthermore, we remain the Sauber F1 team's intra-logistics partner and view this to be an excellent way of presenting our product line in a context in which logistics is considered to be a crucial success factor.

The focus of our marketing in 2015 will again be on acquiring new customers, positioning ourselves in the areas of sustainability and innovation, but also on communicating the competitive advantages we offer.



Customers rely on Interroll's competence and technological expertise.

## SUSTAINABLE AND EFFICIENT USE OF RESOURCES

As a manufacturing company, we are very much aware of our ecological, economic and social responsibilities.

By implementing sustainable measures that conserve resources, we can help our customers to reduce their costs and thus brighten their competitive prospects.

In order to make our contribution to the sustainable use of resources, we invest in measures that optimise the efficiency of our processes and reduce our consumption of resources in a targeted manner. For example, we have already installed lighting that saves energy such as LEDs at most of our production plants and use motion sensors to control the light in some cases. Wherever possible, we separate waste to allow for better recycling. We also invested in an energy-efficient insulation concept for our new building at the Center of Excellence for drum motors in 2006. This facility is heated by using geothermal heat. In order to keep the pollution of the environment by hazardous substances as low as possible, our manufacturing employees are trained regularly on how to handle these substances.

We have been employing the Interroll Production System (IPS) on the basis of Kaizen in a consistent manner since 2006. In combination with our use of so-called Poka Yoke, a principle for immediately detecting and preventing defects that consists of mul-

tle elements, and the introduction of our zero defect strategy in 2014, this has significantly reduced waste. Materials and machines are being used more efficiently and waste is being avoided. This also contributes to higher productivity.

Through these Group-wide efforts, we are striving to achieve continuous improvements in order to defend our company's long-term continued success.

At the same time, our products help our customers achieve their climate protection, environmental and efficiency goals. For example, Hermes Fulfilment in Germany is replacing its conventional 400 volt drive technology with our 24 volt RollerDrive technology. Through this and other measures, the company will be looking to achieve its ambitious goal of reducing its CO<sub>2</sub> emissions by 50 percent by the year 2020.

The usage of polymer materials is one of the main focuses of research at Interroll. Using polymer components reduces weight and thus allows for materials to be used more efficiently and indirectly helps conserve resources. The polymer can then be recycled at the end of the product's lifecycle.

Our products are often critical to the quality, performance and operational reliability of the user's conveyor systems. Interroll products allow for resources to be used in a more environmentally friendly, sustainable and efficient manner due to the fact that many of our solutions lower energy consumption and can be installed in a way that saves space. Last, but not least, many installations that include Interroll products also lead when it comes to occupational safety and ergonomics. Due to the often critical role that our products play in the end customer's overall system, we also have a great responsibility to them. Our goal is therefore to ensure the highest possible product reliability. Using modern quality and testing techniques that we also make available to our customers also contributes to this. Among other benefits, this means we significantly lower the risk of negative consequences for the environment and society.



Interroll products as the 24 volt drive technology contribute to a sustainable use of resources.

**CUSTOMER BENEFITS  
ARE WHAT DRIVES US.  
INNOVATION IS KEY.  
WE WANT TO PROVIDE OUR  
CUSTOMERS WITH WELL  
MATCHED SOLUTIONS WITH  
A FAST RETURN ON  
INVESTMENT AND THUS  
OFFER THEM MORE  
FLEXIBILITY.**

## **MODULAR AND FLEXIBLE SYSTEMS THAT ENABLE FUTURE GROWTH**

CONVEYOR MODULES

## **HIGHEST HYGIENE STANDARDS AND SPACE SAVING**

DRUM MOTORS

## **OCCUPATIONAL HEALTH AND HIGH THROUGHPUT**

DYNAMIC STORAGE

## **CONVEYOR ROLLERS FOR ALL APPLICATIONS WITHOUT DELAY**

CONVEYOR ROLLERS

## CONVEYOR MODULES

### OUR MODULAR CONVEYOR PLATFORM IS THE ANSWER TO THE GROWING IMPORTANCE OF EFFICIENT MATERIAL FLOW

Plug & play is the basic idea behind our modular conveyor platform. Our global Center of Excellence in Sinsheim, Germany, has developed new solutions for individual modules and thus effectively transferred customer requirements over to these.

The Interroll High Speed Divert HPD is an excellent example of this. Installation inside a conveyor is extremely easy, just as simple as retrofitting or repositioning. Furthermore, the conveyor flow or direction can be changed later on at any time. The HPD was already awarded a Coup de Coeur Innovation Award at the 2014 Manutention trade exhibition in Paris.

Much like a set of building blocks, all of Interroll's main components can be combined with one another inside the entire system. New conveyor lines can thus be planned and realised very quickly and existing systems can be easily modified to suit changing demands. And all of this is possible with short delivery times. The modules are preassembled to a large extent and this significantly minimises the installation efforts.

The modules can also be integrated into the customer's layout quite easily by using the new "Interroll Layouter" planning software. All entries are validated to minimise the risk of planning errors. Project planning of the conveyor system can thus be completed much more quickly and reliably.

# MODULAR AND FLEXIBLE SYSTEMS THAT ENABLE FUTURE GROWTH



**"OUR INNOVATIVE CONVEYOR PLATFORM ALLOWS CUSTOMERS TO REACT MORE QUICKLY TO NEW CHALLENGES AND TAKE ADVANTAGE OF THEIR MARKET CHANCES."**

**Michael Kuhn**  
Managing Director Interroll Automation GmbH  
Sinsheim, Germany

# 77%

OF CUSTOMERS CONFIRM THAT  
INTERROLL IS TECHNOLOGY  
LEADER IN THE FIELD OF CONVEYOR  
MODULES. PROVEN.



**FRANCIS MEIER**

Senior Vice President, Head Asia-Pacific WDS, Swisslog  
(until the end of 2014 Managing Director Technology Center Swisslog)

*“With their new conveyor platform, Interroll has got it right: modularity and scalability all the way, with plug & play modules and standard components. We have been involved in the product development process at an early stage, giving us the possibility to actively contribute ideas and suggest improvements where needed.”*



## DRUM MOTORS

### **MORE FLEXIBILITY FOR MEETING THE HIGHEST HYGIENE REQUIREMENTS WITH INTERROLL MULTIPROFILE**

The global Center of Excellence for Drum Motors in Baal, Germany, has developed the Interroll Multiprofile, a new profile which can be used to drive up to nine different conveyor belts. This translates into higher flexibility for customers when replacing belts. Time needed to retrofit and perform maintenance work on the conveyors is reduced quite significantly because motors do not have to be replaced. The new Interroll Premium Hygienic PU material, also a new development, complements the EHEDG product portfolio, allows for extremely easy cleaning and is resistant to oil, grease and chemicals.

The synchronous drum motors which meet EHEDG (European Hygienic Engineering & Design Group) guidelines and the asynchronous drum motors which are certified by the USDA (US Department for Agriculture) are extremely hygienic and energy efficient solutions for the food processing and pharmaceutical industries.

But also other industries like airports, supermarkets, the packaging industry and many more make use of the energy efficient Interroll drum motors.

Within the Interroll Group, the Center of Excellence in Baal is responsible for all technical concerns ranging from development and application engineering to production of drum motors. The production facilities also include the Coating Center for rubberized drum motors.

# HIGHEST HYGIENE STANDARDS AND SPACE SAVING



**“OUR DRUM MOTORS ARE EXTREMELY EFFICIENT SHOWING AN EFFICIENCY FACTOR OF UP TO 83%.”**

**Dr. Hauke Tiedemann**

Managing Director Interroll Trommelmotoren GmbH  
Hückelhoven/Baal, Germany

# 80%

INTERROLL DRUM MOTORS POWER  
80% OF THE CONVEYORS INSIDE  
CHECKPOINT SCANNERS ON AIRPORTS  
WORLDWIDE. PROVEN.



**ALESSANDRO TURATTI**  
Sales Director, Turatti Srl

*“Research and development is at the heart of everything at Turatti and we pride ourselves for innovative approaches. This is a vision we share with Interroll and we believe it is very important to have such reliable business partners with excellent products. In fact, their drum motors actually meet the most stringent requirements in terms of quality and hygiene and are regularly installed in our state-of-the-art equipment.”*

## DYNAMIC STORAGE

**HIGH THROUGHPUT AS WELL AS A SAFE WORKING ENVIRONMENT PLAY A CRUCIAL ROLE IN INTERNAL WAREHOUSE LOGISTICS**

Interroll offers the only patented magnetic speed controller for dynamic storage on the market which was developed by the global Center of Excellence in La Roche-sur-Yon, France. Electromagnetic resistance allows an optimal braking effect and the lifespan of the wear-free controller is increased considerably. The speed of the conveyed pallets is kept under 0.3 m/s independent of the weight. In combination with the safety separator Time Plus Separator which by time delay enables the pallet to be taken out safely until the following pallet flows to the front picking station, high occupational safety is guaranteed.

The Interroll PalletFlow und CartonFlow solutions help to save energy costs, take up less space than conventional storage solutions and are able to handle a diverse product range with lower personnel costs much faster. And the newly developed Interroll TCO (total cost of ownership) calculation tool helps the customer to easily calculate the Return on Investment by entering his specific data in terms of storage capacity, turnover rates, building costs, etc.

Within the Interroll Group, the Center of Excellence in La Roche-sur-Yon is responsible for development and application engineering as well as production of dynamic storage solutions. The performance and safety aspects of the modules are tested under real conditions down to  $-28^{\circ}\text{C}$  in the company's own ISO-9001 certified test center.

# OCCUPATIONAL SAFETY AND HIGH THROUGHPUT



**“THE INITIAL INVESTMENTS IN DYNAMIC STORAGE ARE AMORTISED THROUGH SAVINGS IN DAY-TO-DAY OPERATIONS, USUALLY AFTER LESS THAN TWO YEARS.”**

**Bertrand Reymond**  
Managing Director Interroll SAS  
La Roche-sur-Yon, France

# 28%

DYNAMIC STORAGE SYSTEMS CAN REDUCE MONTHLY COSTS PER PALLET POSITION BY UP TO 28% COMPARED TO RADIO-SHUTTLE SOLUTIONS. PROVEN.



**LUCKY JURISTA**  
*PPIC Manager, Lotte Indonesia*

*“The Interroll FIFO systems can meet all of our requirements regarding short shelf life, energy saving, less maintenance and less space. As a food processing company, efficiency and quality is always a concern. I am happy that we made the right choice.”*

## CONVEYOR ROLLERS

### 500 MILLION CONVEYOR ROLLERS – UNBEATABLE, ALSO IN SMALLEST LOT SIZES

Nearly half of the order volumes of approximately 6,500,000 conveyor rollers and 200,000 RollerDrive that are manufactured each year at the global Center of Excellence for conveyor rollers and RollerDrive in Wermelskirchen, Germany, are for less than ten units and therefore manufactured to meet the respective customer's requirements. All of the manufacturing processes here are geared toward lot size 1. This guarantees maximum flexibility, speed and the shortest possible reaction times.

More than 60,000 different types of conveyor rollers are possible. Thanks to the efficient and flexible on-demand manufacturing, more than 80,000 orders are processed here each year – and the delivery times are nearly always under one week. Not a single roller is kept on stock at the warehouse.

All of the thirteen production lines are modified 60 to 70 times per day and it takes only around 80 seconds on average to convert the machinery: this is pure excellence in manufacturing.

Within Interroll Group, the Center of Excellence is also responsible for the development of new solutions and application engineering. Under its management the worldwide product line has been continuously extended from non-powered rollers to RollerDrive that feature controls with a connection to the PLC via field buses and to RollerDrive for deep freeze applications.

# CONVEYOR ROLLERS FOR ALL APPLICATIONS – WITHOUT DELAY



**“NOT ONLY PRODUCTS CAN BE DEVELOPED, BUT ALSO THE  
ENTIRE PRODUCTION PROCESS.”**

**Armin Lindholm**  
Managing Director Interroll Engineering GmbH  
Wermelskirchen, Germany

# 99%

AVAILABILITY OF THE PRODUCTION EQUIPMENT. WHICH MEANS OUR CUSTOMERS GET HIGH-QUALITY ROLLERS ON DEMAND IN RECORD TIME. PROVEN.



**BERTRAM KAUFMANN**

*Managing Director, Kaufmann Systems AG*

*“I receive the products ordered from Interroll, such as conveyor rollers manufactured to my requirements, in the shortest period of time, in the right quantity, at the right location. Interroll is a reliable partner, for both product quality and collaboration. Consulting and service are always skilled. This makes for a very pleasant customer/supplier relationship ...”*

**PROVEN TECHNOLOGY  
FROM THE SINGLE  
CONVEYOR ROLLER TO THE  
WHOLE PLATFORM:  
OUR INNOVATIONS SATISFY  
MARKET AND CUSTOMER  
NEEDS. YESTERDAY, TODAY,  
TOMORROW.**



# CORPORATE GOVERNANCE

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## 1 INTRODUCTION

### Base of the corporate governance report

The corporate governance report 2014 of the Interroll Group refers to the official guideline of the SIX Swiss Exchange on Corporate Governance, best practice related to the Minder initiative as well as to the regulations of the “Swiss code of best practice for corporate governance”.

### Cross references

In order to minimise repeated comments, certain sections cross refer to other sections, especially to the financial report.

## 2 GROUP STRUCTURE AND SHAREHOLDERS

### Group structure

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

### Mother company and stock listing

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

### Consolidation range

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

### Significant shareholders

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

### Cross shareholdings

The Interroll Group does neither maintain capital nor voting rights with other entities.

## 3 CAPITAL STRUCTURE

### Share capital and voting rights

The share capital of Interroll Holding Ltd. amounts to CHF 8.5 million and is made up of 854,000 fully paid registered shares with a par value of CHF 10 each. Each share has one voting right.

### Authorised or conditional capital

There is no authorised or conditional capital.

### Other equity or participation instruments

Furthermore, there are no other equity-like instruments such as profit sharing rights or participation certificates.

### Changes in capital

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

### Limitations on transferability and nominee rights

Information about limitations on transferability and other nominee rights of the shareholders is disclosed in chapter 10 (“Shareholders’ participation rights”) of this report on the corporate governance.

### Further information on the shareholders’ equity

Additional information on the equity is disclosed in the financial statements of the Group (see 1.5 “Consolidated statement of changes in equity”) and in the respective notes.

## 4 OPERATIONAL MANAGEMENT STRUCTURE

### Functional organisational structure

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

### Management structure

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

The Interroll Group has no advisory body.

### Board of Directors

<b>CHAIRMAN</b>			
Kurt Rudolf			
<b>VICE CHAIRMAN</b>	<b>AUDIT COMMITTEE</b>	<b>COMPENSATION COMMITTEE</b>	<b>OTHER MEMBERS</b>
Urs Tanner	Philippe Dubois Paolo Bottini	Kurt Rudolf Prof. Dr. Horst Wildemann	Stefano Mercorio Ingo Specht

### Group Management

<b>CHIEF EXECUTIVE OFFICER</b>	
Paul Zumbühl	
<b>CHIEF FINANCIAL OFFICER</b>	<b>SENIOR VICE PRESIDENT CORPORATE MARKETING &amp; CULTURE</b>
Daniel Bättig	Jens Karolyi
<b>EXECUTIVE VICE PRESIDENT GLOBAL SALES &amp; SERVICE</b>	<b>EXECUTIVE VICE PRESIDENT PRODUCTS &amp; TECHNOLOGY</b>
Dr. Christoph Reinkemeier	Dr. Ralf Garlichs
<b>REGIONS</b>	
Executive Vice President Americas	Tim McGill
Executive Vice President Asia	Dr. Ben Xia

### **Interroll Research Centre (IRC), Global Product Management**

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

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

### **Global Centres of Excellence**

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

<b>FUNCTIONAL UNIT</b>	<b>MANAGED BY</b>	<b>COMPANY</b>
Rollers, RollerDrive	Armin Lindholm	Interroll Engineering GmbH, Wermelskirchen (DE)
Industrial Drum Motors	Dr. Hauke Tiedemann	Interroll Trommelmotoren GmbH, Baal (DE)
Supermarket products	Dr. Anders-Staf Hansen	Interroll Joki A/S, Hvidovre (DK)
Dynamic storage products	Bertrand Raymond	Interroll SAS, La Roche-sur-Yon (FR)
Conveyor modules	Michael Kuhn	Interroll Automation GmbH, Sinsheim (DE)
Subsystems	Dr. Heinrich Droste	Interroll Automation GmbH, Sinsheim (DE)
Techno-polymers	Ingo Specht	Interroll AG, Sant'Antonino (CH)

## Worldwide sales and production companies

### Regional Centres of Excellence (RCoE)

Regional Centres of Excellence produce for the Americas and Asia-Pacific. These centres take over the full product programme of the global Centres of Excellence and serve the regional sales and service subsidiaries with finished products and the assembly sites with unfinished goods.

### Production companies and local assemblies

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

### Sales and service subsidiaries

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

### Management of the operational subsidiaries

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

## EUROPE-MIDDLE EAST-AFRICA

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
Sales, service	Central Europe	C. Reinkemeier	Interroll Fördertechnik GmbH, Wermelskirchen (DE)
Sales, service	France	G. Calvez	Interroll SAS, Saint-Pol-de-Léon (FR)
Sales, service	Northern Europe	E. Kaiser	Interroll Nordic A/S, Hvidovre (DK)
Sales, service	Great Britain, Ireland	Ch. Middleton	Interroll Ltd., Corby (GB)
Sales, service	Iberic peninsula	R. Rovira	Interroll España SA, Cerdanyola del Vallès (ES)
Sales, service	Czech Rep., Balcany, Hungary	F. Ratschiller	Interroll CZ s.r.o., Breclav (CZ)
Sales, service	Poland, Russia, Ukraine	F. Ratschiller	Interroll Polska sp.z.o.o., Warsaw (PL)
Sales	Turkey, Middle East	F. Ratschiller	Interroll Lojistik Sistemleri Ticaret Limited, Istanbul (TR)
Sales, service	Italy	F. Ratschiller	Interroll Italia Srl (IT)
Sales, assembly, service	Africa	H. Campbell	Interroll SA (Proprietary) Ltd., Johannesburg (ZA)

## AMERICAS

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE, sales, service	USA	R. Keely	Interroll Corporation, Wilmington/NC (US)
RCoE, sales, service	USA	V. Saunders	Interroll Atlanta LLC, Hiram (US)
RCoE, sales, service	USA	M. Means	Interroll Engineering West Inc., Cañon City (US)
Sales, assembly, service	Canada	S. Gravelle	Interroll Canada Ltd., Newmarket/Toronto (CA)
Sales, assembly, service	Brazil, Argentina	D. Hahn	Interroll Logística Ltda., Jaguariuna/São Paulo (BR)

## ASIA-PACIFIC

FUNCTION	REGION/COUNTRY	MANAGED BY	COMPANY
RCoE, sales, service	China	S. Foong	Interroll (Suzhou) Co. Ltd., Suzhou (CN)
RCoE, sales, service	China	MK Lo	Interroll Shenzhen Co. Ltd., Shenzhen (CN)
Sales, service	South Korea	N. Kim	Interroll Korea Corp. Seoul (KR)
Sales, service	Japan	G. W. Seng	Interroll Japan Co. Ltd., Tokyo (JP)
Sales, assembly, service	Thailand	N. Grisorn	Interroll (Thailand) Co. Ltd., Panthong (TH)
Sales, service	Singapore, South East Asia	G. W. Seng	Interroll (Asia) Pte. Ltd., Singapore (SG)
Sales, assembly, service	Australia	P. Cieri	Interroll Australia Pty. Ltd., Melbourne (AU)

## 5 BOARD OF DIRECTORS

### Members of the Board of Directors



*From left to right*

---

*back row: Stefano Mercorio, Ingo Specht,  
Prof. Dr. Horst Wildemann, Philippe Dubois,  
Paolo Bottini*

*front row: Urs Tanner, Kurt Rudolf*

#### **Election principles and terms of office**

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

## PROFESSIONAL BACKGROUND AND VESTED INTERESTS OF THE BOARD OF DIRECTORS

### KURT RUDOLF

(born 1942, Swiss)

Dipl.-Ing. ETH, served as Managing Director of LGZ Landis & Gyr Zug AG and Chief Executive Officer of Portescap Group. He was a member of the Board of Directors of Medela Group and is currently a member of the foundation council of the Olle Larsson-Rosenquist Stiftung. Mr. Rudolf has been Chairman of the Board of Directors of Interroll Holding AG since 2006 and has been a member since 2001, where he served as its Deputy Chairman. Since 2006 Mr. Rudolf has also been part of the Compensation Committee.

### URS TANNER

(born 1951, Swiss)

Executive MBA University St. Gallen, AMP Harvard, served as CEO of Medela Group, Managing Director of the Tools & Plastics business segment of Mikron Group and held leading positions with Styner & Bienz AG (Adval Tech). Currently he is a co-owner of Halcyon Associates Inc. in the USA as well as a member of the Board of Directors of Belimed AG and Plaston AG. Mr. Tanner has been a member of the Board of Directors of Interroll Holding AG since 2008 and has been its Vice Chairman since 2009.

### PAOLO BOTTINI

(born 1965, Swiss)

lic. iur., lawyer and tax specialist (Eidg. Dipl.) held various positions within the law firm Bär & Karrer and currently is the Managing Partner of the firm in Lugano. Mr. Bottini has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### PHILIPPE DUBOIS

(born 1950, Swiss)

lic. iur. and lic. oec., was responsible for the IPO of Interroll Holding AG while working for UBS Warburg. He also held senior Investment Banking positions at Bank Julius Bär. Currently he is an independent management and financial consultant for M&A, corporate finance and management coaching. Mr. Dubois has been a member of the Board of Directors of Interroll Holding AG and a member of the Audit Committee since 2003.

### STEFANO MERCORIO

(born 1963, Italian)

holds a degree in economics. He is currently working as a Legal Auditor and is the founder and Senior Partner of Studio Castellini Mercorio & Partners. Since 1987 he has been Dottore Commercialista "Albo dei Dottori Commercialisti e degli Esperti contabili di Bergamo". Mr. Mercorio has been a member of the Board of Directors of Interroll Holding AG since 2013.

### INGO SPECHT

(born 1964, German)

holds a professional qualification as Industrial Business Manager of Chamber of Commerce and Industry Cologne, Germany. He was owner and Managing Director of Luxis, Locarno, and held various senior positions in IT, Marketing and Business Development within the Interroll Group. Currently, he is serving as Managing Director of Interroll SA. Mr. Specht has been a member of the Board of Directors since 2006.

### PROFESSOR DR. HORST WILDEMANN

(born 1942, German)

Dipl.-Ing. in mechanical engineering and Dipl.-Kfm. in business administration, Prof. of university Dr. Dr. h. c. mult., serves as Managing Director of TCW Consulting GmbH and is a Professor ordinarius for management, production and logistics at the Technical University of Munich and a honorary professor at the universities of Klagenfurt, Passau and Cottbus. He currently is Chairman of the Advisory Board of Möhlenhoff GmbH and Rudolf GmbH as well as a member of the Advisory Board of Hamberger Industriewerke AG. He is also a member of the Board of Directors of Sick AG and Zeppelin GmbH. Prof. Dr. Wildemann has been a member of the Board of Directors of Interroll Holding AG and a member of the Compensation Committee since 1999.



## 6 INTERNAL ORGANISATION

### Constitution and committees of the Board of Directors

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

#### Audit Committee

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

At least once a year, the Audit Committee also commissions a report on audits undertaken and planned as well as on any proposals to improve the auditing function. The Audit Committee submits its proposals to the Board of Directors for decision.

#### Compensation Committee

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

### Mode of collaboration of the Board of Directors and its committees

The Board of Directors meets as often as business requires, but at least four times per year. The meetings are convened by the Chairman of the Board of Directors. Each member of the Board of Directors may demand that a meeting be convened, specifying the item on the agenda to be discussed. The CEO participates in the meetings of the Board of Directors. The Executive Vice Presidents of the respective functional units and the Vice Presidents of the Corporate Functions as well as other members of management are invited to attend meetings when necessary.

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

Both committees of the board meet as necessary. Any member is entitled to convene committee meetings. In the business year 2014, the Board of Directors met on five occasions, the Audit Committee three times and the Compensation Committee twice for regular scheduled meetings.

## 7 COMPETENCE REGULATIONS

### Statutory base for the competence regulations

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

### Responsibility of the Board of Directors

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

### Management and organisational regulations

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

## 8 INFORMATION AND CONTROL INSTRUMENTS

### Reporting to the Board of Directors

At each meeting, the CEO informs the Board of Directors of the course of business, the principal events within the Group and the discharge of duties delegated to Group Management.

### Management information system

The Management Information System (MIS) of the Interroll Group consolidates the balance sheet, income statement and cash flow statement, as well as financial data pertaining to the subsidiary companies, on a monthly basis and compares the current figures with those of the previous year and the budget. On the basis of the quarterly financial statements, the budget is assessed in the form of a forecast as to whether it is

attainable with regard to each entity and also for the consolidated group. The financial reports are discussed during the meetings of the Board of Directors.

#### **Internal audit and control instruments**

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

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

## **9 GROUP MANAGEMENT**

The Group Management of Interroll Group had the following members as of the end of 2014:

<b>NAME/ YEAR OF BIRTH</b>	<b>NATIONALITY</b>	<b>FUNCTION</b>	<b>MEMBER SINCE</b>
Paul Zumbühl (1957)	Swiss	Chief Executive Officer (CEO)	January 2000
Daniel Bättig (1964)	Swiss	Chief Financial Officer (CFO)	March 2013
Dr. Ralf Garlichs (1962)	German	Executive Vice President Products & Technology	July 2006
Dr. Chr. Reinkemeier (1966)	German	Executive Vice President Global Sales & Service	January 2011
Jens Karolyi (1970)	German	Sen. Vice President Corporate Marketing & Culture	January 2011
Tim McGill (1955)	English	Executive Vice President Operations Americas	January 2011
Dr. Ben Xia (1966)	Chinese	Executive Vice President Operations Asia	June 2013

## **10 SHAREHOLDERS' PARTICIPATION RIGHTS**

#### **Representation and restriction of voting rights**

Rights governing shareholder participation are in accordance with the requirements specified 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 share register as shares furnished with voting rights if the nominee has provided written consent to the possible disclosure of names, addresses and share-

holdings of those persons for whom the said nominee holds 0.5% or more of the shares outstanding.

#### **Statutory quorum**

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

#### **Convocation of General Meeting of Shareholders**

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

**Agenda and registration in the share register**

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

**11 CHANGE IN CONTROL AND DEFENCE MEASURES****Obligation to make an offer**

There are no statutory regulations regarding opting up and opting out.

**Change in control clauses**

There are no agreements for severance pay, other agreements and plans in the event of a change in control or upon termination of a contract of employment.

**12 AUDITOR****Duration of the mandate and term of office of the lead auditor**

By decision of the general assembly of 9 May 2014, Interroll Holding Ltd. has appointed PricewaterhouseCoopers (PwC) for another term of one year as its auditing company. PwC has been the Group Auditor of Interroll Group since 2011. Mr. Patrick Balkanyi has been the lead auditor with audit responsibility since 2012.

**Audit fees**

The audit fees charged by PwC to subsidiaries of Interroll Group in the business year 2014 amounted to CHF 0.4 million. The audit fees charged by PwC in 2013 amounted to CHF 0.4 million.

**Supervisory and control instruments pertaining to the audit**

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

**13 INFORMATION POLICY****Contact person**

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

**Published reports on the course of business**

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

**Source of information**

Further relevant information and financial reports are available on [www.interroll.com](http://www.interroll.com), where reports can be downloaded. Shareholders recorded in the share register may request to receive the Annual Report in printed form and register for automatic submission of the Annual Report with the Investor Relations department.

# REMUNERATION REPORT

<b>BASIC REMUNERATION PRINCIPLES</b>	<b>54</b>
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The remuneration report provides information about the principles of Interroll's remuneration policy, the management process and the remuneration of the Board of Directors and Group Management. It complies with the requirements of Sections 14 to 16 of the Swiss ordinance against excessive compensation in listed stock companies of 20 November 2013 (VegüV), the guidelines on corporate governance information of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014.

## BASIC REMUNERATION PRINCIPLES

A fair, systematic and transparent remuneration system is aimed at contributing to the long-term development of the Interroll Group and to securing its business success. The Interroll Group's remuneration system is in line with its corporate strategy and based on appropriately rewarding short-term and long-term targets which have been achieved. It is aimed at putting Interroll in a position to attract, develop and retain the best people in its particular field and sector.

The Interroll Group's remuneration policy features the following aspects:

- Directors' compensation exclusively comprises fixed remuneration. In this way, Interroll ensures the corporate body's independence in its supervision of Group Management.
- The ratio of fixed to variable remuneration for members of Group Management is appropriate and the level of the respective elements does not fluctuate excessively in order to prevent excessive variable remuneration components from negatively influencing individuals' willingness to take risks or resulting in a short-term approach.
- Remuneration must be commensurate with the responsibility, quality of the work and individual workload of the relevant role.
- In addition, remuneration is to ensure appropriate and competitive compensation based on the value contribution, the role and individual performance.
- As a component of the remuneration for members of Group Management, share plans are aimed at rewarding the achievement of long-term Group targets in the interests of shareholders and promoting long-term corporate performance.

The Board of Directors is responsible for the principles of the Group's remuneration policy and management process and is supported by the Compensation Committee in the fulfilment of this responsibility. The Board of Directors decides on the total remuneration for the Board of Directors as well as Group Manage-

ment and presents a proposal to the Annual General Meeting for approval, starting from financial year 2015. On behalf of the Board of Directors, the Compensation Committee prepares all proposals and the basis for remuneration decisions to be taken.

The Compensation Committee's key duties are as follows:

- Propose and regularly review Interroll Group's remuneration policy
- Propose and develop remuneration regulations for the Board of Directors and Group Management
- Propose and specify the remuneration principles for the following financial year
- Propose the remuneration for members of the Board of Directors
- Propose the remuneration for the CEO and, at the CEO's request, the remuneration of the other members of Group Management
- Propose employment terms and conditions, material amendments to existing contracts of employment with members of Group Management as well as other strategic HR decisions

At the Annual General Meeting of Interroll Holding AG on 8 May 2015, for the first time, the Board of Directors will propose the total remuneration of the Board of Directors for the period up to the 2016 Annual General Meeting and the total remuneration for Group Management for financial year 2015 for approval. The voting rules authorising the remuneration of Board of Directors and Group Management are included separately in the application of the adjustments of the Articles of Association to the Company pursuant to VegüV. These adjustments to the Articles of Association shall also be submitted on 8 May 2015 for approval in advance.

## REMUNERATION OF THE BOARD OF DIRECTORS

### Principles and specifying the remuneration

Remuneration paid to members of the Board of Directors is fixed, commensurate with their responsibilities and paid in cash. No variable components are included. In this way, Interroll ensures the independence of the Board of Directors in its supervision of Group Management. The remuneration depends on the workload and responsibilities of the Board of Directors. It takes into account market conditions and is based on the comparative values from other listed Swiss medium-sized industrial companies with international activities.

All remuneration paid to members of the Board of Directors of Interroll Holding AG by Interroll Holding

AG and the subsidiaries over which it has direct or indirect control is decisive in determining the annual remuneration.

Every year, the Board of Directors determines the fixed remuneration of the members of the Board of Directors of Interroll Holding AG for the period of time up to the next Annual General Meeting of Interroll Holding AG on the basis of the remuneration regulations and at the Compensation Committee's request, subject to approval by the Annual General Meeting. No separate remuneration is paid to members of committees. Extraordinary efforts that go beyond the normal duties of the Board of Directors may additionally be compensated. All social security contributions are made by the employer.

Fixed-term contracts of employment and mandate agreements for members of the Board of Directors may be for a fixed contractual term of up to one year.

#### Total remuneration for 2014 (audited)

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

in thousands CHF		Cash	Shares/ Options	Social Security <sup>1</sup>	Other Benefits	Total Compensation	Shares held as of 31.12.	Voting Rights in %
<b>Kurt Rudolf</b>								
2014	P, CC	150		18		<b>168</b>	500	0.06
2013	P, CC	150		18		<b>168</b>	800	0.10
<b>Urs Tanner</b>								
2014	VP	75		12		<b>87</b>		0.00
2013	VP	75		12		<b>87</b>	60	0.01
<b>Paolo Bottini</b>								
2014	AC	50		8		<b>58</b>	20	0.00
2013	AC	50		8		<b>58</b>	20	0.00
<b>Philippe Dubois</b>								
2014	AC	50		8		<b>58</b>	100	0.01
2013	AC	50		8		<b>58</b>	100	0.01
<b>Horst Wildemann</b>								
2014	CC	50		4		<b>54</b>		0.00
2013	CC	50		5		<b>55</b>		0.00
<b>Marco Ghisalberti<sup>2</sup></b>								
2013		21		3		<b>24</b>	112,743 <sup>3</sup>	0.00
<b>Stefano Mercorio</b>								
2014		50		10		<b>60</b>		0.00
2013		29		5		<b>34</b>		0.00
<b>Ingo Specht</b>								
2014		50		8		<b>58</b>	86,695 <sup>4</sup>	11.17
2013		50		8		<b>58</b>	108,610 <sup>4</sup>	13.25
<b>Total Board of Directors</b>								
<b>2014</b>		<b>475</b>		<b>68</b>		<b>543</b>	<b>87,315</b>	<b>11.25</b>
<b>2013</b>		<b>475</b>		<b>67</b>		<b>542</b>	<b>109,590</b>	<b>13.37</b>

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

<sup>1</sup> Social Security costs consist of employers- and employees contributions to the state run Swiss social security system.

<sup>2</sup> M. Ghisalberti left the Board of Directors in May 2013. His successor is S. Mercorio.

<sup>3</sup> Number of shares held by M. Ghisalberti and family.

<sup>4</sup> Number of shares held by I. Specht and family.

The Board of Directors holds no stock options in respect of Interroll Holding AG shares.

#### **Valuation of total remuneration for 2014**

In the reporting year, the remuneration of the Board of Directors comprised no non-recurring effects. No change has occurred compared with the previous year. At the 2015 Annual General Meeting, the Board of Directors will propose the same remuneration as in the past period.

#### **Other remuneration (audited) and additional information**

No further payments in cash or in kind are made or other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of the Board of Directors.

Severance pay for members of the Board of Directors is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

#### **Loans (audited)**

Interroll Holding AG and its subsidiaries granted no loans and advances to members of the Board of Directors in the two reporting years. There were no loans from past years.

## **REMUNERATION OF GROUP MANAGEMENT**

#### **Principles and specifying total remuneration**

For each Group Management member an individual remuneration agreement exists, the projected total remuneration, which is based on the criteria specified below for determining the remuneration and market conditions in the relevant country. The projected total remuneration comprises a fixed and a variable remuneration component and may be exceeded as a result of excellent performance. The Group Management's actions must always focus on achieving a long-term sustained increase in value rather than pursuing short-term profit maximisation. The composition of total remuneration for the members of Group Management in general and the CEO in particular is based on this aim.

Total remuneration is determined on the basis of key criteria, such as global responsibility in the relevant role, individual actual performance contributing to the Group's long-term strategic development, the complexity of the area of responsibility and the personal results achieved on behalf of the Group.

External consultants may additionally be involved in determining the structure and level of remuneration on a case-by-case basis. As part of the Group's reorganisation and the appointment of a new Group Management in 2011–2013, market comparisons were made with the help of the relevant recruitment consultants and used in determining the level of remuneration when recruiting staff in Europe, America and Asia. Furthermore, comparisons were made on the basis of a detailed up-to-date Kienbaum salary study and a Towers Watson salary survey.

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

On the basis of the remuneration regulations and at the Compensation Committee's request, the Board of Directors specifies the total remuneration of Group Management every year, subject to approval by the Annual General Meeting from 2015 onwards. The Compensation Committee works out the CEO's total remuneration. The CEO works out the total remuneration of the other members of Group Management and submits his proposal to the Compensation Committee every year for approval by the Board of Directors. At the Annual General Meeting of Interroll Holding AG on 8 May 2015, the Board of Directors will present for the first time a proposal for total remuneration of Group Management for financial year 2015 for approval.

#### **Fixed remuneration**

The fixed remuneration component of total remuneration is contractually stipulated and generally remains unchanged for three to four years if the job does not change. Adjustments may be made on the basis of the assessment of individual performance and in the event of changes to the area of responsibility.

#### **Variable remuneration**

The maximum possible share of variable remuneration amounts to approx. 60% of total remuneration for members of Group Management in an operating managerial role and approx. 30% for members in a centralised holding role. In the reporting year, the variable share in relation to total remuneration of Group Management amounted to 36%.



The calculation basis for variable remuneration includes the measurable sustained financial success (of the company or a part thereof) and annual individual targets, which must be measurable and of considerable strategic significance.

The company's financial success used to calculate the financial success component of variable remuneration is measured in terms of the key figures listed below, compared with the previous year and a rolling 3-year plan:

Operating profit (EBITDA), operating profit margin (EBITDA in % of sales), gross margin (in % of sales), sales growth (growth compared with forecast and/or previous year) and return on net assets (RoNA).

Specific key figures may be weighted differently or disregarded, depending on the company's strategic position or the role of each member of Group Management.

As a rule, the weighting of the *financial success* component in variable remuneration amounts to at least 66% for members of Group Management in an operating managerial role and at least 33% for members of Group Management in a centralised holding role.

For the *individual targets* component, between 3 and a maximum of 5 individual measurable targets are agreed every year, with either the same or a different weighting. These targets must make an important contribution to the current or long-term success of the Group or parts thereof. They relate, for example, to new products, gaining market share, developing new markets, the successful integration of a business acquired, successful strategic projects, the achievement of stock reduction targets etc.

Using the plan for several years as the basis of variable remuneration (rather than the budget) motivates members of Group Management to think long-term. It means that the relative improvement is measured compared with the previous year, and short-term cost-cutting is prevented in the areas of market development and innovation etc. which could otherwise hamper the long-term development of Interroll.

The Compensation Committee may deviate from the agreed variable remuneration in favour of a Group Management member if failure to achieve specific targets was solely attributable to external factors, or if an exceptional one-off performance was delivered. In the two reporting years, no deviation from the agreement occurred.

### Allotment of shares

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

Based on their commitment and influence, Group Management members are to participate long term in the Group's increased value and also share the business risk as shareholders (and equity co-investors). In this sense, the share plan for Group Management represents a long-term performance incentive and is intended to promote identification with and loyalty to Interroll in the long run.

The conversion rate for variable remuneration applicable to the number of Interroll shares allotted is the relevant share price on 31 December of the financial year ended less the deduction permitted for tax purposes, depending on the length of the blocking period. The members of Group Management decide by 15 December of the relevant financial year ended on the percentage of variable remuneration which they wish to receive in the form of Interroll shares (min. 20% of variable remuneration). In the financial year ended, Group Management members held no stock options entitling them to subscribe to Interroll Holding AG shares.

**Total remuneration for 2014 (audited)**

Compensation paid to members of Group Management is disclosed in accordance with the requirements of Sections 14 to 16 of the Swiss ordinance against excessive compensation in listed stock companies of 20 November 2013 (VegüV), the guidelines on corporate governance information of SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, which came into force on 30 June 2014 as follows:

in thousands CHF	Remuneration (net)		Equity based compens.		Social Security***	Other Benefits	Total Compensation
	fix	variable*	Shares**	Options			
<b>CEO (highest)</b>							
2014	663	792	390	0	508	43	<b>2,396</b>
2013	667	798	386	0	496	43	<b>2,390</b>
<b>Other members</b>							
2014	1,429	471	226	0	262	94	<b>2,482</b>
2013	1,321	444	243	0	268	69	<b>2,345</b>
<b>Total Group Management</b>							
<b>2014</b>	<b>2,092</b>	<b>1,263</b>	<b>616</b>	<b>0</b>	<b>770</b>	<b>137</b>	<b>4,878</b>
<b>2013</b>	<b>1,988</b>	<b>1,242</b>	<b>629</b>	<b>0</b>	<b>764</b>	<b>112</b>	<b>4,735</b>

\* The difference between provisions made in the previous year and the actually paid-out bonuses is netted with the variable compensation planned for the year under review.

\*\* In the period under review 1,769 (previous year: 2,580) own shares were attributed. 1,769 of these shares (previous year: 2,175) may not be sold for a period of four to eight years as of grant date. Share based payments correspond to tax values.

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

**Explanations regarding the calculation method**

The calculation method under IFRS differs in two aspects from the calculation of remuneration and shareholdings of members of the Board of Directors and Group Management in accordance with OR 663 (bis) and OR 663c:

- Compensation for company cars under IFRS is based on the expenses including depreciation and lease instalments stated in the annual accounts. Under the OR, a rate of 0.8 % per month of the acquisition cost of the vehicles is used.
- Under IFRS, share-based remuneration is determined at market value on the allotment date. Under the OR, shares are valued at their taxable value, which is derived from the market value. As a result of the blocking period, the taxable value decreases compared with the market value according to the blocking period defined.
- The difference of CHF 0.36m (previous year: CHF 0.32m) related to company cars – CHF 0.08m (previous year: CHF 0.05m) – and share-based remuneration – CHF 0.24m (previous year: CHF 0.14m).

**Valuation of total remuneration for 2014**

Total remuneration paid to members of Group Management in the financial year ended was approximately at the previous year's level. In the previous year, one member of Group Management entered only during the business year. On the one hand, sales growth (and order intake) was significantly up on the previous year. On the other hand, additional non-recurring expenses for consolidating production in the USA and the high one-off development costs for the new platform for conveyor modules reduced operating profit compared with the previous year. The strategic targets for significant long-term strengthening of the Group's market position were substantially exceeded.

### Total remuneration, 2006 to 2014

The table below indicates total remuneration of Group Management from 2006 to 2014:

in CHFm	2006	2007	2008	2009	2010	2011	2012	2013	2014
Executive	5.8	5.2	4.4	4.3	4.9	5.0	5.2	4.7	4.9

\* Source: Annual Reports 2006–14, according to figures in column “Total Compensation” e.g. incl. all pension and other services.

Group Management and the total remuneration of Group Management remained at a steady level. During the last 10 years, Interroll has advanced to become the global market leader for key products in the internal logistics business. Net indebtedness was reduced and net financial assets were posted. Equity increased by 2.5 times and market capitalisation by 3.5 times.

#### Outlook for total remuneration in 2015

In 2015, total remuneration is likely to be higher than in 2014. In view of Interroll Group’s ambitious budget for 2015, a higher amount is budgeted for the variable share of remuneration than in 2014, which comprises a reserve for the event that targets set are exceeded and for any other influences (e.g. currency and social cost fluctuations). The actual amount of variable remuneration and its payment depend on the targets which are actually achieved. Fixed remuneration will not be adjusted for any member of the Group Management in 2015.

#### Other remuneration (audited) and additional information

The regulations on expenses and pensions are specified in the applicable local employment terms and conditions as well as the relevant statutory and prevailing market conditions of the countries concerned, in particular Germany, the USA and China as well as Switzerland.

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

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

No further payments in cash or in kind are made or other remuneration, e.g. commission for the takeover or transfer of companies or parts thereof, is paid to members of Group Management.

Severance pay for members of Group Management is not permitted, whereby remuneration due to members up to the end of the contractual term does not constitute severance pay.

The notice periods for members of Group Management range from three to twelve months as of 1 January 2016.

#### Loans (audited)

Interroll Holding AG and its subsidiaries granted no loans and advances to members of Group Management in the two reporting years. There were no loans from past years.



## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING

INTERROLL HOLDING LTD  
Sant'Antonino

We have audited the remuneration report (pages 54 to 59) dated 3 March 2015 of INTERROLL HOLDING LTD for the year ended 31 December 2014.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

### Opinion

In our opinion, the remuneration report of INTERROLL HOLDING LTD for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in dark ink, appearing to read 'P. Balkanyi'.

Patrick Balkanyi  
Audit expert  
Auditor in charge

A handwritten signature in dark ink, appearing to read 'M. Graf'.

Martin Graf  
Audit expert

Zürich, 3 March 2015

# FINANCIAL REPORT OF INTERROLL GROUP

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# 1 CONSOLIDATED FINANCIAL STATEMENTS OF INTERROLL

## 1.1 Consolidated statement of financial position

in thousands CHF	see notes*	31.12.2014	in %	31.12.2013	in %
<b>ASSETS</b>					
Property, plant and equipment	6.1	85,969		83,266	
Intangible assets	6.3	49,874		53,054	
Financial assets		626		732	
Deferred tax assets	7.6	4,150		3,387	
<b>Total non-current assets</b>		<b>140,619</b>	<b>50.6</b>	<b>140,439</b>	<b>54.4</b>
Inventories	6.5	42,273		38,119	
Current tax assets		457		706	
Trade and other accounts receivable	6.6	70,428		58,164	
Cash and cash equivalents	6.7	24,380		20,797	
<b>Total current assets</b>		<b>137,538</b>	<b>49.4</b>	<b>117,786</b>	<b>45.6</b>
<b>Total assets</b>		<b>278,157</b>	<b>100.0</b>	<b>258,225</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>					
Share capital		8,540		8,540	
Share premium		6,416		13,740	
Reserve for own shares		-2,008		-1,641	
Translation reserve		-41,104		-45,454	
Retained earnings		228,486		211,916	
Non-controlling interests				145	
<b>Total equity</b>	6.10	<b>200,330</b>	<b>72.0</b>	<b>187,246</b>	<b>72.5</b>
Non-current financial liabilities	6.12	153		253	
Deferred tax liabilities	7.6	5,286		5,071	
Pension liabilities	6.15	5,766		2,824	
Provisions	6.14	6,000		5,902	
<b>Total non-current liabilities</b>		<b>17,205</b>	<b>6.2</b>	<b>14,050</b>	<b>5.4</b>
Current financial liabilities	6.12	317		320	
Current tax liabilities	7.6	8,029		9,831	
Trade and other accounts payable	6.16	52,276		46,779	
<b>Total current liabilities</b>		<b>60,622</b>	<b>21.8</b>	<b>56,930</b>	<b>22.0</b>
<b>Total liabilities</b>		<b>77,827</b>	<b>28.0</b>	<b>70,980</b>	<b>27.5</b>
<b>Total liability and shareholder's equity</b>		<b>278,157</b>	<b>100.0</b>	<b>258,226</b>	<b>100.0</b>

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

## 1.2 Consolidated income statement

in thousands CHF	see notes*	2014	in %	2013	in %
<b>Sales</b>		<b>335,306</b>	<b>100.0</b>	<b>316,334</b>	<b>100.0</b>
Material expenses		-143,585	-42.8	-131,878	-41.7
Personnel expenses	6.15 & 7.1	-103,507	-30.9	-94,131	-29.8
Increase/(decrease) in work in progress, finished products and own goods capitalized		1,825	0.5	-771	-0.2
Other operating expenses	7.3	-55,112	-16.4	-52,516	-16.6
Other operating income	7.4	9,178	2.7	8,341	2.6
<b>Operating result before depreciation and amortisation (EBITDA)</b>		<b>44,105</b>	<b>13.2</b>	<b>45,379</b>	<b>14.3</b>
Depreciation	6.1	-10,919	-3.3	-11,389	-3.6
Amortisation	6.3	-7,805	-2.3	-6,799	-2.1
<b>Operating result (EBIT)</b>		<b>25,381</b>	<b>7.6</b>	<b>27,191</b>	<b>8.6</b>
Finance expenses		-954	-0.3	-1,689	-0.5
Finance income		993	0.3	145	0.0
<b>Finance result, net</b>	7.5	<b>39</b>	<b>0.0</b>	<b>-1,544</b>	<b>-0.5</b>
<b>Result before income taxes</b>		<b>25,420</b>	<b>7.6</b>	<b>25,647</b>	<b>8.1</b>
Income tax expense	7.6	-6,232	-1.9	-5,041	-1.6
<b>Result</b>		<b>19,188</b>	<b>5.7</b>	<b>20,606</b>	<b>6.5</b>
<b>Result attributable to:</b>					
- Non-controlling interests		120	0.0	62	0.0
- Owners of Interroll Holding AG		19,068	5.7	20,544	6.5
<b>Values per share (in CHF)</b>					
Non-diluted earnings (result) per share	6.11	22.45		24.84	
Diluted earnings (result) per share	6.11	22.45		24.71	
Distribution out of reserves from capital contributions		8.80		8.00	

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



## 1.3 Consolidated statement of comprehensive income

in thousands CHF	see notes*	2014	in %	2013	in %
<b>Result</b>		<b>19,188</b>		<b>20,606</b>	
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurements of pension liabilities	6.15	<b>-3,009</b>		<b>903</b>	
Income tax		605		-182	
<b>Total items that will not be reclassified to income statement</b>		<b>-2,404</b>		<b>721</b>	
Items that in the future may be reclassified subsequently to income statement					
Currency translation differences		4,359		-1,144	
<b>Total items that in the future may be reclassified subsequently to income statement</b>		<b>4,359</b>		<b>-1,144</b>	
<b>Other income</b>		<b>1,955</b>		<b>-423</b>	
<b>Comprehensive income</b>		<b>21,143</b>		<b>20,183</b>	
<b>Result attributable to:</b>					
- Non-controlling interests		120	0.0	62	0.0
- Owners of Interroll Holding AG		<b>21,023</b>	6.3	<b>20,121</b>	6.4

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

## 1.4 Consolidated statement of cash flows

in thousands CHF	see notes*	2014	2013
<b>Result</b>		<b>19,188</b>	<b>20,606</b>
Depreciation, amortisation and impairment	6.1 & 6.3	18,724	18,188
Loss/(gain) on disposal of tangible and intangible assets	6.2, 7.3 & 7.4	-197	206
Financial result, net	7.5	-39	1,544
Income tax expense	7.6	6,232	5,041
Changes in inventories		-2,612	-2,870
Changes in trade and other accounts receivable		-8,958	3,580
Changes in trade and other accounts payable		3,889	1,380
Changes in provisions, net	6.14	452	1,256
Income tax paid		-8,148	-5,855
Personnel expenses on share based payments	7.1	926	1,012
Other non-cash expenses/(income)		-1,701	396
<b>Cash flow from operating activities</b>		<b>27,756</b>	<b>44,484</b>
Acquisition of property, plant and equipment	6.1	-13,750	-14,444
Acquisition of intangible assets	6.3	-1,645	-1,641
Acquisition of financial assets		-20	-129
Proceeds from disposal of property, plant and equipment	6.2	1,165	75
Settlement of loans receivable		156	288
Acquisition of subsidiaries, net of cash acquired	4	-1,430	-23,739
Interests received		107	154
<b>Cash flow from investing activities</b>		<b>-15,417</b>	<b>-39,436</b>
Distribution out of reserves from capital contributions		-7,493	-6,520
Purchase of shares of subsidiary	4	-367	
Purchase of own shares		-1,123	-143
Sale of own shares			14,988
Proceeds from financial liabilities		33	469
Repayment of financial liabilities		-382	-5,815
Interests paid		-42	-407
<b>Cash flow from financing activities</b>		<b>-9,374</b>	<b>2,572</b>
Translation adjustments on cash and cash equivalents		618	-932
<b>Change in cash and cash equivalents</b>		<b>3,583</b>	<b>6,688</b>
Cash and cash equivalents at 1 January		20,797	14,109
<b>Cash and cash equivalents at 31 December</b>	6.7	<b>24,380</b>	<b>20,797</b>

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

## 1.5 Consolidated statement of changes in equity

in thousands CHF	see notes*	Share capital	Share premium	Reserve for own shares	Translation reserve	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2013</b>		<b>8,540</b>	<b>20,427</b>	<b>-17,670</b>	<b>-44,319</b>	<b>190,659</b>		<b>157,637</b>
<b>Result</b>						<b>20,544</b>	<b>62</b>	<b>20,606</b>
<b>Other comprehensive income, net of taxes</b>					<b>-1,144</b>	<b>721</b>		<b>-423</b>
<b>Total comprehensive income</b>					<b>-1,144</b>	<b>21,265</b>	<b>62</b>	<b>20,183</b>
Distribution from reserves from capital contributions, net			-6,521					<b>-6,521</b>
Share based payments	7.1		-114	1,127				<b>1,013</b>
Sale of own shares incl. tax effects	6.10		-52	15,045				<b>14,993</b>
Purchase of own shares incl. tax effects	6.10			-143				<b>-143</b>
Acquisition of non-controlling interests							83	<b>83</b>
<b>Balance at 31 December 2013</b>		<b>8,540</b>	<b>13,740</b>	<b>-1,641</b>	<b>-45,463</b>	<b>211,924</b>	<b>145</b>	<b>187,245</b>
<b>Result</b>						<b>19,068</b>	<b>120</b>	<b>19,188</b>
<b>Other comprehensive income, net of taxes</b>					<b>4,359</b>	<b>-2,404</b>		<b>1,955</b>
<b>Total comprehensive income</b>					<b>4,359</b>	<b>16,664</b>	<b>120</b>	<b>21,143</b>
Distribution from reserves from capital contributions, net			-7,493					<b>-7,493</b>
Share based payments	7.1		169	756				<b>925</b>
Acquisition of shares in subsidiaries	4					-102	-265	<b>-367</b>
<b>Balance at 31 December 2014</b>		<b>8,540</b>	<b>6,416</b>	<b>-2,008</b>	<b>-41,104</b>	<b>228,486</b>		<b>200,330</b>

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

## 2 GENERAL INFORMATION TO THE FINANCIAL STATEMENTS

### 2.1 Convention of preparation

#### General notes to the convention of preparation

The 2014 consolidated financial statements of Interroll Group are based on the annual financial statements of Interroll Holding Ltd., Sant'Antonino and its subsidiaries as of 31 December 2014, drawn up according to uniform Group accounting principles. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

#### New and amended IAS/IFRS standards and interpretations coming into effect in 2014

The Group's results are in line with IAS/IFRS standards and interpretations. Thus, the Group regularly monitors the amendments and new standards published by the International Accounting Standards Board (IASB). In the course of the business year 2014, the following amended standards and interpretations were enacted:

- New: IFRIC 21 (effective as per 1/1/2014, levies)
- Amendment to IAS 32 (effective as per 1/1/2014, offsetting financial assets with financial liabilities)
- Amendment to IAS 39 (effective as per 1/1/2014, novation of derivatives and continuation of hedge accounting)

#### 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 1/1/2018, financial instruments)
- New: IFRS 15 (effective as per 1/1/2017, revenue from contracts with customers)
- Amendment to IFRS 10 and IAS 28 (effective as per 1/1/2016, consolidated financial statements and investments in associates and joint ventures)
- Amendment to IFRS 11 (effective as per 1/1/2016, accounting for acquisitions of interests in joint operations)
- Amendment to IAS 16 and IAS 38 (effective as per 1/1/2016, clarification of acceptable methods of depreciation and amortisation)
- Amendment to IAS 19 (effective as per 1/7/2014, defined benefit plans: employee contribution)
- Annual improvement, cycle 2010-13 (effective as per 1/1/2014)

Group Management currently analysis potential effects of other new or amended standards and interpretations on the consolidated financial statement. Interroll Group closely follows discussions on IAS/IFRS standards and checks potential effects on group financial statement or disclosure requirements. At the moment being, the Group expects only minor impacts in the presentation of the financial statements and no material impact on the annual financial statements except regarding IFRS 15, revenue from contracts with customers.

The new standard on the recognition of revenue (IFRS 15) applies to all contracts with customers except those that are financial instruments, leases or insurance contracts. IFRS 15 bases on a five step approach: 1) Identify the contract with the customer, 2) Identify the separate performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to separate performance obligations, 5) Recognise revenue when a performance obligation is satisfied. To what extent IFRS 15 will require Interroll to redefine the revenue recognition, to adjust the invoicing and accounting systems and to renegotiate contracts with the clients and the impact overall on the consolidated financial statements of Interroll is being assessed at the moment.

## **2.2 Critical accounting estimates and judgments**

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

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

### ***a) Income tax expense***

The Holding company and its subsidiaries are subject to income taxes in various countries. Significant judgment is required in determining the required worldwide provision for current and deferred income taxes and the realization of tax losses carried forward. There are many transactions and calculations made for which the final tax determination is uncertain in the year under review. In case final tax assessments or tax audits of such matters are different from the amounts that were initially recorded, such differences may materially impact income tax expenses of the current period. The assessment of deferred tax assets is done with reference to business plans. Capitalised effects of losses carried forward are subject to annual review. Losses carried forward are only capitalised if they are usable under valid fiscal law in respective countries. The relevant figures are outlined in note 7.6.

### ***b) Recoverable amount of goodwill, patents and licenses***

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

### ***c) Provisions***

Liabilities from warranty are a result of the operational business of the Group. These provisions are accrued at balance sheet date based on historical experience. The actual cash flow can be lower or higher or specific requests can be covered by insurance. The assessment of provisions and pension liabilities is, by definition, subject to uncertainties regarding future cash flows. It requires making assumptions and determining parameters, whose adequacy will only become clear in the future. We refer to comments made under notes 6.14 and 6.15, which also include the relevant carrying amounts.

## 2.3 Principles of consolidation and valuation

### General notes to the principles of consolidation

The consolidated financial statements of Interroll Holding Ltd. include the parent company's financial statements and the financial statements of all directly or indirectly held Swiss and foreign subsidiaries where the parent company holds more than 50 % of the voting rights or effectively exercises control through other means.

The full consolidation method is applied, whereby the assets, liabilities, income and expenses are fully incorporated. The proportion of the net assets and net income attributable to minority shareholders is presented separately as non-controlling interests in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income.

Accounts payable to, accounts receivable from, income and expenses between the companies included in the scope of consolidation are eliminated. Intercompany profits included in inventories of goods produced are also eliminated.

Subsidiaries acquired during the year are included in the consolidated financial statements from the date on which control is obtained, while subsidiaries sold are excluded from the consolidated financial statements from the date on which control is given up. The capital consolidation at acquisition date is effected on the purchase method. The acquisition price for a business combination is defined by the sum of assets and liabilities acquired or incurred, measured at fair value, and of the sum of equity instruments issued. Transaction costs related to a business combination are expensed. The goodwill resulting from such business combination is to be recognised as an intangible asset. It corresponds to the excess of the sum of the acquisition price, the amount of non-controlled interests of the entity acquired, the fair value of equity instruments already held before, liabilities and contingent liabilities at fair value. For the valuation of non-controlled interests there are options per transaction. Either the non-controlled interests is valued at fair value or based on the proportion of the net assets acquired at fair value related to the non-controlled interests. An eventual negative goodwill is immediately recognised in the income statement after review of the fair value of the net assets acquired and eliminated against the purchase price. The goodwill is subject to a yearly impairment test or even before if indications for an early impairment test exist.

Changes in the amount of holding which do not result in a loss of control are considered to be transactions with equity holders. Any difference between the acquisition price paid respectively the consideration received and the amount, by which the non-controlled interests value is adjusted, is recognised in the equity.

Investments in associates are investments where the parent company is either (directly or indirectly) entitled to 20 % to 50 % of the voting rights or has considerable influence through other means. Investments in associates are accounted for by applying the Equity Method. Under this method, the investment is initially recorded at the purchase price and subsequently increased or decreased by the share of the associate's profits or losses incurred after the acquisition, adjusted for any impairment losses. The Group's share of results of associates is recognised in the income statement and in the statement of comprehensive income under share of profit and loss of associates. Goodwill included in the purchase price, representing any excess of consideration over the Group's share in net assets of the associate, is recognised as part of the investment's carrying amount. Dividends received during the year reduce the carrying amount of such investments.

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

### Foreign currency translation

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

Transactions in consolidated entities where the transaction currency is different from the functional currency of the entity are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising on settlement of these transactions are included in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at year end (closing date). Any gains or losses resulting from this translation are also recognised in the income statement.

The following most important exchange rates were used for the translation of financial statements denominated in foreign currencies:

		Income statement (average rates)			Balance sheet (year end rates)		
		2014	2013	Change in %	31.12.2014	31.12.2013	Change in %
1	EUR	1.213	1.229	-1.3	1.202	1.228	-2.1
1	USD	0.920	0.924	-0.5	0.990	0.890	11.3
1	CAD	0.829	0.894	-7.2	0.855	0.837	2.2
1	GBP	1.511	1.446	4.5	1.544	1.473	4.8
1	SGD	0.724	0.738	-1.9	0.749	0.705	6.2
1	CNY	0.149	0.150	-0.9	0.160	0.147	8.6
1	JPY	0.009	0.010	-9.5	0.008	0.009	-2.4
1	PLZ	0.289	0.292	-0.9	0.281	0.296	-4.8
1	THB	0.028	0.030	-5.7	0.030	0.027	10.7
1	ZAR	0.085	0.894	-90.5	0.086	0.084	1.7
1	DKK	0.163	0.165	-1.3	0.162	0.165	-1.9
1	AUD	0.824	0.886	-7.0	0.811	0.796	1.9
1	CZK	0.044	0.047	-6.8	0.043	0.045	-3.1
1	BRL	0.390	0.427	-8.7	0.373	0.377	-0.9
100	KRW	0.087	0.084	3.3	0.091	0.085	7.3

### Current/Non-current distinction

Current assets are assets expected to be realised within one year or consumed in the normal course of the Group's operating cycle or assets held for trading purposes. All other assets are classified as non-current assets.

Current liabilities are liabilities expected to be settled by use of cash generated in the normal course of the Group's operating cycle or liabilities due within one year from the reporting date. These also include short term borrowings made as part of credit limits granted for an indefinite period, but subject to a termination period of less than one year from reporting date. All other liabilities are classified as non-current liabilities.



**Segment reporting**

Since 1 January 2011, Interroll Group consists of one single business unit. The complete product range is sold in all markets through the respective local sales organisation. The customer groups being OEM's (original equipment manufacturers), system integrators and end users are taken care of by tailor-made product offerings and differentiated consulting levels. The Interroll manufacturing units focus on the production of specific product ranges. Assembly units receive semi-finished products from the manufacturing units and assemble a wide product range for their local markets. The Interroll Research Center, which is centrally located, develops new application technologies and new products for all product groups. The manufacturing units continuously refine the current product ranges they are focused on.

Group Management and the Interroll management structure are organised by functions (Overall Management, Products & Technology, Global Sales & Service, Corporate Marketing and Corporate Finance). The financial management of the Group by the Board of Directors is effected on one hand by turnover of the product groups and geographical markets and on the other hand by the reporting of the consolidated financial statements. Group Management additionally assesses the achievement of financial and qualitative targets of all legal entities.

Based on the current management structure, financial reporting to the chief operating decision makers is carried out in one reportable segment which is equal to the consolidated statements of the Group.

**Statement of cash flows**

The statement of cash flows presents, net of any foreign exchange rate effects, cash flows during the year classified by operating, investing and financing activities, thereby providing information about the changes of cash and cash equivalents during the reporting period. Cash equivalents are held for the purpose of meeting the Group's short term cash commitments rather than for investment or any other purposes. The effect of foreign exchange rate changes on cash and cash equivalents in foreign currencies is disclosed separately.

Net cash from operating activities is determined using the indirect method, whereby the net result for the year is adjusted for:

- a) effects of transactions of non-cash nature;
- b) deferrals or accruals of past or future operating cash receipts or payments;
- c) items of income or expense associated with investing or financing cash flows.

**Impairments**

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

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

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

**Derivative financial instruments**

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

Changes in fair value are recognised as follows:

**a) Fair value hedges**

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

**b) Cash flow hedges**

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

**c) Other securities or financial instruments**

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

**2.4 Accounting principles: statement of financial position****Property, plant and equipment**

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

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

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

Land is not being depreciated.

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

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

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

### **Intangible assets**

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

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

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

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

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

Goodwill with an indefinite useful life is 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.

### **Non-current assets held for sale**

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

### **Inventories**

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

**Trade and other accounts receivable**

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

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

**Marketable securities**

Marketable securities are stated at their fair value as of balance sheet date. Unrealised gains and losses are included in the financial result.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, postal and bank accounts, as well as credit balances payable on demand and deposits with a residual maturity of not more than 90 days at acquisition date. These balances are stated at nominal value.

**Shareholders' equity**

Shareholders' equity is categorised as follows:

**a) Share capital**

The share capital contains the fully paid in registered shares.

**b) Share premium**

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

**c) Reserve for own shares**

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

**d) Translation reserve**

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

**e) Retained earnings**

Retained earnings contain not distributed profits.

**Financial liabilities**

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

**Provisions**

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

**Retirement benefits**

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

**Trade accounts payable**

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

**2.5 Accounting principles: income statement****Revenue recognition, income from services**

Revenue is generally recognised upon delivery (transfer of risk and use). 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. Revenue resulting from these services are disclosed as other operating income in the income statement.

**Material expenses**

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

**Product development**

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

**Employee participation plans**

Certain employees participate in equity based compensation plans of Interroll Holding Ltd. All equity based compensation granted to these employees is valued at fair value at grant date and recognised as personnel expense over the period until vesting date. The fair value is calculated on the basis of the binomial method. Discounts granted to beneficiaries on the unconditional purchase of Interroll shares are recognised in the income statement at grant date. Cash inflows resulting from equity based participation plans are recognised as an increase in equity. Cash compensated participation plans are recognised as other liabilities and are valued at fair value at balance sheet date.

**Operating lease expenses**

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

**Financial result**

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

**Income tax expense**

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

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

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

### 3 RISK MANAGEMENT

#### 3.1 Operational and strategic risk management

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

A systematic operational and strategic risk analysis is performed annually by Group Management. In an annual strategy meeting, Group Management discusses and analysis such risks. The Board of Directors is regularly informed in a uniform manner with the nature, scope, assessment and counteractive measures of the risks.

#### 3.2 Financial risk management

##### **General information to the financial risk management of Interroll Group**

The Group's activities expose it to a variety of financial risks: market risk (currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Group's financial performance.

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

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

The Audit Committee supervises management in the control of compliance with principles and processes. Their adequacy is permanently verified in respect of the risks that the Group is exposed to. The Audit Committee is supported in this respect by the internal audit department.

Financial risk management is carried out by the central treasury department. Group Treasury identifies, evaluates and reduces financial risks in close co-operation with the Group's operating units and reports at regular intervals to the Audit Committee.

The following sections provide a summary of the scope of individual risks and the targets, principles and processes implemented for measuring, monitoring and hedging financial risks. Additional information on the financial risks is included in the notes to the consolidated financial statements (see note "6.9 – Financial risks").



**Market risk**

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

**a) Currency risk exposure**

The Group operates internationally and is exposed to foreign exchange risks arising from various currencies. Foreign exchange risks arise from future commercial transactions and from recognised assets and liabilities. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group operates an internal monthly “netting” process. Net exposure resulting from assets and liabilities recognised is partially reduced using forward currency contracts. Such contracts are entered into only with high-credit-quality financial institutions. Furthermore, the decentralised structure of the Group contributes to a substantial reduction of foreign currency exchange risks.

**b) Interest rate risk**

Financial assets and liabilities contain interest bearing loans at either a fixed or a variable rate. Relating interest risks are disclosed in 6.9.

**c) Price risk**

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

**Credit risk**

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

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

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

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

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

**Liquidity risk**

Liquidity risk is the risk that the Group cannot fulfil its financial obligations on time.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close market positions at any time. Due to the dynamic nature of the underlying business, Group Treasury aims to ensure funding by keeping committed credit limits available.

### 3.3 Capital risk management

#### Objectives and principles of capital management

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

#### Equity ratio targets and pay-out ratio

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

#### Key figures to capital management

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

#### Debt Covenants

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

in million CHF, if not noted differently	2014	2013
Total assets	278.2	258.2
Net financial assets	23.9	20.2
<b>Gearing (net debts/equity)</b>	<b>n/a</b>	<b>n/a</b>
Operating cash flow	27.8	44.5
<b>Indebtedness factor (net debts/cash flow)</b>	<b>n/a</b>	<b>n/a</b>
Equity	200.3	187.2
<b>Equity ratio (equity in % of assets)</b>	<b>72.0</b>	<b>72.5</b>
Result	19.1	20.5
<b>Return on equity (in %)</b>	<b>9.9</b>	<b>11.9</b>
Non-Diluted Earnings per share (in CHF)	22.45	24.84
Distribution per share (in CHF)	9.0	8.8
<b>Pay out ratio (in %)</b>	<b>40.1</b>	<b>35.4</b>

## 4 CHANGES IN THE SCOPE OF CONSOLIDATION

### Changes in business year 2014

#### New companies

In Shanghai the Interroll Holding Management (Shanghai) Co. Ltd. started its sales activities in China in August 2014. Besides two Regional Centers of Excellence Interroll is now also managing a sales unit in this important market. The effects of the establishment of this new company had no material impact on the Interroll Group's consolidated financial statements in the 2014 reporting year as the employees, assets and business activities mainly were transferred from the existing Interroll Suzhou Co. Ltd.

#### Acquisitions/Disinvestments

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

As per 1 July 2014 a 40 % minority stake into Portec Asia Limited in Hong Kong, China was bought for USD 0.4 million from the Pert Group. Interroll is now controlling 100 % of the equity of this company. At the moment of the purchase the book value of the minority participations of Potec Asia Limited amounted to CHF 0.3 million. This amount was booked out from the equity of the minority participations and the difference to the purchase price in the amount of CHF 0.1 million was booked to the shareholders' equity.

Furthermore, as per 1 September 2014 100 % of the shares of Pert Engineering Limited in Shenzhen, China were bought from the Pert Group for USD 2.2 million. Thereby, Interroll took over its Asian partner for the production and the sales of belt curves in the Asia-Pacific region. Besides direct access to the important Chinese sales market Interroll also gained an own production plant for belt curves in Shenzhen, China. Belt curves are primarily sold to customers from the airport, postal services and logistics sectors. The value of the net assets acquired totalled CHF 1.0 million. Goodwill amounted to CHF 1.0 million. It is not expected that the goodwill will be deductible for income tax purposes. Intangible assets amounting to CHF 0.9 million comprised of customer relationships. The purchase price allocation was not final as at the reporting date of 31 December 2014. It is expected that Interroll's presence in China and other Asian countries is strengthened in particular, following these acquisitions. The goodwill amounting to CHF 1.0 million resulted from the customer base and major synergies expected from the integration of the Pert companies into the Interroll Group.

**Allocation of net assets acquired**

The following overview shows in summary paid purchase price for the acquisition as well as the values of the identified assets and liabilities as per acquisition date. Shown are Pert Engineering Limited in 2014 and Portec Group International, Inc. in 2013.

in thousands CHF	2014	2013
	Fair value	Fair value
Property, plant and equipment	82	3,640
Intangible assets	866	12,977
Deferred tax assets		608
<b>Total non-current assets</b>	<b>948</b>	<b>17,225</b>
Other receivables		44
Inventory	50	1,619
Trade receivables	2,205	4,597
Cash & cash equivalents	245	1,591
<b>Total current assets</b>	<b>2,500</b>	<b>7,851</b>
<b>Total assets</b>	<b>3,448</b>	<b>25,076</b>
Trade payables	1,116	1,531
Bank loans	217	431
Other short term accounts payables	844	29
Accrued expenses & deferred income	30	437
Deferred tax liabilities	194	4,462
Provisions	45	201
Minority interests		92
<b>Total liabilities</b>	<b>2,446</b>	<b>7,183</b>
<b>Total net assets acquired</b>	<b>1,002</b>	<b>17,893</b>
Goodwill acquired	1,045	7,436
<b>Total acquisition costs</b>	<b>2,047</b>	<b>25,329</b>

**Cash flow from acquisitions**

The full amount settled in cash was for the acquisition of 100 % shares of Pert Engineering Limited in 2014 respectively Portec Group International, Inc., in 2013.

in thousands CHF	2014	2013
Settled in cash for the acquisition of CSA Conveyor	2,047.0	25,329
./. Acquired liquid funds from Portec	-245.0	-1,591
./.Purchase price retention	-372.0	
<b>Net cash used in acquisitions</b>	<b>1,430.0</b>	<b>23,738</b>

**Further notes to the acquisition of Pert Engineering Limited**

Acquisition-related expenses of CHF 0.1 million were stated under consultancy expenses in the profit and loss account for financial year 2014.

The fair value of trade receivables amounted to CHF 2.2 million. The gross amount of trade receivables due totalled CHF 2.3 million. Of this amount, it is expected that CHF 0.1 million will be irrecoverable.

Since 1 September 2014, Pert Engineering has made a contribution totalling CHF 0.8 million to Interroll Group's sales revenue. Its share in the profit for the same period of time amounted to CHF 0.09 million.

Had Pert Engineering already been consolidated from 1 January 2014, sales revenue of CHF 339.4 million and a profit of CHF 19.3 million would have been reported in Interroll Group's profit and loss account.

**Changes in business year 2013****New companies**

In the previous year, Interroll Italia S.r.l in Rho, Italy and Interroll Atlanta LLC in Atlanta, USA were founded.

**Acquisitions**

As per 10 July 2013 100% of shares of the Portec Group International, Inc. in Cañon City, USA, were bought at a purchase price of CHF 25.3 million. Thereby control was gained over the Portec Group including Portec, Inc. in Cañon City, USA a dormant company in the UK and a 60% majority stake into Portec Asia Limited in Hong Kong, China. The company produces belt curves for customers in the airport, postal and logistics businesses in the USA, Europe and the Asia-Pacific region. The purchase price allocation is final as at the reporting date of 31 December 2014.

## 5 OPERATING SEGMENTS

### Sales and non-current assets by geographical markets

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

in thousands CHF	Sales				Non-current assets			
	2014	in %	2013	in %	2014	in %	2013	in %
Other EMEA*	150,412	44.9	140,915	44.5	11,605	8.5	12,914	9.5
Germany	55,868	16.7	58,063	18.4	52,219	38.4	50,337	36.9
Switzerland	3,967	1.2	4,034	1.3	37,336	27.5	42,072	30.9
<b>Total EMEA*</b>	<b>210,247</b>	<b>62.7</b>	<b>203,012</b>	<b>64.2</b>	<b>101,160</b>	<b>74.5</b>	<b>105,323</b>	<b>77.3</b>
USA	63,400	18.9	54,936	17.4	28,545	21.0	26,513	19.4
Other Americas	18,485	5.5	13,200	4.2	1,526	1.1	1,465	1.1
<b>Total Americas</b>	<b>81,885</b>	<b>24.4</b>	<b>68,136</b>	<b>21.5</b>	<b>30,071</b>	<b>22.1</b>	<b>27,978</b>	<b>20.5</b>
<b>Total Asia-Pacific</b>	<b>43,174</b>	<b>12.9</b>	<b>45,186</b>	<b>14.3</b>	<b>4,612</b>	<b>3.4</b>	<b>3,019</b>	<b>2.2</b>
<b>Total Group</b>	<b>335,306</b>	<b>100.0</b>	<b>316,334</b>	<b>100.0</b>	<b>135,843</b>	<b>100.0</b>	<b>136,320</b>	<b>100.0</b>

\* Europe, Middle East, Africa

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

### Information about major customers

Sales are realised with more than 10,000 customers. There is no customer achieving a turnover of more than 4 % percent of Group sales.

### Sales by product group

Sales realised by product group is presented as follow:

in thousands CHF	2014	in %	2013	in %	2012	in %
Drives	114,905	34.3	109,447	34.6	99,297	32.3
Rollers	81,209	24.2	75,406	23.8	80,428	26.2
Conveyors & Sorters	79,773	23.8	71,164	22.5	69,347	22.6
Pallet- & Carton Flow	59,419	17.7	60,317	19.1	58,083	18.9
<b>Total Group</b>	<b>335,306</b>	<b>100.0</b>	<b>316,334</b>	<b>100.0</b>	<b>307,155</b>	<b>100.0</b>

## 6 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 6.1 Property, plant and equipment

#### Movements of property, plant and equipment

	Land & building		Production equipment & machinery		Office equipment & motor vehicles		Assets under construction		Total	
in thousands CHF	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>COSTS</b>										
<b>At 1.1.</b>	<b>85,620</b>	<b>74,905</b>	<b>91,734</b>	<b>87,796</b>	<b>8,804</b>	<b>8,287</b>	<b>1,281</b>	<b>805</b>	<b>187,439</b>	<b>171,793</b>
Currency translation adj.	726	242	660	-495	87	-95	46	3	1,519	-345
Additions	791	8,137	7,015	3,884	1,290	1,416	4,654	1,007	13,750	14,444
Disposals	-588	-99	-3,605	-1,120	-890	-874			-5,083	-2,093
Reclassifications	-5		-1,026	544	-251	2	-1,518	-546	-2,800	
Changes in the scope of consolidation*		2,435	79	1,125	4	68		12	83	3,640
<b>At 31.12.</b>	<b>86,544</b>	<b>85,620</b>	<b>94,857</b>	<b>91,734</b>	<b>9,044</b>	<b>8,804</b>	<b>4,463</b>	<b>1,281</b>	<b>194,908</b>	<b>187,439</b>
<b>ACCUMULATED DEPRECIATION &amp; IMPAIRMENTS</b>										
<b>At 1.1.</b>	<b>-29,442</b>	<b>-26,359</b>	<b>-68,981</b>	<b>-63,095</b>	<b>-5,750</b>	<b>-5,511</b>			<b>-104,173</b>	<b>-94,965</b>
Currency translation adj.	-144	-151	-507	394	-60	81			-711	324
Depreciation	-3,208	-3,007	-6,509	-7,349	-1,202	-1,033			-10,919	-11,389
Disposals	124	75	3,249	1,069	743	713			4,116	1,857
Reclassifications	4		2,710		34				2,748	
<b>At 31.12.</b>	<b>-32,666</b>	<b>-29,442</b>	<b>-70,038</b>	<b>-68,981</b>	<b>-6,235</b>	<b>-5,750</b>			<b>-108,939</b>	<b>-104,173</b>
<b>Property, plant and equipment at 31.12.</b>	<b>53,878</b>	<b>56,178</b>	<b>24,819</b>	<b>22,753</b>	<b>2,809</b>	<b>3,054</b>	<b>4,463</b>	<b>1,281</b>	<b>85,969</b>	<b>83,266</b>
Capital commitments**	9,670		2,584	1,227		16			12,254	1,243
Insurance value***	101,423	104,235	115,407	116,776					216,830	221,011

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

\*\* Capital commitments for land and buildings are related to the extension of the IRC in Baal (Germany).

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

#### Further notes to property, plant and equipment

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

### 6.2 Non-current assets held for sale

In the year under review 2014 as well as in the previous year 2013 there were no non-current assets held for sale.



### 6.3 Intangible assets

#### Movements of goodwill and intangible assets

in thousands CHF	Goodwill		Software		Patents, technology and licences		Customer relationship		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>COSTS</b>										
<b>At 1.1.</b>	<b>19,091</b>	<b>12,125</b>	<b>31,508</b>	<b>29,994</b>	<b>21,514</b>	<b>13,528</b>	<b>25,113</b>	<b>20,739</b>	<b>97,226</b>	<b>76,386</b>
Currency translation adj.	732	-470	13	-21	-363	-356	229	-261	611	-1,108
Additions	42		1,585	1,641	2		16		1,645	1,641
Disposals	-176		-73	-106	-593		-110		-952	-106
Reclassifications			41		-133		-154		-246	
Changes in the scope of consolidation*	1,045	7,436				8,342	866	4,635	1,911	20,413
<b>At 31.12.</b>	<b>20,734</b>	<b>19,091</b>	<b>33,074</b>	<b>31,508</b>	<b>20,427</b>	<b>21,514</b>	<b>25,960</b>	<b>25,113</b>	<b>100,195</b>	<b>97,226</b>
<b>ACCUMULATED AMORTISATION &amp; IMPAIRMENTS</b>										
<b>At 1.1.</b>	<b>-3,126</b>	<b>-3,126</b>	<b>-10,288</b>	<b>-6,757</b>	<b>-14,310</b>	<b>-13,458</b>	<b>-16,448</b>	<b>-13,893</b>	<b>-44,172</b>	<b>-37,234</b>
Currency translation adj.			-20	19	227	-169	199	-50	406	-200
Amortisation	-176		-3,777	-3,611	-1,316	-683	-2,536	-2,505	-7,805	-6,799
Disposals	176		73	61	593		110		952	61
Reclassifications			11		133		154		298	
<b>At 31.12.</b>	<b>-3,126</b>	<b>-3,126</b>	<b>-14,001</b>	<b>-10,288</b>	<b>-14,673</b>	<b>-14,310</b>	<b>-18,521</b>	<b>-16,448</b>	<b>-50,321</b>	<b>-44,172</b>
<b>Total intangible assets, net at 31.12.</b>	<b>17,608</b>	<b>15,965</b>	<b>19,073</b>	<b>21,220</b>	<b>5,754</b>	<b>7,204</b>	<b>7,439</b>	<b>8,665</b>	<b>49,874</b>	<b>53,054</b>

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

#### Goodwill: impairment test

The impairment tests are generally based on a three year plan and on the present value of future (pre-tax) cash flows (value in use) determined using a discount rate before tax of 10.6% (2013: 12.0%). The growth rate is defined as key assumption. No further growth was assumed for the extrapolation of free cash flows. The Cash Generating Unit (CGU) equals the Interroll Group. There is only one Operating Segment which equals the Reporting Segment. All decisions are made at Interroll Group level.

#### Sensitivity analysis to the goodwill impairment tests

The sensitivity analysis performed resulted in both years under review in the conclusion that the discounted value of future free cash flows exceeds the value of the current goodwill also when assuming a change of the discount rate under normal economical conditions. The growth rate was reviewed in regards to its sensitivity. This test lead to the conclusion that the discounted value of future cash flows exceeds the value of the current goodwill position even if no growth is assumed.

**Software**

Out of the accumulated acquisition costs, CHF 28.7 million (previous year: CHF 27.9 million) relate to the setup, design and introduction of SAP. In the year under review the additions to this process management system amount to CHF 1.6 million (previous year: CHF 1.6 million).

SAP was launched in 2011 for the two Centers of Excellence for Drum Motors and Rollers/RollerDrive as well as for all European sales and service subsidiaries. In 2012, SAP was also launched in the Center of Excellence for Supermarket Products, in the Regional Center of Excellence for Rollers and Drum Motors in the USA as well as in several sales subsidiaries in Asia-Pacific. In 2013, SAP became active with Interroll China. Finally, SAP went live with the Center of Excellence for Automation in Sinsheim as per 1 August 2014. Amortisation starts with the go live date and ends after 8 years.

**Patents and licenses**

Patents and licenses are normally amortised on a straight line basis over 6 years. In the year under review no essential patents oder licenses were bought. In 2014, due to the acquisition of Portec in 2013, an amortisation term of additional 5 years remains on the major portion of patents and licenses. A review if indicators exist that point towards an impairment of patents and licenses was performed. There are no signs that would indicate an impairment of this value.

**Customer relationship**

Customer relationship is amortised on a straight line basis over 10 years at the maximum. At year end 2014, an amortisation term of additional eight years remains on the major portion of customer relationship. A review if indicators exist that point towards an impairment of customer relationship was performed. There are no signs that would indicate an impairment of this value.

**6.4 Assets pledged or assigned**

in thousands CHF	31.12.2014	31.12.2013
Land & buildings	1,289	1,317
Trade receivables	185	161
<b>Total assets pledged or assigned</b>	<b>1,474</b>	<b>1,478</b>

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

## 6.5 Inventories

### Detailed overview on the positions belonging to the inventory

in thousands CHF	31.12.2014	31.12.2013
Raw materials	32,033	27,050
Work in progress	10,168	12,001
Finished products	2,285	969
Valuation allowance	-2,213	-1,901
<b>Total inventory, net</b>	<b>42,273</b>	<b>38,119</b>

No inventory was pledged in both years under review.

### Development of valuation allowance on inventory

in thousands CHF	2014	2013
<b>Balance as per 1.1.</b>	<b>-1,901</b>	<b>-2,205</b>
Currency translation adjustment	-27	56
Additions	-665	-583
Reductions	380	831
<b>Total valuation allowance on inventory as per 31.12.</b>	<b>-2,213</b>	<b>-1,901</b>

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

## 6.6 Trade and other accounts receivable

### Detailed overview of trade and other accounts receivable

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

in thousands CHF	31.12.2014	31.12.2013
Trade accounts receivable from goods and services	62,242	51,608
Valuation allowance	-2,783	-2,873
<b>Total trade accounts receivable, net</b>	<b>59,459</b>	<b>48,735</b>
Prepaid expenses and accrued income	1,623	1,501
Prepayments for inventories	1,677	2,273
Other accounts receivable	7,584	5,496
Forward exchange dealing	85	159
<b>Total other accounts receivable</b>	<b>10,969</b>	<b>9,429</b>
<b>Total trade and other accounts receivable, net</b>	<b>70,428</b>	<b>58,164</b>

### Aging and valuation allowance of trade accounts receivable

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

in thousands CHF	31.12.2014				31.12.2013			
	Gross	Valuation allowance		Net	Gross	Valuation allowance		Net
		individual	collective			individual	collective	
Not past due	41,560			41,560	34,209	-78		34,131
Past due 1-30 days	11,683			11,683	8,036	-1		8,035
Past due 31-60 days	3,412			3,412	3,259			3,259
Past due 61-90 days	2,418	7		2,425	1,599			1,599
Past due > 90 days	3,169	-2,297	-493	379	4,506	-1,813	-982	1,711
<b>Total trade accounts receivable</b>	<b>62,242</b>	<b>-2,290</b>	<b>-493</b>	<b>59,459</b>	<b>51,609</b>	<b>-1,892</b>	<b>-982</b>	<b>48,735</b>

**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	2014			2013		
	Valuation allowance					
	Total	individual	collective	Total	individual	collective
<b>At 1.1.</b>	<b>-2,873</b>	<b>-1,891</b>	<b>-982</b>	<b>-2,376</b>	-1,169	<b>-1,207</b>
Currency translation adjustment	-32	-52	20	243	264	-21
Additions	-868	-868		-1,557	-1,557	
Allowance used	422	422		581	581	
Allowance reversed	568	99	469	236	-10	246
<b>At 31.12.</b>	<b>-2,783</b>	<b>-2,290</b>	<b>-493</b>	<b>-2,873</b>	<b>-1,891</b>	<b>-982</b>

During the year under review, an amount of CHF 0.4 million (2013: CHF 0.6 million) relating to irrecoverable trade receivables was written off. Currently, no other risks are identifiable in the net trade accounts receivable. Sales are broadly diversified across geographical and industrial markets. Thus, the risk of unexpected losses from trade receivables is assessed to be low.

**Currencies in trade accounts receivable**

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

in thousands CHF	31.12.2014	in %	31.12.2013	in %
EUR	25,928	41.7	23,105	44.8
USD	14,675	23.6	10,046	19.5
CNY	10,169	16.3	6,244	12.1
THB	1,528	2.5	938	1.8
DKK	1,452	2.3	2,181	4.2
all other currencies	8,490	13.6	9,094	17.6
<b>Total trade accounts receivable, gross</b>	<b>62,242</b>	<b>100.0</b>	<b>51,608</b>	<b>100.0</b>

**Regional break down of trade accounts receivable**

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

in thousands CHF	31.12.2014	in %	31.12.2013	in %
Europe, Middle East, Africa	31,110	50.0	28,725	55.7
Americas	16,761	26.9	10,865	21.0
Asia-Pacific	14,371	23.1	12,018	23.3
<b>Total trade accounts receivable, gross</b>	<b>62,242</b>	<b>100.0</b>	<b>51,608</b>	<b>100.0</b>

At average, trade accounts receivable are 57 days outstanding (DSO). The respective value is for Europe 49, for Americas 68 and for Asia 81. In the previous year, the DSO was 57 for the Group, for Europe 54, for Americas 58 and for Asia 69.

**6.7 Cash and cash equivalents****Positions included in cash and cash equivalents**

in thousands CHF	31.12.2014	31.12.2013
Cash on hand, bank and postal accounts	21,147	17,532
Short term deposits	3,233	3,265
<b>Total cash and cash equivalents</b>	<b>24,380</b>	<b>20,797</b>

**Interest rates of cash and cash equivalents**

The interest rates on cash and cash equivalents vary between 0 % (for CHF) and 11 % (BRL). The respective rates of 2013 were 0 % (CHF) and 10 % (BRL) respectively.

**Currencies hold in cash and cash equivalents**

in %	31.12.2014	31.12.2013
EUR	27.0	39.0
CHF	7.0	3.0
USD	15.0	18.0
THB	7.0	11.0
JPY	6.0	
KRW	5.0	2.0
ZAR	3.0	3.0
other currencies	30.0	24.0
<b>Total cash and cash equivalents</b>	<b>100.0</b>	<b>100.0</b>

**Transfer limitations on cash and cash equivalents**

Cash and cash equivalents of CHF 0.8 million (2013: CHF 0.9 million) of Interroll South Africa as well as of Interroll Brasil are subject to transfer limitations. These transfer limitations do not have any impact on their operating activities.

## 6.8 Financial instruments

### Reconciliation from balance sheet items to valuation categories as per IAS 39

The table below shows an overview of financial instruments held by valuation category according to IAS 39:

in thousands CHF	31.12.2014	31.12.2013
Cash and cash equivalents	24,380	20,797
Trade and other accounts receivable w/o advances	68,666	55,573
Financial assets	626	732
<b>Total financial assets at amortised costs</b>	<b>93,672</b>	<b>77,102</b>
Foreign currency forward contracts*	85	159
<b>Total financial instruments at fair value</b>	<b>85</b>	<b>159</b>
Trade and other accounts payable	39,611	34,916
Financial liabilities	470	573
<b>Total financial liabilities at carrying value</b>	<b>40,081</b>	<b>35,489</b>

\* see notes 6.9

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



## 6.9 Financial risks

### Currency risk exposure

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

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

in thousands CHF	31.12.2014					31.12.2013				
	EUR	CHF	USD	SGD	JPY	EUR	CHF	USD	SGD	JPY
Financial assets		70	12	2,983			70			
Trade and other accounts receivable	6,624	558	5,599	1,978	1,454	3,559	532	5,246	2,701	1,486
Cash and cash equivalents incl. intercompany loans	2,520	11,719	1,443	1,573		2,089	14,189	2,057	353	3
Financial liabilities			6,633					7,452		
Trade and other accounts payable	7,737	3,417	2,652	1,353		7,114	3,380	3,262	1,347	8
Short term liabilities	569	6,994	118			54	17,027	267		
<b>Currency risks on the balance sheet (gross)</b>	<b>17,450</b>	<b>22,758</b>	<b>16,457</b>	<b>7,887</b>	<b>1,454</b>	<b>12,816</b>	<b>35,198</b>	<b>18,284</b>	<b>4,401</b>	<b>1,497</b>
Elimination equal currency	-9,534	-17,798	-6,141	-7		-5,268	-29,204	-7,050	-92	
<b>Currency risks on the balance sheet (net)</b>	<b>7,916</b>	<b>4,960</b>	<b>10,316</b>	<b>7,880</b>	<b>1,454</b>	<b>7,548</b>	<b>5,994</b>	<b>11,234</b>	<b>4,309</b>	<b>1,497</b>
Natural hedges	-996	-1,117	-279	-84		-290	-189	-282	-189	
FX forward contracts	-848		-3,915	-3,779	-750		-865	-2,705	-2,295	-880
<b>Net currency risk exposure</b>	<b>6,072</b>	<b>3,843</b>	<b>6,122</b>	<b>4,017</b>	<b>704</b>	<b>7,258</b>	<b>4,940</b>	<b>8,247</b>	<b>1,825</b>	<b>617</b>

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

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

**Foreign currency forward contracts**

The Group prepares regularly a rolling forecast of foreign currency cash flows. 0–50 % of such budgeted, future foreign currency flows may be hedged through forward contracts. At the end of the year under review, there were no open cash flow hedges held by the Group.

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

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

in thousands CHF		31.12.2014				31.12.2013		
Hedged currency	Sell/Buy	Maturity	Notional amount in CHF	Fair value	Sell/Buy	Notional amount in CHF	Fair value	
USD	USD/CAD	Feb.15	839	-25	USD/CAD	1,202	-35	
USD	USD/CHF				USD/CHF	1,503	16	
USD	EUR/USD	Feb.15	2,488	147	EUR/USD			
USD	CNY/USD	Feb.15	588	-1				
SGD	SGD/EUR	Feb.15	834	-15	SGD/EUR	1,245	30	
SGD	JPY/SGD	Feb.15	694	51	JPY/SGD	1,050	56	
SGD	SGD/CHF	Feb.15	2,251	-32	SGD/CHF			
EUR	EUR/CHF				EUR/CHF	865	-4	
EUR	CHF/EUR	Feb.15	848	-3	CHF/EUR			
JPY	JPY/EUR	Feb.15	750	47	JPY/EUR	880	71	
CNY	CNY/EUR	Feb.15	1,482	-84	CNY/EUR	1,723	25	
THB	THB/EUR				THB/EUR			
<b>Total FX forward contracts*</b>				<b>85</b>			<b>159</b>	

\* see note 6.16

**Sensitivity analysis of the currency risk exposure**

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

in thousands CHF	31.12.2014			31.12.2013		
	EUR vs. CHF	CHF vs. USD	CAD vs. USD	EUR vs. CHF	CHF vs. USD	CAD vs. USD
Currency pair						
Financial assets	70			70		
Trade and other receivables	-267	847	2,600	-1,361	879	2,183
Cash and cash equiv. incl. IC-loans	10,739	1	860	13,069	367	989
Financial liabilities						
Trade and other payables			779	1,645		1,360
Short term and current liabilities	6,995			17,027		
<b>Gross exposure per currency pair</b>	<b>17,537</b>	<b>848</b>	<b>4,239</b>	<b>30,450</b>	<b>1,246</b>	<b>4,532</b>
Risks opposing each other	-15,399	308	-1,559	-23,558		-2,721
FX forward contracts	-848		-839	-865	-1,503	-1,202
<b>Net FX exposure per currency pair</b>	<b>1,290</b>	<b>1,156</b>	<b>1,841</b>	<b>6,027</b>	<b>-257</b>	<b>609</b>
Currency change in %	1	1	7	2	1	4
<b>Effect on the result (+/-)</b>	<b>13</b>	<b>12</b>	<b>129</b>	<b>121</b>	<b>3</b>	<b>24</b>
Income tax expense at 20.1 %	-3	-2	-26	-24	-1	-5
<b>Net FX exposure after income taxes</b>	<b>10</b>	<b>10</b>	<b>103</b>	<b>97</b>	<b>2</b>	<b>19</b>

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

**Interest risks**

As per balance sheet date, the Group had interest bearing net financial assets of CHF 3.3 million (previous year: CHF 3.6 million, see also note 6.12). There are CHF 3.7 million (previous year: CHF 4.0 million) financial assets, of which CHF 0.5 million (previous year: CHF 0.6 million) are not interest bearing. There are financial liabilities of CHF 0.3 million (previous year: CHF 0.5 million). The portion of not interest bearing financial liabilities was immaterial in both years under review.

The following table divides interest bearing assets and liabilities into fix and variable as well as shows none interest bearing positions within financial assets and liabilities. A change of the interest rate would have had no effect on equity because the Group currently does not hold any cash flow hedges to hedge currency risks and because there are no assets held for sale at a fix interest rate. The Group regularly monitors its interest risks and reserves the possibility to hedge such in future.

in thousands CHF	31.12.2014					31.12.2013				
	Nom. int. rate in %	Book values	Basis points		Nom. int. rate in %	Book values	Basis points			
			+ 100	-100			0	0	+ 100	-100
<b>FINANCIAL ASSETS</b>										
Fix interest rate	0-2.63	<b>754</b>			0-2.63	<b>1,593</b>				
Variable interest rate	0-10.3	2,410	24	-24	0-10.3	1,809	18	-18		
Not interest bearing		502				645				
<b>Total deposits</b>		<b>3,666</b>	<b>24</b>	<b>-24</b>		<b>4,047</b>	<b>18</b>	<b>-18</b>		
<b>Total loans</b>										
Cash on hand, bank and postal accounts		21,147				17,532				
Trade and other receivables		68,581				55,414				
<b>Total other financial assets</b>		<b>89,728</b>				<b>72,946</b>				
<b>Total financial assets</b>		<b>93,394</b>	<b>24</b>	<b>-24</b>		<b>76,993</b>	<b>18</b>	<b>-18</b>		
<b>FINANCIAL LIABILITIES</b>										
<b>Total bank loans</b>										
Fix interest rate	6.0-9.85	153			6.0-9.85	310				
Not interest bearing		188				158				
<b>Total other loans</b>		<b>341</b>				<b>468</b>				
Bank overdrafts		1				1				
Trade and other accounts payable		39,611				34,916				
<b>Total trade and other accounts payable</b>		<b>39,612</b>				<b>34,917</b>				
<b>Total financial liabilities</b>		<b>39,953</b>				<b>35,385</b>				
<b>Net financial liabilities</b>		<b>53,441</b>	<b>24</b>	<b>-24</b>		<b>41,608</b>	<b>18</b>	<b>-18</b>		

**Sensitivity analysis of interest risks**

Interest sensitivity is only calculated on interest bearing items of the balance sheet. No effect is calculated on items bearing interests at a fixed rate. As per above analysis, the Group's annual result would have changed slightly by CHF 0.02 million in case of an interest rate being one percentage point higher or lower. In the previous year, an increase of the interest rate of one percentage point, would have changed the Group's result also slightly by CHF 0.02 million. For certain interest bearing positions, the interest rate is already lower than one percent. Therefore, the effect of the reduction was only calculated up to the current interest rate being lower than 1.0 %.

**Liquidity risk**

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

**Credit facilities and debt covenants**

The amount of unused credit facilities as per end of the reporting year amounted to CHF 78.4 million (2013: CHF 80.6 million).

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

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

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

## 6.10 Information on shareholders' equity

### Reconciliation from total issued shares to outstanding shares

	2014	2013
<b>Issued shares par value CHF 10.00 each (previous year: CHF 10.00)</b>	<b>854,000</b>	<b>854,000</b>
<b>Own shares held by the Group as per 1.1.</b>	<b>3,849</b>	<b>51,718</b>
Purchase of own shares	2,090	300
Sale of own shares		-2,964
Attribution of shares relating to bonus plan	-1,769	-2,580
Attribution of shares related to options exercised		-42,625
<b>Own shares held by the Group as per 31.12.</b>	<b>4,170</b>	<b>3,849</b>
thereof reserved for issuance under option program		
thereof unreserved	4,170	3,849
<b>Shares outstanding at 31.12.</b>	<b>849,830</b>	<b>850,151</b>

## 6.11 Earnings per share

### Non-diluted earnings per share

The non-diluted earnings per share in 2014 amount to CHF 22.45 (2013: CHF 24.84). The calculation is based on the profit attributable to the equity holders of the parent company, divided by the weighted average of shares outstanding. In 2014 there is no diluting effect.

	2014	2013
<b>Result attributable to the equity holders (in thousands CHF)</b>	<b>19,068</b>	<b>20,544</b>
<b>Shares outstanding as per 1.1.</b>	<b>850,151</b>	<b>802,282</b>
Effect of the purchase of own shares	-294	
Effect of the sale/attribution of own shares	-687	2,177
Effect of the issue of shares under option plans		22,461
<b>Weighted average of shares outstanding</b>	<b>849,170</b>	<b>826,920</b>
<b>Non-diluted earnings per share (in CHF)</b>	<b>22.45</b>	<b>24.84</b>

**Diluted earnings per share**

The diluted earnings per share in 2014 amount to CHF 22.45 (2013: CHF 24.71). They are calculated by adjusting the weighted average number of ordinary shares outstanding to include all dilutive potential ordinary shares.

The potential ordinary shares resulting from the issue of options under the employee stock option plan (see note 7.1) had a dilutive effect in the previous year due to the fact that the strike price of CHF 323 was below the average share price of CHF 409. This effect is outlined below. In 2014 there were no dilutive effects.

	2014	2013
<b>Result attributable to the equity holders (in thousands CHF)</b>	<b>19,068</b>	<b>20,544</b>
Weighted average of shares outstanding	849,170	826,920
Dilutive effect of share options		4,562
<b>Weighted average of shares outstanding (diluted)</b>	<b>849,170</b>	<b>831,482</b>
<b>Diluted earnings per share (in CHF)</b>	<b>22.45</b>	<b>24.71</b>

**6.12 Financial liabilities****Details of current and non-current financial liabilities**

in thousands CHF	31.12.2014	31.12.2013
Bank overdrafts	1	1
Other loans	188	215
Finance lease	128	104
<b>Total current financial liabilities</b>	<b>317</b>	<b>320</b>
Other loans	153	253
<b>Total non-current financial liabilities</b>	<b>153</b>	<b>253</b>
<b>Total financial liabilities</b>	<b>470</b>	<b>573</b>

**Net financial liabilities to equity ratio**

in thousands CHF	31.12.2014	31.12.2013
Total financial liabilities	470	573
./. Cash and cash equivalents	-24,380	-20,797
<b>Net financial liabilities (-net cash)</b>	<b>-23,910</b>	<b>-20,224</b>
<b>Equity</b>	<b>200,330</b>	<b>187,246</b>
<b>Net financial debt in % of the equity</b>	<b>n/a</b>	<b>n/a</b>

**Loan structure**

in thousands CHF					31.12.2014		31.12.2013	
	Currency	Weighted av. interest rate	Interest due fix/variable	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Other loans	USD/DKK	0%-6.00%	F	2017	341	341	623	572
<b>Total loans</b>					<b>341</b>	<b>341</b>	<b>623</b>	<b>572</b>



**Ageing of financial liabilities**

The financial liabilities as per 31 December 2014 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
Other loans	341	341		188	153	
Bank overdrafts	1	1	1			
Trade/other accounts payable*	39,611	37,530	37,530			
<b>Total financial liabilities</b>	<b>39,953</b>	<b>37,872</b>	<b>37,531</b>	<b>188</b>	<b>153</b>	

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

The financial liabilities as per 31 December 2013 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
Other loans	572	623	110	211		302
Bank overdrafts	1	1	1			
Trade/other accounts payable*	34,916	34,916	34,916			
<b>Total financial liabilities</b>	<b>35,489</b>	<b>35,540</b>	<b>35,027</b>	<b>211</b>		<b>302</b>

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

### 6.13 Leasing liabilities

#### Finance leases

In the year under review, there were CHF 0.3 million finance leases (2013: CHF 0.4 million) of which CHF 0.1 million (2013: CHF 0.3 million) will become due in one to five years.

#### Operating leases

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

in thousands CHF	31.12.2014	31.12.2013
within 1 year	2,175	2,308
between 1 and 5 years	5,650	6,550
over 5 years	1,319	1,539
<b>Total operating leases</b>	<b>9,144</b>	<b>10,397</b>

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

### 6.14 Provisions

#### Movements in provisions

in thousands CHF	Warranties		Other provisions		Total	
	2014	2013	2014	2013	2014	2013
<b>At 1.1.</b>	<b>5,868</b>	<b>5,122</b>	<b>34</b>	<b>200</b>	<b>5,902</b>	<b>5,322</b>
Currency translation adjustments	132	-97		4	132	-93
Provisions made	2,913	3,280	11	34	2,924	3,314
Provisions used	-1,987	-1,997			-1,987	-1,997
Provisions reversed	-1,016	-620		-204	-1,016	-824
Acquired provisions	45	180			45	180
<b>At 31.12.</b>	<b>5,955</b>	<b>5,868</b>	<b>45</b>	<b>34</b>	<b>6,000</b>	<b>5,902</b>

#### Warranty provisions

The Group companies normally grant a 24-month warranty. The warranty provision is recognised based on past experience as well as on specific projects. The warranty provision in 2014 corresponds to roughly 1.8% (2013: 1.9%) of net sales. The increase in the percentage of sales is a consequence of more warranty cases for certain product groups.

#### Other provisions

The other provisions mainly include provision for litigation. In connection with the restatement related to IAS 19 pension liabilities were reclassified from other provisions to a separate balance sheet line.

## 6.15 Pension obligations and pension costs

### General information to the pension plans of the Group

The pension costs for 2014 amounted to CHF 2.3 million (2013: CHF 2.1 million). Such costs consist of employer contributions relating to the defined contribution plans and pension costs relating to the defined benefit plans.

The pension plans in Switzerland and France are regarded as defined benefits plans in line with IAS 19. In 2014, 201 and also in 2013, 201 employees participated in the defined benefit plans. The Swiss plan is outsourced to a collective foundation whereas the plan in France is outsourced to an insurance company. For the defined benefit plans the pension costs in each period are calculated on the basis of an actuarial valuation. The deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation is recognized as a liability or an asset in the balance sheet. Actuarial gains and losses arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and actual developments. They are recognized in the statement of comprehensive income. It can be assumed that the assets of both plans do not include Interroll shares.

### Components of defined benefit cost

in thousands CHF	2014	2013
<b>Costs of the defined contribution plans</b>	<b>1,525</b>	<b>1,477</b>
Current service costs, net	500	802
Interest costs	59	66
<b>Costs of the defined benefit plans</b>	<b>559</b>	<b>868</b>
Effects of changes in demographic assumptions		
Effects of changes in financial assumptions	-3,012	-741
Effects of experience assumptions	7	-123
(Return) on plan assets (excl. interest income)	-4	-64
<b>Remeasurements included in other income</b>	<b>-3,009</b>	<b>-928</b>
<b>Defined benefit costs</b>	<b>-925</b>	<b>1,417</b>

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

### Amounts recognised in the statement of financial position

in thousands CHF, as per 31.12.	2014	2013
Present value of defined benefit obligation	-19,907	-15,787
Fair value of plan assets	14,141	12,962
<b>Pension liability</b>	<b>-5,766</b>	<b>-2,824</b>

**Roll forward of the defined benefit obligation**

in thousands CHF	2014	2013
<b>Benefit obligation as per 1.1.</b>	<b>-15,787</b>	<b>-14,888</b>
Current service costs, net	-500	-802
Interest costs	-366	-302
Contributions from employees	-394	-393
Benefits funded/(paid), net	-120	-521
Benefits funded/(paid), net from employer	11	
Translation difference	10	-9
Insurance premiums	244	263
Remeasurements		
- Effects of changes in demographic assumptions		
- Effects of changes in financial assumptions	-3,012	741
- Effects of experience assumptions	7	123
<b>Benefit obligation as per 31.12.</b>	<b>-19,907</b>	<b>-15,787</b>

**Roll forward of the present value of plan assets**

in thousands CHF	2014	2013
<b>Fair value of plan assets as per 1.1.</b>	<b>12,962</b>	<b>11,418</b>
Interest income	307	236
Employer contributions	606	591
Employee contributions	394	393
Benefits funded/(paid), net	120	521
Insurance premiums	-244	-263
Translation difference		2
Remeasurements		
- Income of plan assets	-4	64
<b>Fair value of plan assets as per 31.12.</b>	<b>14,141</b>	<b>12,962</b>

**Investment categories**

in %	2014	2013
Equity securities*	520	386
Debt securities*	10,381	9,742
Real estate**	2,402	2,137
Other investments*	838	697
<b>Total Investments in %</b>	<b>14,141</b>	<b>12,962</b>

\* with quoted market price

\*\* w/o quoted market price

**Net defined benefit liability (asset) reconciliation**

in thousands CHF	2014	2013
<b>Net defined benefit liability (asset) as per 1.1.</b>	<b>-2,824</b>	<b>-3,469</b>
Defined benefit costs included in P/L	-559	-868
Total remeasurements included in OCI	-3,009	929
Employer contributions	606	591
Translation difference	20	-7
<b>Net defined benefit liability (asset) as per 31.12.</b>	<b>-5,766</b>	<b>-2,824</b>

**Actuarial assumptions**

in %	2014	2013
Discount rate	1.3	2.3
Expected return on plan assets	1.5	1.5
Future salary increases	1.5	1.5
Expected benefit increases	1.8	1.8
Fluctuation rate	10.0	10.0
Mortality probabilities	BVG 2010	BVG 2010

**Sensitivities**

Discount rate and future salary increases are considered as essential actuarial assumptions. Following effects are expected:

Discount rate	1.30%	+0.25%	-0.25%
Benefit obligation	-19,907	-19,064	20,812
Rate of salary increase	1.50%	+0.25%	-0.25%
Benefit obligation	-19,907	-20,055	-19,751

Sensitivities are based on likely possible changes as per end of 2014.

**6.16 Trade and other accounts payable**

in thousands CHF	31.12.2014	31.12.2013
Trade accounts payable to third parties	13,446	13,371
Advances received from customers	14,746	11,863
<b>Total trade accounts payable</b>	<b>28,192</b>	<b>25,234</b>
Other liabilities	11,419	9,618
<b>Total other accounts payable</b>	<b>11,419</b>	<b>9,618</b>
Accrued personnel expenses	8,272	7,854
Accrued interest	3	7
Other accrued expenses	4,390	4,066
<b>Total accrued expenses</b>	<b>12,665</b>	<b>11,927</b>
<b>Total trade and other accounts payable</b>	<b>52,276</b>	<b>46,779</b>

Advances received from customers mainly relate to larger projects within the product groups Conveyors & Sorters and Pallet & Carton Flow. Other liabilities include VAT and social security related liabilities. Accrued personnel expenses relate to accrued vacation and bonuses.

## 7 NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 7.1 Personnel expenses

#### Details to personnel expenses and number of employees

in thousands CHF	2014	2013
Wages and salaries	84,420	77,260
Social security costs	13,074	11,374
Pension costs (see note 6.15)	2,084	2,345
Other personnel related costs	3,004	2,139
Equity based personnel expenses to management personnel	925	1,013
<b>Total personnel expenses</b>	<b>103,507</b>	<b>94,131</b>
thereof production related personnel expenses	46,504	41,125
<b>Average number of employees</b>	<b>1,675</b>	<b>1,488</b>

In the period under review 1,769 own shares (2013: 2,580) were attributed to management members as part of their bonus scheme. In the year under review 1,769 shares (2013: 2,175) have been blocked for sale for a period of four to eight years as of grant date. The shares were valued at the market value of the attribution date.

#### Option plan

On 3 March 2006 the Board of Directors approved a management share option plan for the next five years. In the course of the first half year of 2010, the option life time and blocked period was extended by two years. This plan ceased as per 30 September 2013. In the previous year 2013 42,625 options were exercised and 600 options expired.

	31.12.2014	attributed	exercised	expired	reclassified	31.12.2013	attributed	exercised	reclassified	1.1.2013
Outstanding options						-42,625		-600		43,225
Option life until 30.09.2013						-42,625		-600		43,225
Option life until 30.09.2011										
thereof closed										
thereof exercisable						-42,625		-600		43,225

### 7.2 Research and development expenditures

These expenses are mostly incurred to further develop and complete the product range of the segments. They are included in personnel and other operational expenses as well as in depreciation on fixed tangible assets. No expenses have been capitalised as the preconditions stated in IAS 38 are not met cumulatively.

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

in thousands CHF	2014	2013
Research and development (R&D) expenditures	8,694	8,931
R&D in % of net sales	2.59	2.82

### 7.3 Other operating expenses

in thousands CHF	2014	2013
Production related expenses	9,079	7,121
Freight	8,644	8,238
Office, administration and IT services	6,277	6,463
Building costs	4,932	5,388
Travelling and transportation	5,707	5,297
Marketing	4,673	4,767
Consultancy, auditing and insurances	6,249	5,739
Provisions and allowances, net	1,743	2,354
Variable sales costs	2,599	2,486
Non-income taxes	1,737	1,776
Other expenses and services	3,472	2,681
Loss on disposal of property, plant and equipment/intangible assets		206
<b>Total other operating expenses</b>	<b>55,112</b>	<b>52,516</b>

### 7.4 Other operating income

in thousands CHF	2014	2013
Income from freight and packing	8,715	7,869
Income from services	252	363
Government grants received	14	109
Loss/(gain) on disposal of tangible and intangible assets	197	
<b>Total other operating income</b>	<b>9,178</b>	<b>8,341</b>

### 7.5 Financial result

in thousands CHF	2014	2013
Fair value changes of foreign currency forward contracts	-74	-54
Realised translation loss	-840	-1,211
Realised translation expenses		-37
Interest expenses	-40	-387
<b>Finance expenses</b>	<b>-954</b>	<b>-1,689</b>
Realised translation result, net	885	
Interest income	108	145
<b>Finance income</b>	<b>993</b>	<b>145</b>
<b>Finance result, net</b>	<b>39</b>	<b>-1,544</b>



## 7.6 Income tax expense

### Components of income tax expense

in thousands CHF	2014	2013
Income taxes relating to the current period	7,394	5,274
Income taxes relating to past periods, net	-793	1,454
<b>Current income tax expense</b>	<b>6,601</b>	<b>6,728</b>
Due to temporary differences	-1,745	-1,267
Due to tax rate changes	1,318	-61
Due to (recognition)/use of tax loss carry-forwards	127	-321
Adjustments to deferred tax assets	109	-123
Other effects (including acquisition)	-178	85
<b>Deferred income tax expense/(income)</b>	<b>-369</b>	<b>-1,687</b>
<b>Total income tax expense</b>	<b>6,232</b>	<b>5,041</b>

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

Deferred tax liabilities of CHF 0.2 million (2013: CHF 0.2 million) have not been recognised for withholding and other taxes on the unremitted earnings. Such distributable earnings which are subject to withholding tax are normally left in the respective companies.

### Reconciliation of effective tax rate

in thousands CHF	2014	2013
<b>Result before income taxes</b>	<b>25,420</b>	<b>25,647</b>
Income tax expenses at the expected tax rate of 20.1% (2013: 20.1%)	5,109	5,155
(Tax credits)/tax charges on prior years' results, net	-793	1,454
Effect from deviation to tax rates in Group companies	-990	92
Tax rate changes, net	1,318	-61
(Non-taxable income)/non-tax deductible expenses, net	707	-1,781
(use of unrecognised tax losses)/effect of unrecognised tax losses on the current year's result, net	829	293
(Reversal of)/write offs on deferred tax assets, net	51	-123
Other effects	1	12
<b>Effective (total) income tax expense</b>	<b>6,232</b>	<b>5,041</b>

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

**Tax effects on and expiry dates of losses carried forward**

in thousands CHF	31.12.2014		31.12.2013	
	not activated	activated	not activated	activated
<b>Expiry:</b>				
2014			186	
2015				
2016				
2017	30		30	
2018	662	64		
2019	510			
2019 and later	10,979	4,468	14,891	5,177
unlimited	15,103	406	9,108	
<b>Total</b>	<b>27,284</b>	<b>4,938</b>	<b>24,215</b>	<b>5,177</b>
Tax benefit	8,838	1,906	7,903	1,767
Thereof unrecognisable	-8,838		-7,903	
<b>Deferred tax assets from carried forward losses</b>		<b>1,906</b>		<b>1,767</b>

A tax effect of CHF 1.3 million resulted from new tax losses carried forward of CHF 3.8 million in 2014 of which CHF 0.3 million were capitalised (2013: new tax losses of CHF 5.2 million with a tax effect of CHF 1.4 million, whereof CHF 0.1 million were capitalised).

Deferred tax assets on unused tax losses carried forward and based on temporary differences are capitalised in case it is probable that such assets can be set off against future taxable profits. Due to the probability to set off current tax losses carried forward against future profits in various subsidiaries, an amount of CHF 1.9 million has been capitalised in 2014 (2013: CHF 1.8 million). Interroll considers the future set off probable based on approved business plans. The majority of non-capitalised deferred tax assets on losses carried forward concern US-based subsidiaries. The applicable tax rate for both years under review is 39%.

**Attribution of deferred tax assets/liabilities to balance sheet items**

in thousands CHF	31.12.2014		31.12.2013	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,632	2,018	956	1,513
Property, plant and equipment	1,032	2,657	663	2,590
Financial assets		2,873	194	31
Inventory	376	670	298	62
Benefits of loss carry forwards	1,906		1,703	
Receivables	96	266	226	85
<b>Total assets</b>	<b>5,042</b>	<b>8,484</b>	<b>4,040</b>	<b>4,281</b>
Long term debts	78		124	27
Provisions	1,992	330	1,196	2,629
Short term debts	554	1	188	323
Other liabilities	13		28	
<b>Total liabilities</b>	<b>2,637</b>	<b>331</b>	<b>1,536</b>	<b>2,979</b>
Set-off	-3,529	-3,529	-2,189	-2,189
<b>Total net</b>	<b>4,150</b>	<b>5,286</b>	<b>3,387</b>	<b>5,071</b>

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

## 8 OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS

### 8.1 Contingent liabilities and other commitments

In 2014 Interroll Group has committed to guarantees versus third parties in the amount of CHF 0.3 million (2013: CHF 0.3 million). These guarantees are in relation to customer orders. There are no further contingent liabilities in both years under review.

### 8.2 Related party transactions

#### Transactions with related parties

in thousands CHF	Category	2014	Volume		Open payables	
			2013	31.12.2014	31.12.2013	
Purchase of materials	a	591	1,751	15	115	
Consulting services	b	2,122	2,680			
IT Investments/IT Services	a	206	221	3	4	
Other purchases	a	6	193		2	
<b>Total purchases</b>		<b>2,925</b>	<b>4,845</b>	<b>18</b>	<b>121</b>	

in thousands CHF	Category	2014	Volume		Open receivables	
			2013	31.12.2014	31.12.2013	
Sale of material	a	338	4,936	38	917	
Other income	b	15	232			
<b>Total services</b>		<b>353</b>	<b>5,168</b>	<b>38</b>	<b>917</b>	

#### Definition of related parties

Interroll Group defines and categorises its related parties as follows:

- 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 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 2014 to the Board of Directors of Interroll Holding Ltd. is CHF 0.54 million (2013: 0.54 million). The detailed disclosure on the compensation to and shares owned by the Board of Directors and Group Management required by Swiss law are included in the Compensation Report.

**Total compensation to Group Management**

in thousands CHF	2014	2013
Salaries incl. bonus	3,780	3,646
Post-employment benefits	557	541
Equity based compensation	903	867
<b>Total compensation to the Group Management</b>	<b>5,240</b>	<b>5,054</b>

In the period under review as well as in the previous year 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 Compensation Report.

**8.3 Subsequent events**

The Swiss National Bank (SNB) on 15 January 2015 has decided not to defend anymore the exchange rate floor of CHF 1.20 per euro. The business of Interroll is organized pronounced locally and therefore only small transaction risks arise from foreign currency movements. However, by translating financial statements of Group companies from local currency into the reporting currency Swiss francs, considerable translation risks on results and the equity of the group may arise.

The consolidated financial statements for the year 2014 were approved by the Board of Directors on 3 March 2015 and are subject to further approval by the General Meeting of the Shareholders on 8 May 2015.

No event has occurred between 31 December 2014 and 3 March 2015 which would require adjustment to the carrying amount of the Group's assets and liabilities as per 31 December 2014, or would require disclosure in accordance with IAS 10.

## 8.4 Scope of consolidation

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %
<b>Switzerland</b>					
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%
<b>EMEA (without Switzerland)</b>					
Interroll Fördertechnik GmbH	Wermelskirchen (DE)	S	DP	EUR 25.6	100%
Interroll Engineering GmbH	Wermelskirchen (DE)	P	DHO	EUR 1,662.2	100%
Interroll Automation GmbH	Sinsheim (DE)	P	DHO	EUR 2,000.0	100%
Interroll Holding GmbH	Wermelskirchen (DE)	F	HD	EUR 500.0	100%
Interroll GmbH	Wermelskirchen (DE)	D	HD	EUR 25.0	100%
Interroll Trommelmotoren GmbH	Baal/Hückelhoven (DE)	P	DHO	EUR 77.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	F	HDE	EUR 2,808.0	100%
Interroll SAS	La Roche sur Yon (FR)	P	F	EUR 2,660.0	100%
Interroll SAS	Saint-Pol-de-Léon (FR)	S	F	EUR 61.0	100%
Interroll Nordic AS	Hvidovre (DK)	S	DKP	EUR 67.1	100%
Interroll Joki AS, Hvidovre	Hvidovre (DK)	P	HD	EUR 2,013.8	100%
Portec International Ltd.	Leicester (GB)	D	HDP	GBP 0.0	100%
Interroll Ltd.	Corby (GB)	S	HDE	GBP 0.0	100%
Interroll Engineering Ltd.	Corby (GB)	D	HDE	GBP 0.1	100%
Interroll Italia S.r.l	Rho (IT)	S	HDE	EUR 10.0	100%
Interroll España SA	Cerdanyola del Vallès (ES)	S	HDE/TI	EUR 600.0	100%
Interroll CZ sro.	Breclav (CZ)	S	HDE	CZK 1,000.0	100%
Interroll Europe BV	Emmeloord (NL)	F	HD	EUR 90.8	100%
Interroll Polska Sp.z.o.o.	Warszaw (PL)	S	HD	PLZ 100.0	100%
Interroll Lojistik Sistemleri	Istanbul (TR)	S	HD	TRY 1,000.0	100%
Interroll SA (Proprietary) Ltd.	Johannesburg (ZA)	S	HD	ZAR 0.3	100%
<b>Americas</b>					
Interroll Corporation	Wilmington, NC (US)	P/S	IAU	USD 65.0	100%
Interroll USA Holding LLC	Wilmington, DE (US)	F	HD	USD 0.1	100%
Portec Group International, Inc.	Cañon City, CO (US)	F	IAU	USD 0.2	100%
Interroll Engineering West, Inc.	Cañon City, CO (US)	P/S	HDP	USD 33,500.0	100%
Interroll Atlanta LLC	Hiram/Atlanta, GA (US)	P/S	IAU	USD 0.0	100%
Interroll Dynamic Storage, Inc.	Hiram/Atlanta, GA (US)	P/S	USA	USD 0.0	100%
Interroll Canada Ltd.	Aurora (CA)	P/S	HD	CAD 1,720.1	100%
Interroll Logistica Ltda	Jaguariuna/S. Paolo (BR)	P/S	E	BRL 9,049.7	100%

Name	Location (country)	Function	Owner	Share capital in 1,000	Ownership in %
<b>Asia-Pacific</b>					
Interroll (Asia) Pte. Ltd.	Singapore (SG)	S	HDE	SGD 18,625.0	100%
Interroll Suzhou Co. Ltd.	Suzhou (CN)	P/S	SGP	CNY 42,490.2	100%
Interroll Holding Management (Shanghai) Co. Ltd.	Shanghai (CN)	S	SGP	CNY 0.0	100%
Interroll Shenzhen Co. Ltd.	Shenzhen (CN)	P	SGP	CNY 880.0	100%
Portec Asia Limited	Hong Kong (CN)	S	SGP	HKD 700.0	100%
Interroll Australia Pty. Ltd.	Victoria (AU)	S	HD	AUD 51.2	100%
Interroll (Thailand) Co. Ltd.	Panthong (TH)	P/S	SGP/HD	THB 100,000.0	100%
Interroll Japan Co. Ltd.	Tokyo (JP)	S	HD	JPY 10,000.0	100%
Interroll (Korea) Corporation	Seoul (KR)	P/S	SGP/HD	KRW 1,500,000.0	100%

Function: P = Production, S = Sales, F = Finance, D = 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, IAU = Interroll USA Holding LLC, HDP = Portec Group International Inc.

#### Movements within the scope of consolidation in 2014

In Shanghai, China Interroll Holding Management (Shanghai) Co. Ltd. was started up. Furthermore, in 2014 a 40 % minority stake into Portec Asia Limited in Hong Kong, China, and 100 % of the shares of Pert Engineering Limited in Shenzhen, China, were bought. Pert Engineering Limited subsequently changed its name to Interroll Shenzhen Co. Ltd. Portec Asia Limited in Hong Kong is now hold by Interroll (Asia) Pte. Ltd. in Singapore, Singapore (2013: Portec Group International in Cañon City, USA). In the year under review the share capital of Interroll Logistica Ltda in Brasil was increased by BRL 8,050 from BRL 1,000 to BRL 9,050. Interroll Automation LLC formerly located in Jeffersonville, IN trades now under the name Interroll USA Holding LLC and is registered in Wilmington, DE, USA, as a holding company.

#### Movements within the scope of consolidation in 2013

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



## 9 REPORT OF THE STATUTORY AUDITOR

### **Report of the statutory auditor to the General Meeting on the consolidated financial statements 2014**

#### **Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 62 to 114), for the year ended 31 December 2014.

#### **Board of Directors' responsibility**

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

#### **Auditor's responsibility**

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

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



**Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Report on other legal requirements**

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

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

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

PricewaterhouseCoopers AG



Patrick Balkanyi  
Audit expert  
Auditor in charge



Martin Graf  
Audit expert

Zürich, 3 March 2015

# FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

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# 1 FINANCIAL STATEMENTS OF INTERROLL HOLDING LTD.

## 1.1 Balance sheet

in thousands CHF	see Notes*	31.12.2014	31.12.2013
<b>ASSETS</b>			
Cash and cash equivalents		1,141	1,361
Accounts receivable from subsidiaries		1,268	907
Other receivables from third parties		197	278
Own shares	3.1	2,008	1,641
<b>Total current assets</b>		<b>4,614</b>	<b>4,187</b>
Investments		217,728	213,169
Loans to subsidiaries	3.3	9,615	19,298
<b>Total non-current assets</b>		<b>227,343</b>	<b>232,467</b>
<b>Total assets</b>		<b>231,957</b>	<b>236,654</b>
<b>EQUITY AND LIABILITIES</b>			
Trade and other accounts payable from subsidiaries		264	1,080
Trade and other accounts payable from third parties		77	51
Loans from subsidiaries		1,648	
Accrued expenses		1,069	1,180
<b>Total current liabilities</b>		<b>3,058</b>	<b>2,311</b>
Provision for loan assets and investment risks	3.5	110,771	110,771
<b>Total non-current liabilities</b>		<b>110,771</b>	<b>110,771</b>
Share capital	3.6	8,540	8,540
Share premium		8	7,501
General legal reserve		5,209	5,209
Reserve for own shares	3.6	2,008	1,641
Available earnings		102,363	100,681
<b>Total shareholder's equity</b>		<b>118,128</b>	<b>123,572</b>
<b>Total liabilities and equity</b>		<b>231,957</b>	<b>236,654</b>

\* See notes to the financial statements.

## 1.2 Income statement

in thousands CHF	2014	2013
Investment income	520	575
Royalty income	3,165	3,005
Other operating income	1,334	5,893
Financial income	1,396	2,397
<b>Total income</b>	<b>6,415</b>	<b>11,870</b>
Administration expenses	-504	-405
Personnel expenses	-1,877	-1,984
Other operating expenses	-1,236	-4,379
Financial expenses	-749	-1,428
<b>Total expenses</b>	<b>-4,366</b>	<b>-8,196</b>
<b>Result before income taxes</b>	<b>2,049</b>	<b>3,674</b>
Income tax expenses		-22
<b>Result</b>	<b>2,049</b>	<b>3,652</b>

## 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
<b>As of 1.1.2013</b>	<b>8,540</b>	<b>14,022</b>	<b>5,209</b>	<b>17,671</b>	<b>80,999</b>	<b>126,441</b>
Result 2013					3,652	<b>3,652</b>
Distribution from approbation from capital contributions		-6,521				<b>-6,521</b>
Change of reserve for own shares				-16,030	16,030	
<b>Per 31.12.2013</b>	<b>8,540</b>	<b>7,501</b>	<b>5,209</b>	<b>1,641</b>	<b>100,681</b>	<b>123,572</b>
Result 2014					2,049	<b>2,049</b>
Distribution from approbation from capital contributions		-7,493				<b>-7,493</b>
Change of reserve for own shares				367	-367	
<b>Per 31.12.2014</b>	<b>8,540</b>	<b>8</b>	<b>5,209</b>	<b>2,008</b>	<b>102,363</b>	<b>118,128</b>

## 2 GENERAL INFORMATION TO THE FINANCIAL STATEMENTS

### 2.1 Accounting Policies

#### **Current/Non-current distinction**

Current assets are assets expected to be realised or consumed in the normal course of the Company's operating cycle or assets held for trading purposes. All other assets are classified as non-current assets.

Current liabilities are liabilities expected to be settled by use of cash generated in the normal course of the Company's operating cycle or liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

#### **Foreign currency translation**

Transactions in foreign currencies are recorded using exchange rates prevailing at the time of the transaction. Gains or losses arising on settlement of these transactions are included in the current year's income under financial income and financial expenses respectively. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the balance sheet date. Any gains or losses resulting from this translation are also included in the current year's income, except for unrealised gains which are deferred.

#### **Accounting law**

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

### 2.2 Principles of valuation

#### **Cash and cash equivalents, accounts receivable and payable**

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

#### **Own shares and options**

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

#### **Loans**

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

#### **Investments**

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

#### **Accrued expenses**

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

### 3 NOTES TO THE FINANCIAL STATEMENTS

#### 3.1 Own shares and options

##### Shares sold, acquired and held in the periods under review

In the year under review, the Company did not sell any own shares (previous year: sale of 2,964 shares at an average price of CHF 409). In the year under review, the Company did acquire 2,090 shares (previous year: 300 shares). At year end 2014, the Company held 4,170 own shares at a book value of CHF 2.0 million (2013: 3,849 own shares at a book value of CHF 1.6 million).

##### Shares held to cover the option plan

In the previous year, 42,625 shares from the option plan were sold at the strike price of CHF 323. The option plan ceased in September 2013.

##### Attribution of own shares to employees

1,769 shares (previous year: 2,580 shares) at a carrying value of CHF 0.9 million (previous year: CHF 1.0 million) were attributed to employees.

#### 3.2 Investments

An overview on the material investments either directly or indirectly held by Interroll Holding Ltd. can be found in the notes to the consolidated statements of the Interroll Group (see 8.4 "Scope of consolidation").

#### 3.3 Loans to subsidiaries

The interest rates used were the following:

	lowest	highest
In the year 2014	0.00%	4.50%
In the year 2013	0.00%	4.00%

The loans due to Group companies are normally redeemable with a notification period of three months. As of year end, the total outstanding group loans amounted to CHF 9.6 million (2013: CHF 19.3 million). For CHF 2.8 million (previous year: CHF 2.8 million) a valuation allowance has been accounted for.

#### 3.4 Loans from subsidiaries

The following interest rates were used:

	lowest	highest
In the year 2014	1.50%	4.50%
In the year 2013	1.00%	1.50%

The loans due from Group companies are normally redeemable with a notification period of three months. As of year end 2014, the total outstanding group loans amounted to CHF 1.6 million (2013: CHF 0.0 million).

#### 3.5 Provision for investment risks

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

### 3.6 Shareholders equity

#### Composition of the share capital

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

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

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

Shareholder / Shareholder Group	31.12.2014		31.12.2013	
	Number of shares	participation in %	Number of shares	participation in %
D. Specht and family	86,695	10.15	108,610	12.72
B. Ghisalberty/E. Moreschi and family	111,243	13.03	112,743	13.20
N. Axmann and family	39,017	4.57	39,017	4.57
Sarasin Investmentfonds AG	66,850	7.83	72,874	8.53
Allianz Group	50,084	5.86	42,930	5.03
Kempen European Participations N.V.	43,554	5.10	0	0.00
Schroders PLC	43,833	5.13	0	0.00
Public (floating)	412,724	48.33	477,826	55.95
<b>Total</b>	<b>854,000</b>	<b>100.00</b>	<b>854,000</b>	<b>100.00</b>

#### Reserve for own shares

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

### 3.7 Contingent liabilities

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

In addition, Interroll Holding Ltd. issued letters of continuing financial support in favour of the following Group companies:

Country	Company
Germany	Interroll Automation GmbH, Sinsheim (DE)
France	Interroll S.A.S., La Roche sur Yon (FR)
Switzerland	Interroll (Schweiz) AG, Sant'Antonino (CH)
Canada	Interroll Canada Ltd., Aurora (CA)

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

## 4 OTHER DISCLOSURES ACCORDING TO SWISS LAW

### 4.1 Risk assessment

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

### 4.2 Internal control system

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

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

Interroll Group Management assessed the effectiveness of the Group's internal control over financial reporting as per 31 December 2014. Based on its assessment, management has concluded that, as per 31 December 2014, 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 and the Group Management

The compensation of the members of the Board of Directors and the Group Management as well as the shares and options held by the members of the Board of Directors at year end are disclosed in the Compensation Report in accordance with VegüV and the Swiss Code of Obligations 663c (see Compensation Report, page 53 to 60).

### 4.4 Compensation of and shares held by Group Management

	Shares as of 31.12.		Options as of 31.12.	
	2014	2013	2014	2013
Paul Zumbühl	17,268	16,088		
Dr. Ralf Garlichs	350	250		
Dr. Christoph Reinkemeier	390	290		
Jens Karolyi	83	57		
Tim McGill	3,003	2,886		
Daniel Bättig*	147			
Dr. Ben Xia**				
<b>Total</b>	<b>21,241</b>	<b>19,571</b>		

\* Daniel Bättig entered Group Management as per 1 March 2013.

\*\* Dr. Ben Xia entered Group Management as per 1 July 2013.



## 5 PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

### Appropriation of available earnings

The Board of Directors proposes to the General Assembly as of 8 May 2015 to appropriate the available earnings as per end of the year under review as follows:

in thousands CHF	2014	2013
Result	2,049	3,652
Available earnings carried over from previous year	100,681	80,999
Change of reserve for own shares	-367	16,030
<b>To be carried forward</b>	<b>102,363</b>	<b>100,681</b>

### Proposed reduction in nominal value of the Interroll share

The Board of Directors proposes to the General Assembly in lieu of a dividend payment the reduction in nominal value of the Interroll share in the amount of CHF 9.00 from CHF 10.00 to new CHF 1.00 per share. In total a maximum of CHF 7.7 million is proposed to be paid out. In the previous year the distribution of reserves from capital contributions in the amount of CHF 8.80 per share was proposed, approved and a total of CHF 7.5 million was paid out. If the reduction in nominal value of the Interroll share is approved, the respective settlement will be processed in the third quarter of 2015.



## 6 REPORT OF THE STATUTORY AUDITOR

### **Report of the statutory auditor to the General Meeting on the financial statements 2014**

#### **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of INTERROLL HOLDING LTD, which comprise the balance sheet, income statement and notes (pages 118 to 124), for the year ended 31 December 2014.

#### **Board of Directors' responsibility**

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

#### **Auditor's responsibility**

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

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

**Opinion**

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**

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

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

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

PricewaterhouseCoopers AG



Patrick Balkanyi  
Audit expert  
Auditor in charge



Martin Graf  
Audit expert

Zürich, 3 March 2015

# FINANCIAL CALENDAR 2015

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Preliminary Financial Figures 2014	23 January 2015
Publication Annual Report 2014 and Balance Sheet Press Conference	20 March 2015
Annual General Assembly	8 May 2015
Publication Half-Year Report 2015	7 August 2015

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## CONTACT UND IMPRINT

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

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**NOTE ON THE ANNUAL REPORT**

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

**NOTE ON ROUNDING**

Please note that slight differences may arise as a result of the use of rounded amounts and percentages.

**FORWARD-LOOKING STATEMENTS**

This annual report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as “believe”, “estimate”, “assume”, “expect”, “forecast”, “intend”, “could” or “should” or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the company’s current assumptions, which may not in the future take place or be fulfilled as expected. The company points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of the Interroll Group and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for the Interroll Group, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this annual report, no guarantee can be given that this will continue to be the case in the future.





**Interroll Holding Ltd.**

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